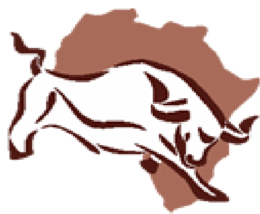


SECURITIES AFRICA

For week ending 16 March 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:

	16-Mar-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.07	-1.46	-0.15
DZD	74.10	-0.33	1.51
BWP	7.14	-0.57	3.12
CFA	492.29	-0.92	0.50
EGP	6.01	0.02	-0.02
GHS	1.72	-0.56	-6.02
KES	81.08	0.32	2.97
MWK	164.85	1.05	-1.51
MUR	28.07	-0.19	0.23
MAD	8.50	-0.98	0.89
MZM	26,950.00	1.28	-0.94
NAD	7.65	-1.27	6.09
NGN	157.66	-0.23	1.33
ZAR	7.66	-1.43	6.29
SDD	266.30	-0.03	-0.08
SDP	2,261.00	0.00	0.00
SZL	7.65	-1.26	6.12
TND	1.52	-0.83	-1.60
TZS	1,572.33	-0.14	-0.76
UGX	2,433.39	-0.52	0.57
ZMK	5,185.73	0.06	-3.35

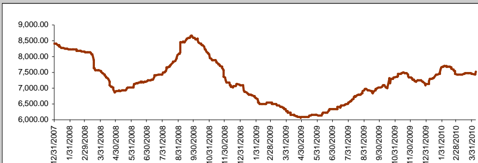
Source:oanda.com

African Stock Exchange Performance:

Country	Index	Exchange Rate 30 Dec 2011	16 March 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7.37	7,059.24	0.29%	-0.28%	1.27%	4.53%
Egypt	CASE 30	6.01	5,169.43	-4.21%	-4.20%	42.71%	42.68%
Ghana	GSE All Share	1.62	1,032.99	0.56%	0.00%	6.60%	0.55%
Ivory Coast	BRVM Composite	494.74	150.71	0.66%	-0.26%	8.52%	9.06%
Kenya	NSE 20	83.56	3,318.95	-2.41%	-2.10%	3.55%	6.72%
Malawi	Malawi All Share	162.40	5,478.51	0.73%	1.80%	2.03%	0.52%
Mauritius	SEMDEX	28.14	1,761.25	-0.39%	-0.59%	-6.73%	-6.51%
	SEM 7	28.14	330.18	-0.35%	-0.54%	-5.75%	-5.53%
Morocco	MASI	8.58	11,088.37	-2.35%	-3.30%	0.71%	1.62%
Namibia	Overall Index	8.14	919.00	1.32%	0.05%	9.66%	16.78%
Nigeria	Nigeria All Share	159.79	20,824.25	-0.60%	-0.83%	0.45%	1.81%
South Africa	All Share	8.17	34,221.62	0.87%	-0.55%	6.96%	14.14%
Swaziland	All Share	8.15	277.72	0.00%	-1.24%	3.46%	10.21%
Tanzania	DSEI	1,560.40	1,319.28	0.02%	-0.12%	1.23%	0.46%
Tunisia	TunIndex	1.52	4,763.98	-0.10%	-0.93%	0.88%	1.16%
Zambia	LUSE All Share	5,032.06	3,898.06	-1.15%	-1.10%	-6.52%	-9.29%
Zimbabwe	Industrial Index	1.00	138.67	-2.74%	-2.74%	-4.93%	-4.93%
	Mining Index	1.00	85.45	-7.50%	-7.50%	-15.14%	-15.14%

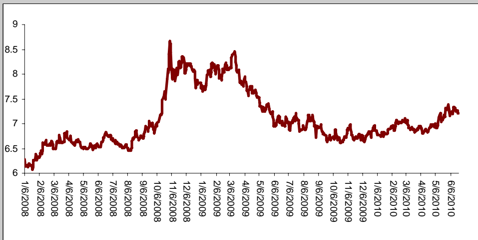
Botswana

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 0.29% to close at 7,059.24 points. Cresta and BIHL were led the gainers after adding +5.90% and +4.50% to close at BWP 1.07 and BWP 0.45 respectively. Notable losses were recorded in Blue (-12.7%), Lethole (-12.3%) and Choppies (-4.8%). Market turnover for the week amounted to BWP 15.64m after 8.98m shares exchanged hands.

Corporate News

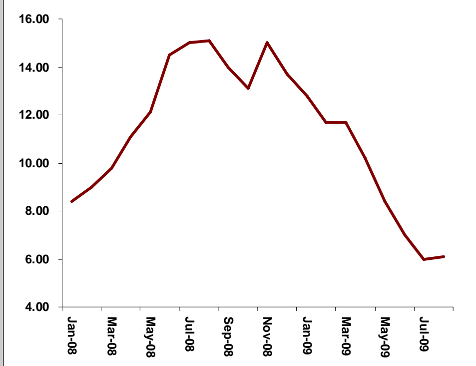
The government of Botswana has formed a new state-owned diamond trading company that will purchase, market and sell the 10% to 15% portion of Debswana production to which the state is entitled, through the new marketing agreement signed with De Beers last year. Miningmx quotes news daily Mmegi as reporting that the new Okavango Diamond Trading Company is expected to auction independently an estimated USD 300m worth of diamonds per year on the open market from Debswana's average USD 3bn-a-year supply.

In his Committee of Supply speech to Parliament this week, minister of minerals, energy and water resources Ponatshego Kedikilwe said his ministry had completed the incorporation of the private company, which was wholly owned by government. “The interim board of directors of the company has been appointed and the appointment of CEO will follow suit immediately once the potential candidate has been identified and confirmed,” the minister said earlier.

Under the 10-year deal signed in September last year, Botswana will buy 10% of Debswana run-of-mine production and sell it independently through open tenders outside the traditional DTC framework. The government's portion will rise to 15% over a four-year period. *(Mining Review)*

Botswana's leading fast moving consumer goods (FMCG) retail chain, Choppies, has recorded a 33% increase in revenue to BWP 1.6bn, according to the company's financial results for the six months ended December 2011. Choppies, which recently listed on the BSE, registered a 15% rise in operating profit to BWP 86m while net profit after tax increased by 24% to BWP 63m. During the period under review, the supermarket chain opened two new stores in Botswana and one in South Africa. According to a statement accompanying the results, "the company plans to open four new stores in Botswana within the next six months and five new stores in South Africa within the same length of time."

The retail group raised BWP 350m in both the Initial Public Offer (IPO) and the private placement prior to its listing on the local bourse two months ago. With 49 stores in Botswana and plans to open more by June this year, Choppies is the largest supermarket chain in Botswana, raking in over P103m after tax in



Source: SAR

the year ended June 2011. The group says part of the BWP 350m will be used to spur Choppies' regional expansion, particularly in South Africa where the company already has 10 stores.

It also intends to increase its footprint in the SADC region to over 30 stores over the next two years. To that end, Choppies has its eyes set on the Mozambique, Zambia and Tanzania where the group believes there is still room for growth in the retail sector. "The group intends to have 16 additional stores over the next two years with a vision to expand to 150 stores over the next five years," it says. Due to strong growth in Botswana and South African operations, revenue is forecast to grow by 40.5% during 2012.

Choppies Botswana operations are expected to expand by 18.3% for financial year 2012, driven by the opening of eight more stores in the current financial year which are expected to contribute 10% of the growth. More contributions for the year will be expected from in-house brands, product mix, capture of the wholesale market and the group's in-house butcheries, bakeries and takeaways.

The cost of the store rollout in Botswana is forecast to be BWP 75.5m. Choppies says it is currently the largest private sector employee with over 3,900 workers, 98% of whom are Batswana. Meanwhile, the company's stock on the BSE continues to rise since its BWP 1.40 debut price on January 26, ending yesterday trade at BWP 1.60. *(Mmegi)*

Petra Diamonds said initial drilling and microdiamond analysis results indicate that kimberlite KX36, part of the Kukama East project in central Botswana, has significant potential. The company will start a large diameter drilling programme next month to obtain a bulk sample. Petra has now received results from work undertaken on KX36 last year, when a total of 1,373 metres was drilled in five holes and 250 diamonds, collectively weighing 0.756 carats, were recovered from 403.88 kilogrammes of kimberlite.

The largest diamond recovered was transparent white, weighing 0.393 carats. An initial model puts the diamond grade for the kimberlite between 75 carats per hundred tonne (cpht) and 180 cpht. Incorporation of drilling results into the existing 3D geological model indicates a potential kimberlite tonnage of between 28m tonnes and 34 Mt to a vertical depth of 516 metres. The deposit remains open at depth.

Technical director Jim Davidson said: "Our exploration programme in Botswana has led to the discovery of five new kimberlites so far, and the strong micro diamond results and the favourable coarser diamond size indications for kimberlite KX36 are most encouraging.

“We have now launched the next phase of our evaluation of this exciting discovery, with the bulk sampling work programme scheduled to commence shortly. KX36 is approximately 60 kilometres from the nearest known kimberlite, meaning there is the potential for KX36 to be part of a new kimberlite field," he added. *(Proactive Investors)*

Economic News

Cabinet has approved amendments to the Income Tax and Banking Acts that will see Botswana's legislative framework conform to international taxation transparency standards. At a G-20 summit in November last year, French president Nicolas Sarkozy called for Botswana, alongside eleven other countries, to be excluded from the international business community because the country was a tax haven that did not have a "suitable legal framework for the exchange of tax information."

The amendments are expected to cover previously raised concerns by the OECD and the World Bank on bank secrecy as an impediment to the exchange of tax information, as well as the lack of legislation requiring identification of nominees' clients. In an interview with the Mmegi this week, finance minister Kenneth Matambo said cabinet had already approved the amendments he proposed to the Income Act and Banking Act.

"It is important that we are in line with international standards," Matambo said. "The changes to the two Acts have been given the nod by Cabinet. Next, I will take the amendments to Parliament for final approval." The amendments are expected to give the Commissioner General of Botswana Unified Revenue Service (BURS) powers to obtain and provide information requested by foreign tax authorities from local banks. Due to the existence of the Botswana International Financial Services Centre (IFSC), the OECD's Global Forum chose Botswana for review, turning up deficiencies in the country's legislative framework with regard to tax information transparency.

Investors under the Botswana IFSC tax status pay a corporate tax rate of 15%, compared to 22% that is paid by domestic companies. IFSC companies are also exempted from capital gains tax and withholding tax. According to the Ministry of Finance, the Global Forum review assessed the state of preparedness of Botswana's regulatory and legislative framework to freely enter into tax information exchange agreements with tax and regulatory authorities from foreign countries.

While Matambo admitted the shortcomings in Botswana laws, he said the country had tried its best to share tax information with as many countries as possible and had signed many double taxation agreements with numerous countries. Botswana currently has 13 Double Taxation Avoidance (DTA) treaties and a further 12 at various stages of negotiation and ratification. "We have many treaties that are currently in force, including with countries such as UK, France, Sweden, South Africa and Mauritius," said the minister.

"This month, I will be signing yet another DTA treaty with China while the process of signing more such agreements with our trading partners is on-going." The agreement covers taxes on income and provides for co-operation on avoidance of double taxation and prevention of tax evasion on income and capital gains as well as fraud by providing for the exchange of information on taxpayers.

According to the IFSC website, Botswana is currently in DTA treaties negotiations with countries that include Japan, Angola, Uganda and Kenya. In instances where DTA treaties are not already in place, the Botswana IFSC legislative framework, as set out in the Income Tax Act, allows accredited companies a unilateral credit of up to 15% for withholding taxes suffered in jurisdictions with which Botswana does not yet have a DTA. *(Mmegi)*

The European Union (EU) has given Botswana BWP 250m (EUR 26.6m) to finance short-term Fluctuations in Export Earnings (FLEX), Monitor Business has learnt. The money came under an agreement between Botswana and the EU for the allocation of supplementary development funds. Speaking at the signing ceremony in Gaborone last week, the Minister of Finance and Development Planning, Kenneth Matambo, said FLEX would safeguard socio-economic reforms and policies that could be affected negatively as a result of a drop in revenue emanating from the 2009 financial and economic crises.

Matambo said Botswana was yet to recover from the 2009 economic recession and that Botswana's major economic mainstay, diamond sales, had declined. "Botswana is a mineral export-based economy and during the 2010 period, diamond sales decreased dramatically as a result of the world economic and financial crisis," he said. It was for this reason that the European Union was extending additional funds to Botswana. "These funds are intended to contribute to the goals of National Development Plan 10 (NDP 10) by strengthening human resource development and supporting public sector reforms," Matambo said.

The Head of the European Union delegation to Botswana and SADC, Ambassador Gerard McGovern, explained that the supplementary grants would support the government's economic diversification drive through their integration into the ongoing Botswana-EU human resource development programme. "This large programme has the objective to increase access to and quality of education and to align better labour demand and supply qualifications in Botswana," McGovern said.

He added that the funds would also provide specific technical assistance to strengthen the education system and to underpin large and comprehensive on-going public finance management reform programmes at the finance ministry. McGovern said the decision to allocate additional funds to Botswana was taken by the EU and its member states following the financial and economic crisis that started in 2009 and severely hit Botswana and the world economy.

"We have taken good note of the approved budget 2012-2013 which reflects the priority given to macro-economic stability by the Government of Botswana and which is the best guarantee for sustainable development," he said. He added that the funds were blended with the government's own budgetary resources in the interests of streamlined management and control. "We do it in this way to reduce transaction costs for government but also because we have confidence in the country's public finance management system."Botswana has under the 10th European Development Fund (2008-2013) received an allocation of 83.5m euros.

The current EUR 26.68m brings the total amount of support to EUR 110.18m. The EU and Sub-Saharan Africa, the Caribbean and Pacific countries have signed a 20-year trade and development assistance agreement that runs to 2020 known as the Cotonou Agreement. The agreement features support to a broad spectrum of social and economic goals in the partner countries. For Botswana, it mainly covers education, health, small enterprise development, civil society and community-based programmes. *(Mmegi)*

Government will lift the five-year suspension it placed on the issuance of licences for new diamond cutting and polishing firms next month, Mmegi Business has learnt. A statement released by the Ministry of Minerals, Energy and Water Resources says the suspension placed on new diamond and cutting licences will be lifted with effect from April 1, 2012.

"Guidelines on how to apply for a diamond cutting and polishing licences, together with licensing criteria, will be published on the ministry's and government websites," the statement reads. With the latest move, Botswana beats Namibia to the reopening of its diamond cutting and polishing sector. Namibia also suspended issuance of new licences in 2007, citing similar concerns to Botswana's.

Government suspended the issuance of new licence in June 2007, citing concerns that the proliferation of firms would complicate regulation and undermine healthy competition within the fledgling industry. The suspension followed the issuance of 14 licences in 2006, prompted by the historic agreements between government and De Beers establishing diamond sales within Botswana.

Prior to that, only four firms were involved in diamond cutting and polishing activities in Botswana as calls for greater value addition of the economically strategic activity within the country grew. In suspending the issuance of new licences, minerals Minister Ponatshego Kedikilwe explained that there was a need to establish an office to monitor the cutting and polishing firms.

He added that government wished to develop the industry by attracting downstream activities such as banking and insurance to ensure sustained growth of the newly enlarged sector. To-date, global bank ABM Amro has set up shop in Botswana, targeting the diamond sector. Other local banking and insurance institutions have developed programmes targeting the sector. *(Mmegi)*

Government's auction of two bonds and a treasury bill valued at P1.6bn last Friday triggered a stampede among commercial banks, with bids received strongly exceeding the amounts available. Government sources domestic debt through biannual auctions of bonds and treasury bills conducted by the Bank of Botswana. While since the recession, government has borrowed heavily locally and externally, the 2012/13 budgetary surplus means last Friday's auction was more about developing capital markets than boosting public coffers.

According to available data, the auction witnessed strong bids from banks eager for the high return, risk-free government bonds and treasury bills. The bid-to-cover ratios on the treasury bill and the two bonds averaged 2.4, indicating a highly successful auction with aggressive bids. According to analysts, an auction is considered successful if its bid-to-cover ratio is above 2.0. The ratio refers to the value of bids received compared to the value of bids accepted. Results from last Friday's auction indicate high demand for the P1bn treasury bill, with bids received amounting to BWP 2.94bn. Bids received ranged from 6.18% to 4.45%, with the Bank of Botswana (BoB) accepting bids at 5.06% and lower. For the treasury bill, a total of 38 bids were received, with 17 successful.

Government bond BW005 valued at BWP 300m received bids amounting to BWP 719m, with bids ranging from 10.25% to 6.70%. BoB accepted bids at 6.70% and lower, meaning only one bid was successful among 26 bids. The other bond, BW007, also valued at BWP 300m, received bids amounting to BWP 539m, with bid ranging from 12 to eight%. BoB accepted bids at 8.25% and lower, with 14 of the 31 bids received being successful. Prior to the auction, analysts had predicted strong demand for the bonds and the treasury bill, noting the excess liquidity commercial banks have been saddled with in recent months.

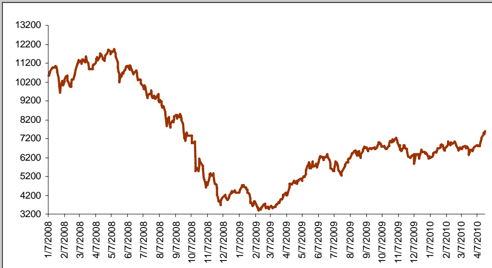
Last November, BoB cut the stock of outstanding BoBCs, leaving commercial banks with an additional P3bn in idle funds. The central bank said its move was designed to lessen the interest costs of BoBCs and push banks to innovate new investment avenues. At the time, BoB also said government bonds and treasury bills were a better investment for commercial banks than BoBCs. "The beneficial effects of government securities include availing the opportunity for the general public to invest in government paper as well as distributing the interest income more widely," BoB said in announcing the move.

BoBCs are restricted to commercial banks while bank customers are allowed to buy government bonds and treasury bills from the banks, thus "distributing the interest income more widely." Last Friday's auction was the first opportunity for commercial banks to invest their excess liquidity in government securities since the November decision, with the eagerness reflected by the robust bid-to-cover ratios. *(Mmegi)*

Botswana's headline consumer inflation braked further in February, slowing to a seven-month low of 8.2% from 8.8% in January, the Central Statistics Office said on Thursday. On a monthly basis February inflation slowed to 0.2% from 0.5% previously. *(Reuters)*

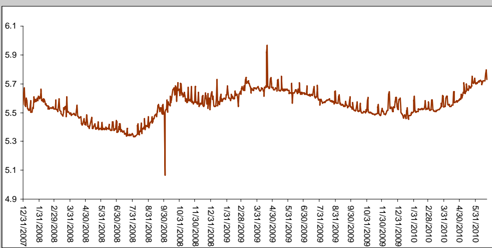
EGYPT

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 -4.21% to 5,169.43 points. Paper middle East led the movers after gaining +6.67% to EGP 7.84 followed by Ezz Steel (+6.35%) and Upper Egypt Cotracting (+5.38%). Goldern Pyramids was the biggest loser after shedding -9.95% to close the week at EGP 1.72. Other notable losses were recorded in: The Arab Dairy (-8.91%) and Sharm Dreams (-7.47%).

Corporate News

Egyptian dairy producer Juhayna has unveiled plans for EGP 750m worth of additional investments in 2012 as it attempts to boost its production capabilities. The listed company said in statement on Thursday it will begin the construction of a new yogurt plant, due to cost EGP 328m and be partially-financed with borrowing from Egypt's Commercial International Bank (CIB).

Juhayna also said it would continue building a dairy farm as well as six new distribution centres. Stock in the company lost 3.13% of its value on Egypt's stock exchange on Sunday, closing at EGP 4.64 per share. Juhayna is one of Egypt's major producers of dairy products and juices but hasn't been immune from the country's economic downturn.

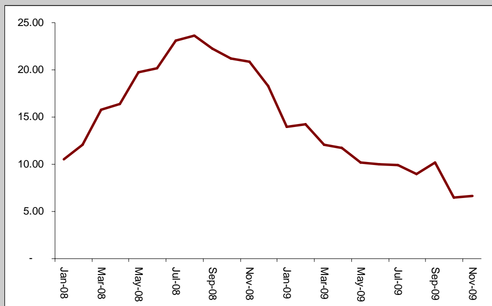
The company's net profits fell 18.4% on the year before to reach EGP 186m in 2011. Exports to Libya account for around 70% of the firm's overseas sales. Civil war in Egypt's neighbour, however, meant sales there shrank by a half, bringing in just LE15m for Juhayna. *(Ahram)*

Orascom Telecom Holding SAE (OT), the Egyptian company bought last year by Russia's Vimpelcom Ltd, said on Monday it narrowed its losses in the fourth quarter to USD 83m compared with a year earlier when it was hit by impairment charges. Orascom was expected to report net income of USD 70m, according to the average analyst forecast in a Reuters poll.

The company reported a decline in average revenue per user (ARPU) in its Algerian unit, Djezzy - its most profitable business - and continued negative effects after the Bank of Algeria instructed banks not to process any overseas foreign currency transfers by Orascom Telecom Algeria (OTA).

"(This) is having devastating effects on OTA's network and reputation," the company said in a statement. "It is preventing the importation of goods which are necessary for maintenance purposes and for network capacity expansion." Net income in the quarter was also impacted by an increase in unrealized foreign exchange losses in OT's Bangladesh business and in OT Holding,

CPI Inflation



Source: SAR

driven by currency devaluations versus the U.S. dollar in relation to certain loans and payables in foreign currencies.

Revenues for the quarter, down 2% year-on-year to USD 896m, were also hit by the depreciation of local currencies in its main operating markets, including Algeria and Pakistan, which impacted the company's U.S. dollar revenues. OT posted a loss of USD 170m in the fourth quarter of 2010, hit by an impairment in its assets in Namibia.

OT's subscriber base exceeded 78m at the end of December 2011, a rise of 13% over the same period last year, after the exclusion of its Alfa, Mobinil and Koryolink subscribers for comparative purposes, it said.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were USD 346m, down 4% from the same period a year earlier, due to an "increase in corporate contingent liability provisions at the OT Holding level, in addition to unfavourable currency movements," it said. OT closed 3.9% down on Monday. The main index closed 1.5% down. *(Reuters)*

Egypt's second-biggest listed property developer, Palm Hills, reported on Monday it made a net loss of EGP 331.3m (USD 55m) last year, compared with a profit of LE526m in 2010, as sales revenue plunged 67.6%. The firm suffered from last year's uprising that toppled President Hosni Mubarak and was followed by graft probes that froze sales and increased cancellations. Palm Hills is among several real estate firms facing legal challenges contesting its land acquisition deals with the state.

Analysts said they had expected a big drop in the company's yearly sales. "We cannot say the results were unexpected. We expected a sharp drop in revenues due to the unsolved legal disputes between the state and the company on the land deals which made people less interested in buying from the company," investment and capital market analyst Nader Khedr said.

"Plus most of the firm's projects are in remote areas that many people now see as not safe given the drop in security in Egypt since the uprising," he added. Khedr also blamed the losses on the general slowdown in the Egyptian economy after the uprising. Real estate firms realise their revenues on delivery of units, which means that monies from apartments can take three or four years to appear on the year's financials.

Construction was halted for during the worst of Egypt's unrest at the beginning of 2011 which has also affected developers' revenues. However the land value of sold units is recorded on the books immediately and the shrinkage in demand in 2011 caused a direct blow to the company's profitability.

Egypt's economy continues to suffer from worker strikes and political uncertainly, including a series of violent clashes against the ruling military council since the uprising, which have kept investors and tourists away. The company's stock was down 4.7% at LE2.05 by mid-Monday. *(Ahram)*

Economic News

Egypt hoped to raise EGP 3.5bn (USD 580m) from the sale of nine-month

treasury bills late last night after inflation accelerated last month on rising food prices. The North African country paid an average yield of 15.886% at last week's sale of similar maturity securities, near the highest level since Bloomberg started tracking the data in 2006. The rate has been little changed since the start of February after surging more than two%age points since October.

The annual inflation rate in urban parts of Egypt, the gauge the central bank monitors, increased to 9.2% from 8.6% in January, the official statistics agency said on Sunday. Food and beverage costs, the biggest component of the consumer-price index, increased an annualised 12.6% compared with 11.2% in the previous month.

The country's 5.75% dollar bonds due in 2020 advance for a second day on Friday, pushing the yield 14 basis points, or 0.14 of a percentage point, lower to 6.68%, according to prices compiled by Bloomberg. That's the lowest level in almost four months. *(Gulf News)*

Egypt's finance minister denied a report published on Monday that the government had raised its budget deficit forecast for this fiscal year to EGP 150bn. Recent reform measures taken by the government to get the deficit under control had succeeded, in a statement on his ministry's website. The size of the deficit was not expected to exceed EGP 144bn (USD 24bn), and not 150m as mentioned by some media, he said.

The state MENA news agency quoted Deputy Finance Minister Abdul-Aziz Mohamed Tantawy on Monday as saying the government had raised its deficit forecast to EGP 150bn from an initial EGP 134bn. "This is due to measures the government took to satisfy demands by labour groups and expenses related to elections," MENA quoted Tantawy as telling Parliament's Planning and Budget Committee. Cairo is struggling to stave off a fiscal crisis following more than a year of political and economic turmoil and is seeking a USD 3.2bn loan from the International Monetary Fund.

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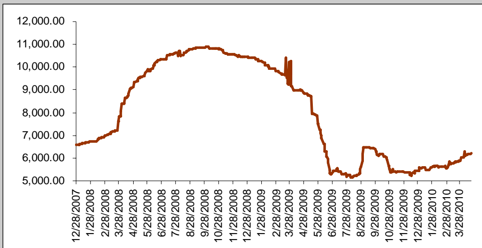
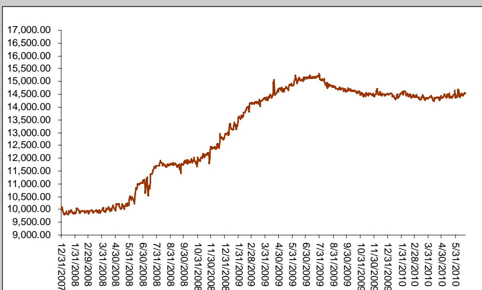
Ghana

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 +0.56% to close at 1,032.99 points. Gains were recorded in GGBL (+5.73%), PBC (+4.16%) and UTB (+3.22%) while Tullow (-3.88%), EBG (-1.25%) and Aluworks (-8.33%) were on the losing front.

Corporate News

Accra Brewery Limited (ABL), the Ghanaian subsidiary of SABMiller plc will commission its 100,000 hectolitre commercial Chibuku plant at the cost of USD 2.5m. The event will come off March 12, 2012. "Chibuku is an opaque beer like some of our traditional beer such as Pito and Brukutu and has been one of the biggest selling brands in Southern African countries for a very long while now," Ben Afakey, Operations Director in Charge of Chibuku project at ABL told ghanabusinessnews.com.

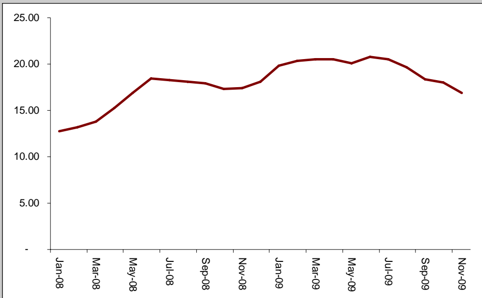
"The Chibuku drink was introduced in Ghana about two years ago and the result has been good", he added. "From 3000 through 6000 to 9000 litres of production a day, the demand is increasing and we cannot hold back growth, so the need to expand our production capacity in order to meet the ever increasing demand to satisfy our loyal consumers," Afakey said. The product is sourced from raw materials such as local sorghum and maize and comes in one litre conipacks, targeted at consumers at the lower end of the market.

The event is expected to be graced by Vice President John Mahama, Ms Hannah Tetteh- Minister of Trade and Industry, SABMiller African Managing Director- Mark Bowman, Adabraka Traditional Chief, the Press, Suppliers, Consumers and Customers. *(GBN)*

Ghana and General Electric Co. signed a USD 200m agreement in which the Fairfield, Connecticut-based Company will rebuild part of the country's western rail lines, the Ghanaian Times said. GE will provide locomotives, servicing and maintenance for the rail system, which needs USD 1bn to be fully rebuilt, the Accra-based newspaper said. The West African nation signed a separate USD 595m accord for the reconstruction of flood drains in the capital, Accra, with Conti Group, the Ghanaian Times said. *(Bloomberg)*

MTN Ghana posted a 48.3% decline in SMS revenue, falling from USD 37.5m at the close of 2010, to USD 19.4m full year 2011. The company reported 43.4% decrease in SMS revenue but the actual SMS revenue in South African Rand was ZAR149m for 2011, and for 2010 was ZAR288m; the%age decline from that is 48.3% and not 43.4%. MTN blamed the heavy decline on 'regulatory requirements to change sms promotions', and MTN Ghana CEO, Michael Ikpoki explained those regulatory requirements were the insistence of the National Lotteries Authority that some of the text and win promotions by

CPI Inflation



Source: SAR

telcos were lottery.

Indeed, those regulatory requirements are not new; except MTN and some other telcos had in the past violated them by charging high premium SMS rates in text and win promotions such as 'Text GO 2010' and '90 Cars in 90 Day', all of which were carried out in 2010. But the decline in SMS revenue is not limited to Ghana alone; all the other major MTN operations experienced decline in SMS revenue, except Syria, which recorded a marginal increase from USD 58.2m to USD 61.85m.

Data revenue (excluding sms) however continued to gain footing, increasing by 79.7%. The company also recorded a net interconnect revenue of USD 48.3m, which is a 13.3% dip from USD 55.73m at full year 2010. The fall in net interconnect revenue was in spite of a 31.5% rise in interconnect revenue for MTN in 2011. The reported said "interconnect costs rose more than interconnect revenue due to competitive off network tariffs."

Indeed, in the presentation of results to the shareholders, the company stated that interconnect costs was 64% of total interconnect revenue, meaning MTN paid more money to other telcos as mobile termination rate (MTR) than it gained. But the report stopped short of stating what the total interconnect revenue was for the year, and what the total interconnect cost was also. Average revenue per user (ARPU) also fell marginally by 2.8% and finished at USD 7 per subscriber per month.

Meanwhile MTN Ghana posted some USD 784.093m as total revenue for the year, and increase subscriber base by 16.5% to a little over 10.156m to firmly maintain its lead in Ghana. The company reported that its subscriber base represented 52% market share; but from the registered 90-day active subscribers that MTN and other telcos submitted to the NCA at the end of December 2011, MTN's 10,156,112 subscribers was 48% and not 52% of 21,165,845.

But MTN Ghana CEO, Michael Ikpoki insisted MTN uses registered active subscribers for 90 days to generate its subscribers and to monitor active subscribers of competition, and based on that, MTN has 52% market share. The company confidently projects it would add on some 950,000 subscribers in 2012, setting aside the fact that a sixth operator, Glo, is starting operations this year, and has already had close to twom requests for number reservation prior to commercial launch. *(Ghana Web)*

UK-based oil explorer Tullow Oil (TLW.L) said profit soared last year thanks to the ramp up of a major new field in Ghana, allowing the company to announce a doubling of its dividend. Tullow said on Wednesday total comprehensive net income jumped to USD 665.9m last year from USD 49.2m in 2010, powered by a 35% rise in oil and gas production to average 78,200 barrels of oil equivalent per day (boepd).

A company poll of analysts had earlier given an average forecast of USD 608m for full-year net income. Nonetheless, production at Tullow's Jubilee field in Ghana was lower than earlier expected and the company said it planned remedial work on the field in 2012 to improve output. The London-headquartered group added it expects to deliver total net production of 78,000 to 86,000 boepd in 2012.

Tullow said it was now eyeing start-up of its Ugandan fields in 2016, following delayed government approval of Tullow's buyout of its partner and subsequent sale-down of its interests to France's Total (TOTF.PA) and China's CNOOC (0883.HK). Tullow said it would pay a final dividend of 8.0 pence per share for 2011, up from a 4.0 pence final dividend for 2010. *(Reuters)*

Economic News

Ghana's full-year gold production declined by a few percentage points last year but is expected to rise in 2012, the head of its Chamber of Mines said on Friday. Ghana is Africa's second largest gold producer after South Africa and produced 2.97m ounces of gold in 2010. Output was originally seen rising in 2011 but in the end shrunk as a number of firms focused on longer-term maintenance and expansion projects rather than maximising existing production.

"Gold output in 2011 came down 2-3% compared to the year before," Ghana Chamber of Mines Chief Executive Tony Aubynn told Reuters, adding details were yet to be finalised. He said the decline could have been deeper but for the fact that Australian miner Adamus Resources poured its first gold in January last year.

"Two more mines are expected to come on stream this year and we also anticipate that Adamus will be ramping up production during the year - so we are going to see production go up this year," Aubynn forecast. In the first half of 2011, the country produced 1,497,023 ounces, up three% on the same period of 2010, with revenues jumping 31% to USD 2.2bn on the back of higher gold prices. *(Reuters)*

A third party report, which gives an overview of the contribution of the telecom industry to Ghana's economy indicates in 2010 alone, telecom operators paid GHC 598m in taxes and levies, representing 10% of government income for that year. The report from Delta Partners, titled 'Ghana Telecommunications Market – perspectives on industry, economic and competitiveness', and dated October, 2011, noted that market leader MTN alone paid a whopping GHC415m, being 6.94% of government income for 2010, and 69.4% of taxes and levies from the telecom industry.

Delta Partners is an internationally acclaimed management advisory and investment firm, which specializes in telecoms, media and technology in mainly emerging and some developed markets. The study focused on the performance and contribution of Ghana's telecom industry to the economy from 2010 up to third quarter of 2011; but the results are largely applicable in the general sense.

It drew from several international telecom industry and economic reports, national economic reports, such as the Ghana Statistical Service Annual Reports for 2009 and 2010, and some operator and regulator annual reports from Ghana and elsewhere. The report noted, for instance, that the telecom sector alone represents 7.0% of all investments in Ghana (5.1% from MTN alone) and is responsible for 2.0% of Gross Domestic Product (1.4% from MTN

alone), while the sector also takes some 5.3% of the total expenditure of consumers (MTN alone taking 3.6%).

Meanwhile, the report showed that as subscribers increase and mobile penetration goes up, average revenue per user – ARPU - (what telecom operators derive from each subscriber per month) decreased consistently from GHC14.6 a month, when penetration was 50%, to GHC9.4 when penetration rose to 67%. Currently, mobile penetration is above 80% and ARPU has dropped further to levels where telecom bosses have openly expressed concern that the voice aspect of the business is losing its steam.

The report noted that even though the operational costs of telecom operators keep going up with every passing day, the players keep absorbing inflationary trends on behalf of customers and keep charging lower tariffs, whiles other utility tariffs go up. In July 2011, for instance, inflation on transport cost was 23.25%, on goods and services – 18.27%; on clothing and footwear – 13.78%; on beverages, narcotics and tobacco – 13.25%; furnishing/household equipment – 13.05%; hotels/cafes and restaurants – 11.91%; health – 8.15%; recreation and culture – 6.32%; housing, water, electricity, gas – 6.15%; food and non-alcoholic beverage – 3.25; education – 2.25% inflations, but for communication, inflation was zero, even though operational cost for telecoms went up.

“The [telecom] industry has been transferring efficiency gains to the customer in clear contrast to other industries in Ghana,” the report said. The telecom operators, for instance absorbed the communications service tax (talk tax) on behalf of customers, and they also absorb several exorbitant and arbitrary levies and charges by MMDAs on the installation of necessary infrastructure to provide service to communities.

The Kumasi Metropolitan Assembly recently announced telecom operators owe the assembly in excess of GHC1.1m (11bn old cedis) in levies, charges, operational fees. The report indeed noted that the cost of mobile communication in Ghana, is one of the lowest in the world, and that has driven economic growth in the country to a large extent.

Ghana has the 15th lowest cost for mobile communication on a list of 50 countries listed in a Nokia TCO (total cost of ownership) study in 2011 – and this included tariffs, taxes, and cost of handset. Meanwhile the operators also contribute one% each of their profits to the Ghana Investment Fund for Electronic Communications (GIFEC) mainly to extend co-located infrastructure to deprived areas.

On the basis of these, telecom operators have been negotiating to get some of the arbitrary levies, fees and charges by MMDAs and some government agencies to be reduced so the operators can rather channel the resources into extending services to deprived areas. This is in line with a most recent call by International Telecommunications Union (ITU) Secretary-General, Dr. Hamadoun Troure for some of those taxes, levies, fees and charges to be completely abolished to enable telecom operators and the ICT sector to contribute effectively to national development. *(Ghana Web)*

Ghana’s High Commissioner to India Robert Tachie-Menson believes that bilateral trade between the two countries would reach USD 1bn by 2013,

the Indo-Asian News Service (IANS) has reported March 12, 2012. "We expect bilateral trade between India and Ghana to reach USD 1bn by 2013. The bilateral trade in 2010-2011 was at USD 818m.

Though this is projected growth, we are very hopeful about it," IANS quoted the Ghanaian envoy Tachie-Menson as saying at a programme organised by the Merchants Chamber of Commerce & Industry of India. He mentioned that there were tremendous opportunities for Indian companies and investors in the engineering and electrical sectors, for the manufacture of consumer appliances and for heavy equipment for production, transmission and distribution, the report said. *(Ghana Business News)*

Ghana's current pact with the International Monetary Fund (IMF) will end in June this year and the government is still considering whether to sign up to a new programme with the agency, Finance Minister Kwabena Duffuor said on Thursday. The existing Extended Credit Facility was approved in July 2009 and gave Ghana access to some USD 613m of funding. The IMF's presence and its monitoring role is also seen as as a form of reassurance for foreign investors and analysts fear the absence of the Fund in Ghana six months before the country's elections could result in a fiscal loosening.

Duffuor said the country's priority now was to end the current programme satisfactorily. "It is important to do well and finish well the current programme - then we can start thinking whether to renew or not," Duffuor told Reuters in a brief interview. He declined comment on possible sticking points in Ghana's dealing with the IMF but said irrespective of what may happen, the agency would still monitor the economy by dint of Ghana's membership in the Fund.

Analysts said the Fund's demand for subsidies removal and privatisation of some parastatals could be key issues that would need to be resolved in a future negotiation. As a social government, the ruling National Democratic Congress is reluctant to remove subsidies, particularly on fuel. Economist Yvonne Mhango of Renaissance Capital investment bank said IMF's oversight was most required in the pre-election period to help the country maintain fiscal discipline, suggesting that as seen in previous election years, the government was likely to overspend.

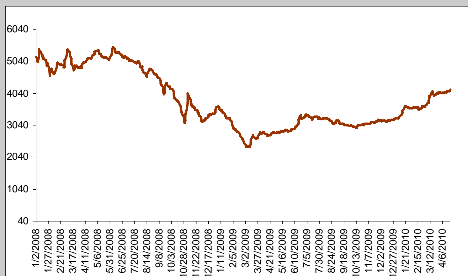
"History suggests that as this is an election year, there is a significant probability that the budget deficit will overshoot the target of 4.4% of GDP, but not to the degree of 2008," she said in a commentary issued on Tuesday. The other risk to the fiscal outlook is the wage bill, which is set to increase 18%, following a 20% minimum wage increase not accounted for in the 2012 budget, she said. The government of President John Atta Mills, who is seeking a second term in December, will be under pressure to meet any further rise in world oil prices with fuel subsidies.

Earlier this month, the IMF warned that Ghana's higher-than-expected wage claims and fuel subsidies required additional steps to stick to its 2012 deficit target of 5.2% of non-oil gross domestic product. The government said it would finance this wage increase with above-target revenue collections and savings made through an ongoing wage audit, which aims to eliminate ghost workers on the payroll and pensioners that are not accounted for.

The Fund predicted 2012 growth of 8-9%, roughly in line with analyst expectations, and inflation at between 6.7 and 10.7%. Ghana saw growth of 13.5% in 2011, helped by the start of commercial oil production, and managed to keep inflation under 9% for nearly two years. *(Reuters)*

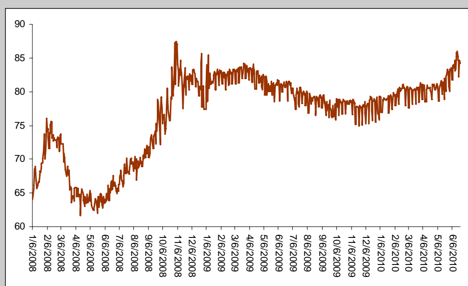
Kenya

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	-2.188	-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

CPI Inflation

Stock Exchange News

The NSE 20-Share Index gained -2.41% to close the week at 3,318.95 points. Jubilee led the movers after gaining +9.38% to KES 160 followed by BAICL which rose +8.75% to KES 4.00. Other notable gains were recorded in Pan Africa Insurance up +7.87% to KES 24.00 and Access Kenya (+6.49%). Kenya Airways was the main loser, shedding -18.55% to KES 15.15 followed by WTK (-10.26%) and NBK which lost -8.74% to KES 19.85. Market turnover was up +15.57% to KES 1.41bn.

Corporate News

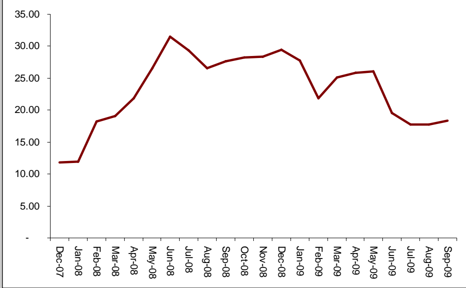
Kenya Airways will be hoping investors will look beyond the profit warning it issued last month to take up the rights issue approved by the Capital Markets Authority on Friday. The regulator said it had given the airline the go ahead to list additional 1.4bn ordinary shares, which the company hopes will net KES 20.7bn (USD 246m).

The price is yet to be determined after the airline holds an investor briefing on the share deal on Monday. Analysts had predicted that investors were likely to give the airline's share sale expected either in the first or second quarter of 2012 a wide berth, over uncertainty in KQ's earnings given the volatility of the airline sector. On Friday, statistics from the Nairobi Securities Exchange showed KQ's share was trading at a one month high, but foreign investors were seen opting out of the stock the highest foreign investor outflow for the week of all the listed firms. The stock is currently trading at KES 18 (21 US Cents).

Stella Kilonzo, the CMA boss said the regulator was satisfied with the Kenya Airways application for a rights issue. The airline is banking on the cash to fund an ambitious expansion strategy that will see it fly to all African capitals by 2013, as well as double its current fleet of 31 planes by 2015. KQ is battling increased competition especially from Middle East carriers such as Etihad Airways, Emirates, Qatar Airways and Royal Air Jordanian, which are opening up more routes on the continent where the Kenyan carrier draws nearly half of USD 1bn revenues.

Ethiopian Airlines, KQ's major rival plans to increase its fleet of 47 planes by ordering an additional 35 aircraft in the next 15 years. To beat the rivals, KQ has placed orders for 10, 96-seater Embraer planes, slated for delivery in 2013. The company has the option of exercising the right to buy 16 other planes. The airline has also placed an order for nine Dreamliners. These fleet expansion plans, are part of the five-year plan to double its fleet, from the current 31.

The airline hopes the Dreamliners will help it reduce fuel costs, since they consume 20% less, compared to the Boeing747. In the first half of the year, the



Source: SAR

airline reported an 89.7% increase in fuel costs to KES 21.2bn (USD 252m), partly as a result of a 41.6% increase in jet fuel costs. The airline in January warned that 2012 full year profits could fall by at least 25%, as the eurozone crisis and Arab revolution had negatively affected its performance for the second half of the current year.

The airline reported a profit of KES 3.5bn (USD 41.6m) in 2010, meaning going by the estimated 25% drop, the airline is likely to post a maximum of KES 2.6bn (USD 30.9m) in profits. KLM and the Kenyan government own 26 and 23% of the company, and the two have indicated that they will be taking up their full rights**.** *(East African)*

British oil firm Afren has started the acquisition of 1,800 km of 2D seismic data in Block 1, north-eastern Kenya, its partner Lion Petroleum said on Monday. Lion Petroleum, a private, London-based independent oil and gas exploration company in Africa with a particular focus in Kenya, said this was a key step in the exploration of Block 1, which has not seen exploration activity since 1990.

There has been increasing interest in exploration for oil and gas in east Africa following finds in Tanzania and Uganda. Lion Petroleum, which holds acreage for exploration in Block 1 and 2B in Kenya, said in a statement the seismic crew first entered the area in late November, 2011 and had begun recording of new data to delineate prospects for drilling during 2013.

Depending on the rate of the acquisition of the data, the 1,800 km survey should be completed during the third quarter of 2012, the firm said. "There is clear evidence of a working petroleum system in the basin. The well-known Tarbaj oil seep is located in the south-west portion of Block 1," Lion Petroleum said.

Neighbouring Uganda hopes to start commercial production later in 2012 after discovering at least twobn barrels of oil reserves in its Albertine Graben. Sudan, whose Muglad basin extends into Kenya, is already producing oil. Among firms involved in exploration in Kenya are Tullow Oil, which found the oil in Uganda. Others are Africa Oil, Anadarko Petroleum and Origin Energy. *(Reuters)*

AccessKenya moved back into profit last year, the internet service provider said on Wednesday, after connecting more corporate customers and cutting its costs. It made a pretax profit of KES 130.9m (USD 1.6m) last year after losing KES 5.4m in 2010, with corporate customers up by 20.5% in 2011 and the cost of sales down by just over a third at KES 357.5m. "We increased our corporate leased line connections from 3,900 to 4,700 - ahead of predictions - and maintained our estimated market share at around 40%," Managing Director Jonathan Somen said in a statement.

"During the year we took more business from all our main competitors than we lost to them." Revenue edged up 2% to KES 1.74bn, while financing costs rose to KES 126.5m from 91.6m in 2010. Its foreign exchange loss due to dollar-denominated debt went down to KES 36.5m from KES 43m Access, which has the largest corporate internet connectivity market share in Kenya at about 40%, said its earnings per share also turned positive at KES 0.53.

It offered a bonus share issue of one for every 20 held, instead of a cash dividend, subject to shareholder and regulatory approval. "In 2012 we will focus

on driving corporate data sales and ensuring that our value added and IT sales grow strongly and complement the corporate data business," the firm said in a statement.

Shares in Access are the second worst performing stocks on the Nairobi bourse, down 26.2% this year to hit an all-time low of KES 3.70 on Feb. 22, due to concerns over stiff competition in the sector, spurred by telecom operators who have been stepping up their data businesses. Its shares closed at KES 3.80 on Tuesday.

Analysts said late last year that Access could be a take-over target due to its extensive fibre infrastructure, a big market share in the corporate Internet connectivity market as well as a manageable market capitalisation of about USD 9.6m. *(Reuters)*

Standard Chartered Bank of Kenya reversed loss-making positions in its trading book during the second-half of last year to secure a 7% increase in pretax profit to KES 8.3bn (USD 100.67m), it said on Tuesday. The bank, controlled by Standard Chartered Plc, had reported a fall in profit for the first half of the year after yields on government securities shot upwards, leading to unrealised losses in the trading book.

"The mark-to-market positions were largely reversed during the second half and our trading book activities are now profitable," Chief Executive Richard Etemesi said in a statement. During the year under review, the bank cut its portfolio in government securities to 15% of total assets from nearly 40% a year earlier. Etemesi said there were downside risks from a presidential election due late this year or early 2013, parliament's bid to cap banks' interest rates and the country's gaping balance of payments position, which helped drive currency volatility last year.

President Mwai Kibaki's disputed poll win in 2007 triggered nationwide violence that killed more than 1,200 people and hammered Kenya's reputation as a sound investment destination. The Hague-based International Criminal Court has confirmed charges of crimes against humanity against four Kenyans, including two presidential front-runners, in relation to the fighting. The case has rattled the economy and stoked tensions ahead of the upcoming presidential vote.

"The uncertainty around the political process and especially the elections will continue to act as a drag on business confidence," Etemesi said. He also criticised parliament's bid to cap lending rates for banks and set minimum interest rates for depositors, in a move aimed at lowering costs of credit in a country where lending rates stand at above 20%. "The activities and actions of a forceful parliament in pursuing a populist agenda may have far reaching and damaging consequences that will go beyond the elections," Etemesi said.

StanChart raised its earnings per share for the period by 6% to 19.75 shillings, but cut its dividend per share to KES 11.00 from KES 13.50 the previous year. "These are in fact muscular results. StanChart was quite macho about its accounting treatment around its bond portfolio and took a material hit 'on the chin' at the first-half stage," said Aly Khan Satchu, an independent trader and analyst.

"These results were a great deal better than consensus estimates." Net interest

income rose 21% to KES 10.1bn, lifting total income to KES 16.2bn, StanChart said. It attributed the growth in interest income to a focus on consumer banking, as it seeks to balance the business and shift away from its traditional over-reliance on corporate customers.

The cost to income ratio rose to 45.6% from 42.6% in the previous year, reflecting a 23% jump in costs, while provision for bad debts increased to KES 561m from KES 447m. "Total non performing loans as a proportion of total gross loans, stood at 1.1% from 2.0% and remains one of the lowest in the banking sector in Kenya," StanChart said. *(Reuters)*

Kenyan hotelier TPS Eastern Africa posted a 23% jump in 2011 pretax profit to KES 853m (USD 10.4m), even though security alerts hurt business in the fourth quarter. The operator of a chain of luxury hotels, lodges and tented camps under its Serena brand, said on Wednesday demand for traditional safari and beach holidays increased steadily during the year, pushing turnover up 22%.

"It was, however, unfortunate that the leisure and corporate travel bookings to Kenya were negatively impacted during the last quarter 2011," said Chief Executive Mahmud Jan Mohamed. Some foreign governments issued travel advisories against all but essential travel to parts of Kenya near Somalia after a British tourist was killed and his wife kidnapped from a remote beach resort.

A French tourist was also kidnapped in the same area and later died in Somalia. Partly as a result of the seizures, Kenya sent soldiers into Somalia in October to fight al Shabaab rebels, who formally merged with al Qaeda in February. The company said the outlook for business in east Africa this year continued to suggest caution in light of the debt crisis in the euro zone, traditionally a large source market for tourism, the al Shabaab situation and upcoming Kenyan elections.

"Management is cautiously optimistic that notwithstanding the challenging business environment, the group has the inherent strength and business resilience to continue to focus on its long-term business strategies," he said. Earnings per share rose to KES 4.51 from a restated KES 3.49 a year earlier, while the dividend was raised to KES 1.30 per share from KES 1.25. The east African nation earned KES 98bn from tourism last year, up from KES 74bn in 2010, but it expects a flat performance this year. *(Reuters)*

Nation Media Group (NMG) posted a 30.9% growth in profit before tax last year, helped by revenue growth and market share gains, earning shareholders a dividend of KES 8 per share. Revenues from radio, television, digital and newspaper divisions rose by 17.1% to KES 11.2bn, lifting profits to KES 2.8bn compared to KES 2.1bn in 2010. The board has proposed an increase in the ordinary dividend from KES 5.50 per share to KES 8 per share.

Group chairman, Wilfred Kiboro, said NMG will spend more on regional expansion to boost growth of the business. “Our strategy of investing in the region is paying off and we will continue to invest in the neighbouring countries where there are a lot of opportunities,” said Mr Kiboro. “We are now less reliant on the Kenyan market for our profitability,” he added. The region’s biggest media house opened a radio station, 98.7 KFM in Rwanda last month, marking its first venture in the country where its shares trade on the over-the-counter (OTC)

market.

The company is also set to open a bureau in the newly-independent Republic of South Sudan to tap into opportunities in the country seen to have a high potential for growth due to its vast oil reserves. NMG's plans to set up a television station in Tanzania have, however, been delayed but the search continues. "We are looking at a greenfield option (starting from scratch) and that will depend on how soon we can secure a licence," he said.

Mr Linus Gitahi, the company's chief executive, said the media group is also set to tap into the multi-billion shilling diaspora remittances market. The company is preparing to unveil a money transfer service called NationHela, to be rolled out in partnership with Diamond Trust Bank (DTB). The newspaper division, which recorded a 19% growth in circulation earnings and 10% increase in advertising income, remains NMG's biggest revenue stream.

The Business Daily, the group's youngest publication, recorded 14% growth in circulation and 17% in advertising revenue, helping it to post a 69% rise in operating profit. Advertising revenue from its two Kenyan radio brands, QFM and Easy FM, rose 16% over 2010. The dramatic weakening of the shilling last year, pushed up the company's expenses by inflating costs of newsprint one of the single biggest cost items for publisher.

The NMG share traded at an average of KES 165 on Wednesday, riding on increased demand from foreign investors in the past two weeks. "The company's performance matched our expectation and was good, given the high cost environment. There is a lot of demand for the company's shares from foreign investors," said Renaldo D' Souza, an analyst at Genghis Capital.

NMG weathered a challenging business environment including a weak shilling and high inflationary pressure to post growth. The Cost of goods sold (COGS) rose 39.1% to KES 2.9bn from KES 2bn, with the shilling having weakened from KES 82 against the dollar in January to a record low of KES 107 in mid October.

Operating expenses, however, rose by a marginal 5.6% to KES 5.8bn on what Mr Gitahi attributed to prudent management of costs. Mr Kiboro said the high inflationary pressure and the looming General elections remain the major risks in 2012. Inflation rose from 5.4% in January last year to peak at 19.7% in November and eased marginally to 16.7% last month.

High inflationary pressure erodes consumers' purchasing power, cutting down demand for goods and services, and ultimately slowing down advertising spend that is a key revenue stream for the media group. *(Nation)*

The Capital Markets Authority (CMA) is planning to set up an ad hoc committee to probe the management of Cooper Motors Corporation Holdings, a source privy to the process told The Standard. Chaired by a retired judge, the committee will conduct hearings into the financial mismanagement and abuse of corporate governance principles at CMC. The move comes hot on the heels of findings of a PricewaterhouseCoopers report and a forensic audit report by Webber Wentzel of South Africa which implicated directors at the motor dealer in malpractices.

According to the source, the seven-member committee will run for two months

subject to a decision of the authority to extend or otherwise. The committee will comprise three members from the CMA Board and four external members preferably a retired Judge, a lawyer, an accountant and an industry expert.

The committee is expected to grant an opportunity to directors of the firm adversely mentioned in the two reports to defend themselves. It will also give a chance to any other director poised to be subjected to the administrative enforcement action by the regulator to be heard. The committee shall also be expected to recommend to the CMA Board on actions to be taken if any against the directors of the troubled motor dealer.

The committee shall be required to give recommendations based on lessons learnt from hearing. "To implement the findings of the investigations report and in line with the principles of natural justice where nobody shall be condemned unheard and as more particularly emphasised by section 26 of the Capital Markets Act, CMA will appoint a Committee as provided for under Section 14 of the Act to give those adversely mentioned in the investigations an opportunity to be heard," said source.

The latest is part of a string of measures the authority has adopted to rein in boardroom wrangles which led to the suspension of CMC shares from trading at the Nairobi Securities Exchange in September last year. The committee shall be required to determine and regulate its own procedures and may take into consideration any evidence, which it considers relevant to the subject notwithstanding that such evidence would not otherwise be admissible under the law relating to evidence.

The committee shall hold its proceedings in camera save where it, for good cause, directs otherwise. The committee shall report and recommend to the Board on any area within its sphere of activity where action or improvement is needed. The Board shall notify the adversely mentioned persons in writing of the decision of the Committee. *(Standard Media)*

Economic News

Kenya's economy is likely to grow 5% in 2012 while its monetary policy will help cut inflation to below 10% and eventually pave the way for interest rate cuts, the International Monetary Fund said on Monday. East Africa's biggest economy has forecast growth of 5% or more this year as long as rains vital to the key farming sector do not fail. Kenya estimates its economy expanded 4.5% last year.

"We believe growth will be around 5%. There are a number of global factors that will make it hard to attain 6%," Domenico Fanizza, head of an IMF mission visiting the country, told a news conference. The IMF had previously said Kenya had the potential to grow at a rate of more than 6% over the long term. Kenya's inflation rate came to 16.69% in February, the lowest since last August and down from last year's peak of 19.72% hit in November. "We believe that (given) the current monetary stance, the inflation target of single digits in the second half of 2012 is within reach," Fanizza said.

The Central Bank of Kenya was widely criticised for reacting late when inflation surged into double digits in 2011 and the shilling slumped to a record low of 107

against the dollar. In response to the rise in inflation and sliding currency, the central bank ramped up its key lending rate from 6.25% at the start of September to 18% by Dec. 1.

The aggressive monetary tightening led commercial banks to drive up lending rates to about 25% from 15% in two months, sparking widespread discontent and culminating in some lawmakers proposing a law to cap interest rates. Fanizza said setting tight monetary policy, rather than capping lending rates by law, would eventually lead to lower rates.

"Continued fiscal consolidation and tight monetary policy will bring inflation back to single digits, keep domestic demand under control and reduce the current account deficit, laying down the conditions that would allow for an eventual decline in interest rates," Fanizza said.

"It (central bank) will not yield to pressures to cap commercial interest rates, as this would undermine recent successes in expanding access to credit and efforts to fight inflation and stabilise the exchange rate," he said in reference to what the IMF and the government had agreed regarding the proposed law to cap rates.

The central bank held its key rate steady at 18% at its January, February and March meetings to consolidate recent gains, as well as after worrying signs from its neighbour Uganda of the risks of easing policy before inflation slows markedly.

Kenya's shilling firmed to a more than one-year high against the dollar on Monday to close at 82.15/35, driven by tight liquidity encouraged by high interbank rates, with demand high for Kenyan bonds. "The CBK will remain fully committed to a floating exchange rate regime for the shilling," Fanizza said.*(Reuters)*

Kenya's energy regulator warned on Wednesday it may raise energy prices in the coming months after lifting the cost of petrol and kerosene for the first time since November, complicating the central bank's decision on when to cut interest rates. Fuel prices can have a significant impact on inflation in east Africa's biggest economy and price reductions in the previous three months for diesel, petrol and kerosene have helped ease inflationary pressures.

The year-on-year inflation rate fell by more than expected in February to 16.7% from 18.3% in January, though the central bank kept its benchmark lending rate at 18% this month, warning of inflation risks. While analysts expect the next move in interest rates to be down, some said the central bank would want to see a sustained downward shift in inflation before signalling the start of an easing cycle.

Analysts said Kenya's growth and inflation outlook would be closely linked to its March-May rains, which if plentiful would lower food and energy prices, while fuel costs could swing on geo-political tensions over Iran. "The journey lower in the inflation rate is going to be sticky," said independent analyst Aly Khan Satchu. "The price of fuel represents a brutal, high-beta exogenous risk to the economy. A strong shilling is the wisest policy response."

Following Wednesday's price rise announcement, the cost of premium petrol in the capital Nairobi will rise KES 0.37 to KES 111.69 (USD 1.35) per litre from

Thursday and kerosene will increase 0.47%. The price of diesel, however, was trimmed by 0.16%. "In the last several months, there has been a general upward trend in the price of crude and refined petroleum products in the international market," the Energy Regulatory Commission said on Wednesday in its regular monthly review of pump prices.

"This may have a negative impact in subsequent price reviews," it said. Kenya's economy is highly dependent on diesel for transport, power production and agriculture, while kerosene is used by many households to fuel stoves and lamps.

Transport costs fell 0.91% in February from a month earlier, thanks to previous fuel price cuts by the energy regulator, slashing the year-on-year inflation rate for the sector to 15.89% from 22.42% in January. Transport accounts for 8.7% of the basket of goods used to calculate inflation. *(Reuters)*

Kenya expects tourism revenues to fall this year as the euro zone crisis hits confidence in key markets and foreign governments issue travel alerts over the threat from Somalian militants, its tourism minister said on Thursday. One of Kenya's major foreign earners alongside tea and horticulture, tourism took a record 98bn shillings (USD 1.19bn) in 2011, but that looks set to fall back this year to around the 74bn shillings of 2010.

"The projection for 2012 does not look good. We will retain revenues of 2010 but passenger numbers will decline by 15%," Najib Balala told Reuters in an interview. "I'm cautious of 2012. I'm worried, not only cautious. If we are lucky, we will only reach the 2010 figures not even 2011." Visitors from China and other growing markets drove a surge in Kenya's tourism revenues last year, but the euro zone crisis and fears of a repeat of 2007's election violence are likely to hurt arrivals in 2012, tourism officials have warned.

Britain, the United States and Australia have issued travel advisories to citizens intending to visit Kenya following the killing of tourists in the coastal resort of Lamu. Kenya sent troops across the border last year to root out the Somali al Qaeda-linked militant group, al Shabaab, blamed for the attacks, an escalation that has raised concerns about tourist safety.

Worries about a resurgence of the violence that erupted following a disputed presidential election in 2007 also threaten to hit tourist numbers, tour operators have said. Within the next 12 months, Kenya is set to hold its first national elections since the fighting, which disrupted business and travel in east Africa's biggest economy and killed more than 1,200 people.

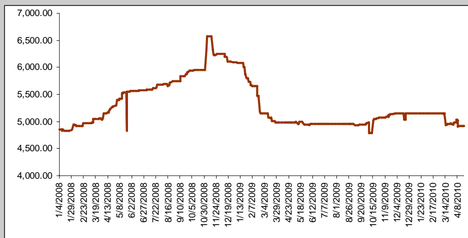
"There is the economic crisis in Europe, we have our own image crisis because of the al Shabaab, and we have not been funded enough to clean our image. Travel advisories have been the key damage for us by the Western embassies," Balala said. "There have been no cancellations, but slow booking, and they are not encouraging, especially for summer. The figures we have are not the same as 2011."

Balala said the government had increased security measures in tourist areas such as Lamu, but security scares in border areas and, more recently, in the capital had raised concerns of further attacks. An explosion hit a bus station in Nairobi on Saturday evening, an attack the government blamed on al Shabaab.

Police said grenades were thrown and nine people had been killed. *(Reuters)*

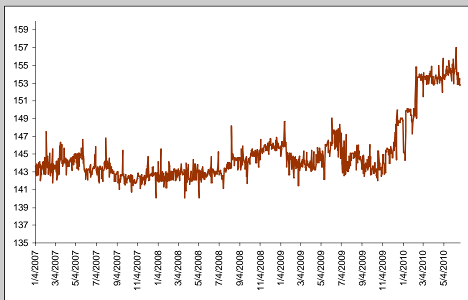
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

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

Stock Exchange News

The market index was up +0.73% 5,478.51 points, with thin trades across both local and foreign boards. Gains were recorded in NBS (+10.9%), Standard Bank (+3.77%) and OML (+1.12%). Active counters were; FMB, NICO, Illovo, NBS, Standard Bank, NITL, REAL and OML, generating MWK 351.87m (USD 2.13m) in market turnover.

Corporate News

No Corporate News this week

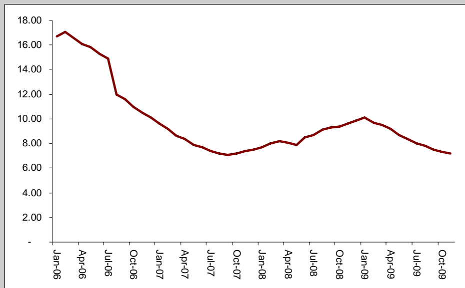
Economic News

Malawi will introduce a new MWK 1,000 note in July to combat rising inflation that has eroded the value of the currency, Reserve Bank of Malawi Governor Perks Ligoya said on Monday. "We have done this in order to reduce the cost of printing money as the sizes of the currencies have been significantly reduced," Ligoya said, adding that Malawi would also phase out its old MWK 20, MWK 50, MWK 100, MWK 200 and MWK 500 notes in July.

Consumer inflation in the southern African state accelerated to 10.3% year-on-year in January from 9.8% in December, mostly due to rising food prices. Poverty-stricken Malawi relies heavily on foreign aid which accounts for 40% of the budget.

It has struggled since last year when several Western donors withheld support over concerns about President Bingu wa Mutharika's increasingly tight grip on power. Malawi's economic growth slowed more than expected to 6.0% last year - it had previously been forecast to hit 6.9%. In 2010, it expanded by 7.1%. *(Reuters)*

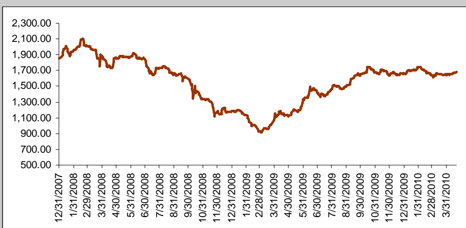
CPI Inflation



Source: SAR

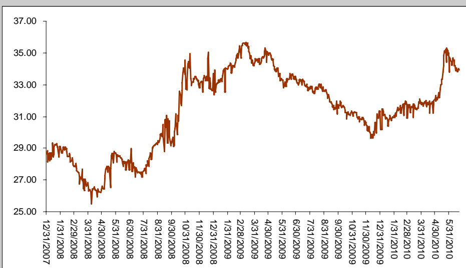
Mauritius

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 and SEM were down -0.39% and 0.35% to close at 1,761.25 and 330.18 points respectively. Caudan led the movers, gaining +4.0% to close the week at MUR 1.30, followed by MCL, up +2.8% to MUR 7.40 and MCB (+0.6%). MEI led the losers after shedding -2.8% to MUR 70 while ASL lost -2.7% to MUR 107 and MDIT shed -2%.

Corporate News

Mauritius-based luxury hotel group Sun Resorts full-year pretax profit dropped 9% in 2011 due to higher taxes, and it said on Thursday the first quarter of 2012 was likely to be challenging. Tourism, which typically generates about 10% of the gross domestic product of Mauritius's USD 11bn economy, is being hit by sagging economies in its key European markets, which are battling the effects of the euro zone debt crisis.

Profit before tax fell to MUR 205.5m (USD 7m) last year from MUR 226.9m a year ago, Sun Resorts said in a statement. Earnings per share rose to MUR 2.46 from MUR 2.45. The group declared a dividend of MUR 0.70 per share against MUR 0.65 a year ago. "As evidenced by a decrease in tourist arrivals in January, the group expects a challenging first quarter," it said.

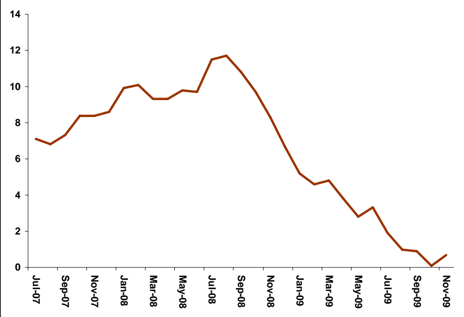
The group said its Maldives operations looked encouraging for the first quarter, and that it expected to finish at the same level as the corresponding quarter in 2011. The group's shares fell 0.76% to MUR 39.20, but the market had already closed by the time it posted its results. *(Reuters)*

Economic News

Mauritius' current account deficit widened to 10.3% of gross domestic product in 2011 from 8.2% a year earlier, pulled by a higher trade deficit, the central bank said on Friday. "Provisional estimates of the balance of payments show that the current account deficit in the year 2011 deteriorated to MUR 33.4bn (USD 1.15bn)," the central bank said.

The bank also blamed the widening deficit on lower surpluses on both the income and the current transfers accounts. "The merchandise trade deficit worsened significantly from 58.3bn rupees in 2010 to MUR 65.5bn," the bank said. Foreign direct investment (FDI) to the Indian Ocean island fell by 32.2% in 2011 to MUR 9.5bn (USD 326.5m), official central bank data showed.

Mauritius markets itself as a bridge between Africa and Asia but the global downturn curbed investment flows to the island. Foreign direct investment to the Indian Ocean island stood at 13.95bn in 2010. The central bank said investment



Source: SAR

was mainly to the financial and insurance activities sector with MUR 4.580bn, followed by the real estate sector with MUR 3.352bn.

France was the biggest source of foreign direct investment with MUR 3.291bn, then South Africa with MUR 2.169bn and Britain with MUR 1.752bn. Last December, Finance minister Xavier Duval said FDI would fall from record levels in 2010, when investments were boosted by unusually large big deals.

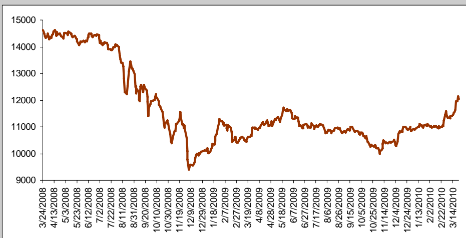
Famed for its white sand beaches and luxury spas, Mauritius is diversifying its economy away from the traditional sugar, textiles and tourism sectors into offshore banking, business outsourcing, luxury real estate and medical tourism. *(Reuters)*

Tourist arrivals in Mauritius rose 2.5% in February from a year earlier on the back of higher visitors from Europe, official figures showed on Friday. Finance minister, Xavier Duval, said on Thursday it was a reversal from January where arrivals dropped 3% year on year. "This is a good performance but we could do even better with an air access policy and a joint marketing plan between private and public sector," Duval said.

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 79,331 tourists visited the Indian Ocean Island, famed for its white sands and luxury spas, in February, up from 77,390 a year ago. Visitor numbers from Europe rose 2.4% to 59,195 visitors, while holidaymaker numbers from Asia climbed 4.7%. *(Reuters)*

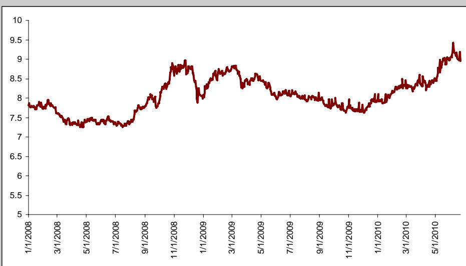
Morocco

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 lost -2.35% to close the week at 11,088.37 points. Gains were recorded in Sofac Credit (+4.89%) to MAD 343, Aluminium Du Maroc (+4.67%) and Eqdom (+1.91%). On the losing front we had Olumes down -11.50% to MAD 531, Sonasid which shed -14.83% to MAD 1,700 and Managem (-8.05%).

Corporate News

Ranbaxy Laboratories Ltd, India's top drugmaker by sales, said its Moroccan unit has started functioning, giving it direct access to a USD 1bn pharmaceuticals market. The unit, Ranbaxy's third in Africa, will also help the company supply products to other north African countries in future, it said on Monday. Ranbaxy's Africa sales rose 23% to USD 189m in 2011, it had said last month.

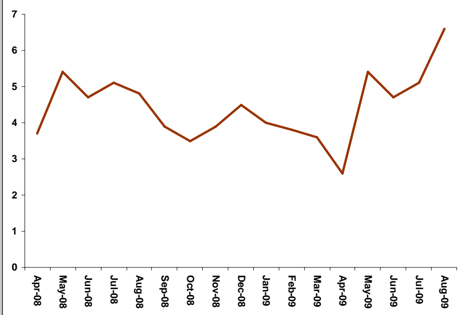
The drugmaker, majority owned by Japan's Daiichi Sankyo , has sales staff of about 1,000 in 44 African countries and makes drugs in Nigeria and South Africa. "The African market is not saturated and hence, generic drugmakers have good business opportunity there," said a Mumbai-based analyst. "The unit will help Ranbaxy push sales significantly over the next 24 months."

The pharma company, which resolved compliance-related disputes with the U.S. Food and Drug Administration last month, has said it expected consolidated sales rising at least 10% to USD 2.2bn in 2012. It also launched the generic version of Pfizer's cholesterol lowering drug, Lipitor in the United States on Dec. 1. The drug was launched in Australia in February followed by four European countries early this month. *(Reuters)*

Economic News

Morocco is considering trimming economic growth projections for this year because bad weather has hit its key agriculture sector, government officials said on Tuesday. Projected gross domestic product (GDP) growth could be cut to 3.5% from a budgeted 4.2%. The officials asked not to be identified because Finance and Economy Minister Nizar Baraka plans to present the 2012 draft budget to parliament on Thursday with the initial 4.2% GDP growth projection.

"It's in the works," one official told Reuters when asked if the government would revise down economic growth projections for this year amid forecasts of a drop in agricultural output in 2012. "Bad weather conditions marred the farming season this year and ... amid the slowdown affecting tourism from the main EU market we should post a growth of 3.5%," said the official on condition of anonymity.



Source: SAR

A second government source said GDP growth in 2012 could fall to as low as 2.5% if the deficit in rainfalls registered this year extends to the months of March and April. "The (GDP) growth will fall to as low as 2.5% in 2012 if we match the cereals harvest we had in 2007," the source said. Baraka , the finance minister, and Budget Minister Idriss Azami al-Idrissi could not immediately be reached for comment. The High Planning Authority (HCP), the state's body in charge of establishing and updating growth projections, declined to comment.

The north African country's state-run agricultural research institute told Reuters last week that Morocco's cereals harvest this year will not reach half of last year's level, when the economy posted a GDP growth of 5%. The shortage, which would ratchet up cereal import needs, comes at a sensitive time for the USD 100-billion economy, which relies on agriculture for 14% of its output.

Morocco's balance of payments deficit rose in 2011 to its biggest since the 1980s amid slackening growth in the euro zone, Rabat's main trade partner and top source of tourist visitors. While state subsidies for energy and food staples help Rabat to keep inflation under control, a slowdown in GDP growth coupled with a surge in the government's budget deficit may reduce the economy's ability to create jobs.

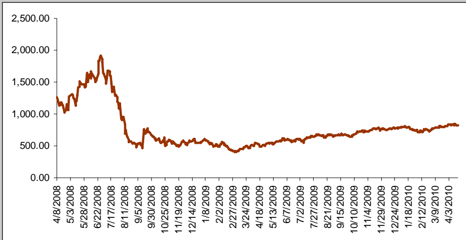
Across Morocco, there are regular bouts of protests sometimes spilling over into riots against poverty, official corruption and the perceived failure of the state to help. The country has, however, managed to avoid some of the "Arab Spring" turmoil that has struck other north African countries. Agriculture employs 40% of the 11-million workforce in Morocco, one of the world's ten biggest cereal importers, which relies heavily on rain due mostly to the predominance of subsistence and rudimentary farming.

Last year's harvest stood at 8.34m tonnes and included 4.17m tonnes of soft wheat, 1.85m tonnes of durum wheat and 2.34m tonnes of barley. Morocco's cereals harvest in 2007 stood at 2m tonnes, which covered about a quarter of the North African country's domestic needs. *(Reuters)*

SECURITIES AFRICA

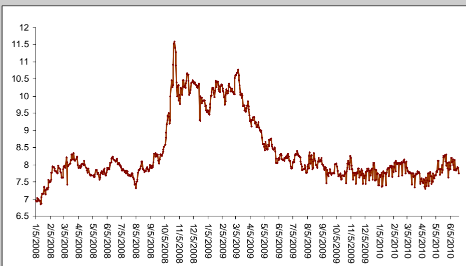
Namibia

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 gained 1.32% to close at 919 points. On the NSX local and DevX, MMS led the movers after adding +3.70% to NAD 0.28 followed by ORY which rose by 0.30% to NAD 13.25 and EXT (+0.12%). XEM and BMN led the losers after they both shed -20.00% to NAD 0.04 and NAD 0.20 respectively. Other notable losses were recorded in NAM (-19.05%), FSY (-4.04%) and FNB (-1.03%).

Corporate News

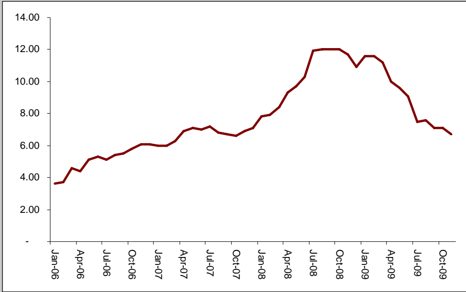
No Corporate News this week

Economic News

Namibia's consumer inflation quickened to 7.4% year-on-year in February from 6.6% in January partly as prices of food and non-alcoholic drinks rose, the Central Bureau of Statistics said on Tuesday. On a monthly basis inflation slowed to 0.8% from 1.3% in January. *(Reuters)*

SECURITIES AFRICA

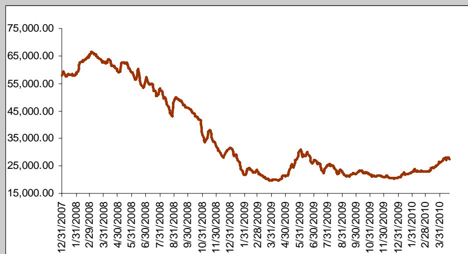
CPI Inflation



Source: SAR

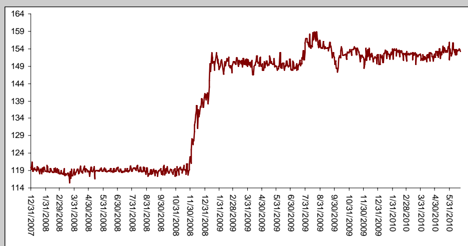
Nigeria

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 -0.60% to close at 20.824.25 points. Julius Berger gained +27.28% to close at NGN 31.73 while Sterling was up +13.76% to close at NGN 1.24. Other notable gains were recorded in Dangote (+11.36%), Paints and Coatings (+9.52%) and NAHCO (+5.04%). On the losing front we had Union Bank (-22.22%), Livestock (-20.66%) and May and Baker (-16.80%).

Corporate News

The Kaduna refinery has increased its production capacity to 70%, a senior staff of the company who did not want his name in print said. The staff said that the refining and petrochemical company has reviewed its Fluid Catalytic Cracking Unit, which is an essential unit of the company. He said the revitalization of the unit has raised the 110,000 barrel per day production capacity of the refinery to over 70%.

The source said that the unit that formed part of about 23 other units would improve on the production and supply of basic refined products such as Dual Purpose Kerosene. “The unit has been in operation for the past three months or so and has stabilised. This has brought tremendous progress in our operational activities and has also improved to a large extent the production capacity of mostly some products that are scarce in the country,” the source said.

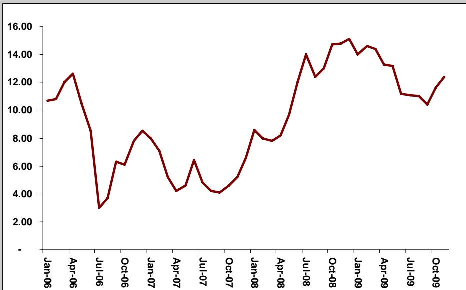
He called for the speedy passage of the Petroleum Industry Bill (PIB) into law, just as he suggested that the bill, if assented to, will enable refineries obtain autonomy that would help to increase the production capacity and funds needed for the smooth operation and maintenance of the industry.

It could be recalled that the Nigerian National Petroleum Corporation had accused the Nigerian Customs Service and the Nigerian Navy at the ports of causing the shortfall in fuel supply that led to the emergence of queues at fuel stations in some cities across the country, especially in the Lagos area. *(Daily Trust)*

Zenith Bank Plc has increased its dividend payout by 11.76% as the bank proposed dividend of 95 kobo per share. This was made known in the bank audited result for the year 2011 sent to the Nigerian Stock Exchange. The bank proposed 95 kobo dividend per share in 2011 compared to 85 kobo paid in 2010. The bank in the corporate action notified its shareholders that the date of closure of register is March 26 to 30, while payment date is April 5.

In its audited result for 2011 year end, Zenith Bank posted a profit after tax of N44.2bn compared to N37.4bn in 2010, indicating an increase of 18.1%. Profit before tax also grew from N50.03bn in 2010 to N60.7bn in 2011; showing a

CPI Inflation



Source: SAR

growth of 21.3% in the review period. Gross earnings of the bank also increased from N192.5bn in 2010 to N244.1bn in the audited period of 2011; representing an increase of 26.8%. *(Daily Trust)*

The Nigerian Stock Exchange (NSE) last week listed the NGN 11.88bn 11.5% Fixed Rate Bond (Series 1) 2011/2014 in favour of Lafarge Cement WAPCO Nigeria Plc. The bond, which is part of the NGN 50bn Debt Issuance programme of the Lafarge Cement, was successfully raised late last year from the capital market. According to the company, the proceeds would be utilised to re-finance part of its existing variable interest rate loan facilities on the Lakatabu Expansion Project.

The bond was rated A+ by Agusto & Co and AA- by Global Credit Rating Co. (GCR) on the strength of its robust security structure, market positioning and future cash flows. Chairman of the Lafarge Cement WAPCO, Chief Olusegun Osunkeye, had said last year that they happy to see significant level of interest in the bond issuance despite difficult market conditions. He said that the success was a demonstration of the trust in the fundamentals of our company by the investing public.

Also speaking the Samy Abdelkader, who was the then managing director/chief executive officer of the company said: “This provided to us liquidity at a rate that will enable us to fix part of our variable interest loans.” Similarly, the Finance Director of the Company, Mr. Alfred Amobi, had said: “The successful completion of the first series of the bond programme is an important milestone in our re-financing strategy.” *(This Day)*

Transnational Corporation of Nigeria Plc (Transcorp) has projected profit before tax of NGN 1.513bn for the second quarter ending June 30, 2012. In its earnings forecast presented to the Nigerian Stock Exchange (NSE), Transcorp noted that it would end the period with profit after tax of N1.023bn. The projection came on the heels of assurance by the Group Managing Director of Transcorp, Mr. Obinna Ufudo, that the newly inaugurated 30,000 metric tons per annum BenFruit Teragro concentrate plant built would boost the company’s earnings capacity and return on investments to shareholders in the years ahead.

Speaking in Markurdi, Benue State last week, Ufudo explained the company had expended almost N1bn on Teragro, which is a wholly owned agribusiness arm of the Transcorp Plc. According to him, the plant originally built five years ago by the Benue State Government but was leased to Transcorp for 10 years. He stated that the plant had to be upgraded to fit into its production strategies.

Ufudo disclosed that the plant would be replicated in other states as with plans to go into rice production, tomato puree and cassava processing, among others. In his welcome remarks at the plant inauguration ceremony, Chairman of Transcorp, Mr. Tony Elumelu, noted that the plant, which is a public-private sector partnership, was in a bid to key into the President Goodluck Jonathan’s transformation agenda and to add value to the nation’s agric value-chain.

Besides meeting the huge demand, Elumelu said the company planned to also increase capacity. Although there was already demand for the concentrate from Europe, he said, export would begin with other West African countries.

According to him, apart from saving scarce foreign exchange, he said the plant would create direct and indirect employment, beginning with between 75 and 100 people.

Farmers, he explained, would get better value for their produce, between 50 to 60% of which previous went bad before reaching the market. “Currently, the plant has capacity to take 20 trucks of oranges and mangoes for processing daily with plans to increase factory capacity five-fold before the end of next year,” he said.

Elumelu said that Teragro would partner other states keen on taken charge of their natural agric endowments, just as Transcorp planned to build an indigenous oil exploration business in addition to its thriving hospitality business being undertaken under the Transcorp Hilton Hotel brand in Abuja, and the Transcorp Metropolitan Hotel, Calabar, Cross River State. *(This Day)*

Chevron Corp reiterated plans to grow production by about a fifth by 2017, helped by massive liquefied natural gas projects in Australia that are set to start up beginning in 2014. “These are long-lived assets that will generate significant cash flow for decades,” George Kirkland, vice chairman and executive vice president for upstream and gas, said of the two LNG projects, which will together cost well over USD 60bn.

The company has set a production target of 3.3m barrels of oil equivalent per day (bpd) by 2017, assuming oil prices of USD 79 per barrel, up from its anticipated output of 2.68m bpd this year. At a meeting with analysts in New York, Chevron also said the start-up of investment-heavy projects would allow the company to reduce the amount of cash on its balance sheet, as analysts sought clues on potential dividend increases.

The second-largest U.S. oil company also said it planned to hold on to its West Coast refineries at a time when others are pulling out, including rival BP Plc, which has put its Southern California refinery up for sale. *(Daily Trust)*

Dangote Sugar Refinery Plc yesterday said it would achieve a profit before tax of NGN 5.136bn for the second quarter (Q2) ending June 30, 2012. According to its profit forecast made available by the Nigerian Stock Exchange (NSE), Dangote Sugar projected a turnover of NGN 38.251bn and profit before tax of NGN 5.136bn.

The firm disclosed that a profit after tax of NGN 3.492bn should be expected at the end of the Q2. The shares of the company rose by NGN 0.14 or 3.8% to close at NGN 3.73 per share Tuesday. *(This Day)*

Nigeria’s Zenith Bank is expected to grow its loan book by 20% to almost N1tn this year as it targets the manufacturing and infrastructure sectors, the bank’s chief executive said yesterday. Godwin Emefiele said the bank would also aim to cut its ratio of non-performing loans (NPLs) to 2% of total loans this year, from 3.9% in 2011, creating room to expand the loan book and drive return on equity.

He said non-performing loans have already fallen from 6% of total loans in 2010. “Our risk charge for 2012 will be much lower and it will give us a lot of room to grow our loan book in 2012. This will drive better yields and better

return on equity in 2012," Emefiele said. "The loan book should grow in 2012 by about 20% from about NGN 832bn in 2011. We should hit close to N1tn."

Zenith reported a higher-than-expected risk charge for bad loans for its fourth quarter on Friday, raising fears among investors there could be more write downs in the offing. "We will work hard to bring the risk charge in 2012 back to pre-2008 levels of 2%," Emefiele said. *(Daily Trust)*

The House of Representatives is set to take on the Federal Government over the price tag placed on liquidated Nigerian Telecommunication Ltd (NITEL) and its Global System for Mobile Telecommunication (GSM) arm, Mtel. The Federal Government liquidated the national carrier following its failure to find a buyer for the ailing telecoms firm. Tajudeen Yusuf (PDP, Kogi), who raised a point of order under matter of urgent public importance yesterday, noted that the beleaguered national assets were grossly under-valued.

While he questioned the rationale behind the price tag placed on the telecoms companies, Yusuf noted that the Nigerian Communications Commission (NCC) charged telecoms firms about USD 450m for a GSM licensee. "If a GSM licensee is being obtained for N450m, how can both NITEL and Mtel, including their assets and infrastructure be placed on USD 105m?" The last GSM licensee was obtained for USD 400m, while the earlier licensees were sold for USD 285m and USD 200m.

The motion was slated to be debated today by the Speaker, Aminu Tambuwal, after it was unanimously supported by the lawmakers. Meanwhile, the House of Representatives committee on pension is to start a three-day investigative hearing into pension administration in the country today. This follows the different revelations of unethical practices plaguing the sector.

To this end, the committee has summoned stakeholders in the sector to appear before it today at the investigative hearing. Those expected to participate in the hearing include pension policy formulators and administrators, particularly those from National Pension commission (PENCOM), the apex regulators, the Head of Service Pensions, Police Pensions, Military Pensions, Customs, Immigration, Prisons Pension and NUC Pensions.

They are to appear before the committee to give account of their activities and also provide solution to the problem of pensions administration as well as the fraud plaguing the sector in the country. Deputy Chairman of the committee, Okwu Samson, who spoke on behalf of the Chairman,Ibrahim Kamba, said they were neither duplicating the efforts of the Senate that is already investigating the issue nor opposing them.

"We do not have anything against Senate, but what the committee is saying is that the team should be allowed to clean up. In any case the committee would commence the public hearing today after which the decision of the committee would be made public," he said. *(Nation)*

Nigeria's First City Monument Bank (FCMB) warned on Thursday it expected to report a net loss of up to NGN 9bn (USD 57m) for last year, knocking its share price. "We will be posting a loss for the full year 2011, arising mainly from some investment and underwriting of several share issues dating back to 2009 and some non-performing loans sold to AMCON (Assets

Management Company of Nigeria)," chief executive Ladi Balogun told reporters.

Shares in FCMB were down 5% by 1330 GMT at 3.80 naira. FCMB, which recently completed a buy-out of rescued lender Finbank, said the losses were due to a 29bn naira write-off for bad loans sold to state-owned "bad bank" AMCON and the underwriting of preference shares issued by Finbank. AMCON was set up in response to the global banking crisis to absorb non-performing loans from the sector.

Rival lender Zenith Bank, the first to announce 2011 results, reported a higher-than-expected risk charge for bad loans for its fourth quarter on Friday, though it posted a pre-tax profit increase of 21%. Zenith's risk charge raised fears among investors there could be more bank write-downs in the offing.

FCMB is the second lender to issue a warning on its full year results. Write-downs of non-performing loans caused rival bank UBA to issue a profit warning last month. "We are expecting the balance sheet to pick up by the first half of the year from the synergy with the acquisition of Finbank," FCMB's Balogun said. *(Reuters)*

Economic News

The number of corporate bonds listed on the Nigerian Stock Exchange (NSE) swelled to 16 last week as quoted companies opt for debt instrument instead of issuing ordinary shares. The Initial Public Offering (IPO) market has never remained the same since the stock market crash of 2008 and most companies have relied on the bond market as a means of survival.

Last week, the NSE admitted on its daily official list, NGN 11.88bn 11.5% Fixed Rate Bond (Series 1) 2011/2014 in favour of Lafarge Cement WAPCO Nigeria Plc March 5, 2012. The Bond is part of the company's N50bn Debt Issuance programme. Also, the 2,791,454,545 preference shares in favour of IHS Nigeria Plc Series II of NGN 0.50 each at NGN 3.08 per share were admitted on the daily official list of the NSE, last week, raising the number of listed preference shares and securities to 3 and 256, respectively.

In the same vein, the issued shares of Flour Mills of Nigeria Plc increased to 2,334,776,889 following the Listing of its 455,566,222 shares recently issued via a Rights Issue. Meanwhile, a good number of quoted companies have been releasing their expected year end results to the NSE with most of them beating analyst's expectation. *(This Day)*

The World Bank and the International Monetary Fund (IMF) are to assess the stability of Nigeria's financial sector. The test will be carried out before the end of this year, The Nation has learnt. The motive for the test, according to a top official of the Finance Ministry, is to examine the strength of the country's financial system and guide against vulnerability to shocks as experienced in 2009.

The exercise, which falls under the Financial Sector Assessment Programme (FSAP), established in 1999, is a comprehensive and in-depth analysis of a country's financial sector. FSAP assessments are the joint responsibility of the

IMF and World Bank in developing and emerging market countries and of the Fund alone in advanced economies, and include two major components: a financial stability assessment, which is the responsibility of the Fund and, in developing and emerging market countries, a financial development assessment, the responsibility of the World Bank.

The focus of FSAP assessments is twofold: to gauge the stability of the financial sector and to assess its potential contribution to growth and development. The FSAP teams examine the soundness of the banking and other financial sectors; conduct stress tests; rate the quality of bank, insurance, and financial market supervision against accepted international standards; and evaluate the ability of supervisors, policymakers, and financial safety nets to respond effectively in case of systemic stress.

While FSAPs do not evaluate the health of individual financial institutions and cannot predict or prevent financial crises, they identify the main vulnerabilities that could trigger one. Already, the Central Bank of Nigeria (CBN) has given banks templates on how the test will be done to enable them to make the necessary preparations. The test may also have been necessitated by the decision of the Federal Government to borrow USD 7.9bn from the World Bank, African Development Bank (ADB), Islamic Development Bank, EXIM Bank of China and Indian lines of credit.

The funds are to be used to cover pipeline projects in the 2012-2014 External Borrowing Plan. Under the plan, the government will borrow USD 2.64bn yearly. Apart from the test, the global financial institutions are also expected to re-appraise the banking sector reform initiated by the CBN Governor, Sanusi Lamido Sanusi, in 2009. Essentially, the test is to ensure that the banking industry is stable, said a top CBN official, who does not want his name in print because of the sensitive nature of the matter.

Barely a month after Sanusi assumed office in 2009, he said he was alarmed by the fact that the total amount outstanding for banks at the Expanded Discount Window (EDW) was N256.571bn, most of which was owed by five banks. He said a review of the activity in the EDW showed that four banks had been almost locked in as borrowers and were clearly unable to repay their obligations. A fifth bank, he added, had been a very frequent borrower when its profile ordinarily should have placed it among the net placers of funds in the market.

To get to the root of the matter, the Governor ordered a joint examination of 10 banks by the CBN and the Nigeria Deposit Insurance Corporation (NDIC). By the result of the examination, which was made public on August 14, 2009, the CBN found five institutions in a 'grave situation'. The banking watchdog pointed out that the management of the banks were found to have also acted in a manner detrimental to the interest of their depositors and creditors. The apex bank later started the audit of the remaining 14 banks.

After a review of the findings of the Special Examination of the 14 banks, the CBN announced on October 2, 2009 that nine banks had adequate capital and liquidity to support the level of their current operations and future growth. The 10th bank was adjudged to have insufficient capital but not in grave situation because it had a healthy liquidity position. The remaining four banks were found to be in a 'grave situation', but two were spared because there were no indication of poor corporate governance practices. They only lacked liquidity.

The CBN subsequently injected N200bn as liquidity support and long-term loans in the three banks - bringing its financial intervention in the industry at the time to N620bn. The banking watchdog has since revoked the licences of Afribank, Springbank and Bank PHB because it said they did not show the necessary capacity to recapitalise. The apex bank set up “bridge banks”to acquire the assets and liabilities of the trio, which were then sold to Asset Management Company of Nigeria (AMCON).

The banks that sprang from the defunct banks are MainStreet Bank Limited (Afribank Plc; Keystone Bank Limited (Bank PHB) and Enterprise Bank Limited (Spring Bank). AMCON has injected N679bn into the new banks via bonds. MainStreet Bank received N285bn; Keystone Bank secure N283bn while Enterprise Bank was given N111bn. The Managing of AMCON, Mr Mustapha Chike-Obi, said the three banks will be sold before the end of 2013. *(Nation)*

Credit to the private-sector increased by 41.7% year-on-year, to N13.348tn as at January 2012, as against the N7.781tn it was in January last year. Credit to private sector had recorded year-on-year growth of 33.3% in last December, 15.5% in November and 15.9% year-on-year growth in October. Following the successful recapitalisation of the then rescued banks last September, the average Capital Adequacy Ratio (CAR) for the banking industry had risen significantly to 17.12%, the CBN had said.

The data also showed that narrow money (M1), which includes all physical money such as coins and currency and other liquid assets held by the CBN, stood at NGN 6.767tn as at January. In the same vein, broad money (M2), which generally is made up of demand deposits at commercial banks and monies held in easily accessible accounts, was NGN 13.704tn in the month under review. Net foreign assets (NFA), according to the data, was NGN 7.334tn, while net domestic credit (NDC) stood at NGN 12.704tn.

On the other hand, net credit to government, was negative of NGN 643.915bn as at January 2012, just as Currency in Circulation in the month under review, stood at NGN 1.475tn. Analysts attributed the remarkable development to the activities of the Asset Management Corporation of Nigeria (AMCON). AMCON's acquisition of banks' non-performing loans (NPLs) in December 2010 and first quarter of 2011 had resulted in a sharp drop in the nominal private sector lending time series.

“As such, the low base effect in the data will probably further support the annual private sector credit growth rates in February to March 2012. Besides, private sector lending is rebounding from a period of stagnation and risk aversion associated with the systemic distortions in the financial system in 2009 and 2010; it has remained somewhat resilient on month-to month terms lately.

“More conceptually, an elevated private sector lending growth rate does not necessarily guarantee robust and sustainable economic growth if the credit flows are channelled into non-productive or even speculative activities rather than the real economy, as illustrated by the margin lending debacle in Nigeria,” Emerging Markets Strategist, Standard Bank Plc, Samir Gadio, said. AMCON’s Managing Director/Chief Executive Officer, Mr. Mustafa Chike-obi, had predicted over 30% growth in banking sector credit this year.

He had said: “We expected zero% credit growth in 2011 because we felt that there would be reluctance to lend in the industry. But we were very surprised because several reports had indicated that credit growth in 2011 was in excess of 20%. “There is no longer a banking crisis in Nigeria. Banks have clean balance sheet, they have adequate capital and we did not lose a single depositors' money”, Chike-obi had added. *(This Day)*

Nigerian Stock Exchange (NSE) has set March 31 deadline for submission of 2011 full financial audited accounts for 119 firms listed on the floor of the market. The rules affect listed entities whose financial year end is December 31. The new deadline, according to Josephine Igbinosun, Head, Listing Enforcement, Listings Regulation Department, is in accordance with the post listings requirements. So far, Nestle Nigeria Plc is the first quoted company in this category to release its 2011 audited accounts as its financial information was presented to the market on February 21, 2012 while the other 118 companies are expected to submit theirs by March 31, 2012.

A critical look at the list released by NSE shows that all the money deposit banks including NPF Microfinance bank; Insurance firms; healthcare and Pharmaceuticals as well as all listed companies under industrial goods and building materials are expected to meet the deadline since their financial year ended in December based on the uniform financial year reporting. Other companies expected are listed equities under ICT, IT, telecommunications, oil and gas, energy services and petroleum products, Hotel services, lodging/hospitality as well as media and printing category. *(Daily Trust)*

Nigeria's economy grew 7.68% in the fourth quarter last year, faster than the 7.40% in the previous quarter, the national bureau of statistics (NBS) said on Tuesday. Nigeria's oil production fell to an average of 2.4m barrels per day in the fourth quarter 2011, compared with 2.6m bpd in the same period the previous year, NBS said in a report. *(Reuters)*

Nigeria's fuel regulator said on Monday it has issued gasoline import contracts for the second quarter, the first tender result since a public outcry forced the government to back down on plans to scrap consumer petrol subsidies in January. Permits to import a total of 4.8bn litres of gasoline in the second quarter of this year were issued to 42 marketers, the Petroleum Products Pricing Regulatory Agency (PPPRA) said in a statement.

Local units of oil majors Exxon Mobil and Total, state-owned energy firm NNPC and Nigerian company Oando were among those approved to import gasoline. Several smaller local firms also made the list. The gasoline market has been awaiting clarity from Africa's largest crude oil exporter on how the new import regime will work since the government attempted to remove petrol import subsidies on Jan. 1, but was forced to partly reinstate them.

Nigeria's government pays importers to bring in refined gasoline and then sells it to the public at knocked down prices, a huge drain on the treasury. Efforts to reform or scrap the system have repeatedly been scuppered by public opposition. At the end of a week of mass protests against a near doubling in fuel costs, the government also ordered several probes into graft in the subsidy scheme and other areas of the oil industry, a major focus of public anger.

Nigeria's gasoline import business is one of the key areas within Africa's largest

energy industry that has been riddled with corruption, according to government officials and oil sector audits. Parliament is investigating a USD 4bn discrepancy between the amount paid in gasoline subsidies last year and the amount of fuel actually brought into the country.

The head of the parliamentary committee probing the subsidy, Farouk Lawan, told Reuters last month that Nigeria's daily consumption of petrol is 35m litres, yet importers were being paid for 59m litres a day. The balance of gasoline was either being smuggled out of the country or never existed, Lawan said.

PPPRA is among several government departments under another investigation started by the Economic and Financial Crimes Commission (EFCC) following the fuel subsidy row. A petroleum revenue task force, led by 2011 presidential aspirant and former EFCC chief Nuhu Ribadu, also began this month probing inconsistencies with government oil earnings.

Several audits and reports in recent years highlighting problems within Nigeria's oil industry have been ignored and no senior member of the state oil company or oil ministry has ever been fired or arrested. PPPRA in its statement named the beneficiaries of the gasoline tender for the first time and issued importers with a warning to keep to contracted terms, in an apparent effort to improve transparency.

"The volumes to be supplied into the system for Q2 2012 is based on marketers' performance in the past and their ability to secure the needed financing," the PPPRA statement, which was published in local newspapers, said. "Failure of a company to deliver the approved volume shall render the company liable for exclusion from the scheme for two successive quarters or more, aside from payment of appropriate re-engagement fees." Africa's largest oil exporter had been relying on exchanges of crude for gasoline in recent weeks as no new tenders had been allocated since subsidies were removed. *(Reuters)*

Nigeria's fuel regulator said on Monday it had issued 42 marketers with permits to import a total of 4.8bn litres of gasoline in the second quarter this year, the first open tender announcement since subsidies were removed then reinstated in January after protests. The local units of oil majors Exxon Mobil and Total as well as state-owned NNPC were among companies approved to sell Nigeria gasoline, the Petroleum Products Pricing Regulatory Agency said in a statement. *(Reuters)*

The Nigerian Stock Exchange said on Tuesday share purchases by foreign investors leapt 80% to NGN 512bn (USD 3.23bn) last year, despite an overall fall in the main stock index in the same period. In figures shown to Reuters, the bourse also said foreign trades in Africa's second-biggest equity market increased by 34% in 2011 to an average traded volume of USD 17m per day, albeit still way below the 2008 peak of USD 100m a day.

Foreign purchases in 2010 totalled NGN 381bn. The bourse said 19 firms delisted from the bourse in 2011, including Greek Coke bottler's local unit and banks rescued by the central bank in a USD 4bn bail-out which led to them being acquired by other listed banks.

Nigeria's main market index has gone from being the best performer in the world from March 2007 to March 2008 to the worst performing in 2009, falling by

more than 70% in the midst of the banking crisis that forced the central bank to step in and rescue nine lenders.

After a recovery by 19.67% in 2010, the index ended almost 20% down in 2011.Banking stocks were among the top picks in 2011 but traders say domestic institutional investors, which included pension funds, switched to debt for higher yields during the year. The bourse data showed a 17.4% fall in market capitalisation overall. *(Reuters)*

Nigeria's economy measured by her Gross Domestic Product (GDP)-rose to 7.68% in the fourth quarter of last year, compared with 7.40% in the third quarter, the National Bureau of Statistics (NBS) said yesterday. Statistician–General, NBS, Dr. Yemi Kale, who disclosed this, however, said the growth was driven by stronger performance in the non-oil sector, particularly telecoms.

Nigeria pumped an average of 2.4m barrels per day in the last three months of the year, down from 2.6m barrels daily a year earlier due to production outages - the latest being the temporary shutdown of facilities at Bonga, a 200,000 barrel per day (bpd) facility, which supplies close to 10% of Nigeria's total crude output. Besides, Kale said sabotage leaks resulted in Shell Development Company of Nigeria declaring a force majeure on its Forcados export programme for the last quarter of last year. *(Nation)*

The Federal Government on Tuesday signed a NGN 3bn renewable energy deal with Germany, a statement from the Ministry of National Planning Commission said. The minister, Dr. Shamsuddeen Usman, signed the agreement on behalf of Nigeria while the German Head of Division for Central/Western Africa and Madagascar, Ms. Ute Heinbuch signed for Germany.

Nigeria and Germany began technical co-operation relationship in 1974. Speaking at the signing ceremony, Dr. Usman said Nigeria would work closely with Germany in a bid to tap on the alternative means of energy that Germany has. The minister also described the relationship between Nigeria and Germany as a treasure, pointing out that international NGOs from Germany have been doing well in the country and thus expressed the hope that the two countries would sustain the cooperation.

In her remarks, Ms. Heinbuch said that Germany is ready to help Nigeria generate energy through alternative means of energy like solar, wind among others. "The bi-national commission with Nigeria will be kick started in earnest. The bi-national commission will enhance co-operation between the two countries that will create a win - win situation," she said. *(Daily Trust)*

Nigeria's parliament passed the 2012 budget on Thursday with higher expenditure than the finance minister advised, risking further delays to implementing spending plans if President Goodluck Jonathan refuses to approve them. Spending plans for Africa's second largest economy have a history of being delayed, leaving ministries uncertain of how much money they will have until months into the year.

Last year lawmakers inflated spending proposed by government but Jonathan sent back the budget and asked them to make more cuts, before a compromise

was reached weeks later. Government departments often lobby legislators to increase spending on their ministries. One of the reasons given for the increase in the Senate was to fund a programme to help the poor adjust to an eventual scrapping of fuel subsidies.

Nigeria's lower and upper house agreed total expenditure of NGN 4.88tn (USD 31bn), increased from NGN 4.65tn proposed by Finance Minister Ngozi Okonjo-Iweala last month. The spending plans assume a USD 72 a barrel benchmark oil price, up from USD 70 in the proposal submitted by Okonjo-Iweala, boosting revenues available to the government.

Africa's largest oil exporter saves money it earns over the benchmark price to cushion the economy against price shocks and economists and the Central Bank Governor Lamido Sanusi have urged lawmakers not to push it above USD 70 barrel. The budget assumes oil production of 2.48m barrels per day, an exchange rate of NGN 155 to the dollar, 9.5% inflation and GDP growth of 7.2%. These are all unchanged from last month's proposal.

Delays to the budget, widespread corruption and a patronage culture means many of the capital projects proposed in budgets never get completed, leaving infrastructure dilapidated. Okonjo-Iweala says improving implementation is a top priority. Despite holding the world's seventh-largest gas reserves Nigeria only produces enough electricity to power a medium-sized European city, putting a major break on economic development.

"In our view the first question is how much of the budgeted capital expenditure will actually be implemented," said Alan Cameron, an economist at Nigerian stockbroker CSL, noting that 2011 saw just over three quarters implemented, an improvement on a historical average of around half. President Goodluck Jonathan won an election last year pledging to create jobs, overhaul electricity production, unlock the huge gas reserves and cut poverty.

Reform plans have since stalled. A bill aimed at reforming the energy sector has been stuck in parliament for years, while a proposed sovereign wealth fund, the 2012 budget and power privatisation plans are months behind schedule. Despite institutional bottlenecks, Nigeria's economy grew at a faster rate in the fourth quarter last year, rising 7.68%, compared with 7.4% in the previous quarter, even as the oil production that provides most of the country's export revenues declined.

Analysts say growth in the non-oil sector is encouraging. "Increased reliance on non-oil revenue is the trend that we hope to see over the medium term, otherwise the pace of spending growth Nigeria has seen in recent years will not be sustainable. Broadbased development typically has a lasting impact - non-renewable resources do not," said Razia Khan, head of Africa research at Standard Chartered.

But there remains huge scepticism over the government's ability to contain spending, reflected in a continual raiding of its oil savings in the excess crude account (ECA) over the past few years, while oil prices have stuck at historic highs. 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, and save for future generations, finance infrastructure projects and provide a stabilisation fund to defend the economy against oil price falls. But its launch has been held up by wrangling, and it will still ultimately rely on the government's own fiscal restraint.

Standard Bank's Samir Gadio said this and previous budgets "tend to suggest that large segments of the political elite are still not comfortable with the concept of fiscal restraint." "There is no doubt that an oil-producing country like Nigeria should have posted a massive consolidated fiscal surplus amid elevated oil prices, but the continued monetisation of excess crude account proceeds prevents ... improvement in this area," he said. *(Reuters)*

The continuous trend of indiscriminate taxations and levies imposed on telecoms operators in Nigeria will keep depriving the people good quality of service, the Nigerian Communications Commission (NCC) said yesterday. It warned that subscribers may begin to pay higher tariffs for telecoms services if holistic steps are not taken by the federal government and legislators to address the issue.

The Industry Working Committee inaugurated in January by the NCC, at a press conference in Lagos yesterday, highlighted the dangers of arbitrary levies and charges to the growing telecoms industry. The group stated the need for relevant authorities to review and amend the laws on taxation, stressing that if care was not taken, operators may be forced out of market owing to huge and indiscriminate demand for what it described as illegal fees.

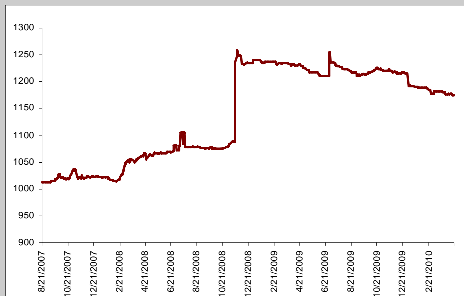
The National Association of Telecoms Subscribers President, Chief Deolu Ogunbanjo who is a member of the committee said a mast according to tariff laws in 2006/2007 was N10, 000 and N20, 000 in 2008. But more recently, the price went to half am and above. He explained that the operators may have no other choice than to push additional cost incurred to their subscribers instead of allowing a total shut down of services.

Speaking in the same vein, Chairman of the group, Mr. Okechukwu Itanyi, who is also NCC Executive Commissioner, Stakeholder Management, said government needed to declare telecoms equipments as critical infrastructure. He said “We cannot over emphasis that Nigeria has made significant progress in the division of telecoms services over the last 10 years.

Access to telephone has moved from a social status symbol to an essential and business tool owned by both poor and the rich across the country. This progress has naturally placed a burden on the operators to ensure access and guarantee an acceptable quality of service through the deployment of critical infrastructure in Nigeria.” *(Daily Trust)*

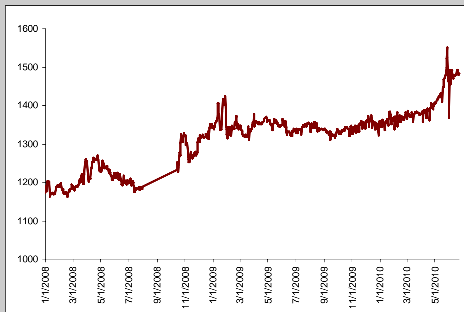
Tanzania

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	23.662	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 0.02% to close at 1,319.28 points. TCC was the only gainer after adding +0.64% to close the week at TZS 3,160 while Tanzanian Breweries lost -4.62% to close the week at TZS 2,480.00. All the other counters remained unchanged.

Corporate News

No Corporate News this week

Economic News

Tanzania's economy is projected to expand by 6.5% to 7% in 2012-13, up from about 6.3% in 2011, with its deficit cut to 5.5% of gross domestic product, the International Monetary Fund said on Tuesday. The Washington-based IMF also said real Gross Domestic Product (GDP) grew 6.3% in the first nine months of 2011 and was expected to have maintained that pace in the final quarter of the year.

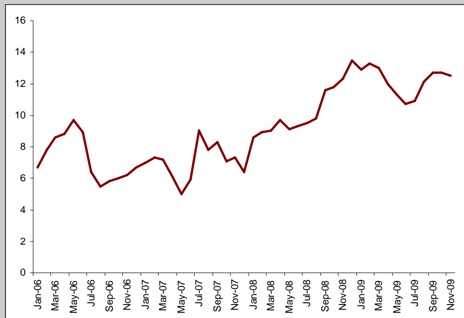
The IMF estimate echoes the World Bank's forecast in February that east Africa's second biggest economy could rebound to 7% growth in 2012-13, buoyed by the recovery of the global economy. "For 2012-13, growth is projected in the 6.5-7% range ... It was agreed that the authorities will pursue further fiscal consolidation to achieve an overall budget deficit of 5.5% of GDP in 2012-13," the IMF said in a statement.

The IMF gave no explanation for the greater growth forecast. Economic analysts say increasing investor interest in Tanzania's telecommunications, energy and financial services sectors should help drive economic growth if the world economy recovers. The IMF said in February that savings in Tanzania's non-priority programmes were expected to reduce the budget deficit to around 6.5% of GDP by the end of June this year, and help tackle inflation.

"Monetary policy will need to be tight over the near term to keep underlying inflation low. Based on a projected improvement in the food situation in the region, headline inflation is projected to return to single digits by end-2012," the IMF said. The World Bank has a more optimistic forecast on Tanzania's inflation rate, expecting it to fall to single digits by June from 19.7% in January, in line with government expectations.

A chronic energy shortage coupled with high inflation driven by food and fuel prices dampened growth in Tanzania last year. "The increase in electricity

CPI Inflation



Source: SAR

tariffs by 40% in January 2012 was an important step in covering the associated higher cost of power generation. It will be important to ensure that tariffs continue to reflect the cost of power generation," the IMF said.

The IMF said Tanzania had requested support from the fund's precautionary stand-by credit facility (SCF) as a safety net for a possible global financial slowdown over the coming years, likely to be triggered by the ongoing euro zone crisis. "The IMF's Executive Board is expected to consider the fourth PSI (policy support instrument) review and the request for the precautionary SCF in June 2012." *(Reuters)*

Inflation in Tanzania dipped only slightly to 19.4% in February from 19.7% in January due to slowing food prices, leaving the country struggling to meet its target of single digit inflation by June. Poor rains across east Africa for much of last year affected food security and electricity output, triggering spikes in the levels of inflation and threatening economic growth.

NBS said food prices rises slowed to 26.7% year-on-year in February from 27.8% a month ago, pushing the inflation rate lower. "The speed of price increases for commodities in February 2012 has decreased compared to the speed recorded in January 2012," state-run Nation Bureau of Statistics (NBS) said on Thursday.

Food and non-alcoholic beverages make up almost half of the basket of goods used to measure Tanzania's inflation. The World Bank has backed the government's forecast that inflation could be lowered to single digits by mid 2012, while the International Monetary Fund has said it expects this to happen towards the end of the year.

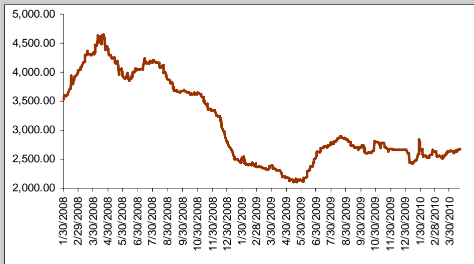
Analysts said neither target was likely to be met. "I don't see the inflation rate coming down to single digits any time soon or in the year 2012 for that matter ... it just can't happen," said Honest Ngowi, an economics lecturer at Mzumbe University's Business School in Dar es Salaam.

"We don't have a monetary inflation where there is too much money supply. Ours is a structural inflation due to the nature of the economy ... the infrastructure is not in good shape and we have erratic power supply." NBS said prices rose 1.9% on the month in February, mainly as a result of higher electricity prices.

Tanzania raised power tariffs by 40% in January 2012 to cover higher costs of power generation from imported fuel. The annual inflation rate for energy increased to 33.5% in February 2012 from 30.1% registered in January 2012, the statistics agency said. Energy is the, second-biggest component in the basket of goods used to calculate Tanzania's inflation rate, with a 13.9% weight. *(Reuters)*

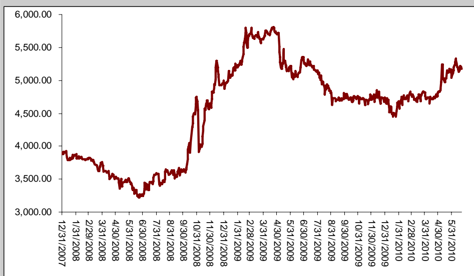
Zambia

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 -1.15% to close at 3,898.06 points. Zamefa, and SCB led the gainers after putting on +8.15% and +0.67% to close the week at ZMK 743 and ZMK 89.60 respectively while Zambia Sugar (-6.69%), Lafarge (-3.83%) and Puma (-3.71%) were on the losing front.

Corporate News

The announcement of a new mineralised copper zone at Caledonia Mining's Nama copper deposit in Zambia breathed life into the company's shares in Toronto, sending them up by over 10% on high trading volumes. Caledonia said while the estimated grade at the deposit, averaging 0.47% copper, was lower than nearby operating mines, it was shallow, and early indications were that processing would be low cost.

CEO Stefan Hayden said the company's 2011 drilling programme had found a mineralisation style unlike other properties in the region. "A sufficiently large, near-surface resource depth may therefore provide the basis for a future openpit mining operation," he commented in a statement. Caledonia, which operates the Blanket gold mine in Zimbabwe, owns over 800 km2 of prospective ground in the Copperbelt, located in northern Zambia.

Next door to the Nama deposit, Brazilian diversified mining giant Vale is building a USD 400-million mine at Konkola North, set to start commercial output in 2015. Caledonia said the estimated average thickness of the deposit was 41 m, with the intersections at depths of between 280 m and 450 m.

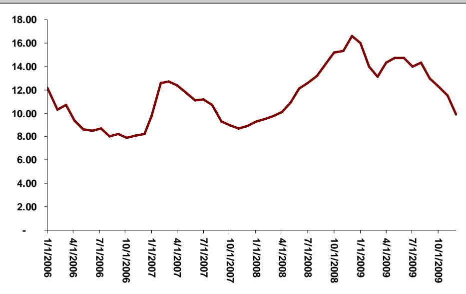
That was from four holes the company drilled in 2011, with a three-phase plan targeted for 2012, including a 2 400 m programme to explore for potential shallower up-dip continuation of the new mineralised zone to surface, a 6 000 m drill programme to explore for potential deeper down-dip continuation, and a potential resource drilling programme, depending on the results of the first two stages. *(Mining Weekly)*

Economic News

Economic growth in Zambia is expected to pick up this year to reflect strong growth in copper production and non-maize agriculture, the International Monetary fund (IMF) said on Tuesday. The IMF projected an economic growth rate of 7.7% for Africa's largest copper producer in 2012, up from projections of 7.4% sent to the finance minister's office in June, and compared to a 6.5% growth estimate for 2011.

"Macro economic performance in 2011 was positive and is expected to remain

CPI Inflation



Source: SAR

robust this year," the IMF said in a statement, adding Zambia's expansionary budget which seeks to ramp up infrastructure should support growth. The Washington-based organisation said inflation was likely to end the year at 6%, the same as in February when prices hit their lowest in at least a decade on lower food costs after a bumper maize crop.

Zambia has solid maize stocks and exports to other African countries, filling a gap for nations such as South Africa which has had to import white maize. The organisation sounded a warning about the effect that a further deterioration of the global economy could have for copper prices and export demand. However, Zambia should be cushioned from real shocks.

"Zambia's solid macroeconomic management, the large investments in the copper sector and recent strong growth in non-maize agriculture all augur well for the country's ability to withstand global shocks and sustain the growth momentum into the future," the IMF said.

The organisation said despite the favourable macroeconomic signals, there was an urgent need to "re-orient policies to ensure economic growth and macroeconomic stability are accompanied by strong employment growth and poverty reduction." A Reuters poll of economists forecast growth at 6.6% this year and 6.9% in 2013. *(Reuters)*

Zambia is seeking nearly 1.5m barrels of oil products for delivery over one year from June via a tender, traders said on Tuesday. The southern African country is seeking 216,920,000 litres (1.36m barrels) of 500 ppm sulphur diesel and 21,230,000 litres (134,000 barrels) of gasoline for land deliveries, the traders said. The tender closes on Mar. 23.

Zambia uses diesel for transport, mining, agriculture and industry. The landlocked country is Africa's top producer of copper and a heavy user of diesel in the mining operations that are the backbone of its economy. High oil and fuel prices are a major concern in Africa, where unreliable sources of power mean inadequate electricity and many mines rely on diesel for power generation.

Zambia consumes about 2m litres (13,000 barrels) of diesel per day and 700,000 litres (4,400 barrels) of gasoline daily. The country operates the sole 24,000 barrels-per-day Indeni refinery, and imports nearly all of its petroleum requirements from the Middle East, through the port of Dar-es-Salaam in Tanzania. *(Reuters)*

Zambia will start building two high voltage electric power transmission lines this year expected to feed new mining and agricultural projects, an industry official said on Tuesday. Christopher Mubemba, the director of transmission at state-run utility Zesco Ltd, told Reuters that work on the two projects, which were estimated to cost USD 285m, would start by June. "These two 330 kV lines are expected to provide power to manganese mining projects and cotton (processors)," Mubemba said.

Mubemba said Zesco had already agreed the financing of the projects, which would supply the northern and eastern parts of the country, with the Industrial and Commercial Bank of China. "We expect the contractor to start work by May-June this year and both projects should be completed within 18 months,"

Mubemba said. Zambia, Africa's top copper producer, is diversifying into other minerals and the project would enable investors venture into large-scale manganese mining and processing, he said. *(Reuters)*

A Nigerian investment bank will partner Zambia's largest distributor of power to mines in the financing and development of six new hydroelectric power stations worth over USD 1bn in Zambia, an industry official said on Thursday. Michael Tarney, the managing director for corporate development at Zambia's Copperbelt Energy Corporation (CEC), told Reuters the six projects had a total capacity of more than 800 megawatts (MW).

Tarney was speaking after the signing of an agreement for the joint development of power projects by CEC and the Nigerian company. "We are immediately looking at the USD 150m Kabompo gorge hydro power project in north-western Zambia and the five Luapula river projects estimated to cost USD 1bn," he said. The Kabompo project was moving well with financial close expected to be reached this year, he said.

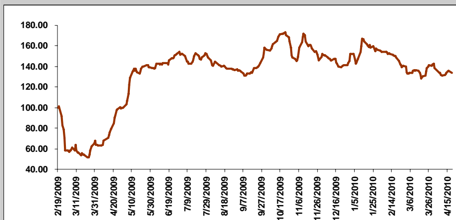
"The Luapula projects have a combined capacity of 800 MW and this year we are doing feasibility studies but I think we should be starting construction maybe 2013-2014," he said. The relationship with Africa Finance Corporation should boost CEC's chances of winning the bid for units of a Nigerian state power company lined up for privatisation, Tarney said.

Africa's most populous nation of more than 140m is the continent's biggest oil and gas producer but is blighted by persistent electricity outages. It plans a multi-billion dollar privatisation of its power sector to improve efficiency and had split the distribution network of Power Holding Company of Nigeria into 11 different units valued at about USD 100m each.

"The relationship with Africa Finance Corporation whose shareholders include the Nigerian government means we have a local partner," he said. African Finance Corporation CEO Andrew Alli said he was happy to find CEC as a potential partner. The power privatisation in Nigeria offered an opportunity for huge investment by CEC and Africa Finance Corporation outside Zambia, Alli said. *(Reuters)*

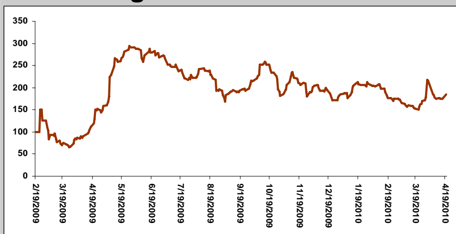
Zimbabwe

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 negative note with Industrial Index losing -2.47% to 138.67 while Mining Index shed -7.50% to 85.45 points. Gulliver and Border led the movers after gaining +50.00% and 45.83% to close the week at USD 0.0003 and USD 0.175 respectively. Other gains were recorded in Chemco up +33.33% to USD 0.0040 and Celsys which put on +25.00% to USD 0.0005. PGI and Interfin led the losers after they shed -37.50% and -22.22% to USD 0.0125 and USD 0.035 respectively. Other notable losses were recorded in M&R (-20.83%), Riozim (-20%) and Radar (-20.00%)

Corporate News

The Zimbabwe Mining Development Corporation (ZMDC) is set to acquire a 30% shareholding in the Zimbabwe Allied Banking Group (ZABG), a government minister has said. Mines and Mining Development deputy minister Gift Chimanikire told NewsDay yesterday South Africa-based investors would also acquire 49% in the new bank that would be renamed Minerals and Miners Bank.

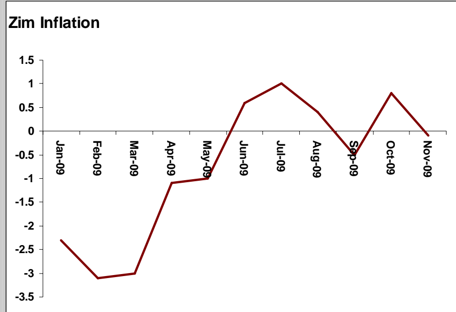
“The foreign investors will have 49% in the bank while a local intermediary company will get a 21% stake. ZMDC will get 30% through a buyout if the bank agrees,” Chimanikire said. “The transaction is set to be concluded (tomorrow) today or Wednesday during the meetings.” Chimanikire could not disclose the name of the local intermediary that would take up the 21% stake.

The South Africa-based investors have indicated their willingness to pour in USD 100m into the struggling bank. Chimanikire said the bank would open branches countrywide. ZABG is one of the three banks yet to meet the Reserve Bank of Zimbabwe (RBZ) minimum capital requirements of USD 12,5m for commercial banks. The bank has in recent weeks been struggling to pay depositors on demand as a result of tight liquidity challenges.

An official with ZABG, Theresa Munjoma, said: “As announced in the Reserve Bank of Zimbabwe Monetary Policy Statement on January 31 2012 and also in a subsequent Press release by the Minister of Finance (Tendai Biti), the economy is experiencing serious liquidity challenges and cash shortages. Corrective measures are being taken to address the issue. In the meantime, ZABG is doing all it can to ensure sufficient cash resources are available for its customers at all its branches countrywide.”

A fortnight ago, RBZ governor Gideon Gono said the bank, with a negative capital of USD 15,35m as at March 1, was finalising negotiations with three potential investors, Unicapital Finance of Mauritius, Swiss-based company AFG Global and a local firm Trebo & Khays (Private) Limited, reportedly linked to Mines and Mining Development minister Obert Mpofu. It is believed the coming

CPI Inflation



Source: SAR

on board of new investors would help the bank meet the minimum capital requirements and provide service to small-scale miners who have been crying foul over lack of funding. *(News Day)*

The government has directed Finance minister Tendai Biti to convert part of its loans advanced to power utility Zesa to meet State's obligations to subsidise the ballooning Sable Chemicals power bill, a Cabinet minister has said. A standoff between government and Zesa over the payment of the USD 30m subsidy for the ammonium nitrate (AN) fertiliser manufacturer threatens the viability of the firm after its power was switched off in January.

Sable Chemicals is the country's sole AN fertiliser manufacturer. Industry minister Welshman Ncube said the money owed to Zesa was supposed to be paid by government as part of a subsidy to its electricity tariffs. Ncube said since the cash-strapped inclusive government could not continue to dole out money to Zesa they had directed a loan transfer to meet the bills.

"We agreed during a Cabinet meeting last Tuesday that Zesa cannot keep getting money from the government. They have received over USD 100m in loans from government, therefore, what we will do is part of that loan will be converted into paying the outstanding USD 30m to settle the debt," said Ncube said at the weekend. Zesa has pulled the plug on Sable Chemicals to force it to pay its bill. According to the minister Zesa has been refusing to restore power supplies until they get a letter of guarantee from government.

"They have refused to restore supplies until Finance minister Tendai Biti has written a letter confirming the transfer of the loans into payments of the Sable Chemicals debt the Minister of Energy (Elton Magoma) has also been asked to put his house in order so that the plant is back on line," said Ncube. The government owns 36% of Sable Chemicals, 51% is owned by TA Holdings and the remainder by other minority shareholders. The world's biggest electrolysis plant consumes an estimated 80megawatts/hour of power.

Sable Chemicals buys electricity at a government subisdised rate of 3c per unit instead of the commercial rate of 9c to run the power-intensive plant, while government is supposed to pay Zesa the difference. Buying power at any rate above 3c would result in huge losses and the company would be unable to sustain operations without effecting a massive hike on the price of fertliser. *(News Day)*

State-owned Zimbabwe Mining Development Corporation (ZMDC) is currently evaluating proposals on an equal platinum mining partnership with potential suitors, chairman Godwills Masimirembwa has said. "We have had serious engagement with a South African investor and the company is also talking of setting up a processing plant. We do not want to mine without local beneficiation," he said.

Masimirembwa said government would be required to set aside enough platinum reserves to sustain a beneficiation plant if the South African investor managed to close the deal with ZMDC. "We have not concluded negotiations with anyone yet and we are still open to anyone from the region or the international community. It can even be local, but I doubt very much if our local players can meet the financial and technical requirements," he added.

The ZMDC boss said setting up a platinum plant could cost at least USD 600m. "We are looking at the potential partners' financial background and technical ability to carry out the project because platinum mining is not an easy thing. We also need to be satisfied with their experience," he said. ZMDC was established by an Act of Parliament in 1982 with a mandate to invest in the mining industry in Zimbabwe on behalf of the state and to plan, coordinate and implement mining development projects on behalf of the state.

However, ZMDC's efforts to secure a suitor for its platinum mining activities comes after its 50/50 partnership with South Africa's Amari Resources (Amari) failed to take off. Amari, an African–focused mineral exploration and development company, challenged a March 2011 High Court ruling which suspended its intended platinum mining operations in Zimbabwe.

Although the government of Zimbabwe had granted Amari permission to explore for platinum in the Ngezi-Mhondoro area, the company was found guilty of conducting exploration illegally after the exercise was prolonged beyond the stipulated period, prompting authorities to suspend its operations.

The Mines ministry indicated that the suspension meant that ZMDC an equal partner with Amari in the platinum operations would go it alone. The 50-50 venture between Amaplatsm a wholly owned subsidiary of Amari and ZMDC is known as Zimari Platinum. In 2010, Amari announced plans to sink USD 200m over three to four years to bring its platinum mines to operation earlier this year, but the plans were stalled by the current suspension of its operations.

The money was meant to meet its targeted 18,3m ounces of platinum group metals (PGMs) at its Hartley complex location. On that site, it holds 31 claims and some of the Great Dyke's richest reserves. Apart from platinum ventures, Amari has 6 976 nickel claims scattered across Zimbabwe.

KINGDOM Bank has launched the MasterCard suite of products following its collaboration with MasterCard Worldwide. The bank's clients will be issued with debit and prepaid MasterCard cards, which they can use locally and internationally for payments. Foreign visitors will also be able to use their MasterCard credit and debit cards at Kingdom Bank point-of-sale devices and ATMs.

"The Kingdom Bank debit MasterCard cards will open a world of financial freedom to the bank's customers and foreigners visiting the country for business or pleasure," said managing director Mr Francois Molife. "Cardholders will be able to make cash withdrawals and check balances at ATMs, enjoying 24-hour banking convenience. They will also be able to use the card to make purchases at various retailers, hotels, restaurants, fuel service stations and other major service providers anywhere in the world without the need to carry cash."

MasterCard cards are accepted at over 33,3m acceptance locations worldwide where cash may be obtained. MasterCard Worldwide Country Manager: Southern Africa Emerging Markets Mr Jason Coetzee said that MasterCard's vision for Africa was to increase the issuance and acceptance of MasterCard cards. "MasterCard cardholders will be able to transact at any retail outlet worldwide where the MasterCard acceptance logo is displayed and transactions can be conducted in-store, online or over the phone, eliminating the risks associated with carrying and paying with cash", said Mr Coetzee.

The Prepaid MasterCard cards will offer a wide range of flexible transactional solutions for Zimbabweans locally and abroad, from students paying fees abroad or receiving financial support from parents here at home, to Government officials or executives travelling on business. *(Herald)*

A standoff between government and Zesa over the payment of USD 30m subsidy for fertiliser manufacturer Sable Chemicals threatens the viability of the firm after its power was switched off in January. Sable is the country's sole ammonium nitrate (AN) fertiliser manufacturer. The company, owned 51% by TA Holdings, has been without electricity since January 19 this year due to a USD 40m debt owed to Zesa in unpaid electricity bills since 2009.

The power utility has since handed Sable Chemicals to their lawyers Masawi and Partners in an effort to force them to pay the debt. Industry and Commerce minister Welshman Ncube told journalists in Kwekwe on Friday soon after touring the plant that the problems at Sable Chemicals were as a result of a standoff between Zesa and the fertiliser company over a government subsidy on power bills.

Ncube said government had failed to pay its share of the bill to Zesa forcing the power utility to pull the plug on the company. "Sable Chemicals has paid Zesa about USD 9m of its share of the bill since January, leaving about USD 30m which is supposed to be paid by the government and because Zesa knows it is difficult to get money from the government, they have now descended on Sable Chemicals," said Ncube.

The world's biggest electrolysis plant consumes an estimated 80 megawatts/hour of power. Sable Chemicals buys electricity at a government subisdised rate of 3c per unit instead of the commercial rate of 9c to run the power-intensive plant, while government is supposed to pay Zesa the difference. Buying power at any rate above 3c would result in huge losses and the company would be unable to sustain operations without effecting a massive hike on the price of fertliser.

Ncube said Sable would continue to get a subsidy until the end of the year when the company expects to have raised USD 700m for the construction of a coal gasification plant and do away with the expensive electrolysis plant. "They will get the subsidy until December 31 after which they are expected to start operations of the coal gasification plant by January 2013," Ncube said. The country is currently short of AN fertiliser owing to the closure of Sable Chemicals and all the fertliser needed in the current farming season is being imported mainly from South Africa. *(Daily News)*

Steady growth in accounts, improved merchandise and successful rebranding of Express to Jet Stores ensured Edgars Stores attained total revenues of USD 52,9m for the full-year ended January 7 2012. Retail sales were up 44% to USD 51m. Credit sales contributed 76% to turnover with Edgars cash sales contributing 14% while Jet-Express cash sales amounted to 10%. Profit before taxation for the group was USD 4,6m while profit for the period was USD 3,3m up from USD 1,5m in 2010.

The number of debtors accounts jumped 43% to 158 901 during the period under review. Earnings per share rose 200% to 1,37 cents from 0,62 cents the previous year. Edgars group managing director Linda Masterson told an analyst

briefing the rebranding to Jet was a success as nine out of 13 Express Stores have been rebranded. “It (Jet) was positively received by our customers and we expect it to contribute 20% to turnover in 2012,” she said.

Masterson said Jet contribution for this year was expected to increase and the company would be considering credit for the brand. Edgars’ average spending for new and existing accounts per customer stood at USD 89. New account spending for average purchases was USD 141,24 per account and USD 81 on existing accounts. Group financial accountant Jacqueline Ngwenya said the group was projecting a trading profit margin of 15% and expected finance cost to be below 4% of turnover in 2012.

“We are looking for a profitable growth, account growth and new stores this year,” Ngwenya said. She said the company was considering introducing quality international brands and increasing production at low cost. Ngwenya said negotiations were underway to substitute short-term borrowings with long- term funding. “We are negotiating with local banks for long-term finance,” she said. Borrowings for the group stood at USD 15,6m for the period under review while total assets were USD 33,2m. *(News Day)*

ZIMRE Property Investments full-year profits rose 66% to USD 7,5m on growth in rental income. Revenue from January to December 2011 expanded 26% to USD 4m after the group managed to increase rentals, the company said in a statement this week. ZPI said it managed to implement rental increases to USD 7 per square metre for office space, USD 15/m2 for retail and USD 2/m2 for industrial.

This was up from USD 6,50/m2 for office, USD 12/m2 for retail and USD 1,50/m2 for industrial in the previous year. Rental income contributed 77% to revenue while 21% came from project sales and the balance from ancillary items, such as finance and other income. But the operating profits declined significantly by 13% to USD 1,7m. The group attributed this to higher provisioning for doubtful debts, which went up from UUSD 344 000 to USD 583 664 due to problems with debtors.

Administration expenses also rose by 23% to USD 1,7m. In terms of portfolio performance, average rental collections improved from 77% to 90%, void levels moved up from 9% to 10,7% due to removal of non-performing tenants and strategic emptying of properties targeted for renovation. Meanwhile, management told analysts on Monday that the dominance of rental income is not ideal and has indicated a strategic focus on projects in the outlook period.

Zimre property manager Mr Stephen Kapfunde said the company was looking to expand its projects portfolio because of the noted positive returns from previous investments. “Projects will remain a strategic focus for Zimre, especially those with a relatively short cash cycle due to the lack of suitable long-tern debt financing,” he said. “We are looking to acquire significant land banks in Harare for project development.”

Most of the residential projects that the company has been developing have been outside the capital, however, this is set to change in the outlook period. Zimre property managing director Mr Edson Muvingi said one of their key projects in Harare this year, the Adyllin cluster project in the Westgate area, awaits approval from the Harare City Council.

“We are finalising the necessary statutory processes for a sizeable cluster development around the Westgate area, which will consist of 80 units that we are expecting to sell at an average price of USD 80 000 per unit. “At least three institutions have already indicated interest in taking up the units wholesale,” he said.

The project is expected to start in May. The company’s projects in Masvingo (Zimre Park Masvingo, formerly Rhodene Extension) and Bulawayo (Parkland Extension) have reflected significant returns. Zimre Park Masvingo, which was completed at a total cost of USD 4m has seen a total of 65 stands (out of 124 stands in the first and second phases of the project) with a realisable value of USD 1,22m being sold.

With phases three and four yet to be sold, the entire project is expected to earn USD 7,5m. At the same time, phased disposal of stands in the Parklands Extension project, which has a realisable value of USD 1,7m is also progressing well. The selling price for stands in this project has increased from the initial USD 8 per square metre to USD 15 currently.

Management expects that debt financing and mortgage lending for completed projects will remain critical to the overall success of future property developments. Despite the somewhat depressed performance, ZPI has a substantial asset base, indicating extensive potential to perform once the global and local economic dynamics come right. *(Herald)*

Impala Platinum, the world's second-biggest platinum producer, has bowed to Zimbabwe's pressure to surrender a 51% stake in its Zimplats unit to local black investors, the company announced on Tuesday. The cave-in followed months of wrangling over the ownership requirement, which has further jolted investor confidence in the southern African state. The demand that foreign-owned companies, particularly miners, transfer a 51% stake in local operations to black investors was widely seen as a populist tactic by President Robert Mugabe's ZANU-PF party in the run-up to elections expected later this year.

In a dramatic turnaround on Tuesday, Implats' chief executive David Brown, who last year insisted that "51% equity just does not work," told a news conference in Harare his company had accepted the requirement. "Essentially we have found each other and that augurs well for the mining industry in Zimbabwe," Brown said. It remained unclear how the cash-strapped Zimbabwean government would pay for the stake, worth hundreds ofms of dollars.

The Implats decision is seen as putting pressure on other foreign mining companies in Zimbabwe to follow suit. These include Mimosa, a 50-50 joint venture between Implats and Aquarius Platinum, and Murowa diamond mine, which is 78% controlled by Rio Tinto. "It's a remarkable U-turn by Mr. Brown because only last week he was saying there was no agreement and had previously said the 51% model could not work," said Tony Hawkins, a professor at the University of Zimbabwe's Graduate School of Business.

"With Zimplats having capitulated the other companies are going to be under pressure too. But the next question obviously is where are they (the government) going to get the money to pay for the value of the shares?" he said. A joint

statement from the government and Implats said the 51% would be broken down as follows: 10% to the community, another 10% to Zimplats employees and 31% to the state's National Indigenisation and Economic Empowerment Fund. Empowerment Minister Saviour Kasukuwere, who is leading the government drive on the ownership issue, told Reuters after the press conference: "There's no deadline on when the finer details of the transaction will be worked out."

"The details are about the value. How do they value the shares? All that is to be worked out," he said. For Implats the stakes were high as its Zimplats' unit accounts for 10% of its output and it has just resolved a crippling illegal strike at its South African Rustenburg operation which cost it 120,000 ounces in lost output and 2.4bn rand (USD 318.84m) in revenue.

The spot price of platinum pushed above that of gold for the first time in six months on Tuesday. Zimbabwe, with the second-largest known platinum deposits in the world after South Africa, is seen as a growth area for the sector. But analysts saw the 51% local ownership requirement hurting the country's investment image.

"This will have a very negative impact on investor confidence and ultimately it has to hurt them," said Gary van Staden, a political analyst with NKC Independent Economists. "If you can twist the arm of Implats then you can twist anyone's arm. This is what awaits anyone who does not willingly submit to Harare's asset seizure," he said.

Zimbabwe has said the policy is needed to redress the racial inequities of past colonial rule, but the government's seizure of white-owned farmland over the last decade has decimated commercial agriculture in what was once described as the region's bread basket. *(Reuters)*

Agro-focused entity Chemco is set to delist from the Zimbabwe Stock Exchange (ZSE). Group chairman Antony Mandiwanza told an annual general meeting on Monday the process was still subject to the requirements set out in the law. He could not give a time frame for the delisting. “We have to respect the process of the law. Specific details will only be given afterwards,” Mandiwanzira said.

TSL chief executive Washington Matsaire said the move would result in a cost saving of USD 500 000. Chemco is a subsidiary of TSL. Matsaire noted the counter lacked critical mass to remain listed and that because shares were generally illiquid it would be more beneficial to shareholders if the company were to delist. Matsaire said the brand had been badly damaged, but believes shareholders still stood to benefit.

“The boards of both TSL and Chemco are convinced the approach is to the best advantage of shareholders,” Matsaire said. Chemco is currently trading on a year-to-date loss of 95% with buyers at 0,3c. The group reported losses of USD 2,58m last year, but managed to make a small pretax profit in the first quarter of USD 22 235. Included in the group losses for last year was a book loss of USD 769 215 with regards the sale by Agricor Limited of a non-core asset, Premier Milling Company. Turnover in the first quarter was at USD 1,29m from last year’s USD 6,5m.

Chemco last year disposed Agpy a seed company to a management consortium

led by Brain Mutandiro and Jonathan Shonhiwa and closed two other loss-making divisions Chemco Transport (Farm-A-Rama Transport) and Farm-A-Rama in a bid to improve the group's earnings. Last year, drug manufacturing firm, Caps Holdings also delisted from the ZSE. In 2011, the ZSE failed to record new listings as a result of liquidity constraints on the market. *(News Day)*

South Africa's Impala Platinum said on Wednesday that the Zimbabwean government would have to find the money to buy the 31% stake it wanted in its local unit Zimplats or the stake would not be transferred. Zimbabwe is demanding that foreign-owned companies transfer a 51% stake in their local operations to local investors and the government has pressurised miners to set an example.

After months of wrangling and threats that the government would ensure its law would be enforced, Implats said it would sell a 31% stake to the Zimbabwe government and another 20% to local communities and Zimplats' employees. The solution had in principle been accepted by Harare. "If they don't come up with the cash the stake will not be transferred," Implats Chief Executive David Brown said during a conference call aimed at providing more clarity on the in-principle deal it had reached with the government on Tuesday.

The stake, whose value must still be decided, will only become available for sale once the government has compensated Implats for land it had released to the state as part of a separate agreement almost six years ago, the miner said. Brown said the company believed the USD 158m value it pegged on the land it released to Zimbabwe was still appropriate. That would have to be paid before a value could found for the 31% stake in Zimplats, which would be worth USD 372m based on the company's market capitalisation.

"Although one may question Zimbabwe's ability to fund this stake and the ability of the joint technical team to determine an 'appropriate value', we consider this a net-positive," SBG Securities platinum analyst Justin Froneman said in a note. Implats said it would provide loans to help fund the 10% stakes each to be sold to community and employees. These loans will be paid through dividends, the company said.

Brown said with no deadline or valuation decided there was "still a lot of water to flow under the bridge" before the deal would be finalised. He said finalisation of the agreement would provide the clarity it needs to further invest in Zimbabwe, adding that the miner may consider spending at least USD 1bn in expansion projects and a possible metals refinery there. Implats shares closed 1.37% higher at 162.20 rand, compared with a 0.72% rise in the JSE Top-40 blue-chip index. *(Reuters)*

BRODACOM has invested about USD 25m in acquiring telecommunication equipment as the company seeks to achieve a total voice and data network coverage in major towns in the next six months. Brodacom is a provider of telephony, video and data services providing services in Harare, Bulawayo and Chitungwiza. The company will spread its coverage to major towns including Gweru, Kwekwe, Mutare and Masvingo, chief executive Mr Zachary Wazara said in an interview at a function hosted by Broadacom on Tuesday.

Brodacom is currently interconnected on Telecel and Econet networks. "We have imported equipment worth about USD 25m which will see us achieving a

total coverage in major towns and cities in the next six months. The equipment is already here," said Mr Wazara. The company, which is penetrating a market already dominated by three companies Econet, Telecel and NetOne which offer similar services is hoping to grow its subscriber base to 140 000 by year end.

An expansion to small towns, semi-urban and rural areas would need an estimated USD 15m. But network coverage can be provided for specific locations such as mines, schools or farming areas. Spiritage, a local company with interests in pharmaceuticals, owns 60% of Brodacom. Two other local companies own the remainder. *(Herald)*

Construction group Murray and Roberts Zimbabwe Limited (M&R) says its operations would not be affected if 46% shareholder, Murray and Roberts South Africa divest. The South African group, has been linked to a planned disposal of its entire stake in M&R to a local company, a position M&R chief executive Stuart Mangoma was not aware of.

"My knowledge is just as good as what you read in the paper," he said during the company's half year results briefing for the period to December 2011. "If there is any substance to the issue we will comment publicly, but it would just be a change in the shareholding structure which does not mean closing the business," added Mangoma.

"Just to clarify on that issue the South African company owns 46% and 54% is owned by local companies like NSSA (National Social Security Authority), Old Mutual Limited and Imara (Capital)." The company's boss said the Zimbabwean unit was self-sufficient despite having shared resources.

"From South Africa, we have received mainly technical assistance in terms of staff training and the like, but in terms of actual work it is done by people here." In the first half of the year M&R group revenue almost doubled to USD 22m compared to USD 12m prior period. The 71% revenue increase pushed after tax profit to USD 755 000, up from USD 349 000 in the previous comparative issue.

Despite increased operation costs as a result of erratic power supply, the group's manufacturing unit Proplastics's revenue also grew to USD 8,4m, translating to a USD 688 000 profit after tax for the period. Volumes traded amounted to 2 307 tonnes, a 41% increase. He said the manufacturing unit was facing competition, particularly on its smaller pipes, from Chinese and South Africa imports as well as other local small scale producers.

Contracting recorded revenue of USD 13,5m and profit after tax of USD 347 000. Construction activity in the country, M&R said, remained very low although revenue increased by 108% compared to the same period last year. Most of the activity is coming from the mining sector. *(Daily News)*

The Securities Commission of Zimbabwe wants the Ariston extraordinary general meeting that approved its rights offer reconvened over concerns surrounding aspects in the circular for the cash call initiative. SECZ, which regulates local capital markets, wrote to Ariston this week advising that the circular did not contain enough information. The circular contained information which shareholders used to approve the company's USD 8m rights offer.

Afrifresh Group of South Africa, which recently acquired a 40% stake in the

horticultural concern from Emvest, was listed as the underwriter for the rights issue. Contacted for comment, ZSE chairperson Mrs Eve Gadzikwa said she was not aware of the concerns raised by SECZ as she was out of the country. “I am not in the country at the moment,” she said. “I am not able to comment because I don’t have any knowledge on the issue.”

Efforts to obtain official comment from Ariston were unsuccessful yesterday. SECZ expressed reservations over inadequate background information about Afrifresh, particularly on whether the SA firm’s involvement in the deal was purely underwriting or as a shareholder. It also raised concern over the use of an “unlicensed” independent financial advisor, IH Advisory, and an illustration of dilution of shareholding.

The regulator demanded clarification on the impact of the recapitalisation, breakdown on the application of funds, capital expenditure programme and disclosure on the ownership status of the company’s estates. SECZ said there was need for a debt maturity profile to enable investors and shareholders to make an assessment on the firm’s debt. In an interview yesterday, SECZ chief executive Mr Tafadzwa Chinamo said Ariston should prepare a detailed circular, addressing its concerns and then hold a fresh shareholders’ meeting.

“Their circular was substandard and they should do another one with adequate information which shareholders can then use to make informed decisions,” said Mr Chinamo. He said their directive was not against the Ariston capital-raising initiative but to protect minorities. “We are not stopping fund-raising initiatives by companies but things should be done properly,” he said.

“If shareholders are empowered with adequate information, they can make good decisions.”
SECZ has also raised similar concern on RioZim’s USD 55m capital-raising and has directed the company to address a number of issues. Ariston seeks to raise USD 8m, with USD 3m earmarked for debts, USD 2,8m for working capital and USD 2m for capital projects. *(Herald)*

The Rainbow Tourism Group posted a loss for the year of USD 371 433 during the financial period ended December 31 due to high borrowings. Despite the loss, the performance was an improvement from the prior year in which the group posted a loss of USD 1,1m. Turnover was up 32% to USD 27,3m from USD 20,7m in 2010. The group’s earnings before interest, taxes, depreciation and amortisation (EBIDTA) increased by 863% to USD 2,7m from a negative position of USD 354 441 in the previous year.

Profit from continuing operations was USD 1,7m, which was a significant improvement from the operating loss of USD 1,3m that was posted in the prior year period. Average room rate during the period rose 10% to USD 75 from USD 68 in the prior year. Management attributed the depressed performance to delays in the implementation of the company’s recapitalisation programme, which led to high borrowings and resultantly, high interest rate charges.

The company’s debt closed at USD 23,1m, and is composed of USD 12,3m in short-term debt and USD 10,8m in long-term debt. RTG finance director Mr Paschal Changunda who will next month assume the position of acting chief executive officer following the resignation of Ms Chipo Mtasa on Wednesday told analysts that the recapitalisation programme has commenced and should be

completed during this year. “The recapitalisation exercise should be completed this year. One of our key focus areas is to reduce short-term debt,” he said.

Management also attributed the loss position to the poor financial performance to some of its subsidiaries (Touch The Wild, Tourism Services Zimbabwe and Hathanway Investments), which have been lined up for disposal. According to Mr Changunda, the disposal of these subsidiaries, which will all be cash transactions, is expected to raise around USD 2,3bn. The discontinuing operations posted an operating loss of USD 916 741.

Outgoing group chief executive officer Ms Mtasa said the company was at “agreement stage” for most of the non-core assets concerning their disposal. She also said the group’s image was poised for a complete rebranding. “The group is due for a major rebranding exercise in line with the shedding off of the non-core assets. Meanwhile, Mr Changunda said the refurbishment of the Rainbow Towers Hotel and Conference Centre has resumed as they are now accessing the funds from Renaissance Merchant Bank.

“Following the restructuring at RMB we have started withdrawing the project funds from RMB,” he said. “The refurbishment of the hotel should take about 10 months and we are looking to utilise around USD 5m,” he said. In respect of the Beitbridge Hotel project Mr Changunda said the superstructure of the hotel had been completed and they were looking to commence the fittings “within the next few weeks”.

The three-star Kadoma Hotel and Conference Centre is also undergoing refurbishment and will be streamlined to offer “limited service in line with global standards”, said management. Management is forecasting their topline to grow by 20% in the outlook period. *(Herald)*

Newly-appointed Tobacco Sales Limited (TSL) chief executive Washington Matsaira said the group is set to restructure as part of efforts to enhance operations. He said the company had plans to create a cluster known as the Tobacco Group, comprising Tobacco Sales Floor (TSF), Propak and to a lesser extent Hessian. The cluster will be headed by a chief operations officer.

“Tobacco auctioning is becoming less attractive with more players coming onto the market. We have decided to introduce a growers’ scheme for 2012/2013 season while we investigate other value adding processes of tobacco leaf,” he told shareholders at the company’s annual general meeting yesterday. “We have to work aggressively for Propak to regain lost market share,” Matsaira said. This comes after TSL’s 69% owned subsidiary, Chemco Holdings (Chemco), announced plans to delist from the Zimbabwe Stock Exchange.

Chemco said the business’ critical mass was not sufficient for a listed entity while TSL added that the move would significantly cut group operational costs. “We are working on securing new revenue streams for Chemco,” Matsaira said. TSL’s 2011 profits slumped 57% due to losses in Chemco. The group’s logistics division Bak Logistics (Bak) will now focus on expanding the range of services and optimising on current activities.

“Over the years, the company has been known for warehousing but we seek to expand into other areas with the help of strategic partners which we are in the process of identifying,” said the TSL boss. Bak operated at full capacity last year.

TSL's real estate, worth about USD 50m, is also set to be housed in a property company to optimise returns and profit centre. The move, Matsaira said, would help manage and grow the real estate's value. He said the group's packing business Hunyani will be working with partners, Nampak, to ensure long-term viability, adding that management was going ahead with disposal of non-core assets like TS Timber.

TSL recorded USD 47m revenue in the year to October 2011. Profit before tax stood at USD 2,3m, down from USD 3m prior year while profit after tax slid to USD 2,2m from USD 2,4m. TSL's diversified portfolio also comprises a car rental service Avis and associated companies Luxaflor Roses and Cut Rag Processers Private Limited. *(Daily News)*

Economic News

Investors shortlisted for the rehabilitation and expansion of the power generation plants in the country have been given three months to come up with proposals on how they intend to go about the project. Energy and Power Development Minister Elton Mangoma said Zesa has been given the green light to have the shortlisted bidders prepare their schemes.

The proposals should contain detailed engineering designs and funding structures. The State Procurement Board shortlisted 11 investors bidding to finance the expansion of Kariba (hydro) and Hwange (thermal) power stations."Five firms were shortlisted for Kariba and six for Hwange. They have been given three months to prepare their financing schemes and this should be done by June," said Minister Mangoma.

The project is estimated to cost about USD 1,3bn, according to Zesa, and bring 900 additional megawatts onto the national grid. Zimbabwe is struggling to end a debilitating power crisis that has spawned rolling power cuts and costly electricity supply interruptions.Zesa produces an average 1,600MW against the 2,200MW demand. It augments locally produced electricity with imports from Mozambique, Zambia and the DRC. HATCH Africa was appointed technical advisors, while accountants KPMG were contracted as financial advisors of the project.

To address the power shortages, the Government is pursuing a number of projects, including Sengwa Power Station in Gokwe and the Batoka Hydro Project on the border with Zambia. Plans are also afoot to develop the Lupane coal bed methane gas project in Matabeleland. Zesa has suffered from non-payment of bills with consumers owing the power utility about USD 450m. Two weeks ago, Zesa intensified disconnections to force defaulters to pay up. *(Herald)*

The Zimbabwe Power Company (ZPC) is preparing to construct a 400-kilovolt transmission line from Hwange to Insukamini near Bulawayo at a cost of USD 1,7bn. The project, which is expected to result in the creation of hundreds of jobs, is meant to upgrade the power utility's transmission network to accommodate increased output from Hwange Thermal Power Station.

ZPC is working towards increasing its generation output at Hwange by adding two 300-megawatt plants and another two 150 megawatts at Kariba South Power Station. As part of preliminary work on the transmission line construction,

ZPC and the Zimbabwe Electricity Transmission and Distribution Company will soon be undertaking an environmental impact assessment (EIA).

Martin Manuhwa, an engineer with the Zimbabwe Africa Infrastructure Development Group (ZAIDG), told a public hearing on the proposed transmission line at the Large City Hall in Bulawayo that they would ensure that national heritage sites were protected during construction. ZAIDG and a South African company, Hatch Africa, have been commissioned by ZPC to undertake the EIA.

Manuhwa said the 300km line would go through Khami Ruins, an internationally protected site.“We will be on the lookout for some monuments on the way,” he said. “We don’t know of any, but as excavations take place, we will ensure that the National Museums and Monuments Department is involved.” “The project will improve the rate of economic development in the country.” *(Herald)*

Zimbabwe's monthly gold production has fallen short of the targeted 1,100 kilogrammes since the start of 2012, according to figures published by the finance ministry on Wednesday, throwing into doubt a projected annual output of 13 tonnes for the year. The southern African country's gold mining sector is recovering from an economic crisis which peaked in 2008 as hyperinflation reached 500bn% and forced most mines to close.

Gold production reached 8 tonnes in 2011, up from a low of just over 3 tonnes. But output remains well below the 27 tonnes obtained in 1999 before a decade-long economic slide. "Gold output declined in February 2012 by 11.8% from January's output of 1,053kg. Cumulatively, gold output for the months of January and February has reached 1,981kg," the finance ministry said in an economic update.

"The target for the year is 13,000kg, implying monthly averages of about 1,100kg." Gold has fallen behind platinum and diamonds in terms of contribution to Zimbabwe's mineral exports, the ministry's figures show. Canada-listed New Dawn Mining and Caledonia Mining , as well as the London-listed Mwana Africa and South Africa's Metallon Gold are some of the major gold producers in the country. *(Reuters)*

Finance Minister Tendai Biti says national revenue inflows have underperformed since the beginning of the year, affecting the implementation of planned Government programmes. Addressing the media on post-budget developments in Harare yesterday, Minister Biti said Government projects were affected by below forecast inflows from diamond sales and a sharp increase in the civil service wage bill.

“Budget support for service delivery in such areas as health, education, agricultural extension services and social protection and rehabilitation and construction of capital projects was therefore compromised,” he said. The limited inflows, Minister Biti said, meant that he had not budgeted for elections this year, but set aside funds for a constitutional referendum and a national census. His utterances contradict President Mugabe’s statement that elections will be held this year, with or without a new Constitution.

Minister Biti said his Mines and Mining Development counterpart Obert Mpofu

had indicated that inflows from the sale of Marange gems would, however, boost natio-nal coffers this month. Actual revenue collections for January and February totalled USD 488m against targeted inflows of USD 549m. Inflows from diamond sales amounted to only USD 19,5m against a projection of USD 77m as no auctions were conducted in January and February.

Last month, collections totalled USD 227m against forecast inflows of USD 270m while expenditure weighed in at USD 286m against the USD 269m approved expenditure framework. Of the total expenditure, USD 254m went to recurrent programmes with the Government's civil service wage bill accounting for USD 187m. In fact, USD 229m was eventually paid in civil service wages due to salary arrears from January when Government workers got a pay rise.

Minister Biti said a huge Government wage bill was clouding capital projects as salaries gobbled 70% of the inflows. But increased revenue inflows are expected this month after diamonds were finally sold and Minister Biti anticipates USD 320m in collections, with diamond sales accounting for USD 41m. Pressure on fiscal resources saw Treasury disbursing USD 29m for capital projects that included infrastructure, payment of farmers for wheat deliveries and settling arrears to seed and fertiliser producers.

Revenue inflows will have to improve significantly, especially from diamonds, to sustain the country's USD 800m budget for capital projects. Minister Biti said President Mugabe had appointed Mr Khupukile Mlambo and Dr Charity Dhliwayo as deputy governors of the Reserve Bank of Zimbabwe. He said Mr Dzinotizei Mutasa, Mr Brains Muchemwa, Dr Rudo Faranisi, Mr Kennias Mafukidze and Professor Tony Hawkins will constitute the central bank's monetary policy committee. This has been done as part of reforms to enhance RBZ's performance, including measures to recapitalise the apex bank. *(Herald)*

Zimbabwe's headline consumer inflation rate was at 4.3% year-on-year in February, unchanged from January, the National Statistical Agency said on Thursday. On a month-on-month basis, inflation was barely changed at 0.49% in February from 0.46% in January. *(Reuters)*

Notes

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