SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	24-Jun-16	1-Jul-16	WTD % Change Local	WTD % Change USD	31-Dec-15	YTD % Change Local	YTD % Change USD
Botswana	DCI	10144.27	10081.31	-0.62%	-3.64%	10602.32	-4.91%	-2.70%
Egypt	CASE 30	7253.31	6942.52	-4.28%	-4.04%	7006.01	-0.91%	-12.67%
Ghana	GSE Comp Index	1775.57	1787.50	0.67%	0.65%	1994.00	-10.36%	-12.98%
Ivory Coast	BRVM Composite	304.86	304.68	-0.06%	-2.39%	303.93	0.25%	2.02%
Kenya	NSE 20	3706.44	3652.79	-1.45%	-1.39%	4040.75	-9.60%	-8.49%
Malawi	Malawi All Share	12887.38	12927.37	0.31%	1.84%	14562.53	-11.23%	-17.56%
Mauritius	SEMDEX	1756.09	1752.40	-0.21%	-0.95%	1,811.07	-3.24%	-1.72%
	SEM 10	338.14	337.25	-0.26%	-1.01%	346.35	-2.63%	-1.10%
Namibia	Overall Index	966.61	985.92	2.00%	0.08%	865.49	13.92%	18.73%
Nigeria	Nigeria All Share	30649.66	29305.40	-4.39%	-3.31%	28,642.25	2.32%	-27.87%
Swaziland	All Share	358.24	358.24	0.00%	-1.88%	327.25	9.47%	14.10%
Tanzania	TSI	3743.84	3710.89	-0.88%	1.25%	4478.13	-17.13%	-18.14%
Zambia	LUSE All Share	4780.22	4753.24	-0.56%	6.76%	5734.68	-17.11%	-11.53%
Zimbabwe	Industrial Index	97.40	101.17	3.87%	3.87%	114.85	-11.91%	-11.91%
	Mining Index	26.27	24.70	-5.98%	-5.98%	23.70	4.22%	4.22%

CURRENCIES

Currency	24-Jun-16 Close	1-Jul-16 Close	WTD % Change	YTD % Change
BWP	10.46	10.79	3.13	2.33
EGP	8.88	8.86	-0.25	-11.87
GHS	3.92	3.92	0.02	-2.93
CFA	576.10	589.86	2.39	1.77
KES	99.35	99.29	-0.05	1.23
MWK	703.00	692.44	-1.50	-7.13
MUR	33.90	34.16	0.75	1.57
NAD	14.50	14.77	1.91	4.23
NGN	283.00	279.85	-1.11	-29.50
SZL	14.50	14.77	1.91	4.23
TZS	2,188.00	2,141.87	-2.11	-1.21
ZMW	11.01	10.26	-6.86	6.73

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

Egypt's Beltone Financial has filed a lawsuit against the heads of the Cairo stock exchange and Financial Supervisory Authority over the repeated cancellation of trades on its stock, according to two sources and a court document seen by Reuters. Shares in asset manager Beltone jumped by more than 550 percent in three months after it was acquired by billionaire businessman Naguib Sawiris's OTMT in November for 650 million Egyptian pounds ($73 million). The price spike lifted Beltone's market value to 4 billion pounds before the stock exchange, at the end of February, began to stop trades in the shares on an almost daily basis. The exchange referred to rules allowing such cancellations in cases where the head of the bourse considered that trades had taken place at unjustified prices. Beltone's share price stood at 7.34 pounds on Sunday, compared with 21.97 pounds in mid-April. "Beltone filed a lawsuit before the Administrative Court against the head of Egypt's stock exchange, in person, and against the chairman of the financial regulator," said two sources who are close to the matter. The lawsuit contests that the head of the stock exchange's decisions were incorrect and an illegal abuse of authority. The head of Egypt's stock exchange, Mohamed Omran, was not immediately available for comment. Sherif Samy, chairman of the Egyptian Financial Supervisory Authority, said that Beltone had filed a grievance with the regulator earlier this month. "The decision of the commission did not come in its favour and that is why they are resorting to court, and that is the right of any party," Samy said. *(Reuters)*

Telecom Egypt will receive a second tranche of withheld dividends from Vodafone Egypt amounting to 750 million Egyptian pounds ($84.46 million), a source from the Telecommunications Ministry said on Monday. The state-owned landline monopoly owns 45 percent of Vodafone Egypt, which had been withholding dividends since 2012 because of difficulties repatriating profits. In April it agreed to release at least 3.34 billion pounds in withheld dividends. Telecom Egypt was entitled to 1.5 billion pounds of those payments and the dividends were to be paid in two instalments in April and June. Vodafone's general assembly agreed to issue the dividends to shareholders on Sunday. "The Vodafone General Assembly meeting decided yesterday to issue dividends to shareholders. Telecom Egypt's share of that will be 750 million pounds," the source said. *(Reuters)*

Egypt's Pioneers Holding (PHC) has called a general assembly to discuss converting some of its shares into global depositary receipts (GDRs), the firm said in a bourse statement on Wednesday. Pioneers specialises in market research and brokerage services but also has investment arms in real estate, industry and financial services. *(Reuters)*

Economic News

Egypt's central bank said on Monday it could secure some $10 billion from the International Monetary Fund (IMF) by agreeing a structural reform programme but has yet to make any formal request to do so. Talks over a possible loan half that size have faltered in the past and analysts say an IMF deal might require reforms that the government could find politically difficult to implement in a country where tens of millions live hand to mouth. The central bank statement came in response to comments by a cabinet minister, who told Reuters on Monday that Egypt had started negotiations with the IMF last week for a $5 billion loan. The minister said the central bank was leading the talks. "There is a delegation from the IMF that might visit Egypt next month to continue the negotiations," the minister, who holds an economic portfolio, said by telephone. The central bank said in a statement that while it had not formally made a request to negotiate a structural reform programme, it was in constant contact with the IMF and could secure $10 billion should it opt to apply. "The numbers mentioned are incorrect. If there was a need to request a reform programme, Egypt would be capable of obtaining twice the figures mentioned," the statement said.

The IMF said that its officials "maintain close dialogue with the Egyptian authorities" and that the lender stood ready to help should Egypt make a financing request. "The size of any financial arrangement would depend on Egypt's financing needs and on the strength of its economic program," IMF Mission Chief for Egypt, Chris Jarvis, told Reuters in emailed comments. Egypt's economy has been struggling since a mass uprising in 2011 ushered in political instability which drove away tourists and foreign investors, major foreign currency earners. Reserves have halved to about $17.5 billion since then. The dollar shortage has forced Egypt to introduce capital controls that have hit trade and growth. The central bank said in its statement Egypt was pushing ahead with its existing reform programme, which includes plans for Value Added Tax (VAT) and subsidy cuts which were put on hold when global oil prices dropped. A VAT bill is in its final stages but could face resistance in parliament on concerns over inflation that has hit seven-year highs since the currency was devalued by 13 percent in March. Egypt's reform programme formed the basis of a $3 billion three-year loan deal with the World Bank that was signed in December. But the cash has yet to be disbursed as the World Bank waits for parliament to ratify economic reforms including VAT. "Egypt will have to proceed with some painful reforms to guarantee that the loan will work this time," CI Capital economist, Hany Farahat, said. "We still haven't approved the FY16/17 budget, or the VAT. We need another devaluation round for the Egyptian pound ... we need the investment environment to be reformed and capital controls to be eased for foreign investors." *(Reuters)*

Egypt has ordered banks to stop clients from using their Egyptian pound account debit cards abroad, a central bank official said on Wednesday, a move to combat the country's acute foreign currency shortage. "We sent a letter to bank chiefs today to stop the use of debit cards outside the country. As for credit cards it is business as usual and each bank sets their own limit for their clients," the official told Reuters by telephone. Egypt depends on imports for everything from food to fuel and has suffered from a deficit of dollars in the formal banking system since a 2011 uprising drove away tourists and foreign investors - crucial sources of hard currency. Many import businesses now rely on a black market where they can procure hard currency for a higher price. The pound's rate on the black market has weakened since the central bank devalued the Egyptian currency in March, at which time it was roughly in line with the official rate. "Please ensure that debit cards, including pre-paid cards, issued in local currency by Egyptian banks are only used within the country," the letter, viewed by Reuters, said. Debit cards for accounts in foreign currency can still be used abroad up to a limit of $100,000 as per a 2014 directive, the letter added. "We have started implementing the central bank's directive as of today," one state-owned bank chief told Reuters. Heads of several other state-owned as well as private banks said they had asked the central bank for a few days to implement the directive, however. *(Reuters)*

Debit cards linked to Egyptian pound bank accounts can be used outside the country in a "regular" way, the central bank said on Thursday, after instructions it sent to banks on Wednesday appeared to ban customers from using them abroad. Although Wednesday's letter suggested a blanket ban, the central bank said its instructions "only apply to individuals misusing debit cards to acquire large amounts of foreign currency without a clear reason for doing so, which saps banks' foreign reserves". "The Central Bank of Egypt affirms the continued use of all cards, debit or credit, under existing limits set by each bank," it said in a statement. In the letter sent on Wednesday and seen by Reuters, the central bank had told bank chiefs: "Please ensure that debit cards, including pre-paid cards, issued in local currency by Egyptian banks are only used within the country." Central bank Governor Tarek Amer had initially denied the Wednesday directive existed, telling state news agency MENA on Thursday the rules on using debit cards abroad were unchanged. "It is up to each bank to set limits on its clients' usage of foreign currency abroad through debit cards linked to local currency accounts, but we need vigilance because some clients use debit cards to get large dollar amounts not intended for travel, tourism, or shopping," he said. The bank's later statement acknowledged the instruction had been sent but said it applied only in some cases. Wednesday's letter did not indicate that was the case, however. Egypt depends on imports for everything from food to fuel but has suffered from a shortage of dollars in the banking system to pay for them since a 2011 uprising drove away tourists and foreign investors, crucial sources of hard currency. Many import businesses now rely on the black market, where they can get hard currency for a higher price. The pound's rate on the black market has weakened since the central bank devalued the Egyptian pound in March, at which time it was roughly in line with the official rate. *(Reuters)*

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Ghana

Corporate News

Tullow Oil is set to announce on Thursday how it will repair a ship that is a hub for its most important oil field, and is likely to recommend a fix that will allow output to continue - instead of suspending it for a year, officials said. The 'spread mooring' solution would mean Tullow avoids the need to tow the vessel from its position in the Jubilee field off the coast of Ghana for repairs at a port such as Singapore or Rotterdam, which might take up to a year. Keeping the oil flowing is vital for Ghana, which holds a 13.6 percent stake in the Jubilee field and is already facing financial troubles that have led it to strike a 3-year austerity deal with the IMF. It would also benefit the London-headquartered company at a time when its hedging strategy has yielded rewards in the face of lower oil prices, the analysts said. Tullow said in May it was hedged for 2016 to an average floor price of $73.10 per barrel while Brent Crude stood at over $48 on Wednesday. That floor price drops to $68.36 next year and $62.09 in 2018, giving Tullow an incentive to maintain short term output. "Tullow has suggested 'spread mooring' because they cannot afford a shutdown," a senior official in Ghana's energy industry told Reuters. His view was echoed by others close to the decision-making process. The Floating Production Storage and Offloading (FPSO) vessel processes and holds oil from wells in the Jubilee field, by far its most productive asset. The ship, called the Kwame Nkrumah after Ghana's founding president and a pan-African nationalist, broke a bearing on its main turret in March, bringing the field's production of roughly 100,000 barrels per day to a halt for around two months before it was restarted at a lower rate. *(Reuters)*

Economic News

Growth in Ghanaian government debt will slow in 2016 as economic expansion outpaces borrowing, Finance Minister Seth Terkper said. The West Africa nation's debt, which measured 71 percent of gross domestic product in 2015, "will improve on account of positive growth," Terkper told journalists Monday in the capital, Accra. The economy of the world's second-biggest cocoa grower expanded by 4.9 percent in the first quarter from a year earlier, compared with a revised 4.1 percent in the preceding three months. President John Dramani Mahama pledged to tighten the fiscal gap which the International Monetary Fund said last month could reach 4.8 percent of GDP, lower than the government forecast of 5.3 percent. Plans to raise as much as $1 billion this year in Eurobond sales will only proceed if rates are affordable, Terkper said. Ghana will delay some debt sales if the market is not conducive, he said. Ghana's economy is expected to grow 4.5 percent this year, compared to 3.5 percent in 2015, according to the IMF. *(Bloomberg)*

Ghana will not quit its current program with the International Monetary Fund (IMF) and will not compromise on targets set under the three-year deal for elections this year, the finance minister said on Monday. "We remain optimistic about this three-year program and will ensure that all program reviews are successfully completed through to 2017, given the enormous benefits to the economy," Seth Terkper told reporters in Accra. Ghana, the world's second largest cocoa exporter which also exports gold and oil, signed a three-year austerity program with the IMF in April 2015 to fix its economy, plagued by deficits, high public debt and inflation consistently above target.

Under the deal, the West African country will receive up to $940 million from the Fund as balance of payments support. It has so far received $228 million in two tranches. However, markets fear a third disbursement scheduled for June could be delayed if spending overshoots targets in the run up to a presidential election in November. President John Mahama is seeking a second term in what is expected to be a close race between him and main opposition candidate Nana Akufo-Addo. "Ghana will not quit the IMF program, elections or no elections," Terkper said, adding that Ghana had drafted legislation to restrict the central bank from lending to the government to ensure it sticks to it. Terkper said it would be presented to Parliament on Tuesday. Ghana's public debt stood at 71 percent of gross domestic product at the end of 2015. Last week Nigeria cut gas supplies to Ghana because of unpaid bills. *(Reuters)*

IFC, a member of the World Bank Group and the Ghana Stock Exchange have announced a partnership to promote the adoption of sound

business practices within the capital market to support business expansion and boost economic growth. The partnership is one of the many interventions under the Africa Corporate Governance Programme intended to improve business performance. It will also help raise awareness of the cross-sectorial reach of activities and set a program outline that will encourage improved policies, standard-setting, network events, and outreach programs within the Ghanaian business community. At the "Behavioural Ethics and Corporate Governance," event, GSE and IFC presented the business case for adopting good corporate governance practices to Ghanaian capital market operators. It aimed at helping them understand the impact these practices have on improving performance, and discussed challenges in adopting them. Kofi Yamoah, Managing Director of GSE, said: "GSE is committed to helping businesses access capital especially through listing on the Ghana Stock Exchange. One sure way for companies to stand out is by adopting sound practices that make them more attractive to local and foreign investors. We have partnered with IFC to help us achieve this goal and boost growth in our capital markets."

Ronke-Amoni Ogunsulire, IFC Country Manager for Ghana, said: "IFC is constantly seeking ways to help Ghanaian businesses grow so that they can contribute meaningfully to economic development. A key priority is to help companies adopt good corporate governance practices which will improve their performance and better access to investors. Working with GSE will help us support a wider range of businesses in adopting these practices." IFC's Africa Corporate Governance Programme was designed to improve firm performance and increase the ability of markets and firms in Sub-Saharan Africa to attract and retain investment. The program is funded by the State Secretariat for Economic Affairs (SECO), Switzerland. IFC is the largest global development institution focused on the private sector in emerging markets. Working with more than 2,000 businesses worldwide, it uses its capital, expertise and influence to create opportunity where it is needed most. In FY15, its long-term investments in developing countries rose to nearly $18 billion, helping the private sector play an essential role in the global effort to end extreme poverty and boost shared prosperity. *(Ghana Web)*

Credit ratings agency Moody's has warned that the fortunes of Ghanaian banks could further decline on the back of increasing non-performing loans, which have already reached a 6-year high. According to Moody's, the aggressive loan expansion drive undertaken by banks in recent times has put them in a situation in which the current "deteriorating operating environment and rising interest rates" could create further vulnerabilities for the sector. "Ghanaian banks have enjoyed strong loan growth in the past few years, with loans and advances growing 41.5% in 2014 for example. Although loan growth declined to 24.9 percent in 2015, recent high growth has created a large stock of unseasoned loans; and we believe these loans create vulnerabilities given Ghana's deteriorating operating environment and rising interest rates," the ratings agency said. The average lending rate has increased to 32.1 percent as of April 2016, from 25.4 percent at the start of 2014. The latest financial stability report of the Bank of Ghana showed that banks' non-performing loans ratio had increased to 14.7 percent at year-end 2015, from 11 percent at year-end 2014. It had further grown to 16.2 percent as of March 2016. "The rising non-performing loan (NPL) ratio is credit negative for Ghanaian banks, because as they require higher loan-loss provisions for the NPLs, it lowers profitability and impairs banks' internal capital generation. We believe that NPL ratios will continue climbing as a result of aggressive loan growth in recent years," Moody's warned. The country's banking system is dominated by short-term and variable-interest-rate loans, allowing banks to raise their lending rates upon renewal or re-pricing, thereby reducing borrowers' ability to service their loans, Moody's added.

The higher asset risks, the ratings agency continued, will require banks to increase their loan-loss provisions, which will eat into their profitability and reduce the amounts they can retain for capital. "Banks' pre-provision income has been harmed by depressed revenues because of weaker economic growth and slowing loan demand amid rising inflation. Weak organic capital generation will hurt banks' capital, particularly as unanticipated credit losses are likely to rise this year," it stated. The central bank's financial stability report had attributed the banking sector's challenges to the general economic slowdown. Real GDP growth decelerated to 3.9 percent in 2015 from an average of 8.7 percent between 2011 and 2014. In 2015, slower economic activity exacerbated by an energy crisis, rising inflation and interest rates, and a volatile and weaker local currency, the cedi, all negatively affected borrowers' repayment capacity. The slowdown also affected government revenues, leading to delayed government payments to some corporates in the oil and gas and construction sectors in particular - negatively affecting those companies' cash flows and performances. *(Peace)*

The cement industry in Ghana is set to face competition that may force prices of the commodity down as more companies enter the market. The industry is about to welcome Dangote Cement as it moves to establish a 100 million US dollars factory in Takoradi to commence cement production in Ghana after operating in the retail sector for some years. In addition, the Chinese Ambassador to Ghana Madam Sun Baohong has also disclosed to Citi Business News that a number of Chinese cement producing companies have indicated their interest to move into Ghana to produce the commodity for redistribution across the West African sub-region. But speaking to Citi Business News, the Media Relations Officer of Dangote Cement, Etornam Komla who was optimistic of the sustainability of Dangote's operations in Ghana stated that the competition will improve pricing in the industry. "When it comes to competition, we are not disturbed about it because of the way we have made our products to win the trust of the Ghanaian market. We are ready for every type of price competition," he said. According to him, the decision by government to open the cement industry to allow many players will not only benefit the market but will help create jobs for the youth. He, however, maintained that government must be careful in screening the companies that enter into the country to prevent the market from being flooded with inferior products. Pointing out the dangers that an oversight will have for the construction sector, Mr. Komla stated that standards must be adhered to provide quality cement to the Ghanaian public. "We want to suggest that when we talk of some these inferior goods coming from outside they may not be good for the Ghanaian market, so they must be certified to make sure they meet the Ghanaian market standards," he stressed. He warned that if authorities fail to check the quality level of cement that are produced in the country, the market may be flooded with fake products which may lead to the same situation witnessed in the textile industry when there was an influx of fake products. *(Peace)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Britam has slashed its stake in Equity Bank as part of a long term strategy to reduce exposure in the stock market. It's estimated that the transaction that saw Britam cut its stake in the region's most profitable bank by more than one per cent could be valued around Sh2 billion. Dr Benson Wairegi, the group managing director of the listed insurer, told shareholders at the firm's annual general meeting held Friday that the deal helped claw back investments in the volatile stock market, but did not give any figure. "As you would know, returns from the stock market are more volatile than property where we want to go big," Mr Wairegi said. Among the biggest investments in the property market is the Britam Tower that is nearing completion at a cost of over Sh5 billion. At the end of 2014, Britam held a 10.63 per cent stake in Equity Bank whose current vale is estimated at about Sh150 billion. Now, the insurer owns just about nine per cent of the regional bank which has operations in six countries, including Uganda, Tanzania, South Sudan, Rwanda and the Democratic Republic of Congo. Equity Bank, like all other listed firms, has suffered the impact of a meltdown at the stock market that has seen major dip in the valuation. It is such losses that have hit earnings of pension funds and insurers hard, bearing in mind that the bulk of their investments are in the stock markets. Average prices of blue chip firms at the NSE are at four-year lows, with the index that tracks the performance of the top 20 stocks closing Friday at about 3,700 points- levels last reported in May 2012. Shareholders of the regional insurer approved a Sh0.30 dividend per share despite the firm reporting a net loss which the chairman Ambassador Francis Muthaura described as 'paper losses'. A paper loss is an accounting term that refers to a reduction in the valuation of an asset an investor is holding on to, with the intention to sell at a later time.

Mr Wairegi however did not disclose when the transaction happened but insiders reckoned that the shares were disposed gradually over the year to avoid causing a glut, and subsequently a price dip. Former Transport Permanent Secretary Nduva Muli and former chief executive of the public pension scheme (NSSF) Richard Langat were dropped as directors at the Friday's AGM. Their exit came after Equity Bank founder Peter Munga and Britam director acquired an additional 23.3 per cent stake in Britam in a transaction estimated at about Sh10 billion. Mr Munga, a billionaire entrepreneur, bought the shares from the government of Mauritius which had confiscated the asset from the firm's former key shareholder Rawat Dawood - who was accused of running a Sh100 billion Ponzi scheme back at home. Mr Dawood was the single largest shareholder in Britam and the accusations of impropriety, which have however not been proved, were weighing down on the valuation of the insurer. "The Mauritius issue would have been disastrous for our company but I am glad that Mr Munga has helped us in getting out of it," Wairegi said in an interview with the Standard on Sunday. Uncertainties created by the claims leveled against Dawood and the subsequent takeover of his stake in Britam by the Mauritian government is thought to have caused investor jitters and possibly affected the share performance of the insurer. *(Standard Media)*

Sugar miller Mumias has temporarily stopped operations due to lack of raw material. Its chairman Dan Ameyo Tuesday said the Nairobi Securities Exchange (NSE) listed firm has stopped producing because it cannot get enough cane from its catchment area. Mr Ameyo said most farmers signed by the company to supply cane had reneged on their contracts and were delivering to rivals. Mumias has an agriculture department that helps farmers to develop cane on contracts that bind them to exclusively supply it. Late payments have however seen farmers shun Mumias, preferring to supply rival millers who in most cases pay cash-on-delivery. The company claims to have so far lost 750,000 tonnes of cane due to poaching, adding that the factory will remain closed until the situation is addressed. "Our cane has been poached because people have ready cash just to buy cane which other people have developed. We would like a reversal of this trend so that the sustainability of this and other companies is assured," Mr Ameyo said. The partly State-owned miller only months ago received a Sh1 billion bailout from the Treasury, and is scheduled to get another tranche in the coming financial year starting July. The company is an important cog in the economic wheel of Western Kenya, making it a strategic investment for the government. Mr Ameyo said Mumias can withstand competition from the private millers "so long as the playing field is level." "It is a worrying trend. We now have other millers who have come around flashing cash and going and picking cane without investing in its development," he said. Mr Ameyo said that the company will start instituting legal proceedings against rivals engaged in cane poaching.

The chairman said the company has waived Sh600 million debt owed to it by farmers resulting from cane development. He said about one third of the nucleus estate within which the miller has contracted farmers has now been rehabilitated to date. The chairman also asked the government to disburse more funds to the company. "We still require the remaining Sh830 million for the company to be stable" he said adding that Sh1 billion already disbursed was used to pay farmers. Most of the miller's operations had resumed to normal after the bailout, which was also spent on rehabilitating its machines and purchasing spares for maintenance. Some farmers had abandoned cane farming complaining of poor returns, which makes the cane shortage problem more complicated. The firm is targeting robust and early maturing sugarcane varieties to improve yields and address shortages. The chief executive Erold Johnstone said last month the varieties which have been introduced to farmers for planting include CO 945, CO421,CO617, EAK7335, N14 and early maturing KEN 83-737. *(Nation)*

Kenya's NIC Bank is doubling its branch network to 50 by the end of next year to recruit new customers, particularly in the small business sector, allowing it to cut its deposit costs and boost margins, its chief executive said. John Gachora told Reuters the mid-tier lender which is known for asset financing has a net interest margin of 6.5 percent, below the industry trend of 7-10 percent. "Our cost of funds is relatively high and that is why the strategy to expand our branch network, reach more pockets of deposits and liquidity," he said in his office on Monday. NIC, which also operates in Tanzania and Uganda, has traditionally concentrated on serving large corporations out of branches located in the main cities. "We need to serve more selected retail and SME (small and medium enterprise) customers," Gachora said, adding extra branches will be in places accessible by the target customers. "We want cheaper deposits and we believe they will be available within the SME and retail segment," he addedNIC was appointed by state receiver Kenya Deposit Insurance Corporation (KDIC) last week to assess the liabilities and assets of Imperial Bank, which was put into receivership last October after fraud was uncovered.

NIC got the right to take over some of Imperial's performing assets when it finishes the due diligence. Gachora said the acquisition of those assets was not NIC's main motivation. "Even if there was no real strategic reason to do it, we probably would have come in to say, let's help," he said, adding its role will help to resolve the closure of Imperial faster and help restore confidence in the sector. The closure of three small and medium sized banks in the span of nine months to April unnerved investors and prompted the central bank to step in and offer liquidity to lenders. "The first ingredient in banking is confidence. When confidence is broken, it doesn't matter who broke it, you also get affected," said Gachora. Shareholders of Imperial obtained a temporary court order to block the move by KDIC and the disposing of any assets saying it might lead to a lack of transparency and undervaluation of assets. Gachora said they would carry out due diligence of Imperial's assets, with a view to acquiring the good bit, when the court reviews the matter and allows them to continue. "From an NIC perspective we are known for professionalism and we will live up to that professional expectation," he said. *(Standard Media)*

Safaricom has promised to compensate its subscribers for dropped calls within its network, raising the quality-of-service bar for rivals in an increasingly competitive sector. Subscribers who suffer dropped calls will get a short message (SMS) notification and thereafter receive airtime compensation worth one minute.Safaricom CEO Bob Collymore Wednesday said the compensation is limited to Safaricom-to-Safaricom calls. The telecommunications firm has also moved to shield its customers from unsolicited subscriptions offered by third parties commonly known as content providers by introducing an app-- My Subscriptions-- that gives subscribers ability to check which services they are subscribed to and opt out at will. The unscrupulous content providers have been enlisting subscribers to their services without their consent or failing to unsubscribe them when they want to opt out, as such depleting their airtime or data bundles. "Over the last years, we have invested an average of Sh30 billion-a-year to build the best network for Kenya. However, we are aware there is a great deal of opportunity to enhance the experience on our network," said Mr Collymore. The firm also introduced a service that will enable its customers control data bundles usage, allowing them to restrict browsing on out-of-the-bundles rates.

"This particular service was informed by feedback from our customers (to) help resolve instances where a customer's data bundles run out and the network switches automatically to the more pricier airtime option when surfing the net," said the Safaricom boss. The launch of the new products comes shortly after a recent quality-of-service report by the industry regulator, Communications Authority of Kenya (CA), which showed none of the three mobile operators met the required threshold. The CA report says Airtel, Safaricom and Telkom Kenya fell short of the 80 per cent target quality mark. The operators have not met the threshold for the third year in a row. They all attained 62.5 per cent, as per the CA report. The CA noted that all the three telecoms operators will have to pay a penalty equivalent to 0.2 per cent of their gross turnover for offering poor quality services to consumers in the year 2014-2015. The report states that out of the eight parameters, all operators complied on handover, call set up time and signal strength indicators. There was also a remarkable improvement on the quality of speech for all the operators. *(Nation)*

Kenya Power has procured a Sh50 billion ($500 million) long-term syndicated loan to refinance its existing loans. The facility, signed between the NSE-listed electricity distributor and Standard Chartered Bank, is in two tranches including a Sh35 billion loan comprising a ten-year tenor guaranteed by the World Bank (through the International Development Association) and Sh15.1 billion having a seven-year tenor. "The proceeds of the facilities will be applied towards refinancing Kenya Power's existing commercial loan facilities," said the power utility in a statement, adding that the loans will have a two year grace period followed by equal semi-annual repayments. The State utility said the loans would enable it reduce its total financing costs, extend maturities beyond existing terms and improve its liquidity position. "They will harmonise documentation (including financial undertakings) and further improve KPLC's ability to fund future capital expenditure through internal sources," it added. Standard Chartered Bank was the lead arranger for the hybrid financing. *(Nation)*

Power producer Kenya Electricity Generating Company (KenGen) said on Wednesday it had raised 26.5 billion shillings out of 28.8 billion shillings it aimed for in a rights issue. KenGen said in a statement this represented a 92 percent subscription rate. *(Reuters)*

Kenya Airways Ltd., sub-Saharan Africa's third-largest carrier, expects to start receiving payments of outstanding fares from the Nigerian government within a month, Chief Executive Officer Mbuvi Ngunze said. The company is one of several international airlines owed $600 million in foreign-denominated revenue held by the Nigerian government, Ngunze said. The carrier has been unable to collect $25 million from its sales agents in Nigeria, Angola and Sudan because of dollar shortages in the oil-producing countries. "We should be able to start seeing a flow of cash" in July, Ngunze said in an interview Wednesday in Nairobi, the Kenyan capital. "Some of the airlines are beginning to get some money." Nigeria, which is grappling with the threat of recession, abandoned a 16-month currency peg on June 20 and sold $4 billion in the spot and forwards markets that day to clear a backlog of demand for hard currency. The Nigerian government is considering proposals by the International Air Transport Association on how to reduce the balance of the money to be repatriated. Suggestions include payments in naira, Ngunze said. Kenya Airways will accept local currency settlement in the three countries.

Kenya Airways plans to cut 600 jobs after shrinking its fleet by almost a third to help reverse a 25.7 billion-shilling ($253.8 million) loss in the year through March 2015. The loss is projected to narrow this year and next as the company cuts costs and the nation's tourism industry recovers, Citi research analyst Andrew Light said June 22 in an e-mailed note. The airline's shares jumped 14 percent in June, the biggest monthly increase since January 2015, according to data compiled by Bloomberg. The gains pared the stock's loss to 11 percent so far this year. While the company has reduced its operating losses, its full-year performance will be weighed down by higher interest repayments on loans and losses incurred from fuel-price hedges, Ngunze said. "We have borrowed more as a business, so it means we are paying more for interest and the last part of the fuel hedges," Ngunze said.

KQ, as the company is known, is reorganizing its balance sheet with the help of investment bank PJT Partners Inc. It's exploring options with existing and new potential partners, Ngunze said, declining to elaborate. Kenya's government, which owns 29.8 percent of the airline, is considering selling part of its stake to new or existing investors within two years, Nairobi-based broadcaster Citizen reported, citing Transport Secretary James Macharia. "Anything is possible," he said. "There could be the possibility of new shareholders who bring a different value to the business coming in, in the future. It is still very early days. This is an interesting opportunity for us to make that assessment and that's what we are doing."*(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

Kenya can issue Eurobonds at yields lower than other African economies that rely on oil exports and where growth has been stunted by weak global prices, Treasury Secretary Henry Rotich said. East Africa's biggest economy will issue its second-ever Eurobond in the financial year starting July 1 to help plug a projected budget gap of 9.3 percent of gross domestic product, Rotich said in an interview on June 24 in the capital, Nairobi. Kenya will avoid the route taken by some African nations that offered investors double-digit yields to raise capital, he said. "It's a whole issue of timing," Rotich said. "If an opportunity presents itself and there is perfect stability, there are chances of us getting a good deal in terms of yields and tenure and amounts." Kenya increased planned spending by 28 percent for the next fiscal year and will borrow 462 billion shillings ($4.6 billion) from external creditors to help plug its budget shortfall. The nation raised $2.82 billion in debut Eurobond sales in 2014 at yields of 6.875 percent for 10-year paper. Rotich said the nation will manage to get similar prices the second-time around. "If you don't take advantage now of cheaper money, you never know when you pay a spread that is higher," Rotich said. Borrowing costs for African countries surged on June 24 following the U.K.'s vote to quit the European Union. Yields on Kenya's Eurobonds due June 2024 rose 15 basis points to 8.42 percent. Those on Zambia's 2024 debt jumped 33 basis points, the most since Feb. 24, to 11.69 percent. Through June 23, Kenya's dollar debt had gained 8.6 percent this year, compared with the emerging-market average of 9.5 percent, according to Bloomberg indexes.

Kenya's budget deficit will narrow to 4 percent of GDP in the medium term, once the nation completes the purchase of rolling stock for its new railway and holds elections next year, Rotich said. Expenditure plans will be adjusted "as quickly as possible" if the nation can't raise the money it needs, he said. Economic growth will probably accelerate to 6.1 percent in 2016 from 5.6 percent last year, according to a government forecast. "There is a balancing that needs to be done, taking advantage of availability of resources now and dealing with infrastructure gaps," Rotich said. While the International Monetary Fund has warned that Kenya's budget deficit will mean higher yields when raising money abroad, investors will still have an appetite for the nation's debt, the lender's resident representative Armando Morales said on June 16. "The yield would very much depend on the market conditions at the time, but I think the general point is that the yield will certainly be higher than previous Kenyan issuances," John Ashbourne, Africa economist at Capital Economics Ltd., said in an e-mailed response to questions. "The window of super low yields for African debt is surely past." Kenya can afford to increase government debt to as much as 74 percent of gross domestic product, from around 48 percent currently, Rotich said. "Our debt is sustainable," he said. "If we go beyond 74 percent we would be risking a debt distress. We have room to maneuver." *(Bloomberg)*

Kenya's Nairobi Securities Exchange will launch trading of derivatives by the end of 2016, after a series of delays, but plans to start with fewer instruments than originally planned, its chief executive said. The bourse, which is a key entry point for foreign funds looking for exposure to fast-growing East Africa economies, initially planned to roll out trading in the first half of last year with more products including currency futures. "We are now at a very close point. Certainly this year we should be able to get the market up," Geoffrey Odundo told Reuters in his office on Wednesday. Trading would start with a futures contract on the NSE-25 share index, a tool used to hedge investment risk. Trading in single stock futures and currency futures, originally expected to start at the same time, would begin at a date still to be determined, he said. Odundo attributed the delays in launch of trading to the slower-than-expected pace in setting up the infrastructure to trade derivatives and educate the market about its benefits. Kenya will be the second in Sub-Saharan Africa to start trading of derivatives after South Africa, he said. "Futures contracts are a bit sophisticated. It is not like spot trading. You really have to know what you are trading," Odundo said. The NSE is also considering the possibility of offering agriculture contracts, once the derivatives market takes off, but those plans were at an embryonic stage, he said. He said the recent commodity price drop had curbed equity trading volumes at the bourse this year, with daily volume averaging $3-4 million, half of the daily levels seen at the same time last year. But Kenya's diverse economy, which does not rely on a particular commodity, has helped the situation a little, he added.

"Our decline has not been as rapid as the other markets which have got commodity trades like Nigeria and Angola," he said about volumes, without offering details. Valuations of listed firms, as measured by price to earnings ratio, had however fallen, which together with a stable currency, could boost interest among foreigners. "Most of them are at 8-10 (PE ratio) and historically they have been as high as 15. These are good entry points for them," Odundo said. On the other hand the bond market was booming, with monthly volumes more than doubling last month from the same period last year, and on course to more than triple in June, thanks to falling yields on government debt. The yield on the benchmark 91-day Treasury bill has fallen by more than 300 basis points in recent weeks. *(Reuters)*

Kenyan growth picked up in the first quarter of 2016, helped by improved performance across the economy and especially tourism, the statistics office said on Thursday. The Kenya National Bureau of Statistics (KNBS) said in a statement the economy expanded by 5.9 percent in the first three months of this year from 5.0 percent in the same period last year. In 2015, East Africa's biggest economy struggled with a number of challenges including attacks blamed on Somalia's al Shabaab militants that scared away tourists and eroded foreign exchange earnings in the key sector. "The economy is estimated to have maintained the growth momentum that started during the second quarter of 2015,"the Kenya National Bureau of Statistics said in a statement. "The most notable improvement was a rebound in activities of accommodation and food services which expanded by 12.1 percent in the period under review compared to a contraction of 11.4 per cent during the same quarter in 2015."

The statistics office said agriculture, forestry and fishing grew by 4.8 percent in the quarter compared with 2.9 percent registered in first quarter 2015. It said the construction industry grew by a slower 9.9 percent from 12.6 percent in the same period of 2015, while manufacturing grew by 3.6 percent from 4.1 percent in first quarter 2015. It said the information and communication sector grew by 9.7 percent from 8.6 percent previously, helped improved performance in the mobile phone industry. The government forecasts the economy will grow 6 percent in calendar year 2016 and by 7 percent a year in the medium term, compared with 5.6 percent growth last year. The statistics office said the current account deficit shrank 30 percent to 71.02 billion shillings ($703 million) during the quarter. KNBS said Kenya, an oil importer, has continued to benefit from low international oil prices. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

<u>Mauritius</u>

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Africa's richest man, Aliko Dangote, plans to launch Nigeria's first private crude oil refinery by 2019 while almost doubling his cement production on the continent by adding plants in eight countries as he shrugs off a regional economic downturn. Dangote told Reuters the $12 billion refinery would have a capacity of 650,000 barrels a day, cornering the market in Africa's most populous country, where fuel shortages are a perennial problem. Until recently, Nigeria was Africa's biggest crude oil producer but it imports 80 percent of its fuel because poor maintenance means its four refineries never reach full output. Its current daily consumption is 260,000 barrels, according to the International Energy Agency. A slump in commodity prices has hammered Nigeria's economy - along with many others on the continent - and raised the cost of borrowing but Dangote, whose business empire stretches from cement to flour and pasta, is pushing hard into oil and gas. "It will be ready in the first quarter of 2019," the billionaire founder of Dangote Cement said of the refinery. "Mechanical completion will be end of 2018 but we will start producing in 2019." Dangote said the plant, which will include a $2 billion fertilizer unit, was being funded through "loans, export credit agencies and our own equity". Some $3.25 billion had come from local and foreign banks, while the central bank had also chipped in. The IFC, the private sector arm of the World Bank, has lent $150 million. Dangote also has plans for a gas pipeline through West Africa. Nigeria has the world's ninth largest proven gas reserves, at 187 trillion cubic feet (tcf), but loses half of it to flaring and re-injection.

"When you are talking about 20 billion dollars worth of projects, what is 161 million? One-hundred-and-sixty-one million dollars is my six weeks' need," he said. Dangote's sugar refinery in Nigeria had reduced capacity by 15 percent as a result of the dollar crisis. "We ended up owing a lot of dollars," he said. This week, the central bank removed the peg that has held the naira at the official rate of 197 for the last 16 months, leading to a 30 percent devaluation as the currency traded freely on the interbank market. Dangote said the decline had pushed up costs. "This devaluation alone, we have lost over 50 billion naira ($176 million)," he said. "The gas, which is our main source of power, is priced in dollars. If there is 40 percent devaluation, your price will go up by 40 percent. Every single aspect of the production will go up by that percentage," he said. Dangote also said he was eyeing a listing on the London stock exchange "within the next year or two". *(Reuters)*

Lafarge Africa Plc have urged shareholders to leverage the Ashaka Cement's voluntary tender offer, which provides opportunity for the minorities to participate in a much larger growth platform of Lafarge Africa to boost their portfolio. Speaking at a shareholders forum in Lagos recently, Chairman, Lafarge Africa Plc, Mobolaji Balogun explained that the offer, which is currently on-going to Friday July 1, 2016, would enable the shareholders to move from being investors in Ashaka Cement with 1metric tones per annum (mtpa) cement production capacity to Lafarge Africa with 12mtpa and an additional 2,5mtpa due for commissioning by the end of 2016. He added that the consideration offered for the tender is quite favorable to shareholders of Ashaka Cement. "I encourage you and your members to accept the tender, which in simple terms creates the immediate and direct advantage of moving from investors in Ashaka Cement with 1mtpa cement production capacity to Lafarge Africa with 12mtpa and an additional 2,5mtpa due for commissioning by the end of 2016. "We continued to build on the successful completion of the Lafarge Africa asset consolidation transaction through some strategic initiatives, including increasing our shareholding in Ashaka cement to 82.46 per cent via a mandatory tender offer and acquisition of further stake in Unicem.

On the recently concluded N60 billion dual series bond issuance, Balogun told shareholders that the issue comprises of a N26, 386,000,000 three year 14.25 per cent bond due 2019 ("the Series one bond") and a N33, 614,000,000 five year 14.75 per cent bond due 2021 ("the series II bond"). According to him, the proceeds of the bond issue will be used to part-refinance the debt of its wholly owned subsidiary, United Cement Company of Nigeria Limited ("Unicem"). He pointed out that the dual-series issuance, the first of its kind and largest bond issuance by a corporate in Nigeria's debt capital markets, was concluded, following a book build, with the order being oversubscribed. He added that the transaction was Lafarge Africa's second bond issuance in the Nigerian capital markets, having previously issued a N11.8 billion three year fixed rate bond in 2011. Balogun said the bond affirms Lafarge Africa's reputation as a prime issuer, adding that the proceeds of the issue would allow Lafarge Africa Plc part-refinance the debt of its wholly owned subsidiary, Unicem. "We are grateful for the overwhelming support we have received from domestic institutional investors, especially the Nigerian pension funds. We also wish to thank the SEC for its support on the completion of the transaction." "These proceeds will deliver savings in financing costs to Unicem and Lafarge Africa. Unicem is currently undergoing a 2.5mtpa capacity expansion which will be completed by the end of 2016." *(Guardian)*

Shareholders of Lafarge Africa Plc on Monday approved a dividend of 300 kobo per share and a bonus of one new share for every 10 shares held for the year ended December 31, 2015. The approval was given at the company's annual general meeting held in Lagos. The company's revenue grew by 2.5 per cent against previous year's, reaching N267 billion in a challenging market. Strong cash flow amounting to N57.9 billion was also generated for the year. In his address, Chairman, Board of Directors, Lafarge Africa Plc, Mr. Mobolaji Balogun noted that 2015 was transformational and the first full operational year of the new enlarged company. "We have now built a significant platform to drive value creation for all stakeholders and in particular, our shareholders. I thank our shareholders and my colleagues on the Board of Directors for their support and commitment that ensured that we were able to carry out these strategic initiatives," he said. He said the company continued to build on the successful completion of the Lafarge Africa asset consolidation through some strategic initiatives, including increasing its shareholding in Ashakacem to 82.46 per cent and acquisition of further stake in Unicem.

Balogun foresees growth opportunities in 2016 and beyond for the building material sector, saying "The 2016 Federal Government budget indicates a significant increase in the spending on infrastructure and capital projects. The government recognizes the urgent need to re-invest in Nigerian infrastructure to catalyze much needed growth. With the on-going 2.5mt expansion project in Calabar, which is expected to be commissioned before year end, and plans for Ashaka, our cement production capacity in Nigeria is on the increase" he stated. The Group Managing Director/CEO, Mr. Michel Puchercos said the Nigerian operations of Lafarge Africa, having been successfully unified and rationalised under one management team, is cognisance of the different stakeholders expectations and promise to drive efficiencies that will ultimately generate remarkable synergy savings for overall improved performance. "Overall, new strategies in penetrating retail, new geographies and the technical segment are expected to push Lafarge Africa's volumes to grow above a flat market in all three product lines," he said. *(This Day)*

Africa's biggest mobile telecoms operator MTN's Nigerian subsidiary has won a 10-year radio spectrum licence for mobile broadband services, it said on Wednesday. The award comes after MTN said earlier this month that it would more than double its spending in Nigeria in the current fiscal year after agreeing to pay a heavily reduced fine of $1.7 billion for missing a deadline to deactivate more than 5 million unregistered SIM cards used on its Nigerian network. The Nigerian Communications Commission (NCC) had earlier announced that MTN had emerged as the sole approved bidder for the new licence, MTN said in a statement. "With the 2.6 GHz band, we expect to roll out and provide the full range of LTE (Long Term Evolution mobile broadband) services to Nigerians, empowering Nigeria with the latest mobile broadband technology," said MTN Nigeria Chief Executive Ferdi Moolman. "This licence acquisition further demonstrates MTN's abiding faith in the future of Nigeria and the resilience of the Nigerian economy." MTN is the largest mobile phone operator in Nigeria with 57 million subscribers, and the country accounts for about a third of its revenues. MTN's plan will see the roll out 3G network population coverage from 67.23 percent to about 90 percent. The aggressive rollout of fibre to six Nigerian cities by the end of 2016 will enable the connections.. *(Reuters)*

Transcorp Hilton Abuja has announced the commencement of a major renovation that will upgrade the five-Star Transcorp Hilton Abuja guest experience in every aspect. "The upgrade is the first of its kind in the 30-year history of the hotel and it underpins our commitment to delivering an experience that cannot be duplicated by any other hotel. The Transcorp Hilton hotel set the gold standard decades ago and will continue to set high standards for others to follow," the Managing Director/CEO Transcorp Hotels Plc, the owners of Transcorp Hilton Abuja, Valentine Ozigbo said. A statement yesterday explained that when the renovation is completed, Transcorp will offer guests a brand new and ultramodern furnishing concept to rival other five-star hotels worldwide. It stated that all 670 guest rooms and suites have been redesigned by award-winning Swedish interior design company, Living Design, who has added an extra touch of luxury to the exquisite finish and furnishing.

The complete renovation, when finalised, will include refurbishing of the Executive Lounge, elevators and elevator lobbies, meeting rooms, Congress Hall and the hotel lobby, it added. "The spa and restaurants will also be upgraded to reflect the standards of the modern traveller with high expectations. The hotel will remain open during the renovation. Disruptions will be minimal, as no more than three floors will be closed at any given time. "Selected services and facilities are to be relocated in order to ensure guest comfort and satisfaction, as the hotel remains operational and committed to exceeding expectations during the improvement period. "Transcorp Hilton assures all guests that customer satisfaction is of utmost importance. "We are excited to unveil the on-going renovations to our guests and community as another stride towards maintaining our position as one of Africa's leading hotels," its General Manager, Etienne Gailliez The full renovation will be completed in 18 months. In addition to the upgrade of Transcorp Hilton, the statement explained that Transcorp Hotels Plc has also embarked on two major hotel projects, Transcorp Hilton Ikoyi Lagos and Transcorp Hilton Port Harcourt to extend its luxury accommodation and conferencing facilities to guests beyond Abuja and Calabar. *(This Day)*

Economic News

Nigeria is seeking $40 billion to $50 billion in investment in oil projects as the OPEC producer said it raised crude output to as much as 1.9 million barrels a day as of two days ago. The African producer signed a potential deal for $8.5 billion of investment with China North Industries Group Corp., Nigerian State Minister for Petroleum Resources Emmanuel Ibe Kachikwu said in a Bloomberg television interview in Beijing on Monday. The country's crude output should rise to 2.2 million barrels a day next month if repairs to a pipeline are completed, he said. "We're looking to raise about $40 to $50 billion," Kachikwu said in the Bloomberg interview. "Going to places like China, which have a huge capacity to put money in the oil sector, is very helpful." Low oil prices, which have fallen by more than half in the past two years, are forcing some of the world's largest drillers to seek investment to maintain and expand output. Saudi Arabia's Deputy Crown Prince Mohammed bin Salman said in April the government plans to list less than 5 percent of the state producer known as Saudi Aramco, which could turn the world's biggest oil exporter into the largest publicly traded firm with a value in the trillions of dollars. Russia is seeking buyers for 19.5 percent of Rosneft PJSC. Militant attacks earlier this year reduced Nigeria's oil production to 1.3 million barrels from from 2.2 million a day, and output was between 1.8 million and 1.9 million as of two days ago, Kachikwu said. Crude prices may end the year between $50 and $55, he said. *(Bloomberg)*

Traders expecting Nigeria's currency devaluation to trigger a rush of cash into Africa's largest economy are rapidly concluding that the naira's 30 percent drop wasn't enough. Investors got the foreign-exchange policy change they asked for, but still aren't flocking to buy naira assets as the Central Bank of Nigeria keeps a grip on its currency, nine days after abandoning a 16-month-old peg. The naira fell almost 30 percent to a record 281.75 per dollar last week as policy makers, confronted by a looming recession, relaxed currency curbs on June 20. While central bank Governor Godwin Emefiele promised a free float, AllianceBernstein LP and Loomis Sayles & Co. are among investors navigating post-Brexit global market turmoil who say the monetary authority still isn't letting the naira weaken enough. "The central bank is probably wondering why investors haven't moved back in following the devaluation," said Rick Harrell, an analyst in Boston for Loomis Sayles, which oversees $229 billion of assets. "They're being cautious and the main reason why is the state of the economy. The fundamental backdrop isn't positive." Trading in the Nigerian interbank foreign-exchange market is yet to pick up, partly because the central bank cleared a backlog of dollar demand by selling more than $4 billion in the spot and forward markets on the first day without the peg. Turnover averaged about $40 million a day last week, according to analysts at Standard Bank Group Ltd. Less than three years ago, weekly volumes were as high as $1 billion. "That the currency's been so stable since the devaluation tells me that the central bank is still heavily managing it," Harrell said. "If we saw gradual depreciation to 300 or above, investors might feel more comfortable coming back."

Africa's second-biggest oil producer was already under strain before the U.K. voted to leave the European Union on June 23. The economy shrank for the first time since 2004 in the first quarter as investment shriveled and local businesses battled to find dollars to import essential materials. The central bank said last month that a recession, or two straight quarters of contraction, is imminent. Emefiele exasperated markets by fixing the currency, while other oil exporters from Russia to Colombia and Kazakhstan let theirs fall in response to the 50 percent collapse in crude prices since mid-2014. With the backing of President Muhammadu Buhari, the 54-year-old former head of Zenith Bank Plc argued that his peg of 197-199 naira per dollar would boost local manufacturing and curb inflation. Emefiele was forced to backtrack after the economy stalled and inflation soared to 15.6 percent as companies, desperate for dollars, turned to the black market, where the naira traded at 370 per dollar earlier this month. While the unofficial exchange rate has strengthened 6 percent since Emefiele announced the new currency system on June 15, it's still almost 20 percent weaker than the official rate. Foreign-exchange trading needs to increase before international investors are confident they can buy and sell shares quickly and repatriate proceeds, according to Christine Phillpotts, a stocks analyst at AllianceBernstein. The firm oversees $483 billion of assets and hasn't added to its Nigerian equity holdings since June 20. Some investors are concerned that Buhari will pressure the central bank to keep the currency from weakening further, she said.

Buhari told businessmen in Abuja, the capital, on June 27 he didn't understand the "ruthless devaluation," the Lagos-based Vanguard newspaper reported. He previously likened devaluation to "murder." "It's hard to tell what the central bank has in mind," Phillpotts, who sees the naira's fair value at about 320, said by phone from New York. "It's probably driven equally by economics and politics. It comes down to Buhari and his comfort level with the new regime." Traders on the forwards market are betting the naira will drop to 291 per dollar in three months and 326 in a year. The end of the peg has failed to ignite a rally in Nigerian stocks. While the All-Share Index surged 8 percent in three days last week as local investors anticipated the return of foreign cash, the benchmark gauge has since dropped 5.2 percent as contagion from the Brexit result spread. Yields on Nigerian bonds are also below levels that would entice investors, according to Harrell of Loomis Sayles, which holds no naira debt. Yields on naira-denominated government securities averaged 14.49 percent on Tuesday, less than inflation, according to Bloomberg indexes. "For me to get started, I'd want yields of 16 percent or higher," Harrell said. The central bank's change of heart on the naira might have come too late, according to Nicholas Spiro, a partner at London-based Lauressa Advisory Ltd., which counts money managers among its clients. Consumer inflation will probably accelerate in the short term as the devaluation increases the cost of imports such as gasoline, while oil production has dropped close to a 20-year low amid militant attacks on pipelines and refineries. "They've finally bitten the bullet with the devaluation, but only because they had a gun to their head," Spiro said. "We've got a potentially disastrous economic situation." *(Bloomberg)*

The Fund for Peace, a Washington D.C.-based non-profit, non-governmental research and educational institution, has ranked Nigeria as one of the world's most unstable countries. In its 12th annual Fragile States Index (FSI) released wednesday, Fund for Peace ranked Nigeria alongside war-torn Afghanistan, Haiti, Iraqi, Guinea, Pakistan, Burundi and Zimbabwe. It stated that the situation in Nigeria deteriorated in 2015 when compared with 2014. Fund for Peace cited the economic downturn occasioned by the fall in oil price and the activities of Boko Haram in the North-eastern part of Nigeria for classifying Nigeria among countries where peace deteriorated in 2015. Nigeria was also placed among countries classified as "high alert" meaning that the situation in Nigeria had worsened compared to the previous year. This category is just one level shy of the "very high alert" which comprises countries like Syria, Somalia, Central Africa Republic, Congo Democratic Republic, Yemen, Chad, Sudan and South Sudan where peace had totally collapsed. The 2016 FSI, the 12th edition of the annual index, comprises data collected between January 1, 2015 and December 31, 2015 — thus certain well-publicised events that have occurred since January 1, 2016 are not covered by the 2016 index.

The index is an annual ranking of 178 nations based on their levels of stability and the pressures they face. The index is based on the Fund for Peace's proprietary Conflict Assessment System Tool (CAST) analytical platform. Based on comprehensive social science methodology, data from three primary sources are triangulated and subjected to critical review to obtain final scores for the FSI. Millions of documents are analysed every year, and by applying highly specialised search parameters, scores are apportioned for every country based on 12 key political, social and economic indicators and over 100 sub-indicators that are the result of years of painstaking expert social science research. In an explanation note, the Fund for Peace, after making reference to Syria, cited Nigeria as another example where destabilising cross-border effects could be seen. It said: "Beset by a tumultuous electoral campaign in 2015 that saw the administration of Goodluck Jonathan unseated by the return to power of Muhammadu Buhari, Nigeria's standing in the Fragile States Index has worsened, as the economy is deeply impacted by falling oil prices and the north of the country is terrorised by Boko Haram insurgency." It stated that like the crisis in Syria, pressures had bled across Nigeria's borders to its neighbours. It categorised Nigeria's neighbour, Cameroun, as the second most worsened country in 2016. Cameroun had seen a marked increase in cross-border violence perpetrated by Boko Haram. The organisation observed that Boko Haram has widened its campaign beyond Nigeria's borders and is kidnapping and ambushing Camerounian security forces, as well as targeting Camerounian civilians.

It said: "Cameroun is also experiencing increasing pressures from Nigerian refugees fleeing into Cameroun to escape the violence in their own country, and in turn, placing intense pressure on food and medical supplies in Cameroun. "The World Food Programme has estimated that as many as 100,000 people find themselves displaced in Cameroun as a result of the Boko Haram-generated instability, including both Nigerian refugees and internally-displaced Camerounians." Fund for Peace also stated that Niger, to Nigeria's north, was similarly under pressure as a result of the Boko Haram insurgency. It said: "Though Niger has not worsened as much in the past year as has Cameroun, it is nevertheless still experiencing intense pressures. In late 2015, the Nigerien government declared a state of emergency in the border region of Diffa, adjacent to Nigeria, to deal with the continued cross-border attacks by Boko Haram, that has already claimed a growing number of civilian casualties. Adding further pressure on Niger – which is one of the world's poorest countries and finds itself at the bottom of UNDP's annual development report – it is estimated by UNHCR that in 2015 alone, 150,000 Nigerian refugees had fled across the border into Niger to escape the violence perpetrated by Boko Haram. "Notably, Chad has also seen clear worsening over the past year, however it is less clear as to how much of that worsening was contributed by the spillover from Nigeria, particularly as Chadian troops find themselves heavily involved in engaging Boko Haram, even within Nigeria's borders." The report said it was clear that Cameroun and Niger – and to a lesser extent, Chad – were coming under intense pressure induced by violence and instability in its larger neighbour, Nigeria. *(This Day)*

The nation's external reserves fell marginally to $26.33bn on June 29, down 0.30 per cent from a month ago, the Central Bank of Nigeria data showed on Thursday. The foreign exchange reserves stood at $26.42bn on May 27, down by 9.2 per cent year-to-year. The reserves had stood on the $26.4bn mark between May 24 and 27, after dropping to $26.5bn from $26.6bn same month. Between May 31 and June 7, the external reserves stood at the $26.3bn mark, before rising back to the $26.4bn mark on June 8, a level it maintained till June 24. On June 27, it fell back to $26.36bn. The CBN had two weeks ago lifted its 16-month-old currency controls and auctioned about $4bn in the spot and futures market to clear a backlog of dollar demand, to help boost interbank market trading. The central bank has sold $7m at 283 naira to the dollar on the interbank currency market on Thursday, one trader at a major commercial bank told Reuters. Traders said the local units of ExxonMobil, Chevron, Eni and Addax sold a combined $37.2 million through commercial banks for import of petroleum product to the country. The interbank market traded a total of $60m volumes by 1256 GMT, with the naira quoted at 283 to the dollar.

The external reserves had fallen month-on-month by 2.65 per cent from $27.15bn to $26.42bn on May 27. The reserves have dropped by over 10 per cent from last year when they were at $29.7bn. The global plunge in oil prices has caused the reserves to be depleting very fast. The development has forced the CBN to introduce foreign exchange controls, which were abandoned some weeks ago. The CBN's Monetary Policy Committee announced plans to adopt a flexible exchange rate policy after the external reserves fell to $26.56bn on May 23. The external reserves have lost over $2bn dollar this year. The nation recorded a balance of payments deficit of 1.4 per cent in its Gross Domestic Product at the end of 2015, owing largely to its first current account deficit (three per cent of the GDP) in over a decade. Analysts said the CBN's decision not to devalue the naira had led to the sharp drop in the external reserves. But they lauded the MPC's plan to adopt a flexible exchange rate policy, noting that the move would help to boost forex inflow into the country. The nation's external reserves had reduced by $6.7bn within a period of 21 months, the Minister of Budget and National Planning, Senator Udo Udoma, said on March 23. *(Punch)*

Nigeria has signed oil and gas infrastructure agreements worth $80 billion with Chinese companies, the West African country's state oil company said on Thursday. Nigeria, an OPEC member which was until recently Africa's biggest oil producer, relies on crude sales for around 70 percent of national income, but its oil and gas infrastructure is in need of updating. The country's four refineries have never reached full production because of poor maintenance, causing it to rely on expensive imported fuel for 80 percent of energy needs. These problems have been exacerbated by a series of attacks on oil and gas facilities by militants in the southern Niger Delta energy hub which pushed production down to 30-year lows in the last few weeks. Oil minister Emmanuel Ibe Kachikwu, who also heads the Nigerian National Petroleum Corporation (NNPC), has been in China since Sunday for a roadshow aimed at raising investment. "Memorandum of understandings (MoUs) worth over $80 billion to be spent on investments in oil and gas infrastructure, pipelines, refineries, power, facility refurbishments and upstream have been signed with Chinese companies," said NNPC in a statement. NNPC added the China roadshow was "the first of many investor roadshows intended for the raising of funds" to support the country's oil and gas infrastructure development plans. Earlier this week, NNPC said oil production had in the last few days risen by around 300,000 barrels per day (bpd) to 1.9 million bpd, due to repairs and no attacks having been carried out since June 16. Goldman Sachs, in a report published on Wednesday, said a "normalization" in Nigerian oil production would put pressure on global oil prices and may mean prices will average less than $50 a barrel during the second half of 2016. *(Reuters)*

The Nigerian stock market closed the first half of the year with a growth of 3.3 per cent compared with a decline of 3.2 per cent in the corresponding period of 2015. Although the market ended on a bearish noted yesterday, in all, it recorded a growth at the end of first six months of the year. The Nigerian Stock Exchange (NSE) All-Share Index (ASI) closed at 29,597.79 on the last day of June, up from 28,642.25 at which it opened 2016. Market capitalisation added N314 billion, rising from N9.851 billion to close at N10.165 trillion yesterday. Analysts said but for the rebound the market recorded recently following positive reactions to the new flexible foreign exchange policy of the Central Bank of Nigeria (CBN), the market would have ended the first half on negative note just last like last year. After a bearish trend caused by policy flip flops, exchange rate uncertainty and budget delay, the market rebounded two weeks back following the new forex, policy bringing the year-to-date(YTD) growth to the positive territory.

Reacting to the development then, analysts at InvestmentOne Limited had said: "In the immediate, while we expect the ongoing optimism regarding a possible shift to a market-determined exchange rate regime to support market performance. We see the impacts of these events on market performance. However, in the medium to longer term, we see improved performance on the back of efficiency gains from an expansionary fiscal policy leading to improvement in aggregate demand." However, profit taking set in reducing the YTD growth to 3.3 per cent yesterday. The market closed with a decline of 0.7 per cent yesterday depressed mostly by Ecobank Transnational Incorpodated (-3.09 per cent), Seplat Petroleum Development Company Plc((-2.94 per cent), FBN Holdings Plc (-2.51 per cent), United Bank for Africa Plc(-2.08 per cent); Forte Oil (-1.90 per cent); Zenith Bank (-1.44 per cent); Nigerian Breweries (-1.44 per cent), Dangote Cement (-1.03 per cent)c among others. According to analyst at Dunn Loren Merrifield, "the current market trend suggests that, optimism that the new CBN FX policy would bring relief to the market particularly on banking stocks is beginning to fade as investor remains sceptical about the policy sustainability and transparency."*(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

THE National Microfinance Bank (NMB) has donated two mobile police posts to the police force in the country worth over 145m/-, that were launched by President John Magufuli in Dar es Salaam on Saturday. The NMB Chief Financial Officer Mr. Waziri Barnabas said at the event that the bank's contribution supported government efforts in improving and modernising police force in the country in a bid to curb crimes and maintain community safety. "We have supported police force in their important initiative that was also used as an avenue to demonstrate to the general public the various activities it performs which are crucial in maintaining peace and security in the country," he said. He said NMB has over 177 branches network and ATMs spread across in almost all districts, thus a strong police army was an important segment in ensuring safety of business banking and people's money. He said in this year the bank financed the police force conference of senior police officers with over 75m/- and has been doing it for four consecutive years. Similarly, Mr. Barnabas said the bank sustain good relation with the government and has been providing individual loans to its civil servants including police officers that has reached over 28bn/-.

NMB takes its Corporate Social Responsibility (CSR) seriously and has endeavoured to contribute one per cent of its after tax profit to worthy causes in the community development projects. The bank that posted 150bn/- after tax profit in 2015 has set aside 1.5bn/- for community development projects like Education and health sectors through provision of school desks, hospital beds and in-kind support in case of natural or other disasters and also helping to create awareness on financial capability. For example, from January this year, the bank has spent over 660m/- for the purchase of desks to address shortage of desks in various schools in the country. A total of 131 primary and secondary schools have benefited from 6,550 desks, a huge support to the government endeavours to improve learning environment.*(Daily News)*

DAR ES SALAAM Stock Exchange (DSE) has joined United Nation's Sustainable Stock Exchange initiative that promote sustainability among investors and companies. By joining SSE, the Dar bourse followed its peers in Africa such as Johannesburg Stock Exchange, The Egyptian Exchange, Nigeria Stock Exchange and Nairobi Securities Exchange. DSE Chief Executive Officer Moremi Marwa said under SSE the exchange would work closely with listed companies and investors — especially institution investors — on sustainability development. "The way forward is for the companies when disclosing their financials to incorporate corporate sustainability — such as social and good governance and environmental protection," Mr Marwa said during DSE seminar to journalists. He said the disclosures are expected to be implemented "as soon as possible" after meeting with the listed companies and other stakeholders to discuss the new SSE initiative. The new initiative is geared to increasing quality of disclosures and encouraging the adoption of world class corporate governance norms. DSE, according to the CEO, joined the initiative a month ago and was in the preparation to start implementation of the SSE goals on environmental, social and governance (ESG) issues. DSE Manager for Market Research and Development Ibrahim Mshindo said the bourse was also in the process of establishing some prizes for listed companies which excelled in various fields in days to come. "We are in a process of offering DSE Annual Award. The idea is to recognise achievements of some of the listed companies," Mr Mshindo said. The SSE is a peer-to-peer learning platform for exploring how exchanges — in collaboration with investors, regulators, and companies —can encourage sustainable investment and enhance corporate transparency, and ultimately performance, on ESG issues.

The initiative was launched by UN Secretary-General Ban Ki-moon in 2009. The SSE is convened by the United Nations Conference on Trade and Development (UNCTAD), the UN Global Compact, the UN Environment Programme's Finance Initiative (UNEP FI), and the Principles for Responsible Investment (PRI). This new engagement tool kicks off with a dozen leading exchanges from around the world including the London Stock Exchange and Nasdaq as well as exchanges from Africa, Asia, Eastern Europe and South America. The ESG communication is set to explain each exchange's approach to promoting sustainability among investors and companies. The communication guides exchanges on the types of information sought by investors, companies, employees, peer exchanges, civil society, and others. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

NATIONAL Microfinance Bank (NMB) has launched a product that would help subscribers with Star Times Tanzania Limited pay subscription fees through the bank. Speaking shortly after the launching ceremony in Dar es Salaam, the NMB Acting Head of Personal Banking, Mr Boma Raballa, said the cooperation would make it possible for subscribers with Star Times to pay for their fees through mobile phones and NMB branches across the network using NBM mobile platforms. He said that the bank has fully accommodated Star Times within NMB mobile and the entire branch network in the country not that the service is convenient and safe for customers to use. "Mobile money banking services has become paramount important for national development and brings our customers closer to our services as they can pay their subscription fees and other bills at the comfort of their homes through their mobile phone via NMB mobile," he noted. Star Times Customer Senior Manager Mr Gasper Ngowi said that the partnership clearly demonstrates the revolutionary role that a Bank and Pay TV company can play while simplifying payments for their customers and communities in general. With the move, both NMB and non NMB customers can pay their Star Times subscription fees through NMB mobile and NMB branches. "Tanzanians in both urban and rural areas can now easily manage their finances, business as well as simplify their economic activities at all times through their mobile phones," said Mr Ngowi. *(Daily News)*

SIMBA cement can now be purchased through M-Pesa with no extra cost after Tanga Cement and Vodacom Tanzania introduced a novel payment platform. The mobile phone purchasing platform agreement was sealed by the two companies in Tanga where money transfer service attracts no extra costs. Tanga Cement Managing Director Reinhardt Swart and Vodacom Chief Officer —Enterprise Business Unit, Gregory Verbond, inked the pack that centred on enabling faster and more secure transactions. Mr Swart said the agreement offers Tanga Cement and its customers a payment solution that will improve customer's safety and reduce time taken when buying cement. "Mobile money transfers have emerged as a safe, secure, efficient, reliable, cost effective and preferred mode of payment over cash transactions. "We look forward to use the M-Pesa service to ease the burden and risks of customers having to carry cash in order to purchase Simba Cement," the Managing Director said. The Tanga based cement firm said it will capitalize on M-Pesa service to expand the growing distributor network and customer base. "By digitizing the commercial chain, we will also simplify the process by which traders order their cargo thus optimizing their time, easing management of sales, improving market visibility and empowering the trader," Mr Swart said. Vodacom Tanzania's Chief Officer – Enterprise Business Unit, Gregory Verbond said the first phase would be available to all distributors, wholesalers and retailers of Simba Cement across the country.

Under the new service, Simba cement customers will be furnished with a special Vodacom M-Pesa Lipa number into which customers can deposit payments for their cement consignments via M-Pesa. Meanwhile, Simba Imara Cement (class 32.5 R) users will from now get an airtime voucher of 500/- put inside the cement bag. The process of inserting the vouchers in the bags is starting today, thus cement bags under class 32.5R will have airtime vouchers inside. The two firms have also embarked on a training programme aimed at enhancing users on effective use of the new service. *(Daily News)*

Economic News

THE East African Business Council (EABC) has underscored the importance for the East African Community (EAC) partner states to fast track the signing of a new trade regime with the European Union (EU). Though EAC partner states have proposed the Economic Partnership Agreement (EPA) signing ceremony to be in the first week of the August, this year, the EABC recommends18th July, 2016 to take advantage of the EU Commissioner for Trade who will be in Nairobi attending UNCTAD XIV Conference. The EABC expectations are that ministers for trade from all EAC member states will also attend the UNCTAD Conference and therefore could be able to sign the EAC-EU-EPA on the same date in order to project the region as a functional Customs Union. The EABC Chief Executive Officer, Ms Lilian Awinja, says further delay in signing the pact will hamper exports from EAC partner states to the EU market. "Failure to meet EU deadline on ratification will force EAC exports to EU attract import duty especially for Kenya which is considered as developing country while other four countries Tanzania, Uganda, Rwanda and Burundi which are considered Least Developed Countries (LDCs) may force to opt for Everything But Army (EBA) trade arrangement which has more complicated rules of origin," Ms Awinja explains. According to EABC boss, the July 18th signing will give EAC

Partner States ample time to ratify the Agreement, before 1st October, 2016 the deadline set unilaterally by EU. To make the matter worse, come 1st January 2017 Kenya will be removed from the EU's Generalised Scheme of Preferences (GSPs) trade regime for live plants and floriculture products, hence attracting even more duties under the Most-Favoured Nation (MFN) rates. This means Kenyan exporters would be subjected to import duties of between 5 per cent and 8.5 per cent.

"The economic and social loss to Kenya will be catastrophic, worsening the consequences of missing the deadline for EACEU EPA ratification," Ms Awinja stressed. Interacting with EABC delegation in Brussels, the Director General of Business Europe, the formidable business lobby agency, Mr Markus Beyrer said that On 20 June 2016, the Council authorised, on behalf of the EU, the signature and provisional application of the EPA between the EU and the EAC comprising Burundi, Kenya, Rwanda, Tanzania and Uganda. The EPA intends to enhance regional integration and economic development in the African, Caribbean and Pacific (ACP) countries. The agreement based on the principle of asymmetrical market opening, meaning that it provides a better access to the EU market for ACP partners. EPA notably offers unprecedented market opportunities for agricultural and fisheries products. EPAs replace the previous market access regime of unilateral preferences for ACP countries. EABC is currently petitioning the EAC partner states to sign the deal. Kenya is facing a tough choice as the clock ticks towards the October 1 deadline for the ratifying of the EPA with EU. It is not clear whether it possible for Kenya to ratify it alone so that its exporters can benefit from duty free exports to the EU market or must be ratified collectively with other EAC partner states. Burundi, Rwanda, Uganda and Tanzania have option to rely on the EBA trade regime where they have duty-free market access to the EU.

But, Kenya, the biggest economy and the only non-Least Developed Country (LDC) in the EA region, heavily relies on the EU - which represents 30 per cent of its export market - for selling its cut flowers, tea, vegetables and fish. For instance, Kenya earned $495 million in sales of roses exported to Europe 2014, which is equivalent to 30 per cent of the total exports to Holland, Britain, Germany, France and Switzerland. This was among the key trade issues featured prominently during the EABC engagement with the Kenya's deputy President William Ruto in Nairobi last week. After hot deliberations, it was decided that the EABC should also engage all the EAC partner states to enlighten them on the importance of ratifying the comprehensive EPA. "The EABC will write a letter to EAC partner states respective trade and industry ministers to underline the urgency of signing the deal, well before 18th of July," Ms Awinja said. *(Daily News)*

DAR ES SALAAM Stock Exchange (DSE) has sufficient liquidity to accommodate through listing telecom firms as stipulated in the amended electronic and postal communications act (Cap. 306) passed by the National Assembly last week. According to the Finance Bill, 2016, the electronic and communication companies registered in the country are required to float their shares to the public and subsequently list its shares on the DSE within six months from July 1, this year. The DSE Chief Executive Officer Mr. Moremi Marwa said in an interview in Dar es Salaam the idea that the local market does not have the required liquidity was misguided as the 25 per cent of share offering is not as significant relatively to market liquidity. "Our current market capitalisation is 22tri/- and annual market turnover is exceeding 750bn/-. Treasury Bonds and Bills issued per annum at DSE normally exceeds 2.5tri/- and they are normally oversubscribed, meaning there is more liquidity to investment less risky assets than instruments available," he said. He said the companies are meant to offer 25 per cent of their shareholding to the public and list into the local exchange. So the amount of money to be raised is not 100 per cent of these companies share capital.

"The combined 25 per cent of all telecommunications companies' balance sheets is about 1 billion US dollars. If we factor in the data above and project the potential savings that are not yet in the formal financial system or that may be reallocated across assets classes, one should get a sense that the argument for lack of liquidity is somehow faulted," he said. He said DSE already has the necessary legal and regulatory framework and the infrastructure particularly the Automated Trading System and Central Depository Systems that are capable to facilitate capital raising and listing of telecoms companies. Mr. Marwa said listing of telecom companies is meant to facilitate the vibrant capital market in the country by increasing its depth and liquidity. He said the spirit of Electronic and postal communication act is also in line with country's policy on economic empowerment, financial inclusion and financial literacy. The law is also meant to encourage transparency and good corporate governance which then encourages business sustainability. In Kenya for example, when Safaricom off loaded it's shares and listed in the Nairobi Securities Exchange (NSE) it increased the number of shareholders in the NSE by 100 per cent as well as market liquidity significantly and market capitalisation significantly. "So listing of Safaricom was a catalyst for market growth and liquidity growth. We need also to have this framework of thinking and not the other way round," he added. *(Daily News)*

Tanzania's central bank said on Tuesday it expects economic growth to accelerate to 7.4 percent in 2017 from an estimated 7.2 percent this year, driven by construction, communications and finance. The Tanzanian economy, East Africa's second-biggest, grew 7 percent last year. "The macroeconomic objectives of the government aim at achieving a real gross domestic product growth of 7.3 percent in 2016/17 based on the projected growth of 7.2 percent in 2016 and 7.4 percent in 2017, while maintaining inflation at single digits," the Bank of Tanzania said in its latest monetary policy statement. "The bank will continue pursuing prudent monetary policy in 2016/17 to keep inflation close to the medium-term target of 5 percent, while ensuring that the liquidity level is consistent with demands of various economic activities." Tanzania's year-on-year headline inflation rate edged up to 5.2 percent in May from 5.1 percent in April, as prices rose for non-food items. The government said it plans to increase spending by 31 percent in its 2016/17 fiscal year to $13.51 billion to finance infrastructure and industrial projects. *(Reuters)*

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Zambia

Corporate News

No Corporate News This Week

Economic News

ZAMBIA'S agricultural diversification programme is expected to receive a 'shot in the arm' following the European Union's (EU) plan to inject about K1 billion. EU head of delegation Alessandro Mariani disclosed in an interview that the EU is preparing a €90-million programme that will focus on diversifying away from maize production to aquaculture and soya bean cultivation. "Agriculture is not just maize as there are several crops and activities that can be done in the sector. So we are working on a programme that will, in the next few weeks, be presented to the EU headquarters in Brussels and we expect to roll it out next year," Mr Mariani said. He said the programme will also support irrigation and promote nutrition. "Let us not forget that a more diversified agriculture sector guarantees a balanced diet," he said. The initiative, which is expected to be rolled out next year, will benefit fish farmers and those involved in the production of other crops. *(Daily Mail)*

ZAMBIA risks losing much-needed foreign direct investment, along with associated employment and wealth creation, if the high cost of doing business is not addressed, First Quantum Minerals has warned. FQM director of operations Matt Pascall said the high cost of doing business and a difficult enabling environment is likely to contribute to Zambia's loss of competitiveness, prompting companies to consider investing elsewhere. Speaking when he made a presentation at the just-ended Zambia International Mining and Energy Conference on Thursday, Mr Pascall said Zambia needs massive job creation to absorb its growing population, and that decent jobs can only be created by private sector investment. "First Quantum is a significant contributor to Zambia's economy and to the prosperity of the nation and its people. Reducing the business costs, challenges and risks to our businesses would go a long way to instilling the confidence we need to invest further and continue to generate those benefits by helping to unlock Zambia's mineral resources. The issue of f roadblocks also needs to be addressed as it is also a challenge," Mr Pascall said.

He said the price of electricity also presents a risk to business, as power bills increased from five percent to 20 percent of its total costs, despite transmission charges being met by the mine. Mr Pascal said changes in mining tax legislation have also further contributed to uncertainty for investors such as FQM, discouraging further investment. He said investment needs to be encouraged and enabled in mining, farming, industry, tourism and other key sectors. Mr Pascall said Zambia needs to reintroduce stable, predictable and competitive taxes, as well as reduce bureaucracy. He, however, said there is need for Zambia to improve the supply and price of electricity to reduce the cost of doing business. FQM has invested more than US$6 billion in its Kansanshi Mine in Solwezi and Sentinel Mine at Kalumbila. Mr Pascall said the mining sector plays a critical role in the nation's economic growth and job creation, and that more than US$3 billion of tax payments has been paid by Kansanshi Mine. *(Daily Mail)*

Zambia's kwacha was largely flat on Tuesday after weakening more than 1 percent to the dollar earlier in the session on end month dollar demand by importers, traders said. The currency had strengthened on Monday after exporters offloaded dollars to make local month-end payments, but importers took advantage of the favourable rates to buy dollars. At 0809 GMT, it traded at 10.71 from 10.72 on Monday. "Importers are in the market buying dollars because of the favourable rates," one commercial bank trader said. Some analysts said the kwacha had room to strengthen as the market was sitting on long dollar positions with firms buying the local currency to pay taxes and salaries due on June 30. *(Reuters)*

Zambia's inflation slowed to 21 percent in June from 21.3 percent year-on-year in May, the central statistical office (CSO) said on

Thursday. The monthly inflation rate inched up to 0.3 percent from 0.2 percent in May, the statistics agency said. "The decrease in the annual rate of inflation was mainly attributed to decreases in the price of food items," the CSO said. *(Reuters)*

Zimbabwe

Corporate News

Dawn Properties on Friday reported an operating profit of $379,000 in the first five months to May, due to cost cutting measures implemented in the prior year. The group's cost cutting measures included reducing its staff by 60 percent and paying impairment allowances on the property consultancy, all amounting to $870,000. Group revenue slumped by 27 percent from last year to $1,4 million.
"In light of the constrained revenue generation, rigorous cost controls will continue to be the focus to protect the business," said managing director Patrick Matute at the company's annual general meeting on Friday. Rent income fell by 30 percent to $620, 500 due to a faltering market and a strong currency. "Trading conditions remained challenging and worsened compared to last year on the back of faltering domestic market and a strong currency compared to regional peers," said Matute. The consultancy business was also negatively affected by harsh economic conditions as its revenues fell 25 percent to $829,000. "Going forward; we also expect that the changes to the business model of African Sun and the coming in of Legacy Hotels Africa will begin to bear fruit towards the end of the year," said Matute. The company will also focus on development of its Marlborough land, which it expects to sell off by year end, and restructuring of the consultancy business. "Over the past year, the costs to income of the business had averaged 95 percent of the revenue, a position which was unsustainable. Going forward; the future of the business and its growth will be underpinned by the property management division and the valuations division," he said. *(Source)*

Local resources group RioZim says improved capacity at its mines will this year drive up gold production by as much as 50 percent. In 2015, the group achieved a full year production of 1, 2 tonnes (42,328 ounces) from its two mines Cam & Motor near Kadoma and Renco in Masvingo. In just eight months of production Cam & Motor produced 450 kilogrammes (15,873oz). It reopened in April last year after it was shut down in 1968. "Renco is performing better than prior period due to the work we have done on it in terms of capacitating the mine. It is now in full production. The first half of 2016 has also seen full production at Cam & Motor. Come year end it would have operated for a full year so we are anticipating that we will come out 50 percent or so better than 2015," chief executive Noah Matimba told journalists on Thursday. *(Source)*

Fixed telecommunications services provider TelOne said on Friday it is owed $264 million by various players across the economy including the Government, and is making strides to recover the debt. It is also battling to keep its operations afloat in an increasingly competitive environment. Managing director Chipo Mutasa told an annual general meeting, which Finance and Economic Development Minister Patrick Chinamasa attended, that the firm had collected $52 million from debtors in the first six months of this year. "Debts that we think are collectable are in excess of $150 million," she said. According to the breakdown, corporates and SMEs owe $92 million, households $83 million, the Government $41 million, parastatals $36 million and local authorities $10,6 million. The State-owned telecommunications firm on the other hand owes $129 million to various suppliers. Mrs Mutasa appealed to Government to re-instate an offset arrangement between parastatals that allowed them to address debts that they owed each other. She said the firm was also saddled with a $348 million legacy debt, while requesting Government to have it addressed. In an operations update, Mrs Mutasa said TelOne had recorded a drop in revenue to $49,4 million in the first half of the year from $60 million during the same period in 2015.

Voice services, the company's cash cow, took a 20 percent knock in revenue while broadband services earnings increased by 10 percent.
High usage of over the top services such as Whatsapp was impacting on voice revenues, she said. "In the outlook, current challenges in revenue are likely to persist," Mrs Mutasa said. She said the firm was currently updating its network through a $98 million Chinese loan that was arranged by Government. In response, Minister Chinamasa urged the telecommunications firm to focus on providing internet services and other new products to diversify its income. He said State-owned companies in the telecommunications sector were better poised to make money and become "cash cows" for the Government. "My interest is that you will one day contribute meaningfully to State revenue," he said. Minister Chinamasa said the offset arrangement could be explored to address past debts, after Mrs Mutasa said the Zimbabwe Revenue Authority had garnished TelOne accounts and took about $7 million. He lauded the firm for holding the AGM, a rare feat for

parastatals and for realigning its salary structure through cutting salaries by 15 percent last year. "It was a very courageous and brave decision," he said, while urging the Government and other private sector players to follow suit in recognition of the challenging operational environment characterised by high costs of doing business. *(Herald)*

Liquid Telecom, majority owned by Econet Wireless Global, agreed to pay 6.55 billion rand ($428 million) to Tata Communications Ltd. for South African Internet-service provider Neotel Pty Ltd. to create the continent's largest broadband network and business-to-business telecommunications service. The buyer is partnering with Royal Bafokeng Holdings, a South African empowerment investment group, which has committed to taking a 30 percent stake in Neotel, according to a statement from Mumbai-based Tata Communications, which acquired a controlling stake in Neotel in 2009. The deal gives Econet wireless spectrum and broadband access to South African businesses and homes. The company, founded and run by Strive Masiyiwa, controls Africa-focused Internet provider Liquid Telecom and mobile-phone company Econet Wireless Zimbabwe Ltd. For Tata, a transaction would advance an asset-sale push the coffee-to-cars conglomerate has been pursuing as Chairman Cyrus Mistry seeks to pare debt and boost profit. Tata Steel Ltd., Tata Power Co. and Indian Hotels Co., which wants to sell its Taj Boston hotel, are among group firms looking to dispose of non-core assets. Four months ago, Johannesburg-based Vodacom Group Ltd. abandoned a 7 billion-rand proposal to buy Neotel after almost two years of regulatory battles and legal opposition to the deal by competitors.*(Bloomberg)*

RIOZIM Limited says engagements with potential investors continue for the Sengwa power project but no one had shown enough interest to sign a sale agreement. This comes as Nigerian billionaire Aliko Dangote and an unnamed Chinese firm have made enquiries in partnering RioZim in its long standing power project. Group chief executive Mr. Noah Matimba said that RioZim had received many expressions of interest, but the Nigerian billionaire's Dangote Group and a Chinese firm had recently shown "more aggression" for the project. But Mr. Matimba said as they have indicated in the past, the issue of an off take agreement or lack thereof, remains critical in attracting potential investors. As such, RioZim has been talking to the Southern African Power Pool, but the problem is that SAPP is non committal. "It remains so, as we read it from them, to say if I invest in Sengwa and produce power to the extent indicated of over 2 000MW, where will I sell the power. So we have been talking to the likes of SAPP." Mr. Matimba said RioZim also attempted to engage South Africa's power utility Eskom during one of the State visits by President Mugabe, but while there was interest, Eskom did not commit to a power purchase agreement. It is estimated Sengwa has potential for over 2 000megawatts while an investment of $2,1 billion would be required to develop the thermal power project.

Sengwa power project, in Gokwe North, is based on a coal resource of 1,3 billion tonnes. It was touted as one of the solutions to the country's power deficit. Zimbabwe has depressed demand for power of 1 400MW, but is currently only able to generate about 1 000MW, due to limited output at Kariba and old plants. Government has since issued several licences to independent producers such as RioZim, while working on Kariba South and Hwange 6 and 7 extensions. "The Sengwa project is one that continues to attract a lot of people; they come in, make enquiries and they go. They come for a second enquiry and disappear. "However, in the past six months we have seen a couple that have come with a little bit more aggression, one is some Chinese company, the other is Dangote. "They have continued to make enquiries, that is why we have signed non disclosure agreements. In this case, it can be coal resource, it could be information on general environment, some of them have gone as far as engaging with ZESA and with ZERA in terms of licensing and so forth," he said. *(Herald)*

South Africa's Liberty Holdings has emerged as one of the leading prospective investors First Mutual Life Holdings is talking to over a potential partnership. Chief executive Douglas Hoto confirmed yesterday that FML is engaged in talks with Liberty under a possible technical partnership deal. Mr. Hoto said the search for a strategic partner was a low key engagement where FML is trying to engage an investor to inject fresh capital."It is a low key engagement and it has always been an issue that we kept on telling people. We have been looking for a strategic investor for FML. "We have actually been engaging a lot of investors and Liberty is one of them. Liberty is actually one of the potential investors that we have been talking to," said Mr. Hoto. Mr. Hoto said the engagement with the potential investors does not involve the disposal of any shares, but rather it provides an avenue through which the company can fullfill its recapitalisation plans. "It is not necessarily that there are shares being bought. Nobody is selling shares, but we are just looking at bringing in new capital and technology into the business," he said. FML has diverse interests in short term insurance; short term re-insurance; life assurance; long term re-insurance and real estate housed under its subsidiaries; First Mutual Life, Pearl Properties, First Mutual Health, Tristar Insurance Company, First Mutual Wealth Management, FMRE Property and Casualty (Zimbabwe), FMRE Life and Health and FMRE Property and Casualty (Botswana.) *(Herald)*

State owned Agricultural Development bank of Zimbabwe (Agribank) on Monday reported an annual after tax loss of $5, 8 million compared to $9 million last year. Chief executive Sam Malaba told an annual general meeting that the bank had closed down 2 branches and retrenched 112 employees (20 percent of staff) in a rationalization exercise which cost the bank $4, 3 million in retrenchment costs. The bank expects to save $2, 2 million annually from the exercise, he added. Operating expenses grew by 14 percent to $26 million mainly attributed to the retrenchment. The bank managed to sell of non-performing loans (NPLs) valued at $17 million to government's bad debt special purpose vehicle, ZAMCO. This lowered its bad debt ratio to 13, 9 percent against the industry average of 11 percent. Malaba said the bank would next month go the market to raise $20 million through the issue of Agrobills. This follows a similar issue last year which raised $20 million. As at end of May this year the bank's capital stood at $34, 6 million. "It is imperative for the bank to have a strong balance sheet so that it can raise lines of credit from regional and international financial institutions as well as medium and long term funding for agriculture," Malaba said. The bank was removed completely from the United States' Office of Foreign Assets Control (OFAC) sanctions list in February and is now seeking engagement with development partners to access new lines of credit. Agribank grew its loan book by 47 percent to close 2015 at $113 million. Malaba said at least 40 percent of the bank's lending was to agriculture. *(The Source)*

Zimre Property Investments (ZPI) on Tuesday reported a 15 percent increase in revenue to $2, 4 million in the five months May, driven by a 58 percent surge in stand sales. Chief executive Edison Muvingi told an annual general meeting that stand sales had gone up 58 percent following increased interest in its Zimre Park development near Ruwa. The Zimre project has 229 stands averaging 800 square metres on 60 hectares selling at $28 per square meter. The project was 80 percent complete with a delivery date set for July. Sales from the stands have so far reached $800,000 since last December. Rental income was down nine percent to $1,3 million with the rent collection ratio at 76 percent. Voids grew from 22 percent to 24 percent this year. "Rental income is likely to continue on a decline unless there is a significant structural shift in this economy," said Muvingi. The CEO said the company would diversify its commercial property to include office parks and other developments out of town. "We have secured some two hectares of land along Borrowdale and our plan is to build 5 or so self-contained units there," he said. He later told The Source that the group was looking to diversify income streams in view of falling rentals, its primary source of income. "We are looking at developing a strategy that bring income over 10 years by widening our income streams," he said. In addition to the Zimre Park project, the group was also developing a high density project at Snake Park along Bulawayo Road while several projects were at various stages of completion including Rhodene in Masvingo and Parklands in Bulawayo. *(Source)*

Bindura Nickel Corporation (BNC) after tax profit for the year ended 31 March 2016 plunged 94 percent to $650,000 from $11,2 million achieved in prior year largely on reduced sales and poor nickel prices. Managing Director Batirai Manhando told analysts that in line with overall reduction of output, sales of nickel in concentrate were 6,613 tonnes compared to 7,352 tonnes sold in prior year, representing a 10 percent decrease year on year. BNC, a subsidiary of Asa Resources, saw revenue drop 46 percent to $42,3 million compared to $78,9 million in 2015. During the year, average nickel price was 38 percent below prior year at $6,737 per tonne from FY2015: $10,855/t. Manhando said prices were mainly drive by the market sentiment towards the strength of the United States dollar. Group operating profit was at $1,8 million compared to $15,8 million in the prior year while gross sales declined 75 percent to $9,1 million from $36,1 million in prior year.
Cost of sales fell 22 percent on last year's $42,8 million to $33,2 million. On operations, Manhando said its Trojan Mine milled 440,449 tonnes of ore, compared to 598,766 tonnes milled same period last year. He said the 26 percent reduction was mainly attributable to the revised mining plan and the company will continue with the plan until year end. Head grade was 1.71 percent compared to 1.46 percent in 2015 while recovery was 86.5 percent, better than last year's achievement of 83.7 percent due to the higher ore grade received. Manhando said during the year, several cost cutting initiatives were implemented, resulting in all-sustaining cost of producing nickel in concentrate dropping to $6,818 from $8,558 per tonne in prior year. On capital project, Manhando said the Smelter Restart Project is progressing well with 56 percent of works covered while $18 million has been spent on the project to date. He said the refinery and Shangani mine projects

remain under care and maintenance. *(Source)*

Brick maker Willdale Limited has seen turnover for the full-year to 31 March 2016 come in 20 percent below prior year at $3,6 million due to an 18 percent decline in volumes and lower prices. Company chairman Alex Jongwe said although there was no increase in unit production costs, the achieved gross margin declined to 26 percent compared to 29 percent in the prior year. As a result, an operating profit of $218,383 was earned compared to $468,164 in the same period in 2015 after charging $395,146 in depreciation of property, plant and equipment. Jongwe said several projects for housing, universities and school development remain at quotation stage. The company has sufficient production capacity to meet demand, he added. "The continued improvement in availability of mortgage finance has kept the order book from individual home developers active. In view of the need to improve product delivery to customers, a delivery service will be introduced in the third quarter," he said in a statement accompanying the results. Overhead costs for the period declined by 10 percent while net financing costs, including costs of preference shares, were at $339,340.

The company on 10 June 2014 raised $3,255 million through the issue of 10 percent redeemable cumulative preference shares at a subscription price of $1 per share. Jongwe said the preference shares have been accounted for as a liability since they are redeemable and convertible. In terms of operations, there was minimal extrusion and firing in the period under review in line with the strategy of not running the plant during the wet season to minimise brick loses. Jongwe said stocks carried over from prior year were sufficient to cover sales during the period under review. He said cost management remain key to operations in the current environment given declining selling prices.
"Various measures are in place to improve process efficiencies across operations in order to reduce both production and overhead costs. Productivity based remuneration has been introduced in most production processes." Going forward, Jongwe said the introduction of a brick transportation service will enhance the company's competitiveness. *(Source)*

Resources group Falcon Gold has posted a loss of $351, 000 for the six months ended 31 March 2016 due to high maintenance costs at its closed Dalny Mine. The group incurred care and maintenance cost amounting to $1,5 million for the Chakari mine, which it shut down in 2013. "Dalny mine … incurred care and maintenance costs for the six months ended 31 March 2016 and 2015 of $812, 680 and $699, 948 respectively which have been included in the Total Comprehensive Loss reported. These care and maintenance costs were offset in 2016 by the rental of Dalny Mine processing plant," said Falgold in a statement. The group's gold production also slumped by 18.5 percent to 3, 687 ounces compared to 4,515 in the previous year. Mining and processing costs fell to $5 million compared to $6 million. In April this year, Falgold leased out its Palatial Gold's processing plant and the area surrounding it to RioZim Limited for a period of nine months under a renewable operating lease agreement. "During the six months ended 31 March 2016, the processing plant at the Dalny Mine was rented to another mining company, and this toll treatment agreement has generated income greater than the care and maintenance costs of Dalny Mine," said Falgold on Wednesday.

Falgold said it has stopped exploration activities and is still considering shutting down its remaining mining operations, Turk Mine near Bulawayo. In June last year, it sold off the majority of its shareholding in Venice Mine near Kadoma to an unnamed investor. "The group may be forced to consider shutting down its remaining mining operation, either temporarily or permanently, placing one or more of the Group's assets under court protection from creditors, and/or liquidating the group and its assets in a formal or informal arrangement," said miner.
Canada-listed junior miner New Dawn has an 85 percent controlling shareholding in Falgold. *(Source)*

Ariston Holdings revenue for the half-year ended March 2016 slipped 32 percent to $3,8 million on reduced potato production due to the poor start to the rainy season and erratic utility supplies. Zimbabwe experienced a late onset to the rainy season due to the El Nino weather phenomenon which affected agriculture production in the 2015/ 16 season. As a result, Ariston missed its potato planting schedule in the first-quarter which had a knock on effect on the group's revenue streams. Ariston reported loss before tax of $0,1 million from a profit position of $1,4 million due to the strain in revenue. Loss for the period from continuing operations amounted to $2 million from prior year's $0,1 million profit. Finance costs of $2 million were incurred. Group chief executive Mr. Paul Spear said power shortages at Claremont stifled spring planting, subsequently reducing potato production compared to prior year levels. "Rainfall in the first-half of the season was very low in all estates. High temperatures and erratic power supplies combined to make the start of the season difficult. As a consequence, yields of most crops were below expectation, with the exception of macademia nuts," said Mr. Spear.

Southdown Estates' contribution to group revenue increased 8 percentage points to 75 percent in the period under review. Its operating profit however fell 69 percent to $0,4 million. Claremont Estates contributed 16 percent to group's total revenue, down from 23 percent in the comparable period and incurred a $0,4 million operating loss due to lost potato revenues. The group expects a record crop for its macademia harvest with overall quality rated as "acceptable." Demand for tea is strong with prices expected to remain strong although production was below prior year levels. Yields for the stone fruits, under the group's horticulture unit were above last year with generally "excellent" quality. Mr. Spear said apple harvest was in progress, with yields in line with prior year's but below expectations due to a hot and dry spring season. The group is however, upbeat for the year ahead on good performance from macademia nuts and development of the young orchards at Claremont Estate. The company is currently upgrading macademia drying and processing plant which should be operational later in the year. *(Herald)*

HWANGE Colliery Company Limited says it has demanded remedy for the faulty mining equipment the coal miner acquired from Bharat Earth Moving Limited of India. The faulty mining equipment, which was expected to help Hwange ramp up production, has negatively impacted output resulting in missed budgets. Chief executive Thomas Makore said yesterday the remedy should either be in the form of financial payment or replacement of equipment that is faulty. The faulty equipment entails, mainly, excavators used in the company's coal mining operations although the deal also included other support equipment. It was financed through a vendor financing scheme secured from India Eximbank. The new open cast mining equipment was widely expected to increase the monthly coal output to about 500 000 tonnes from less than 200 000 tonnes. Hwange has experienced major technical challenges with the equipment since its commissioning in July 2015 and had engaged suppliers to rectify them.
All attempts, including fitting new spares to faulty areas and deploying technical experts from the supplier in India, have failed to yield desired results. "Our operations have not been performing in terms of production. The expected increase in production due to the new equipment has not been realised. "The major obstacle has been the excavators that we bought from India. So we have engaged the supplier. We have demanded a remedy to these technical problems because the equipment is still under warranty," he said. "It (the remedy) is under discussion, it could be that they replace the machines, which is what we prefer or they compensate us financially for the purchase of the equipment. The machines are (worth) about $2 million," he added. The Hwange CEO said that due to the equipment problems, production is at about 30-40 percent of budgeted target. The company had targeted to increase production to about 350 000 tonnes per month by September this year. While production was low in the first half, Mr. Makore said HCCL is targeting increased output in the second half, optimally utilising the old equipment.

Meanwhile, HCCL creditors will receive Treasury Bills, if they approve a scheme of arrangement that has already been sanctioned by the High Court. Mr. Makore said Treasury has already acceded to issuance of the TBs. The coal mining company owes creditors a total of $287 million, including the Zimbabwe Revenue Authority, which will convert its debt into equity. The coal mining firm's CEO said that Hwange will convene a creditors meeting to agree a payment plan following approval of the scheme by High Court. "We have entered into a scheme of arrangement, it has been approved by the High Court and then we will convene a meeting with the creditors to agree on the payment plan on what we owe to all these creditors," Mr. makore said. "The Ministry of Finance has approved Treasury Bills that will be issued by the central bank, to support the creditor payment plans, so it is a combination of debt instruments as well as payment schedule," said Mr. Makore.*(Herald)*

Economic News

Zimbabwe has pegged the price of cotton at 45 cents for the 2016/7 season and plans to plant 400,000 hectares of cotton in the coming season, Agriculture Minister Joseph Made has said. The price of cotton has previously sparked outrage after merchants offered to pay 30 cents per kilogramme, but Made told reporters in Harare on Thursday that the new price would also be supplemented by a yet to be determined bonus. "The price at which government will be purchasing, even though it hasn't been finalized, will be no less than 0,45 cents per kilogramme, plus the bonus that will be paid as and when the cotton would be sold in terms of cotton lint, stock feeds, cotton cake," said Made. "Our target is to reach 400,000 hectares to be planted in the coming season," he added, saying there were plans that all cotton grown under government support would be marketed through the Cotton Company of Zimbabwe. "The Cotton Company of Zimbabwe will be buying all the cotton that was supported by government across the country. The cotton crop will be looked at with the same importance as the tobacco crop," he added.

Cotton output has been declining in Zimbabwe due to the low prices that have seen farmers resort to tobacco, which fetches better prices at the auction floors. Other farmers had recently restricted themselves to planting food crops instead of cotton, which is labour intensive. Cotton production declined by 34 percent from 136,000 tonnes in the 2013/14 season to 90,000 tonnes in the 2014/15 season due to drought. This was the second lowest crop after 60,000 tonnes harvested in the 1991/92 season, also due to a severe drought. The area planted with cotton seed in the 2014/15 was estimated at 190,000 hectares, a 24 percent decrease from the 250,000 hectares planted in the 2013/14 season. *(Source)*

The Securities and Exchange Commission of Zimbabwe has approved the debt market listings requirements paving the way for the Zimbabwe Stock Exchange to relaunch the country's fixed income market. Chief executive Tafadzwa Chinamo said the commission had approved the requirements and had forwarded them to the Ministry of Finance for gazetting. Work on the debt market started two years ago with the first draft being released for stakeholder input in 2014. The approval comes at a time the environment is ripe for the re-launch of the debt market as appetite from issuers and investors is high. Several successful fixed income issues have been done in the multi-currency regime. Some of the bonds issued include: CBZ's $20 million bond issue in 2012 to finance infrastructure development; IDBZ's $30 million issue in 2012, to finance procurement of prepaid metres and ZSE's $1,5 million issue in 2013 to fund the Automated Trading System.
Pension funds were allowed to invest 15 percent of their funds into offshore investments in 2011 and the Zimbabwe Stock Exchange believes that resuscitating the debt market could allow investors to mobilise some of the resources while offering investors alternative investment products.

The ZSE proposed that all Government and parastatal bonds be listed on the ZSE, which the Minister of Finance and Economic Development Patrick Chinamasa granted in his 2015 Mid-Term Fiscal Policy review. The bourse consulted widely on the listings and the pricing frameworks — input was received from Insurance Pension Commission, Zimbabwe Association of Pension Funds, Public Accountants and Auditors Board, stockbrokers, asset managers, potential issuers and financial advisors. Recently, the ZSE said regional stock exchanges had expressed interest in participating in the country's bond market when it is resuscitated. Bond issuance by Government and local authorities was significant in the 1990s but eventually ceased around 2001. Although all local municipal long-term bonds were listed on the ZSE, there was virtually no trading. *(Herald)*

Government is to issue $69 million worth of Treasury Bills (TBs) to the National Social Security Authority (NSSA) to settle part of outstanding pension contributions from state workers. Government, which employs about 500,000 workers, owed NSSA close to $92 million in unremitted pensions from its workers as at December 31, 2015, according to official documents released last week. The bulk of the non-remitted pensions relate to the employer's portion of the pensions. A report presented by auditor general, Mildred Chiri to Finance Minister, Patrick Chinamasa last week showed that the government auditor had raised concerns about the outstanding pensions. She warned that the outstanding pensions would affect NSSA's operations and investments. Apart from State workers, NSSA is also owed millions of dollars in non-remitted pensions by companies in the private sector, where frail companies are battling to survive, while thousands have closed due to a deteriorating economic climate. NSSA management said engagements with government to address the pensions were underway, with government undertaking in April to issues TBs. "Engagements (have been) held at the highest level including our parent ministry," NSSA management told Chiri. "Government has undertaken to issue NSSA an initial $69 million worth of TBs to extinguish the debt balance as at 31 December 2015. The undertaking was made at a meeting held on the 28th April 2016. At the same time government is now regularly paying the employee portion every month. Engagements are ongoing for government to be current with employer's portion as well," said NSSA. A review of the authority's contribution debtor's book revealed that a substantial amount was owed by the government and public entities. "The authority is deprived of funds for its daily operations and investment opportunities," noted Chiri. *(Source)*

THE Reserve Bank of Zimbabwe (RBZ) has crafted draft guidelines to regulate Deposit-Taking Microfinance Institutions (DTMFI) and invited stakeholders to input into the document before its adoption. In a statement last week, the RBZ said it recognises the importance of the microfinance sector in fostering access to financial services for low-income households and micro, small and medium enterprises. The central bank gave stakeholders until July 8 to submit their proposals. "These guidelines provide the minimum standards and practices for the licensing and continuous regulation and supervision of DTMFIs operating in Zimbabwe. The guidelines should be considered in conjunction with the applicable statutes. No DTMFI shall commence deposit-taking microfinance operations without the prior authorisation of the Reserve Bank," RBZ said. According to the draft proposal, applicants for DTMFI licences are expected to maintain on an on-going basis, a minimum paid-up share capital of $5 million or as may be prescribed and are prohibited from operating without a microfinance licence in terms of section 7 of the Microfinance Act. As part of the shareholding thresholds in DTMFIs, the percentage limit for a financial institution would be 100%, a member of the executive management would be limited to 5% and any other person would be allowed a cap of 25%.

"A DTMFI shall have a board of directors of not less than five members with at least three fifths of the board membership being non-executive directors, of which independent non-executive directors shall be the majority. At least one of the non-executive directors has experience of managing microfinance business or have relevant exposure to microfinance business," RBZ said. The proposed guidelines are meant to ensure the safety and soundness of the microfinance sector and ultimately financial stability in the economy and promote financial inclusion through encouraging and facilitating the development of the micro finance sector. Other objectives include enabling DTMFIs to maintain adequate capital and liquidity levels that meet customers' obligations at all times and promote public confidence in the financial sector. They also help raise awareness on the minimum licensing requirements and foster supervisory standards applicable to the microfinance sector. The RBZ also want DTMFIs to adopt transparency and accountability leveraging on international best practices in the regulation and supervision of their business. By March this year, RBZ had listed an additional eight companies as micro-finance institutions, bringing the total number of registered micro-finance institutions to 163. *(News Day)*

Zimbabwean state-owned asset management firm has taken up $480 million in bad loans from banks to help restore viability in the financial sector since its launch two years ago, its chief executive said on Thursday. The Zimbabwe Asset Management Company (ZAMCO) was created by the central bank in August 2014 to take over non-performing loans (NPLs) from banks that had risen to $815 million and were restricting banks from providing new loans. ZAMCO's Chief Executive Cosmas Kanhai told an investment conference in the capital Harare that his company was only taking over loans largely secured by mortgage bonds. Kanhai said ZAMCO was issuing Treasury Bills to the banks at a discount and would restructure the loans by reducing interest charges and extending the repayment period for debtors, who are mostly companies that borrowed from banks. "So far ... we have acquired NPLs of around $480 million as at 31 May," said Kanhai. The next step would be to create a market for NPLs where local and foreign investors can buy and sell the debt, he said. Five local banks have closed since 2013 due to solvency and liquidity problems but the central bank says the financial sector is now safe and sound. The central bank has directed banks to cut non-performing loans - the ratio of bad loans to total loans issued - to below 10 percent by end of June, from 10.81 percent in March, with the ratio being cut to 5 percent by the end of this year. *(Reuters)*

The Zimbabwe Stock Exchange's (ZSE) main index shed 13.7 percent and market capitalisation fell by $300 million during the first six months of the year, official data showed on Friday, as fewer foreign investors bought shares and the economy slowed down. The ZSE's industrial index, the main gauge of activity on the bourse, stood at 101.04 points at the end of June, down from 114.85 points at the start of January. The index fell 47 percent compared with the same period last year. The ZSE, which had been propelled by foreign buyers looking for bargains since Zimbabwe adopted the U.S. dollar in 2009, has been on a slide since the end of 2014 as the economy slumped. Foreigners bought shares worth $40 million between January and June compared to $71 million in the same period last year. Market capitalisation fell to $2.8 billion at the end of June from $3.1 billion at the beginning of the year. "This year obviously we expect the market to come further down. We expect by year end to go down by 20 percent," said Peter Kadzere, managing director at Smartvest Wealth Managers. A devastating drought that has left 4 million Zimbabweans facing hunger is this year expected to hit economic growth and earnings of a majority of listed companies, which rely on agriculture for inputs, as well as those in retail business. Zimbabwe has since March faced shortages of U.S. dollars, which it adopted in January 2009 when it dumped its own currency that was ravaged by hyper-inflation. Some mining companies and manufacturers have said the shortages have seen banks delaying payments for their inputs abroad, which could affect production. Zimbabwe in May cut its 2016 economic growth forecast to 1.4 percent from an initial projection of 2.7 per cent, blaming the drought and weak commodity prices. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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