SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	26-Jul-13	2-Aug-13	Local	USD	Local	USD
Botswana	DCI	8,679.38	8,620.17	-0.68%	9.96%	14.78%	16.33%
Egypt	CASE 30	5,352.26	5,375.68	0.44%	15.92%	-1.59%	-1.54%
Ghana	GSE Comp Index	1,944.92	1,942.20	-0.14%	6.15%	61.89%	58.88%
Ivory Coast	BRVM Composite	207.12	207.26	0.07%	-6.46%	24.42%	15.91%
Kenya	NSE 20	4801.63	4777.12	-0.51%	3.58%	15.58%	19.89%
Malawi	Malawi All Share	7,277.08	7,277.08	0.00%	20.20%	20.97%	45.08%
Mauritius	SEMDEX	1,865.86	1,870.95	0.27%	-2.11%	8.02%	8.20%
	SEM 7	365.21	367.00	0.49%	-1.90%	8.81%	8.99%
Namibia	Overall Index	899.00	924.00	2.78%	22.20%	-6.31%	-3.45%
Nigeria	Nigeria All Share	37,145.65	38,424.34	3.44%	5.24%	36.84%	36.67%
Swaziland	All Share	292.00	284.32	-2.63%	16.36%	-0.47%	2.87%
Tanzania	TSI	1,946.08	1,961.23	0.78%	3.49%	32.01%	34.58%
Tunisia	TunIndex	4,566.71	4,557.13	-0.21%	2.14%	-0.50%	-4.33%
Zambia	LUSE All Share	4,687.54	4,702.55	0.32%	11.93%	26.23%	33.99%
Zimbabwe	Industrial Index	230.58	231.21	0.27%	0.27%	51.71%	51.71%
	Mining Index	65.55	66.33	1.19%	1.19%	1.86%	1.86%

CURRENCIES

Cur-rency	26-Jul-13 Close	2-Aug-13 Close	WTD % Change	YTD % Change
BWP	8.36	8.39	0.37	9.64
EGP	6.98	6.98	- 0.07	15.28
GHS	1.87	2.08	0.67	9.04
CFA	497.00	494.08	- 0.59	- 0.26
KES	85.92	86.28	0.42	0.80
MWK	321.71	321.06	- 0.20	0.02
MUR	29.77	29.71	- 0.21	- 2.75
NAD	9.78	9.89	1.22	16.78
NGN	159.01	158.30	- 0.45	1.41
SZL	9.78	158.30	1.22	17.03
TZS	1,586.54	1,576.84	- 0.61	0.12
TND	1.65	1.65	- 0.08	6.37
ZMW	5.45	5.42	- 0.50	4.58

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

No Corporate News This Week

Economic News

Egyptian commodity purchasing business Meditrade has issued an international tender to buy up to 20,000 tonnes of soybean oil, a Cairo -based trader said on Monday. Meditrade on July 22 announced a tender closing on July 30 for 30,000 tonnes of sunflower oil. It is now seeking the soybean oil in addition to the sunflower oil within the tender framework. Delivery is sought in the first half of September, the trader said. *(Reuters)*

Egypt's new cabinet plans quick steps to spur the economy while laying the ground for a broader "Marshall Plan" to present to Gulf countries and other donors, its chief economic strategist said. With its options limited by a crushing financial crisis, Deputy Prime Minister for economic affairs Ziad Bahaa El-Din said the cabinet aimed to cut red tape and restart stalled investments to encourage a revival in business activity. "Ultimately, there isn't another sustainable source of closing the deficit except to get the economy running, to get growth going, to get people to work, to get incomes paid, to get taxes paid as well," Bahaa El-Din told Reuters. "The quicker we get the economy running again, the quicker you can at least begin to stop the bleeding." Egypt's economy has been devastated by two and a half years of political turmoil after the fall of autocrat Hosni Mubarak. Bahaa El-Din said the cabinet expects to be in power for less than seven months, however, and lacks a popular mandate to take major measures to rein in Egypt's rising budget deficit. Put in place after the military ousted Islamist President Mohamed Mursi on July 3, the government inherited a budget deficit that since January has been running at around $3.2 billion (2.0 billion pounds) a month, equivalent to almost half of state spending. But it is under intense pressure to avoid unpopular steps such as increasing taxes or reducing spending on energy and food subsidies and the new finance minister said last week it will try to avoid major austerity measures. Bahaa El-Din, a member of the leftist Egyptian Social Democratic Party, is in charge of an economic team that includes the ministers of finance, trade and industry, supply, planning and investment, as well as the governor of the central bank.

In an interview on Sunday, he said the government is looking to speed up investments already in place rather than seek new projects at a time when investors might still be wary of Egypt. "It's not a time when you necessarily expect major new investment to come in," said Bahaa El-Din, who has a doctorate in banking law from the London School of Economics and until early 2011 headed Egypt's financial regulatory authority. Instead, the government will look at changes in rules and regulations and the investment environment, and at encouraging financial institutions once again to take risks and to lend. "First of all, you need to restore the confidence of those working in the ministries, in the bureaucracy, and they can begin to proceed with their work without being overly worried and looking over their shoulders all the time," he said. Businesses complain that since the popular uprising of early 2011 officials have been reluctant to take even minor routine decisions for fear they will be accused of abuse of power or other infractions. "The quickest thing you can do to get this bleeding stopped is to tackle what is already there, so you don't have to rethink of new investments on the moon." He said he told his colleagues that they would probably find 10 or 20 files of pending things already on their desks. "You will find 20, 30 investors who are stuck somewhere, for a licence, for a permit, for some problem, for a capital increase, for a loan that hasn't been concluded. This is what I mean by stopping the bleeding and getting things running again." "One priority of the minister of industry, for example, is to look at why some of the already existing factories are working below capacity or have been closed or are not fully functional," Bahaa El-Din said.

For the medium term, the cabinet will dust off projects and studies already in the drawers, then put them together into a coherent whole rather than fundraising for them bit by bit. "There is significant goodwill out there, in the Gulf and elsewhere in the world. Here I come to

what I call the Egypt Marshall Plan. You don't want to be in the situation that when you have the goodwill and the money to be invested you don't know quite where to take it," he said. Officials have warned that the confrontation between the Muslim Brotherhood and security forces could impact investment if it drags on. Witnesses said that security forces killed 80 Muslim Brotherhood supporters on Saturday in Cairo. Egypt's position was bolstered early this month with $12 billion in aid from Gulf Arab countries who welcomed Mursi's removal, and officials have said they expect more such funds. This could include upgrading the whole physical infrastructure, the logistics infrastructure, the tourism infrastructure, transport, bridges, roads, storage capacity and power plants, Bahaa El-Din said. The state social fund has plans in the pipeline to create several hundred thousand part-time jobs in infrastructure projects and maintenance, he said. "Maybe we can have the blueprint of a plan and an Egypt conference put in place," he added. *(Reuters)*

The Egyptian pound strengthened at a central bank sale of foreign exchange on Monday, continuing its gradual appreciation since the military removed President Mohamed Mursi on July 3. The central bank sold $38 million of the $40 million it had offered, and the cut-off price strengthened to 6.9912 pounds per dollar from 6.9916 pounds on Thursday, data from the central bank showed. The cut-off price on July 3 was 7.0184. The central bank introduced the currency sales, held three times a week, at the end of December to help stave off a currency crisis and thwart a run on the pound. Since then, the bank has allowed the currency to lose more than 11 percent of its value on the official market. *(Reuters)*

Egypt's central bank unexpectedly lowered its main overnight interest rate by 50 basis points at a policy meeting on Thursday, saying it was more concerned about boosting growth than taming resurgent inflation. Ministers appointed after the military removed Islamist President Mohamed Mursi from power on July 3 have said they will pursue an expansionist policy to get the economy running after 30 months of stagnation. But inflation rose sharply in the year to end-June and all 13 economists in a Reuters survey had forecast that rates would not change at Thursday's meeting. "Give that the downside risks to the GDP outlook outweigh the upside risks to the inflation outlook, the MPC decided to cut the key CBE rates," the bank's Monetary Policy Committee said in a statement accompanying the decision.
Egypt's economy has not recovered from the popular uprising that ousted Hosni Mubarak in 2011. Gross domestic product grew by 2.3 percent in the nine months to end-March after 1.8 percent in the same period a year earlier, well below the 6 percent pace thought necessary to absorb new entrants to the labour force. "I read it as one of the ways to kick-start the real economy. Lowering the cost of money allows businesses to have access to cheaper funding," said John Sfakianakis, chief investment strategist at MASIC, a Riyadh-based investment firm. The central bank cut the deposit rate to 9.25 percent and the lending rate to 10.25 percent. It lowered its discount rate and the rate it uses to price one-week repurchase and deposit operations to 9.75 percent.

Urban consumer price inflation surged to an annual 9.8 percent in June from 8.2 percent in the year to May, while core inflation, which strips out subsidised goods and volatile items such as fruit and vegetables, rose to 8.56 percent from 8.04 percent. The MPC statement said heightened uncertainly and weak growth of credit to the private sector since early 2011 had kept investment low. The central bank had been under pressure to keep interest rates high to attract funds into the local currency. The pound weakened after the 2011 uprising, which chased away tourists and investors, two main sources of foreign exchange. "The central bank is signalling that they think the crisis is fading and that with support from the Gulf now in, they can encourage growth by cutting rates without putting the currency under pressure," said Simon Williams, an economist with HSBC. Gulf Arab countries pledged $12 billion in aid to help Egypt's new government shore up the economy after the army removed Mursi. Of that, $5 billion has already been deposited at the central bank. Since Mursi's ousting, the black market in foreign currency has almost disappeared after Gulf funds arrived and as confidence in the pound increased. *(Reuters)*

Ghana

Corporate News

Ecobank Transnational Inc. (ETI), the lender that operates in more African countries than any other, said first-half profit almost doubled after growth in its biggest markets. Profit after tax rose to $169.2 million from $86.9 million a year earlier, the Lome, Togo-based company said in a statement posted on the Nigerian Stock Exchange website yesterday. Net revenue climbed 24 percent to $946.9 million, while loan-loss expenses increased 65 percent to $72 million. Ecobank, founded in 1985, has expanded to 34 African countries and France, with representative offices in Beijing, Dubai, Johannesburg and London. The bank said Nigeria and Ghana grew "strongly" and contributed more than half of the lender's pretax profit. The economy of Nigeria, Africa's most populous country with more than 160 million people, is expected to grow by 7.2 percent this year, while Ghana will expand at a rate of 6.9 percent, according to the International Monetary Fund. "We look forward to further progress in the second half of the year, which is traditionally a seasonally stronger period," Laurence do Rego, Ecobank's executive director for finance and risk, said in the statement. Ecobank gained 0.2 percent to 14.03 naira as of 11:38 a.m. in trading in Lagos, Nigeria's commercial capital. The stock has increased 24 percent this year, compared with an 18 percent gain in the 10-member Nigerian Stock Exchange Banking 10 Index. "This positive performance was driven partly by higher-than-expected non-interest revenue growth and slightly better-than-expected cost management," Muyiwa Oni and Rele Adesina, analysts at Lagos-based SBG Securities Ltd. with a hold recommendation on Ecobank, wrote in an e-mailed note today. "However, we saw a deterioration in loan-loss expenses."*(Bloomberg*

Ghana Commercial Bank said on Tuesday its net profit for the first six months of 2013 jumped 80 percent to 90.425 million cedis from 50.207 million cedis during the same period a year ago. The company said in a filing with the Ghana Stock Exchange that net interest income increased 64 percent to 212.042 million cedis from 129.120 million cedis during the same period in 2012. Net income rose to 256.622 million cedis from 169.889 million cedis while basic earnings per share increased to 0.68 cedis from 0.38 cedis. *(Reuters)*

The chairman of African lender Ecobank Transnational (ETI) has repaid a set of loans he took from the bank and no company rules were broken by the transactions, Chief Executive Thierry Tanoh said on Wednesday. South African sovereign fund manager PIC, a 20 percent shareholder in the African bank, has said they would wait for the board of directors to investigate and draw conclusions over the allegations around debt taken out by chairman Kolapo Lawson on August 5. The lender itself has said previously that the loans, which the Financial Times reported were the subject of a boardroom battle, were performing. Tanoh said on Wednesday they were contracted two years ago in line with the bank's risk principles and that Lawson was not chairman at the time. He also said the loan had been disclosed in annual accounts. Lawson owed Ecobank 1.6 billion naira and a further 1.4 billion naira of borrowings which had been sold to the state bad bank AMCON. The FT had cited documents as showing that the central bank notified Ecobank in April of Lawson's failure to make good on promises to repay the loans passed to AMCON. "The loan has been fully repaid last Friday. So the bank did not incur any loss on this," Tanoh said. "There was no breach in governance," he added, speaking to analysts on a conference call presenting half-year results. He said Ecobank's non-performing loan ratio was 5.7 percent in the first six months to June 30, broadly flat compared to same period last year. It posted a 58 percent rise in half-year pretax profit to $200 million on Tuesday. Shares in ETI inched up 0.34 percent to 14.60 naira at 1344 GMT, bringing year to date gains to 29 percent. In 2009, Nigeria's central bank had to inject $4 billion to support nine banks after reckless lending left them so undercapitalised that they posed a threat to Africa's second largest economy and top oil exporter. *(Reuters)*

Economic News

Ghana's central bank will probably keep its key interest rate on hold as proceeds from a sale of Eurobonds and loans for cocoa purchases boost dollar reserves, giving the regulator room to support a weaker currency. The Bank of Ghana will maintain the policy rate at 16 percent tomorrow, according to seven of eight economists surveyed by Bloomberg. Andrea Masia, a Johannesburg-based analyst at Morgan

Stanley, predicts an increase of 50 basis points, or 0.5 percentage point. The decision will be announced at about 11:00 a.m. in Accra, the capital. The currency of the world's second-biggest cocoa producer declined 7.8 percent against the dollar this year amid increased demand from manufacturers and traders for the U.S. currency in the import-dependent economy. Policy makers unexpectedly increased the key rate by one percentage point at its May meeting to help stabilize the currency and curb inflation, which reached 11.4 percent in June. “The key concern in Ghana is the pressure on the cedi,” Samir Gadio, an emerging-markets strategist at Standard Bank Group Ltd. in London, said in an e-mailed response to questions yesterday. “The recent Eurobond issuance and the cocoa syndicated loan proceeds expected later this year will enable the Bank of Ghana to temporarily smooth some of the foreign-exchange imbalances.” The bank is expected to swap cedis with the government for the $750 million raised in its Eurobond sale last week. It's also targeting $1.2 billion from the Ghana Cocoa Board in September, when the regulator signs an annual trade-finance loan to buy the beans from farmers. Ghana's economy shrank 3.1 percent in the first quarter from the previous three months as industry output contracted amid months of electricity blackouts. Growth is forecast at 8 percent this year by the Finance Ministry, faster than the sub-Saharan African outlook of 5.6 percent estimated by the International Monetary Fund. The cedi was little changed at 2.0650 per dollar by 5 p.m. yesterday in Accra. “The central bank would like to strike a healthy balance between inflation and growth,” Collins Appiah, executive director of asset management at NDK Financial Services Ltd. in Accra, said in a phone interview. “With the Eurobond proceeds, the bank can meet fluctuations in the exchange rate to curb the impact on inflation.” *(Bloomberg)*

Ghana expects inflation to rise to close to the top of the 7-11 percent target range by the end of 2013 and fall back to the middle of the band early in 2014, central bank Governor Henry Wampah said on Wednesday. The country's debt to GDP ratio, which stands at 43.9 percent, is sustainable but reserves declined in June to $4.9 billion, or 2.7 months of imports, from $5.02 billion, or 2.8 months, in May, Wampah said. (Reuters)

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Equity Bank Ltd., Kenya's second-biggest lender by market value, said first-half profit climbed 17 percent on increased earnings from loans as banks held borrowing costs at more than double the official rate. Net income jumped to 6.3 billion shillings ($72.2 million) in the six months through June from 5.4 billion shillings a year earlier, Chief Executive Officer James Mwangi told reporters today in the capital, Nairobi. Net interest income, the amount earned from interest charges, rose 18 percent to 13.3 billion shillings, he said. "Growth in the loan book and improved efficiency in the performance of the bank," boosted profit, Mwangi said. Commercial lending rates averaged 17.9 percent at the end of June, according to data compiled by Bloomberg, compared with the 8.5 percent the Central Bank of Kenya charges banks to borrow funds. Lenders have resisted calls by central bank Governor Njuguna Ndung'u and Treasury Secretary Henry Rotich to lower the cost of credit to help stimulate economic growth. "The results were disappointing because quarter on quarter earnings per share reduced by 4 percent and return on equity declined to 28.8 percent from 30.8 percent," said George Bodo, head of Africa Banking Research at Nairobi-based Ecobank Capital Ltd. "They are highly susceptible to lower interest rates because it destabilizes their margins."

The central bank's Monetary Policy Committee has reduced interest rates by 9.5 percentage points since the start of 2012, while commercial lending rates have declined from an average of 20.04 percent to 17.9 percent over the same period. Equity Bank loans grew to 150.5 billion shillings in the first half from 124.5 billion shillings a year earlier, while deposits rose to 187.1 billion shillings from 155.7 billion shillings. The lender cut its loan rate to 18 percent from 25 percent resulting in increased lending, Mwangi said. "Quarter on quarter they were able to improve cost to income ratio to 48 percent from 49 percent and that also boosted the bottom-line," Ted Macharia, an analyst at Nairobi-based AIB Capital Ltd. said, said in a phone interview. "We expected better overall performance." Units in Uganda, South Sudan, Tanzania and Rwanda contributed 34 percent of profit compared with 36 percent following the suspension of donor funding in Uganda and a halt in oil exports from South Sudan, he said. Shares in Equity have surged 41 percent this year, outperforming the FTSE NSE Kenya 25 Index, which has gained 30 percent. The stock may gain further, Aly-Khan Satchu, chief executive officer of Rich Management Ltd., a Nairobi-based adviser to companies and high net-worth individuals, said by phone on July 25. "I am expecting a rising tide of GDP regionally therefore banks are a safe way for investors to play that economic growth," he said. "At a trailing price to earnings ratio of 9.9, there is some headroom for Equity Bank to grow." *(Bloomberg)*

Kenya's Equity Bank has scored 2 billion shillings in new deposits in less than six months from a specialised branch in Nairobi to support local Chinese business, helping boost its half-year results, the company said on Monday. The boost from the branch, benefitting from China's push for more influence across Africa, helped drive a 17 percent rise in first half pretax profit for Kenya's biggest bank by number of accounts to 9 billion shillings. "The Chinese are dominating the development of infrastructure in our country and they are creating SMEs (small and medium enterprises) to support the supply chain," Chief Executive James Mwangi told Reuters. "In just under six months of opening, it has built up a deposit base of over 2 billion shillings. That takes our traditional branches over 20 years to build," Mwangi said. The bank had hired Chinese personnel to staff the new branch in the capital so that it could do more business with Chinese firms and residents, who work in many areas of the economy, including building roads and retail, he said. The bank is offering letters of credit and bid bonds for Chinese businesses as part of a push on trade finance generally, helping raise non loan-related income to 36 percent of the total from 33 percent in the same period a year ago. The share of Equity's revenue from its loans business fell to 64 percent in the first half from 66 percent while its cost to income ratio dropped a percentage point to 49 percent. We have managed to reduce our fixed costs by shifting to what one would call low-cost delivery channels," Mwangi said, citing its network of agents, who offer services away from the branch, and its mobile banking platform. He said the bank was on course to hit its profit growth target of 30 percent this year, as a slowdown in its regional markets of South Sudan, Uganda, Tanzania and Rwanda subsides. "We are on course. The second half is normally much more profitable," said the chief executive. *(Reuters)*

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Shares in Kenya's East African Breweries tumbled as much as 6 percent in early trade on Wednesday, a day after the beer and spirits maker warned that its net profit would drop by more than a quarter in the year to June. By 0645 GMT, the shares had recovered some ground to trade down 4 percent at 335 Kenyan shillings. The shares closed at 349 shillings on Tuesday. *(Reuters)*

Kenya's CIC Insurance posted a 5 percent rise in pretax profit for the first half of this year to 494 million shillings, the company said on Thursday. The company attributed the growth to higher gross premiums, which rose 17 percent from a year earlier, and increased investment income, which jumped by 14 percent. The company expected "positive results" in the second half, thanks to a fairly stable macroeconomic environment, it said in a statement. *(Reuters)*

Economic News

The Kenyan shilling weakened slightly on Monday, with traders expecting it to extend its losses as importers buy dollars to make their usual end-of-month external payments. At 0724 GMT, commercial banks quoted the shilling at 87.30/50 per dollar, softer than Friday's close of 87.20/40. "We still expect mild demand for the greenback to continue as corporates wind up their end-month dollar demand," said Bank of Africa in a daily note. The shilling has been under pressure this month amid importer demand for hard currency, while inflows from tea, Kenya's top hard currency earner, have been hit by unrest in Egypt - the biggest buyer of Kenyan tea. The shilling has lost 0.5 percent since the central bank sold dollars in the market a fortnight ago that had helped it recover from a five-month low. Traders said they expected the bank to intervene again if the shilling slid rapidly. The bank has previously said it would only intervene in the market to stem volatility. "The shilling could touch 88.00 if demand for the dollar keeps piling in, but the central bank is watching every move it makes," said a trader at one commercial. *(Reuters)*

Kenya's tea exports to Egypt have fallen in the past three weeks, hurt as turmoil in the biggest market for the top grade Kenyan product hit sales, traders said. Egypt has been convulsed by protests and violence since the army deposed Mohamed Mursi on July 3, following huge rallies against the Islamist president. The Muslim fasting month of Ramadan, which began earlier in July, had also dampened demand. During Ramadan, Muslims do not eat or drink during daylight hours. Kenya is the world's leading exporter of black tea, a major source of revenues, which earned 112 billion Kenyan shillings last year. "In a normal month, our company alone exports between 1.5 and 2 million kgs of tea to Egypt, but in the last three weeks, we exported nothing, and received no orders from Egypt," Kevin Dago, a tea manager at exporting firm Juja in the Kenyan port city of Mombasa, told Reuters. Speaking from the company's warehouse surrounded by piles of 60 kg bundles of black tea in khaki bags awaiting export, he said they had now turned attention to other export markets such as Pakistan, Turkey and Afghanistan. The Tea Board of Kenya had earlier projected tea earnings would hit 120 billion shillings this year, but that forecast was made before the eruption of unrest in Egypt. In January to May, Kenya sold 204 million kgs of tea to 58 countries, worth 52.5 billion shillings, and of that amount Egypt bought 43 million kg, worth 10.4 billion shillings, Tea Board of Kenya figures showed. Tea traders in the port city Mombasa, which hosts a weekly tea auction, said the average price at auction fell by $0.25 to $2.60 per kg in the past three weeks as they halted buying stock for fear that it would not sell. "We have experienced a major decline in quantity of tea being bought from Kenya, with Egypt, our main market, playing a key role in the decline," Brian Ngwiri, marketing manager at East African Tea Trade Association (EATTA), told Reuters. He said sales had also slowed since the start of Ramadan, but could climb again as the fasting period draws to a close. "It appears already the market is showing signs of looking up, and might be back to normal after the fasting," he said. A similar picture of depressed sales to Egypt also emerged in early 2011 when President Hosni Mubarak was toppled in the wake of mass protests and violence. *(Reuters)*

Kenya's inflation rate rose to 6.02 percent in the year to July from 4.91 percent a month earlier, the statistics office said on Wednesday. Inflation has roughly remained within the government's preferred range of 5 to 7 percent since August last year. *(Reuters)*

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Kenya's tea market regulator said political instability in Egypt, one of the biggest buyers of Kenyan tea, has not affected sale volumes due to interest from other markets and better-than-expected weather. Egypt, which typically accounts for about 20 percent of Kenya's total tea exports, has been convulsed by months of political protests and violence. Tea is a major source of revenue for Kenya, the world's leading exporter, bringing in 112 billion Kenyan shillings last year. Kenyan traders have warned that tea exports to Egypt have slumped, but the Tea Board of Kenya said weather and stronger interest from alternative markets appeared to have compensated for poorer Egypt trade. "Our monthly analysis does not show any major variations. The tea that went to the auction last week and the previous week was bought by other actors in the market," Zakayo Magara, Tea Board of Kenya's chief executive, wrote in an e-mailed statement. Zakayo said the board needed more time to analyse the long-term effect of the Egypt unrest on Kenya's tea exports. "We will be looking at how the situation pans out in the next six months before the close of the year, by which time it should be possible to make a definite and accurate conclusion on the situation and impact," he said. Traders who export to Egypt said they have sought alternative markets as they have waited for Egyptian traders to resume buying. "We are now focused on Pakistan and Afghanistan, which consume a lot of our tea as well. We also have a few orders from Egypt, which is an improvement from last week. We hope the end of Ramadan improves the markets further," said Kevin Dago, a tea exporter who ships tea to Egypt and other Arab countries. The Muslim fasting month of Ramadan, which began earlier in July, has also dampened demand. During Ramadan, Muslims do not eat or drink during daylight hours. The tea board said Pakistan was Kenya's leading export destination in 2012 ahead of Egypt, which was the biggest buyer of Kenyan tea in 2011. *(Reuters)*

Kenya is faced with a tight deadline in signing an economic partnership agreement with the European Union to avert loss of market for its products that form 22 per cent of total national exports. The government on Thursday expressed concern that the deadline of October 2014 could see exports to the EU subjected to high taxes, reducing their competitiveness in that market. "In the event the East Africa region will not have signed the EPA, Kenya in particular stands to incur huge losses given that its current export to the EU is estimated at Sh100 billion," said Principal Secretary for East African affairs, Ms Mwanamaka Amani Mabruki. Speaking during a breakfast meeting in Nairobi, Ms Mabruki said the country would be hit hard as most of its products will be subjected to tariffs by the EU. "The affected products will experience sudden hikes in import duties into the EU with effect from October 2, ranging from 5 per cent to 20 per cent in such sectors as floriculture, horticulture, fisheries, food, beverages and tobacco as well as supplies and services," she said. The EPA is being negotiated within the framework of the East African Community that brings five countries in a trading bloc working towards a customs union and common market protocol. Experts have in the past warned Kenya not to sign the EPAs on its own as this would distort the regional market that constitute 27 per cent of total exports. The principal said Kenya is willing to sign the EPAs once the outstanding issues have been agreed on with the EU. "Most of the outstanding issues have been moved to the political level where EAC cabinet secretaries will consult with the EU commissioners," she said. Some of these issues include export taxes, article 16 of Most Favoured Nations, agriculture text, rules of origin, institutional arrangements and dispute settlement. *(Daily Nation)*

The top price of Kenya's benchmark coffee grade AA fell to $293 per 50-kg bag at auction from $308 in the previous sale on June 18, the Nairobi Coffee Exchange (NCE) said on Thursday. The east African nation is a small producer of the commodity but its speciality beans meet high demand from roasters who blend it with coffees from other nations. Some 14,774 bags were offered at auction on Tuesday and 5,279 bags were bought, NCE said, compared to 23,353 bags offered at the last sale and 10,368 bags bought. The coffee sold this week had a total value of $868,844 with an average price of $134.60 per bag for all the grades, up from an average price per bag of $133.31 sold on June 18. Kenya lowered its coffee production and export earnings projections for the 2012/13 (Oct-Sept) coffee year due to poor global prices and reduced crop acreage. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

The weighted average yield on Mauritius' 273-day Treasury bills rose to 2.88 percent at auction on Friday from 2.83 percent at the previous sale, the central bank said. The Bank of Mauritius said it sold all the 600 million Mauritius rupees worth of debt it had offered. It received bids worth 1.450 billion rupees at yield ranging from 4.40 percent to 2.79 percent. The bank rate posted was 2.80 percent. *(Reuters)*

Mauritius' central bank governor - in a minority in seeking to raise the Bank of Mauritius's key repo rate in the last two monetary policy committee meetings - said he remains concerned inflation may climb. Governor Rundheersing Bheenick said on Tuesday he voted for a 10 basis points increase in the rate at the last meeting in June to help contain inflationary risks arising from higher state salaries and private sector wage claims. Inflation was an average of 3.6 percent in the year to June, but the bank forecasts year-on-year inflation will be in the range of 5.3 to 5.8 percent by December. "We need to remain cautious with inflation as it could surprise us. A 10 basis points rise in the repo rate would have prepared (the market) and prevent any policy surprise," Bheenick said in an interview with Reuters and a magazine in Mauritius. The central bank's rate setting committee, which was reconstituted with new members in March, has been split over whether to raise or lower rates during the last two meetings, something the bank has already publicised. In June, the monetary policy committee cut the key interest rate by 25 basis points to 4.65 percent to stimulate growth. Bheenick said this move surprised the market and he couldn't see how it would help in boosting growth. "We had the experience in September 2010 when we slashed the key repo rate by 100 basis points but it had no impact on growth nor on employment. In times like these we need unconventional measures like the special line of credit in foreign currency that the bank put in place," he said. Last year, the central bank put in place a special line of credit in euros and dollars to help protect exporters and the island financial system against the euro area crisis. The Bank of Mauritius expects the Indian Ocean island economy to grow in a range of 3.2 to 3.7 percent this year from an earlier forecast of 3.4 to 3.9 percent. The nation's vital tourism industry has been hurt by a slowdown in arrivals from its main market Europe due to the financial crisis, but Mauritius has been seeking to offset that by attracting more Asian visitors. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria

Corporate News

Ecobank Nigeria has disclosed plans to grow its agriculture sector loans to over N50billion in the next one year. The target, according to the bank, was in line with its policy to support the growth and development of the agriculture sub-sector of the economy as a way of contributing to the agricultural transformation agenda of the federal government. Ecobank Country Head, Agric and Export Finance, Abel Ajala, who disclosed this said the bank had introduced concessionary interest rates for its agriculture finance scheme as well as created a robust agriculture and export units adequately manned by professionals for easy loan risk assessment, ensuring that beneficiaries utilise fund given to them judiciously. Ajala further said the bank current supports the agriculture value chain that comprises the producers, the processors and markets/exporters of agricultural products. He reiterated that the focus on the agric sector became necessary to stem an impending food crisis on the continent. He argued that agriculture accounted for over 40 per cent of the Gross Domestic Product of most African countries and must be supported to stem the declining fortune in recent years. He commended the agricultural transformation agenda of the federal government, saying that Ecobank had been supporting the Central Bank of Nigeria and Ministry of Agriculture transformation agenda by giving loans to customers in the agriculture value chain system including those in export business. He advised farmers to see agriculture as a business, adding that stakeholders were ready to support the sector to take centre stage in local food production, employment and wealth creation for discerning Nigerians. *(This Day)*

Skye Bank Plc has said its profit before tax increased to N10.5 billion as at June 30, 2013, as against the N9.9 billion realised the corresponding period in 2012. Similarly, the bank said its gross earnings improved toN71.1 billion during the review period, compared to the N59.7 billion it had during the same period in 2012. The amount represented an increase of 19 per cent. The IFRS-compliant unaudited results submitted on the floor of the Nigerian Stock Exchange further showed that profit after tax for the period stood at N8.4 billion as against N7.9 billion the previous year. Other highlights of the results included substantial increase in operating income, which rose from N33.1 billion in 2012 to N41.4 billion during the period being reviewed, showing efficiency in resource utilisation. Besides, the bank's total assets went up marginally to N1.09 trillion from N1.07 trillion in 2012 while total liabilities and deposits was N992.8 billion, representing two per cent increase over the N966.9 billion recorded in 2012. The results also showed earnings per share moving up to 63.82 kobo compared to 60.39 kobo of the previous year. Commenting on the financial performance, the Group Managing Director/Chief Executive Officer of the bank, Mr. Kehinde Durosinmi-Etti, attributed the improved results to expansion of the customer base, improved risk management practices, and continued focus on efficiency across its entire operations. He said the result was modest and optimistic considering the increasingly tight regulatory posture and the tough operating environment. Durosinmi-Etti expressed optimism that the bank would deliver greater value and returns to its stakeholders at the end of the 2013 financial year. He also said that for the rest of the year the bank will focus on improving customer service delivery in all its business offices and across its distribution channels, as it approaches targeted market segments using electronic platforms and increased investment in cutting-edge technology. *(This Day)*

Nigerian Aviation Handling Company (Nahco Aviance) Plc has posted a profit before tax of N508 million for the half year ended June 30, 2013. The performance showed an increase of 19 per cent above the N428 million recorded in the corresponding period of 2012. Nahco ended the period with a revenue of N3.822 billion, up 21 per cent from N3.164 billion recorded in 2012 while profit after tax stood at N319 million compared with N280 million in 2012. Nahco's financial controller, Mrs. Chinwe Prisca Chiji-Nnorom, in a statement said: "The result is consistent with our corporate and strategic objectives of improving earnings, efficiency and revenue capture reducing leakages in line with our transformation objectives as well as expansion and diversification strategy' According to her, "The key drivers of performance in Nahco is the impact of changing culture and core values which rewards transparency, integrity and honesty and the new vision for improved service delivery and responsiveness to our markets and customers." The company would have ended the period with a higher profitability

but the high financial charges affected the performance. Financial charges soared by 260 per cent from N43million to N157 million. However, market analysts said the expected injection of fresh funds would enhance the company's performance in the years ahead. Shareholders of Nahco, at its last annual general meeting (AGM) in Abuja recently, gave the company's board and management approval to raise N25billion capital for its major investment foray and diversification across Africa. Speaking at the AGM, the Chairman of the company, Suleiman Yahyah, said: "Our future results will show improved year-on-year performance, retaining value in the company, sustaining our market leadership and brand presence while harvesting returns for shareholders." Nahco aviance Plc is a Nigerian diversified group with interests in aviation and cargo, aircraft handling, crew and passenger transportation service delivery and power distribution and free trade zone development. The company currently serves more than 33 airlines at seven airports across Nigeria, with plans to expand operations to other African countries. *(Skye Bank)*

Nigerian conglomerate UAC said on Monday its half-year pretax profit rose to 5.21 billion naira, up 50 percent from the same period a year ago. Turnover at the conglomerate rose to 37.71 billion naira during the six months to June 30, compared with 3.46 billion naira last year. *(Reuters)*

Petroleum product marketing company, Conoil Plc has said it is consolidating its lead in fuel retailing with the construction of seven new mega stations to increase its retail network across the country. The opening of the stations has been scheduled for the last quarter of the year, the company said in a release. The mega stations are strategically spread across the country and located in high traffic areas in Onitsha (Anambra), Port Harcourt (Rivers), Makurdi (Benue), Jibia (Katsina), Jebba (Kwara) and two in Lagos. The company said as the pioneer of new generation brand of fuel stations in Nigeria, the new outlets were built in accordance with global trends in petroleum product retailing, keeping pace with technological advancement worldwide with special emphasis on delivering convenience to motorists. "To foster customer loyalty, the new multi-functional retail outlets leverage technology to deliver improved service efficiency at the forecourts. In line with its tradition, the stations are designed to serve as one-stop retail outlets equipped to offer motorists a wide range of quality services and convenience besides the regular business of selling petroleum products", the release added. The new mega stations, according to the company, were anticipated to grow sales and revenue by over 65 per cent and will, in line with the company's objectives, transform customer's fuelling experience to an absolute delight. The outlets will also give fillip to the company's mission to provide top quality products and convenience services that will keep customers satisfied. "Conoil has always been audacious in its initiatives and has a sterling reputation for reliability and consistency. When completed, the new stations will complement the company's plan for massive importation of refined petroleum products. The expansion project represents the second phase of the company's comprehensive four-year plan which started two years ago. About eight years ago, Conoil changed the face of fuel retailing with the introduction of mega filling stations in Lagos, Abuja, Yola and Port Harcourt. The Lagos business sector alone boasts of eight of these stations with one each in GRA, Ikeja; Lekki; Alapere, Ketu; Apapa; Tollgate, Ikeja; Seme; Sele; Okota and Agege. There are also several others in Abuja, Yola and Port Harcourt. The company aims to continue to deliver the best performance through its extensive network of retail stations, through which it distributes petroleum products and offer an exclusive range of convenience retail products. The company added: "Through our expansive distribution network, we aim at delighting many homes and make life more convenient for a variety of our customers. We touch the lives of a broad spectrum of the populace in many ways, by providing kerosene for domestic use, automotive fuel and lubricants for vehicles and solvents for industrial consumption and well-stocked convenience stores for everyday needs." According to the company, "We are reputable for setting new standards with ground breaking initiative and world-class facilities. We will always strive to keep our customers happy." *(This Day)*

United Bank for Africa Plc has recorded a profit before tax of N33.248 billion for the half year ended June 30, 2013 compared with N30.409 billion in the corresponding period of 2012. Details of the bank's unaudited results presented to the Nigerian Stock Exchange (NSE) Monday showed an increase of 16.7 per cent in gross earnings growing from N107.9 billion to N125.98 billion. Profit after tax rose from N25.8 billion to N28.4 billion. On the balance sheet side, deposits rose by 13.5 per cent from N1.77 trillion in 2012 to N2.01trillion 2013 while total assets increased by 6.9 per cent N2.42trillion. Similarly, the bank recorded liquidity, adequacy and loan deposit ratios of 53.5 per cent, 22.3 per cent, and 37.7 per cent respectively which above regulatory and industry benchmarks. Commenting on the results, UBA's Group Managing Director and Chief Executive Officer, Mr. Phillips Oduoza, said: "We are pleased with our first half 2013 financial

results; having operated under the revised CBN guideline on bank charges in the second quarter of the year, I am glad to announce that our plans to minimise the effect of the reduced fees and commissions are working. Our business fundamentals are improving with increased revenues from loans creation, cost savings arising from cheap deposits mobilisation and improved asset quality. We will focus on driving our business to gain market share and manage costs to enable us deliver value to our stakeholders." Analysts at FBN Capital Limited said the UBA's PBT and PAT were ahead of their estimates by 12 per cent and 11 per cent respectively. They added the share price of UBA would be supported by the results, noting the impact of the hike in cash reserve ratio(CRR) on public sector fund notwithstanding. "We believe that UBA's exposure is just under 10 per cent of deposits, implying a worst case EPS impact of less than five per cent to 2013 earnings. Consensus 2013 PBT is N62.2 billion. We do not expect any significant changes to this forecast on the back of these results and/or the hike in CRR. We expect the results to be supportive of the shares" they said. *(This Day)*

Fuel retailer Mobil Nigeria said on Tuesday its half-year pretax profit jumped to 2.45 billion naira, up 69 percent from 1.45 billion a year earlier. Shares in Mobil, a local unit of ExxonMobil <XOM.N, ended flat at 115 naira. It has gained 7 percent so far this year. But revenue dropped to 38.74 billion naira during the six months to June 30, as against 42.57 billion naira last year. *(Reuters)*

Access Bank Plc has expressed its preparedness to support operators in the hospitality business in the country. Speaking at a business growth forum organised for its customers in the hospitality industry Tuesday, the Group Managing Director/Chief Executive Officer, Access Bank Plc, Mr. Aigboje Aig-Imoukhuede, said the bank had always believed that its future was based on its ability to serve entrepreneurs. Aig-Imoukhuede said entrepreneurs that have courage and vision to run their own businesses make economies grow globally. The Access Bank boss added: "In Access Bank, we tend not to do things until we are ready to do them and at a standard that is of global standard. This is the first of our monthly series where we will interact with entrepreneurs across various sectors. These sessions are meant to be like a steroid injection into your business where you spend hours with intense discussions." Furthermore, Aig-Imoukhuede noted that apart from credit and banking services, other important things that a bank can provide to its customers are advice, the opportunity to network as well as an ear to be there for you when you want to express yourself. In his presentation, the Senior Manager, Business Banking Division, South of the bank, Mr. Mike Nwankwo, stressed that there were great opportunities in the hospitality industry considering the positive outlook on the Nigerian economy. He listed the capital intensive nature of the industry and lack of trust in employees as some of the challenges in the industry. "That is why Access Bank has put up this forum to interact with people like you to see how these challenges can be addressed to further enhance your business. Access Bank is going to be looking at the business support platform, capacity development and financial market knowledge. It goes beyond just providing you money to fund your business. "In Access Bank, we have looked at the nature of SME businesses and what we have done is to create a unique account that would address the business that you do. We know that paying commission on turnover will be very difficult for you, we know that you have employees who may need soft loans in form of salary advance, and we have created a hybrid current account that has many features to take care of these," Nwankwo added. *(This Day)*

Honeywell Flour Mills (HFM) Plc entered the nation's capital at the peak of the stock market downturn in 2008. That was the period when investor confidence hits its nadir. The flour milling firm made an initial public offering (IPO) that year preparatory to its listing on the Nigerian Stock Exchange (NSE). Despite the low patronage the market was experiencing, HFM succeeded with the IPO and had its shares listed on the exchange in 2009. Since its listing, the company has not disappointed investors who subscribed to its shares as it has been delivering returns to them in form of dividend. HFM is part of the Honeywell Group, an indigenous Nigerian conglomerate engaged in select businesses in key sectors of the Nigerian economy covering foods & agro allied; energy; real estate; services and; infrastructure. HFM is one of the major flour milling company in Nigeria. The company was initially registered as Gateway Honeywell Flour Mills Limited on in 1985. But a change in the ownership of the firm in 1995 led to a change of name to Honeywell Flour Mills Limited. It is believed that the entry of HFM into the flour milling industry in Nigeria redefined industry standards following its high quality that was said to have compelled an improvement in the quality of flour products by other players in the industry. Over the years, HFMP has positioned itself as one of the market leaders in milling, processing and packaging of flour and other wheat based products. Specifically, HFM produces and markets four major product brands. The range of products include: Honeywell Superfine Flour, Honeywell Semolina, Honeywell Whole Wheat Meal and

variants of Honeywell Pasta and Honeywell Instant Noodles. The company has 100 per cent ownership of Honeywell Superfine Foods Limited (HSFL), which commenced operations in December 2006 as a vertical integration of the company's operations to develop, produce, market and sell flour-based semi-processed food products in the fast moving consumer goods sector.

The Chairman and founder of HFM is Oba Otudeko, while the Executive Vice Chairman is Babatunde Odunayo. Other directors are: Obafemi Otudeko, Nino Ozara, Dave Obray; Akinsoji Akintayo, Lt. Gen. Garba Duba (rtd) and Jens Mollenbach. In an apparent move to streamline its operations and enhance shareholder value, HMF recently embarked on a restructuring by which HSFL was converted into a division of HFM. Otudeko had explained that even though both companies had hitherto enjoyed certain synergies as a result of their forward/vertical alignment, there was still considerable scope for the derivation of other benefits with further integration. "To further enhance shareholder value, an internal restructuring of the Honeywell Flour Mills Plc Group is required to optimise operational efficiencies, reduce costs and extract more synergies from HSFL and its parent company, HFMP. After absorption, the resultant entity will benefit from more efficient allocation of resources from the streamlining of support functions like marketing, logistics, information technology, human resources management and finance," he said. Prior to this integration of its subsidiary as a division, HMF had embarked on a N10 billion expansion project that saw an increase in its production capacity by 62 per cent. The expansion was aimed at ensuring that the company meets the increasing demand for its products. The expansion was successfully completed close to the 2013 year end with the addition of two mills to its existing plant in its Apapa, Lagos factory. Odunayo said state-of-the-art facilities designed, produced and installed by BUHLER, noted for the best milling equipment supplier in the world. According to him, HFM now has the capacity to produce 2,610 metric tonnes per day of its products. "This expansion is therefore a further testimony of consumer confidence and wide acceptance of our products. We see this positive trend continuing and are very upbeat about the future growth and prospects for this company," he said. He told customers recently the expansion project, which also included the completion of a-first-of-its-kind automated warehouse in Nigeria, would lead to business growth and more profits for them. He disclosed that apart from the expansion, due to the congestion and space constraint at Tin Can Island Port, the company had acquired 64 hectares of land around the Sagamu interchange along the Lagos – Ibadan expressway. This vast expanse of land, he said, would be used for future expansion including new pasta, noodles, and flour factories for increased production of all the products.

HFM last week announced its audited results for the year ended March 31, 2013, showing the impact of the expansion, though minimally. Revenue grew by 20 per cent from N38.052 billion in 2012 to N45.709 billion in 2013. Gross profit grew by 22 per cent from N6.493 billion in 2012 to N7.921 billion in 2013. However, high sales and distribution expenses impeded the company's ability to record a higher growth in profit after tax (PAT). PAT managed a six per cent growth to stand at N2.843 billion compared with N2.693 billion the previous year. Sales and distribution expenses rose by 59 per cent from N1.806 billion to N2.877billion in 2013. However, the company was able to control the administrative expenses and finance cost that rose marginally. The administrative cost rose by about six per cent while finance cost remained almost flat at N528 million (N523million). The company maintained gross profit margin of 17 per cent in 2013, just like the previous year. This meant that for every N1 of sales, 17 kobo was translated into profit. But the high cost of sales and distribution affected the net profit margin, which fell from 7.1 per cent in 2012 to 6.2 per cent in 2013. HFM ended the year with total assets of N55.4 billion as against N47.9 billion in 2012. Net assets of N18.558 billion, was recorded up by about nine per cent from the N17 billion in 2012. Earnings per share rose to 36 kobo from the 34 kobo recorded in the previous period. Out of this EPS, shareholders will receive 16 kobo as dividend per share, compared with 15 kobo the previous year. The performance of the HFM share price at the stock market is relatively encouraging with positive growth potential. So far this year, the shares of HFM have posted the second best returns in terms of capital appreciation among the four flour milling firms listed on food products subsector of the NSE. HFM rose by 51 per cent behind 55 per cent recorded by Northern Nigerian Flour Mills Plc. Flour Mills of Nigeria Plc 32 per cent, while Dangote Flour Mills returned 16 per cent.
Future Prospects

Considering the impact its expansion had on the revenue despite the fact it was completed towards the end of company's financial year end, analysts are of the opinion that the planned establishment of integrated foods complex in Ogun State holds much prospects for all stakeholders. On this planned expansion, Otudeko said: "The company has yet again shown its readiness and ability to thrive in challenging

economic conditions due to its committed team of professionals who demonstrate willingness to pursue and achieve the company's long-term vision of sustainable growth. An improved performance is expected in the coming years as activities are underway at a rapid pace to develop and complete the Honeywell Integrated Foods Complex in Ogun State." Speaking in the same vein, Odunayo, HFM will continue to produce bread flour and other wheat-based food products at its existing factory located at Tin Can Island, Apapa, Lagos because of its proximity to the Port. "However, the Honeywell Integrated Foods Complex at its Sagamu site will situate several food production and processing factories with the emphasis on manufacture of value-added human and animal food products which utilise significant quantities of locally sourced raw materials like maize, cassava, soybeans and sorghum. This will help us to meet consumers' increasing demand for Honeywell brand of quality food products," he said. According to him, "a key thrust of our foods expansion strategy is to support local farmers to grow larger quantities of grains and crops via out grower programmes for which we shall guarantee produce off-take. In this manner, we will be supporting the realisation of the government's agriculture transformation agenda which is aimed at achieving food security and creating thousands of jobs for Nigerians." Odunayo noted that the integrated foods complex would directly employ about 3,000 workers in technical, sales, administrative and management functions and the project is expected to be completed over the next three years. *(This Day)*

Nigeria's Diamond Bank, said on Wednesday its half-year to June 30 pretax profit rose 14.2 percent to 17.56 billion naira, compared with 15.37 billion naira in the same period last year. Gross earnings rose to 70.05 billion naira in the first six months of the year, from 52.08 billion naira in the same period a year ago, it said in a filing through the Nigeria Stock Exchange. *(Reuters)*

Nigeria's Ashaka Cement said on Wednesday its half-year pretax profit fell to 1.65 billion naira, down 54.4 percent from 3.55 billion naira a year ago. Shares in Ashaka Cement shed 4.58 percent to 24.91 naira at 1008 GMT. They had gained 46 percent since the start of the year. Turnover also fell to 11.81 billion naira during the six months to June 30, as against 12.26 billion naira in the same period last year. *(Reuters)*

GlaxoSmithKline Nigeria said on Wednesday its half-year pretax profit rose to 2.09 billion naira, up 8.3 percent from 1.93 billion naira a year ago. Turnover at the local unit of Britian's biggest drug maker GlaxoSmithKline (GSK) grew to 13.99 billion naira during the six months to June 30 as against 12.84 billion naira a year earlier, it said in a filing with the Nigerian Stock Exchange. Last week, GSK dropped a scheme to increase its stake in the Nigerian unit to 75 percent following opposition from minority shareholders. *(Reuters)*

Rising costs and a surge in oil thefts in Nigeria, among other factors, hit Royal Dutch Shell's second quarter profits, a result that outgoing chief executive Peter Voser called "disappointing". Shell said it took a $700 million hit for Nigeria thefts - which it said cost Nigeria itself $12 billion a year - and for the tax impact of a weakening Australian dollar. Shell recently put more of its Niger Delta activities up for sale. Adjusted second quarter net earnings on a current cost of supply (CCS) basis came in at $4.6 billion, down from $5.7 billion a year ago and below analysts' expectations of around last year's figures. Shell shares company dipped 4.4 percent. "Higher costs, exploration charges, adverse currency exchange rate effects and challenges in Nigeria have hit our bottom line," said Voser, who is due to step down at the end of this year. "These results were undermined by a number of factors - but they were clearly disappointing for Shell." Including adjustments, Shell's CCS result was lower still at $2.4 billion, mainly due to a $2.2 billion charge for liquids-rich shale properties in North America "reflecting the latest insights from exploration and appraisal drilling results and production information". Shell, Europe's top oil company, vies with U.S.-based Chevron for the world No. 2 spot among listed oil companies behind Exxon Mobil. Exxon is due to report results later on Thursday. Shell's results came in the same week as disappointing results from rival BP and on the same day as smaller Italian group was forced to cut its output target - partly because of Nigerian troubles. *(Reuters)*

Italian oil major Eni cut its annual production target on Thursday and joined rival Shell in highlighting outages in Nigeria as a drag on second quarter profit. The world's No. 7 oil company by volume which was previously targeting output growth this year, said it now expected oil and gas production to be in line with 2012. The company has also had supply disruptions in Libya and its 43 percent-owned oil services arm Saipem has issued two profit warnings. Eni is the biggest foreign operator in Libya where disruption has led to a slump in Libyan oil exports of 70 percent. But Eni said outages were a problem in Nigeria, where theft is a festering problem. "Performance (in Q2) was

affected by force majeure events in Nigeria, particularly significant, and in Libya," Eni said. A surge in oil thefts in Nigeria hit second-quarter profits at Royal Dutch Shell on Thursday as it took a Â£700 million hit. Sources told Reuters on Wednesday that Shell would sell more oil blocks in Nigeria in its latest divestment from Africa's biggest oil exporter. The blocks are in joint ventures which include Eni. Eni declined to comment when asked if it could sell its share in the case Shell sold. In previous deals, Eni has sold its shares. "The disruptions in Libya and Nigeria were flagged as too was Saipem. These results are probably a nadir for Eni and 2014-2015 delivery prospects look good," Santander analyst Jason Kenney said. At 0835 GMT Eni shares were up 1.8 percent, outperforming the European oil and gas index. Net profit in the second quarter fell 55 percent to 580 million euros, below a Reuters analyst poll forecast of 683 million euros. "We expect a significant improvement in our second-half results," Eni CEO Paolo Scaroni said, noting he was pleased with the company's six production start-ups so far this year.

Eni, which has shifted focus to upstream development by selling non-core assets, has made a series of major discoveries in recent years including a blockbuster gas discovery in Mozambique which is expected to come on line in 2019. But some analysts have questioned Eni's ability to deliver such large-scale projects on budget and time, especially after experience in Kazakhstan where Kashagan, the world's largest oil development, has been hit by huge cost overruns and delays. Eni said on Thursday it expected production start-up at Kashagan "in the coming weeks". The state-controlled oil major, which produced 1.648 million barrels of oil equivalent per day in the second quarter, has plans to bring 450,000 boe/d of new production on stream in 2013-2014 from 15 projects. Earlier on Thursday Eni, the biggest foreign oil and gas player in Africa, announced a major new discovery in Congo. But flagging gas sales continue to weigh on profitability. Eni, Russia's biggest gas client, lowered its gas sales forecast for the year on Thursday, saying they would be lower than in 2012. In first-quarter results it said it saw sales in line with last year's. Eni is now renegotiating most of its long-term take-or-pay gas contracts which have fixed prices that are above spot market prices. *(Reuters)*

Soft drinks maker, Seven-Up Bottling Company Plc Thursday declared a dividend of N2.20 per share for the year ended March 31, 2013, showing an increase of 10 above the N2 paid in the previous year. The dividend, which amounts to N1.409 billion, would be paid out of the N2.856 billion profit after tax (PAT) the company reported in its audited results for the year made available by the Nigerian Stock Exchange (NSE). The results showed that Seven-Up recorded a revenue of N64.1 billion, up by seven per cent from N59.9 billion posted in the corresponding period of 2012. Profit before tax rose by 28 per cent from N2.558 billion to N3.262 billion in 2013. However, a reduction in taxation and some other expenses, led to the company recording a higher growth of 70 per cent in PAT from N1.678 billion to N2.856 billion. The shares of Seven-Up Bottling Company declined by 2.03 per cent to close at N74.35 per share yesterday as investors reacted negatively to the results. Some analysts said considering the current price of the stock and the N2.20 dividend, which translated into a dividend yield of 2.9 per cent, there was no incentive to move the shares higher. Seven-Up Bottling shares have so far appreciated by 77 26 per cent, thereby outperforming the NSE All-Share Index(ASI), which has appreciated by 36.3 per cent. Meanwhile, the market maintained its bullish outlook for the fourth day as investors' reactions to half-year corporate results continued to spur demand for equities. The ASI appreciated by one per cent from 37,914.33 to close at 38,291.07, while market capitalisation added N119 billion to close at N12.126 trillion. A total of 38 stocks appreciated compared with 19 that lost value. Lafarge Cement WAPCO Nigeria Plc led the price gainers with N5.00 to close at N110 per share. Guinness Nigeria Plc trailed with N4.99 to close at N250 per share, just as Julius Berger Nigeria Plc and Okomu Oil Palm Plc added N3.70 and N3.41 to be at N83.69 and N47.91 respectively. *This day)*

Economic News

The significant earnings growth recorded by Nigerian banks in 2012 may be challenged this year following an anticipated lower yields outlook for fixed income securities as well as increasing cost in the industry. Afrinvest Securities Limited, a Lagos-based investment firm indicated this in its report titled: "Nigerian Banking Sector Report –Standing on the fourth Pillar," which focused on the 2012 financial reports on banks. In addition to this, the latest decision by the Central Bank of Nigeria (CBN) to indirectly tighten monetary conditions by raising the cash reserve requirement (CRR) for all public sector funds to 50 per cent from 12 per cent, may also hurt banks' earnings as the

financial institutions would have to scramble for deposits to maintain their level of liquidity. According to the Afrinvest report, the era of 'real banking' appears to be gradually re-emerging as traditional sources of high income and profitability continues to come under threat from competition and regulation. It stated that banks were currently confronted with the need to restructure their cost bases, improve risk and pricing as well as manage customer relationships more efficiently. Therefore, it advised banks to develop and grow the depth of their core retail banking business to retain and amplify cheap deposits, expand their geographic footprint and scope as urbanisation gradually remodels cities and sub-urban areas, even as the firm urged mid-tier banks to consolidate and integrate vertically in order to compete with tier 1 banks as economies of scale and scope becomes differentiating success factors. "We expect most bank ratios (particularly liquidity and capital adequacy) to remain in line with 2012 numbers. The outlook for treasury yields in 2013 should down play profitability for banks that have reduction and risk assets. We forecast industry earnings growth declining by more than half compared to the remarkable 128 per cent in 2012.

"Our 2013 model forecasts a decline in yields to about 12 per cent, which suggest that banks will strategically reallocate assets in favour of risk asset creation. Additionally, we are projecting a decline in the contribution of non-interest income to profits (from 27 per cent industry average in 2012 to sub 15 per cent in 2013, based on our estimates) as the financial inclusion strategy of the CBN takes effect and indirectly reduces potential fees and commission income to banks," it declared. The research report observed that the six tier-1 banks accounted for 68 per cent of the industry's total asset, which stood at N21.3 trillion as at December 2012. First Bank led the industry with an asset base of N3.2 trillion (15 per cent of the sector's gross assets), and was followed by Ecobank Transnational Incorporated (ETI) at N3.1 trillion and Zenith Bank with N2.6 trillion. Amongst the mid-tier banks, Diamond bank had the largest asset base of N1.2 trillion as at December 2012, closely trailed by Skye Bank with N1.1 trillion and Union Bank N1 trillion. Furthermore, a closer look at the asset turnover gave a deeper insight to the asset use efficiency of the individual banks. GTBank, according to the report, reported the highest turnover (12.8 per cent) amongst tier-1 banks while Stanbic IBTC led the industry with 13.6 per cent. With respect to Return-on-Assets (ROA), GTBank was said to have topped the chart with 5.2 per cent as it affirmed its position as the most efficient in generating return from its assets. The report added: "First Bank of Nigeria had the highest deposit growth among tier-1 banks at 23 per cent, followed by United Bank for Africa Plc (UBA) at 19 per cent and ETI at 18.2 per cent. On the other hand, ETI (25.3 per cent), First Bank (23 per cent) and GTBank (10.9 per cent), recorded the highest loan growth in that order. "Lending to the oil and gas dominated tier-1 lending portfolio, with Zenith Bank and Access Bank allocating above 20 per cent of gross loans to the sector. Tier-2 banks appear competitive in risk asset accumulation with an average year-on-year total loan growth of 44 per cent. We look forward to seeing credit flowing to the key 'growth drivers' of the economy in 2013, particularly telecommunication, agriculture, power and manufacturing sectors." A further review of tier-1 banks revealed that deposits grew more than loans, except at ETI, while tier 2 banks (particularly Sterling and Unity), grew loans considerably more than deposits. "By and large, the low loans to deposit ratio of Nigerian banks leaves room for growing interest income. As competition thickens amongst surviving Nigerian banks, those with the most efficient cost management systems are better positioned to lead the industry. "GTBank maintained its cost leadership position, reporting the lowest cost-to-Income (CIR) amongst tier-1 banks and within the industry (42.7 per cent for full year 2012), followed by Zenith Bank at 53.9 per cent," it stated. *(This day)*

Anxiety has pervaded the money, stock and fixed income markets as nervous operators and investors closely monitor the effect of the outcome of last week's Monetary Policy Committee (MPC) meeting on the market. Nigerian banks had over the years depended heavily on public sector funds. The perceived apathy of some banks towards small savers in the country was largely attributed to the amount of returns they got from holding public sector funds. In fact, these huge public sector deposits that are commonly lent back to the government via trading in FGN bonds, treasury bills and open market operations (OMO) securities at high interest rates were responsible for the structural liquidity surfeit in the banking system. But disturbed by this development, the Central Bank of Nigeria's (CBN's) MPC which put the total amount of public sector funds sitting in banks at over N1.3 trillion, decided to sterilise public sector funds as it raised the cash reserve requirement (CRR) for public sector funds to 50 per cent. But the CRR for private sector funds was left unchanged at 12 per cent. The CRR is a monetary policy tool. With this development, 50 per cent of public sector deposits, comprising deposits of all tiers of government, their ministries, departments, agencies and companies that are deposited in banks must be kept at the central bank and not lent out. The CBN said it intended to use this method to drain the excess money with banks meaning that banks would have fewer funds available as the funds

are sucked out of circulation. The move is also expected to strengthen the beleaguered naira. However, it was estimated that about N2.08 trillion would be withdrawn from the banks. For instance, at the end of the first quarter of 2013, public sector deposit made up of local, state and central governments deposits with banks accounted for 36 per cent or N5.45 trillion of the total banking system deposits of N15.09 trillion. At that time, a total of N1.47 trillion in reserve requirement was deposited with the CBN.

Therefore, applying the 0.76 per cent growth in broad money in the first half of the year to the banks' deposits figures, analysts at BGL Securities estimated that the total deposits and public sector deposits in the banking system currently would be about N15.16 trillion and N5.47 trillion respectively. It assumed that if the banks were in full compliance with the initial 12 per cent CRR prior to last week's MPC decision, an estimated N2.08 trillion represents the total amount of funds the banks would have to be mobilise and transferred to their respective reserves accounts with the CBN immediately. Although the central bank has announced that the implementation of the MPC decision would take effect from the next CRR maintenance period which commences on August 7, 2013, operators in the money market have been having sleepless nights over how to cover their position amidst a potential liquidity crisis. Findings showed that most financial institutions have started initiating strategies to mobilise deposits from other sources in the economy. For instance, THISDAY gathered that since last Tuesday when the MPC took the decision, commercial banks had been working out modalities to revive some of their retail and treasury products to make them attractive to customers. Also, some of banks might adopt a strategy that would hinge the monthly salaries and other emoluments on target. The naira appreciated at the interbank market last week as it gained 70 kobo to close at N160.60 to a dollar on Friday, from the N161.29 to a dollar it was the preceding Friday. Also yields on the various FGN bonds climbed last week, compared to the preceding week, obviously in response to the outcome of the meeting. Nonetheless, the MPC left the Monetary Policy Rate (MPR) unchanged at 12 per cent. Also the Standard Deposit Facility and Standard Lending Facility were also held steady, at 10 per cent and 14 per cent respectively.

To the CBN Governor, Mallam Sanusi Lamido Sanusi, the introduction of CRR on public funds became necessary in order to, among other things, check "the perverse incentive structure" under which deposit money banks (DMBs) "source huge amounts of public sector deposits and lend same to the government." Sanusi said: "First of all you've got liquidity surplus in the banking industry. As I speak to you there's over N1.3 trillion or so, sitting in banks and belonging to government agencies. "Now basically, they (surplus) are at zero percent interest and the banks are lending about N2 trillion to the government and charging 13 to 14 per cent. Now that's a very good business model, isn't it? Give me your money for free and I lend it to you at 14 per cent. So why would I go and lend to anyone." Continuing, he said: "Now if you want to discourage such perverse behaviour, part of it is to basically take away some of that money and therefore, the reserves requirement is supposed to make sure that excess liquidity in banks' balance sheets is evenly distributed. We've got about six or seven banks that already account for the bulk of these deposits. We are not going to put them into distress." The CBN governor further warned that if spending continues and the concerned about the liquidity conditions continues, there might be continued increase in the CRR across the board to continue to maintain the tight liquidity conditions. "In election years, everywhere in the world, not just in Nigeria, politicians spend money and spending money means pressure on the exchange rate, pressure on reserves and pressure on inflation. "So the next 12 months would be difficult; we would have to respond at every stage and make sure that no matter what happens we do not have stability threatened," he declared.

To the Head of Research, BGL Securities, Mr. Femi Ademola, the move by the CBN was to block public sector cash round tripping in banks. He agreed that banks' appetite for government securities was responsible for the sluggish growth of private sector credit. "We have argued in the past that as long as this incentive structure exists there could be little reason for banks to invest in costlier and riskier credit creation. This has been the basis of our consistent argument for downward revision in the MPR before it got to the current 12 per cent level. "We believe that the use of macro-prudential tool that targets the concentrated systemic liquidity could be more appropriate at tackling the liquidity problem while the interest rate is revised downward to the benefits of private sector credit growth. In this regard we align with the action of the committee as a positive measure to encourage the banks to focus more on lending to the private sector. We expect that as the effect of this action unfolds, the committee would consider revising the benchmark interest rate downward in the medium term," he added. Furthermore, he noted that potential assets sell down by the banks may drag the markets downward. Also, analysts at the Consolidated

Discount House Limited (CDL) argued that banks would seek to shore up their non-public sector deposits, adding that deposit rates would go up as banks resume fight for deposit liabilities. The firm also anticipated that banks would seek to re-price risk assets as cost of funds spike. "High lending rates could lead to a slowdown in risk asset creation and drop in imports. High yields on FGN bonds could stimulate carry trade. The market had largely been nervous in the early part of trading of July 24th but calm gradually returned on news that the maintenance period for the 50 per cent CRR on public sector deposits will be at the end of July. "We expect some keen interest from foreign portfolio investors as this new tightening outlook improves the profile of the carry trade in the short term. On the equity space, we believe the hurried exit of investors from banking stocks will be moderated by the kick-off of first half earnings season. Dividend hunters may seek names like GTBank and Access which traditionally pay out half year dividends," a CDL report added. On his part, the Emerging Market Strategist at Standard Bank, Mr. Samir Gadio, noted that the risk to the Nigerian economy remained that a new leg of fiscal expansion would materialise ahead of the 2015 elections. According to Gadio, the fragile fiscal position and decline in government revenue were potential threats to macroeconomic stability. "The tightening in liquidity conditions will most likely lead the short end of the yield curve to shift up in the immediate future and result in a re-pricing of the long end, but will probably weigh positively on the naira. "It also implies that investors will be able to source bonds at higher yields in coming days after a preliminary sell-off. More importantly, we expect NIBOR rates to surge in the aftermath of the MPC meeting and the related squeeze in liquidity," he added. *(This Day)*

In line with the country's desire to grow the industrial sector, the Minister of Industry, Trade and Investment, Olusegun Aganga, has said the country attracted $3 billion (about N480 billion) investment into the sugar sector since the implementation of the National Sugar Master Plan (NSMP). The approval of the NSMP by the Federal Executive Council (FEC) on the 19th September 2012 had raised the country's profile, making it to rank among the top five exporters of sugar in Africa. Aganga, who spoke yesterday during the ministerial press briefing to mark the end of the 2013 series, also noted that the gains made through the development of the manufacturing sector had led to a reduction on the country's dependence on oil and gas, saying N305 billion was generated from non-oil export within the first quarter of 2013. However, the figure was at variance with the official Merchandise Trade Report by the National Bureau of Statistics, which put the total earning from non-crude oil exports at N421.47billion during the period under review. The minister said the FDI inflows of $7.03 billion was rated the first in Africa in 2012, explaining that the country was targeting production of 1.7 metric tonnes of sugar per annum. He said: "Nigeria is among the top five importers of sugar and only produces about three per cent of domestic consumption. However, on the 19th September 2012, the FEC approved the NSMP and implementation commenced January 2013. "NSMP has stimulated investments of $3 billion thus far. NSMP is targeting the production of 1.7 metric tonnes of sugar; creation of 117,181 direct jobs; generation of 411.7 megawatts of electricity; total forex saving of up to $565.8 million annually from savings from sugar production and fuel importation." The minister said history had shown that no country became rich by exporting raw materials without also having an industrial sector.

He, however, said there had been significant improvements in Nigeria's balance of trade with reduced importation and increased export value. "The country recorded a 43 per cent decline in imports between 2011 and 2012, resulting in savings of about N4.2 trillion in foreign exchange. "In first quarter 2013, industry contributed 66.9 per cent of the federal government's non-oil earnings. Import as a percentage of total trade fell from 35.7 per cent in 2011 to 20 per cent in 2012," he added. In order to boost industrialisation and create wealth, the minister said the federal government had developed the Nigeria Industrial Revolution Plan. Continuing, Aganga said: "It is our nation's first comprehensive, integrated, and strategic roadmap to industrialisation. The NIRP has identified strategic industry groups where Nigeria already has comparative advantage, with a view to increase capacity and production in the near to mid-term. We are vigorously implementing the backward integration policy used in the cement industry in other sectors." On the development of micro, small and medium-scale enterprises, the minister said the federal government had developed the National Enterprise Development Programme. *(This Day)*

Absa Group Limited, one of the 'big four' consumer banks in South Africa acquiring majority shareholding in Barclays Bank, its parent company's African assets yesterday indicated interest to enter the Nigerian market. The financial institution said the move would boost its presence across Africa. "The bank needs a competitive advantage before it can enter Nigeria, Africa's second-largest economy and biggest oil producer," Bloomberg quoted Absa's Chief Financial Officer, David Hodnett, to have said in an interview in Johannesburg. The lender

could take advantage of its experience in corporate banking, he added. Chief Executive Officer, Absa, Maria Ramos also told investors in Johannesburg the bank planned to spend 1.25 billion rand ($127 million) by 2015 on refurbishing branches in Africa,. The bank said last December that it would buy the bulk of Barclays's African assets in an all-share deal worth 18.3 billion rand. The economy of Nigeria, Africa's most populous nation with more than 160 million people, is set to grow 7.2 per cent this year, compared to an average of 5.6 per cent for the rest of sub-Saharan Africa, according to the International Monetary Fund. Absa is not looking at any of the nationalised Nigerian banks, Hodnett pointed out. The Asset Management Corporation of Nigeria (AMCON), set up by the federal government to buy bad debts from banks, is seeking to sell the three banks its acquired in 2011 next year. The banks are Keystone Bank Limited, Mainstreet Bank Limited and Enterprise Bank. They were acquired through a bridging process after an intervention by the regulators. Already, financial and legal advisers to the transaction had been selected by AMCON. *(This Day)*

Nigeria's international bond sale, which was recently heavily oversubscribed, underscored the bullishness of overseas investors in the country's sustained growth, a report has indicated. The report by the Oxford Business Group (OBG) however pointed out the yields level on the offering highlighted the looming challenges that Nigeria as well as other emerging markets, could face when seeking to raise capital in the future as the United States' economy begins to pick up. Nigeria had on July 2 closed the book on two blocs of dollar-denominated bonds worth a combined $1 billion, with the offer being oversubscribed four times its face value. Of the two issues, the 10-year $500 million bond attracted bids of $2.26 billion, while the five-year instrument, also worth $500 million, drew bids of $1.77 billion. The initial yields were set at 6.375 per cent and 5.125 per cent on the 10- and five-year bonds, respectively. The government had said the funds would be used to finance infrastructure development, particularly in the power sector.

Therefore, the OBG report noted: "The positive outlook may be due in part to Nigeria's continued economic expansion. By some accounts, the country has surpassed South Africa as the region's largest economy, though other estimates suggest that it will not achieve this until next year. "With the International Monetary Fund (IMF) projecting that GDP will rise by 7.2 per cent in 2013, the country is better placed than most to support higher borrowing levels. Its external debt is equal to 2.5 per cent of Gross Domestic Product (GDP), far lower than most other countries in the region, while this figure stands at 18 per cent for domestic borrowing." The Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, had said the result of the offer was pleasing, especially given the turbulence in international capital markets. Although the demand for the latest bond offering was strong, Okonjo-Iweala warned that appetite for emerging market debt was likely to wane if the Federal Reserve scales back its bond buying programme, pushing up interest rates in the US. Also, the Managing Director/Chief Executive Officer, Citibank Nigeria, Mr. Omar Hafeez, argued: "Banks are still likely to be attracted to government paper, at current levels and even with slightly lower returns than previously seen." Hafeez added that foreign investors now had greater access to Nigerian sovereign debt with very few restrictions. "At the same time, news of a tapering in the quantitative easing programme in the US has already caused a shift in capital away from emerging markets. Many factors are at play simultaneously, and we have witnessed the ramifications of the fluidity of portfolio flows," he told OBG. But the report stated how much external borrowing costs may rise would depend partly on the degree to which the US economy recovers, adding "closer to home, however, the ability of Nigeria's economy to cope with various domestic and foreign challenges will likely have an impact on returns on its bonds." *(Thisday)*

Tougher regulations as well as anticipated higher cost of fund costs are likely to constrain Nigerian banks' profitability over the next 18 months, global rating agency, Fitch Ratings has predicted. In fact, the agency forecast that Nigerian banks are unlikely to see a repeat of their robust 2012 profits because of increasing pressure on earnings. The Central Bank of Nigeria (CBN) had been focusing on consumer protection and encouraging financial inclusion and had outlined plans to phase-out most of the fees and commissions in the industry. In addition to this, the latest decision by the CBN to indirectly tighten monetary conditions by raising the cash reserve requirement (CRR) for all public sector funds to 50 per cent from 12 per cent was also identified as another factor that could weaken banks' earnings as the financial institutions would have to scramble for deposits to maintain their level of liquidity. Therefore, Fitch said: "We expect new limits on bank charges imposed by the central bank to dent what have been highly profitable fees and commissions, particularly for those with large retail franchises. The most significant impact is likely to arise from the gradual phasing out of Commission on Turnover (COT)- a customer transaction fee - by 2016. "We expect banks to fill any funding short-fall with more expensive sources or by selling liquid assets, leading to a

sharp negative impact on net interest margins." Fitch pointed out that high treasury bills yields last year boosted banks' interest income. "Although continuing tight monetary policy indicates that a sharp fall is unlikely, the yields have fallen slightly so interest income from banks' large sovereign bond portfolios is likely to be lower in 2013. The central bank has also stipulated that interest rates for savings deposits should not be lower than 30 per cent of the monetary policy rate, currently at 12 per cent. "Overall, there could be at least an average 100-200 basis point negative impact on margins over the next 12 to 18 months. Further margin pressure may arise if the authorities impose caps on lending rates to nationally important sectors, such as SMEs or agriculture," Fitch argued.

Furthermore, the firm indicated that with the development in the industry, the cost of the cleanup of the recent banking crisis was also rising, even as it anticipated a 200-300 basis points increase in cost/income ratios in the Asset Management Corporation of Nigeria's (AMCON's) annual level to 0.5 per cent of total assets, from 0.3 per cent. It however pointed out banks would be able to partly offset the earnings pressure by boosting volumes, widening the range of fee-based products and concentrating on low-cost deposits. "The AMCON bond maturities in December 2013 and October 2014 should give banks additional liquidity to expand as the AMCON bonds will be repaid with a mixture of cash and treasury bills. But if growth leads to a loosening of underwriting standards or exposure to new and untested segments, such as mass retail or the newly privatised sectors such as power, then there could be a relapse of bad debt problems. "Weaker earnings and rapid growth would put greater pressure on capital. High capital buffers are necessary as the banking system is exposed to concentration risks and Nigeria's short credit cycles. These risks are reflected in the banks' low 'b' range Viability Ratings. "A key rating driver is the maintenance of adequate core capital to support their growth in a difficult operating environment (Nigeria is rated 'BB-'/Stable). We would not view Tier 2 issuance as a substitute for raising new equity to support any material asset growth," it added. *(This day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

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No Corporate News this week

Economic News

Tanzania has signed a $210 million loan agreement with the World Bank for infrastructure projects aimed at boosting regional trade flows, the country's finance ministry said on Wednesday. The loan, provided by the World Bank's concessionary arm International Development Association (IDA), will finance construction of roads and a border post linking Tanzania to eastern and southern African countries. "This support has come at a time when the government is in critical need of implementing interventions to facilitate the movement of goods and people ... to enable Tanzania to become the transport and logistic hub of its neighbouring countries," Tanzania's finance minister, William Mgimwa, said in a statement. The nation of 45 million people is among Africa's biggest per capita aid recipients. In its 2013/14 (July-June) budget of 18.24 trillion shillings, Tanzania says it plans to borrow 2.86 trillion shillings from domestic and external sources. *(Reuters)*

Zambia

Corporate News

Copperbelt Energy Corp., which supplies power in Zambia to Glencore Xstrata Plc (GLEN) and Vedanta Resources Plc (VED), plans to raise as much as $150 million through loans and equity to expand and refinance existing debt. Loans of as much as $100 million from German and Dutch development-finance institutions will be completed in three months and will probably have 10-year maturities, Michael Tarney, corporate development managing director at the Lusaka-based company, said in an interview on July 26. "We still think that is the safest form of lending at the moment," he said in Lusaka, capital of Africa's biggest copper producer, on July 26. "The terms you get from the development-finance institutions are still better than bonds." Copperbelt Energy, known as CEC, will also try and raise about $50 million in a rights offer this year as it seeks to become the biggest privately owned power company in sub-Saharan Africa, where only about one in four people have access to electricity, according to the World Bank. U.S. President Barack Obama on July 1 unveiled a $7 billion plan to double access to power in some countries in the region. CEC tested the market for a bond sale two to three months ago, and concluded that a debt sale would be more expensive than development-finance loans and its maturity would also be shorter, Tarney said. Bonds may be sold at a later date, he said. The debt funding deals are with FMO, the Dutch development bank, and Deutsche Investitions- und Entwicklungsgesellschaft, said Tarney. Some of the proceeds will go to refinancing a bridge loan CEC has with South Africa's Standard Bank Group Ltd. (SBK) The financing will probably have an interest rate of the London Interbank Offered Rate, or Libor, plus 5 percent to 6 percent, Tarney said. The rate that London-based banks would pay for three-month loans in pounds was 0.509 percent on July 26, according to the British Bankers Association. CEC owns power plants and distribution lines in Zambia, and was named as the preferred bidder for electricity assets in Abuja, Nigeria, in February. Through CEC Africa Investments Ltd., a unit set up to invest in projects outside Zambia, the company plans to complete a deal to invest in Sierra Leone's electricity system this year. Copperbelt Energy is in talks with "long-term infrastructure funds" from South Africa, the U.S. and the U.K. about the sale of stakes in its CEC Africa unit, said Tarney. The company plans to sell shares to the public in the unit in about five years, he said. The company may end up owning a minority stake in CEC Africa after bringing in additional investors, Tarney said. Shares of Copperbelt Energy closed trade at 0.74 kwacha on the Lusaka Stock Exchange today, according to the bourse's Website.*(Bloomberg)*

Prima Reinsurance Plc, a Zambian insurer, plans to raise about $4 million by the end of the year in the country's first initial public offering since 2008. The proceeds will go toward meeting higher minimum capital requirements proposed by Zambia's government, while also allowing Prima Re to take on riskier, bigger deals, Chairman David Kombe said by phone from Lusaka, the capital. "There's a lot of potential in Africa as more and more people start appreciating the value of insurance," he said today. "Africa's been known to rely on reinsurance services from outside, and Europe in particular. Now there's a drive to try and spread the risks within the region." Prima is seeking to take advantage of growth in a continent that has less than 10 percent of the average global insurance density per capita, according to the African Insurance Organisation. The company has already done business in countries including Egypt, Sudan, Mozambique and Uganda, Kombe said. The last listing on the Lusaka Stock Exchange was Zambia National Commercial Bank Plc, which sold shares to the public in November 2008, Wala Chabala, chief executive officer of the Securities and Exchange Commission, said by mobile phone from Johannesburg. *(Bloomberg)*

SUPER Slag Zambia plans to start cement production from mineral waste piled in most mining companies on the Copperbelt. The slagment processing firm, a subsidiary of South Africa Super Slag Limited, intends to inject K360 million in the initial stage of the project to add value to the waste heaped for years and create about 600 jobs. Company business development director Frank Mwila said the firm, which has so far identified mineral waste dump sites in Luanshya and Mufulira, is currently engaging relevant authorities, including ZCCM-Investment Holding (IH), on the development of cement plants. "For a long time now, mining towns have been characterised by heaps of waste, yet one can add value to it while the area where they are heaped can be used to establish various income generating projects. Super

Slag Zambia, therefore, wants to process the waste and produce cement and other slagment products, which will create jobs," Mr Mwila said in an interview in Lusaka recently. He said the firm has the capacity to transform the mineral dumpsites into economically viable projects that can create employment to over 300 unskilled workers in each plant. He said the mineral waste dump sites in Mufulira and Luanshya have over the years accumulated about 40 million tonnes and 27 million tonnes of waste, respectively. Mr Mwila said the development of cement plants will eliminate waste slag dumps that are hazardous due to the oxidation of elements retained within them.
He said the South African group has established about 17 cement and slagment plants from mineral dumpsites, creating thousands of jobs.
Mr Mwila said Zambia's construction industry is booming following the establishment of new districts and rehabilitation of roads countrywide. "The cement plants will have the capacity to supply the commodity to the [infrastructure development] projects being undertaken," he said. *(Daily Mail)*

ZANACO Bank has declared a K10.5 million dividend to Government with Minister of Finance Alexander Chikwanda hailing the bank for its significant contribution to the country's economy over the years. The dividend represents 25 percent of the total payment and K745,000 proceeds from the sale of property last year. Mr Chikwanda said Zanaco has not only declared dividends consistently, but is the most capitalised bank in the country with a capital base of K140 million. Zanaco Bank is owned by Rabobank of Netherlands at 46 percent, Zambian Government and the public at 25 percent each, while the Zambia National Farmers' Union (ZNFU) owns four percent stake. "Zanaco is above the capital requirement of K104 million for local commercial banks. This means that the shareholders have been ploughing back to the bank instead of giving themselves hefty dividends," he said. Mr Chikwanda said this when he received a cheque from the bank in Lusaka yesterday. He also commended the bank for its continued support to the agriculture sector particularly the small-scale and emerging farmers. The bank, which has given out K39 million to 12,000 small-scale and emerging farmers as at June 30, is also providing capacity building. "The support to the farmers is a significant dividend on its own because it has enhanced the agriculture sector. The bank is a Government's creation, which was developed in 1974 and it is good to see it grow over the years and provide significant support to various sectors," he said. Mr Chikwanda said Government will continue to dialogue with the bank in a quest to grow it further. Earlier, Zanaco managing director Martyn Schouten said the bank has since 2009 declared about K297 million in dividends and paid out K264.1 million in various taxes. Mr Schouten pledged the bank's commitment to conduct its business in a transparent and efficient manner. "These principles are crucial to the sustainability of our bank," he said. *(Daily Mail)*

Economic News

ZAMBIA'S inflation rate for July has been maintained at 7.3 percent due to changes over time in the general level of prices of goods and services at household level, Central Statistical Office (CSO) has said. CSO director John Kalumbi said of the total 7.3 percent annual inflation rate recorded, food and non-alcoholic beverage products accounted for 3.8 percentage points while non-food products accounted for a total of 3.5 percentage points. "The annual rate of inflation as measured by the all items Consumer Price Index (CPI) for July, 2013 remained the same as that recorded in June, 2013 at 7.3 percent. This means that on average , prices increased by 7.3 percent between July, 2012 and July, 2013," he said. Mr Kalumbi was speaking at a media briefing in Lusaka yesterday. He said a comparison of retail prices between June and July , 2013 shows that the national average price of 25 kilogramme bag of breakfast mealie meal increased by 1.5 percent to K60.31 from K59.41 while a 25 kilogramme bag of roller mealie meal also increased by two percent to K45.86 from K44.97. He, however, said the annual non-food inflation rate decreased by 0.2 percentage points to 7.4 percent in July, 2013 from 7.6 percent in June, 2013. Mr Kalumbi also said the annual inflation rate for clothing and footwear, housing, water, electricity, gas and other fuels, furnishings and household equipment, among others, decreased. Meanwhile, the country has recorded a trade surplus valued at K706 million in the second quarter of 2013. *(Daily Mail)*

TWO multilateral development institutions are expected to raise over K5 billion on the local capital market, a move that will rise the profile of the local bourse. A local re-insurance firm, is also expected to list on the Lusaka Stock Exchange (LuSE) as it seeks to compete on the international platform. This is the first time multilateral development institutions will be issuing debt instruments on the Zambian capital market. Securities and Exchange Commission (SEC) chief executive officer Wala Chabala disclosed that the African Development Bank (AfDB)

and International Finance Corporation (IFC) plan to issue K2.7billion and K2.5billion on LuSE respectively before the end of the year to undertake various infrastructure projects and lending operations in the country. Dr Chabala said the institutions have applied to register medium term note programmes (MTNPs), which are a series of issues over a period of time and match the issuers' funding requirement. "The programme is intended to allow the institutions to issue notes in the Zambian Kwacha to be sold primarily to local investors with the proceeds being lent to projects in Zambia. This should increase activities and help in the development of the capital market," he said. He said this at a press briefing in Lusaka on Friday. Dr Chabala said the planned issuance of debt instruments will boost foreign investor confidence in the local bourse. "AfDB and IFC are highly rated on the debt point of view and their plan to raise funds on LuSE will attract other multilateral development institutions and multinational companies to invest in the Zambian capital market," he said. He also said the development will impact positively on the Kwacha that has in the recent past depreciated against the US dollar. Dr Chabala however observed that the growth in the economy is not equivalent to the growth in the capital market saying there is need for diversification in the capital market to enable it correspond with economic growth. Meanwhile, Prima reinsurance, which is the first indigenous reinsurance company in the local insurance market and is currently quoted on LuSE, is expected to list on LuSE soon. Dr Chabala said the firm intends to issue shares over a period of time as it seeks to compete on the international platform and be recognised as an African reinsurer. "Seeing that the firm is already quoted, part of its strategy is to list shares within a short space of time," he said. Recently, the firm raised its paid up capital to K4million from the minimum K1million through a private placement, increasing its authorised share capital to K5million. At the same occasion LuSE business development officer Jean Tembo said Copper belt Energy Corporation (CEC) is expected to raise US$50million in a rights issue for expansion projects in Zambia and Africa. "We are expecting a successful rights issue in mid quarter three as CEC seeks to benefit from reduced overall debt levels by strengthening the company's overall financial position," she said. Ms Tembo said a mining firm has indicated plans to list on the local bourse but could however, not disclose the company as the firm is still working on the listing procedures. "Some companies including a large mining firm have come through but we cannot disclose till they come out in public. The mining firm is still evaluating the stocks and the company will announce when it is ready to list," she said. *(Daily Mail)*

Zambia wants to renegotiate power supply agreements with mining companies including local units of Glencore Xstrata and Vedanta Resources, saying it views them as unfavourable, says Mines Minister Christopher Yaluma. Higher costs will put pressure on Zambia's mining industry, the largest power user, as falling copper prices lead to threats of staff cuts. Zambia needs to invest about US$5 billion to meet a supply shortfall, according to Zesco, the state-owned electricity company. The government signed long-term power purchase agreements with mining companies as part of a privatisation process that began in the 1990s. The energy regulator approved a 30 percent electricity tariff increase for some mines in 2011. "The contracts which were signed were not very favourable," Mr Yaluma said. "Whoever did that didn't think. "To continue maintaining the future of the network, we need that cost reflectivity," he told reporters on Tuesday in the capital, Lusaka. "If we don't do that, where are we going to get the money, apart from huge borrowings?" It would be difficult to cancel the contracts, and the government would need consent from mining companies to renegotiate them, he said. Tariffs cover about half the cost of generating electricity from new projects, the Copperbelt Energy Corporation, which buys power from Zesco and sells it to the mines, said last month. *(Daily Mail)*

THE Lusaka Stock Exchange (LuSE) has established a platform for small and medium-scale enterprises (SMEs) to raise capital on the stock market. Both LuSE business development officer Jean Tembo and Securities and Exchange Commission (SEC) chief executive officer Wala Chabala confirmed the establishment of the SME tier that will provide an alternative market place for SMEs to raise funds. They said this at a media briefing in Lusaka recently. Ms Tembo said LuSE and SEC are working in partnership with the financial sector development programme to identify SMEs intending to raise capital on the bourse. "The rules are in place, the only thing remaining is to identify which SMEs can come on board," she said. In 2008, LuSE announced plans to introduce a second tier on the stock market to attract equity investment and capital fundraising. This was because SMEs do not qualify to raise capital on the capital market. Dr Chabala also said, "The rules are in place, certainly it's a question of entities coming into the market to raise funds." He urged SMEs to utilise the SME tier saying it is an opportunity for them to raise capital to expand their enterprises. Dr Chabala, however, said a number of firms have expressed interest in raising funds on the alternative market tier. "More firms are expected to come on board as the information is [being] disseminated," he said. *(Reuters)*

Zimbabwe

Corporate News

CFI HOLDINGS shareholders last Friday approved the disposal of its 49 percent stake in Victoria Foods to a South African company, Grindrod Trading Limited, for US$3,2 million. The voting was done through the ballot after a request from one of the major shareholders, Mr Nicholas van Hoogstraten, who was apparently against the transaction. Of the 79 153 159 shareholders represented, 63 315 429 or 79,99 percent voted in favour while 15 873 730 or 20,01 percent voted against. This now means CFI's shareholding in Victoria Foods will be diluted to 51 percent in line with the indigenisation threshold. Under the transaction, Grindrod, a Johannesburg Stock Exchange-listed company, will provide Victoria Foods with a US$2,7 million shareholder loan at an annual interest rate of 8 percent. The loan has no fixed tenure and interest may be varied, but subject to the limit set by the Reserve Bank of Zimbabwe. Grindrod will also sign various commercial contracts that would result in Victoria Foods accessing a US$12 million 90-day CMA grain procurement facility. The proceeds of the proposed transaction would be channelled towards debt restructuring, repayment of creditors and working capital requirements. The CFI group will restructure a US$2,8 million of its inter-group loan receivable that incorporates short- and long-term debt owed to it by Victoria Foods, into a shareholder loan. CFI and Grindrod will constitute a new board of directors and new management team for Victoria Foods with Grindrod Trading appointing an equal number of representatives. In a circular to shareholders, CFI said the injection of long-term capital into Victoria Foods and the restructuring of debt is projected to have an immediate positive impact on its financial performance, with the enhanced working capital position positively impacting inventory levels and revenue generation. Grindrod Trading is a subsidiary of Grindrod Limited, a JSE-listed South African-based holding company involved in the movement of cargo by road, rail, sea and air. Grindrod Limited operates four divisions — shipping, trading, financial services and freight services. The trading division trades in agricultural products, industrial raw materials and marine fuels and lubricants. Victoria Foods manufactures baking flour, maize meal, snacks and packs a wide range of fast-moving consumer goods. *(Herald)*

FINANCE minister Tendai Biti has warned that seven commercial banks exposed to local authorities may fold following Local Government minister Ignatius Chombo's directive for municipalities across the country to write off public debt. Presenting the Mid-Term Policy yesterday in Harare, Biti painted a gloomy economic outlook triggered by underperformance of mining and agriculture on the back of political uncertainty. He, however, said as of yesterday, a total of $96 million had been disbursed for the polls, a figure he said was adequate to run the election. He said Treasury was currently making frantic efforts to secure an outstanding $36 million required to pay election officials. His presentation comes at a time Treasury has revised the year-end economic growth rate to 3,4% from the projected 5% due to political uncertainty after the polls. Following a directive byChombo on Monday ordering local authorities to scrap all outstanding rates as at June 30 2013, Biti said banks exposed to local authorities may go bust. "I had a meeting with bankers this morning (yesterday) who are seriously concerned with a purported directive from somewhere to the effect that rates and water bills of local authorities have been cancelled," Biti said. "The reason why this is causing pain to bankers is because most of them are exposed. In fact, CBZ Bank is exposed just to the City of Harare alone to the tune of $13 million. Local authorities depend on rates and water for the payment and servicing of their debts. So this purported unlawful decision will have catastrophic consequences to the banking sector. In fact, the bankers I was talking to actually estimate that seven banks can actually fall as a result of that decision."

Due to several factors besetting the economy, Treasury, according to Biti, had revised downwards the projected growth rate for mining, the mainstay of the economy, which last year contributed 23% of the Gross Domestic Product. He said a new government formed after the polls required at least $1 billion as a buffer amid fears that Treasury may fail to meet the public sector wage bill due. "Developments during the first half of 2013 indicate evidence of stagnation, particularly through under-performance in the key sectors of agriculture and mining," Biti

said. "Accordingly, agriculture growth has been revised downwards from 6,4% to 5,4% in 2013. Similarly, projected mining output has fallen sharply, to give a revised growth of 5,3% from 17,1%. As a result, overall growth is now projected at 3,4%, shedding 1,6 percentage points from the 5% earlier envisaged. The projected economic growth decline is also reflected by slowdown in growth aggregate demand, which is now projected to grow by 7% in 2013, down from original forecast of 12%." Turning to inflation, the Finance minister said year-on-year inflation was this year expected to ease to 3,9% from the projected 5% due to the weakening South African rand. *(Newsday)*

ZIMBABWE Stock Exchange (ZSE)-listed manufacturing concern Astra Industries is awaiting approval from the Competition and Tariff Commission following the acquisition of a controlling stake in the company previously owned by the Reserve Bank. Astra yesterday announced that a Japan-based firm with operations in the region had snapped a significant stake in the firm. The transaction, according to the statement released by the company, has partially complied with the country's empowerment policy compelling foreign-owned companies to sell 51% stakes to locals. The Reserve Bank, through its investment arm Finance Trust of Zimbabwe, disposed the 63% equity of Astra as the central bank winds up its quasi fiscal operations. The transaction was executed as a special bargain on the ZSE on July 18 at a price per share of $0,06213. Following the change in shareholding, the board has recently been reconstituted. "The company and Hemistar Investments (Private Limited) wish to advise the company's shareholders that Finance Trust of Zimbabwe (Private) Limited (Finance Trust) has agreed to sell its aggregate 88 526 968 ordinary shares of the company, being 63,25% of the issued share capital of the company, to Hemistar," said Astra. "The transaction has received the provisional approval of the Minister of Youth, Indigenisation and Economic Empowerment, as well as the Reserve Bank of Zimbabwe, Exchange Control Division and the External Loans Co-ordinating Committee. An application to the Competition and Tariff Commission is pending approval." The mandatory offer to minorities, according to the statement, would be made within a period of 12 months from the date of the transaction (July 18). ZSE listings requirements require that an acquirer of ZSE-listed shares of a minimum of 35% by a person or group acting in concert will have an obligation to make an offer to the minority on a basis agreed with the committee, which in aggregate amounts to a change in control, should make an offer to the minorities unless this requirement has been waived by the ZSE. *(News Day)*

BINDURA Nickel Corporation warned of potential material uncertainty on its status as a going concern if it fails to obtain short-term bridging finance and execute a revised mining plan. Africa's only integrated nickel miner said the future of the company as a going concern depended on successful implementation of the revised production plan and being able to raise US$4,5 million required for phase two of the restart of Trojan Mine. BNC resolved to mine high grade ore massives, it would have exploited later in the mine's life, in conjunction with the current mining plan to generate additional revenue. The new mining plan would make the company self-sufficient in generating funding to support operations over the next six months without support from the shareholders. "The plan requires short-term bridging finance of approximately US$4,5 million. Such funding is required to settle current creditors and will be repaid in the short-term.
"The future funding of the group's operations is therefore dependent on the successful execution of the revised production plan and conclusion of the negotiations in respect of the bridging finance required," BNC said in its full year results. BNC contends that failure to mobilise the requisite short-term bridging finance as well as failure to implement the revised production plan would make it difficult for the group to realise its assets and discharge its liabilities in the normal course of business. "Should the corporation fail to execute the revised production plan, a material uncertainty exists, which may cast significant doubt as to the ability of the corporation and its subsidiaries to continue as a going concern," BNC said. However, BNC said it is well positioned operationally. The company added that it engaged SRK Consulting of UK in January to complete a competent person's report on Trojan, which concluded that the restart plans were achievable and realistic. But the nickel mining giant pointed out that the success of its business plans depended heavily on its ability to raise sufficient funding in the current financial year. BNC has found itself facing serious challenges in funding the second phase of the restart of Trojan Mine have successfully raised US$23 million for restart of the mine. As part of restructuring the group to suit the prevailing economic environment and to ensure viability the company subsequently made 1 000 jobs redundant. BNC also started refurbishment of the milling section, which was concluded in February this year. Analysts Invictus Securities said the situation reflects the tight liquidity conditions in the market and difficulties corporates are facing in raising funding to support production. "In the absence of an external injection of cash in the company, we believe that conditions are likely to remain difficult for Bindura until such a time that liquidity in the market improves," Invictus said. *(Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

ZIMBABWE Stock Exchange-listed concern Phoenix Consolidated Industries Limited recorded a US$228 000 loss for the six months to April 30 2013 compared to a loss of US$477 000 in the previous period. This included net finance charges of US$330 000 and depreciation of US$249 000. In the financial results for the six months to April 30 2013, the company said revenues had decreased by 12,8 percent from April last year to the period under review. Phoenix said demand for their product had remained strong although sales had been restricted by stringent credit control resulting in the decrease in revenue. The company added that major hardware outlets had been unable to purchase significant volumes within their credit terms due to the liquidity crunch facing most companies. The loss incurred during the period contributed to the reduction in the net worth of the company by US$228 000. Analysts say the company's results were lukewarm despite cutting its first half losses by more than half. The steel and allied division continued to weigh down on financial performance with management, this time around, attributing it to reduced margins on the back of a firm rand and stiff competition on the domestic market. The plastic and allied products unit, on the other hand, maintained its good performance ending the period under review in profit. However, the company incurred an operating profit of US$102 000 from a previous loss of US$252 000 while gross profit stood at US$1 111 000 declining from the previous US$1 180 000. No dividend was declared and the basic loss per share stood at US0,26 cents. The company said it could benefit from the expected upturn in the economy as they had been approached regarding the potential purchase of one of its operating units which could reduce borrowings by up to US$2 million. *(Herald)*

Investment in the Nigerian retail market has reached an all-time high of over N200 billion within the the last two years owing to rising purchasing power and the huge potential of the nation's economy. The Oxford Business Group (OBG), which revealed this in a report made available to THISDAY, noted both foreign and local investors were dramatically expanding their domestic retail footprint in the country. OBG believed investors were flocking to the retail sector as a result of Nigeria's potential, a large population, positive macro-economic growth and a strong appetite for consumer goods. According to the group, "By the end of June 2012, Shoprite the continent's biggest retailer opened its fifth shop in Nigeria, and another two in 2013. Shoprite, has outlined plans to open up to 700 stores in the country, and Massmart, South Africa's second-largest retailer and partly owned by Walmart, has announced that it intends to increase its presence from two to 20 stores. "Also, Spar, Europe's largest retail network, has partnered with Nigeria-based Artee Group to tap into the local market, cutting ribbons at a new outlet in Lagos and one in Abuja. Looking ahead, the firms aim to increase their Lagos network and expand into Port Harcourt and Ota in Ogun state." OBG added the growth in retail space and opportunity had been accompanied by strong economic indicators released by the International Monetary Fund (IMF). "Real GDP for the year is forecast to grow at around 7 per cent, according to the IMF. This has had a positive impact on people's ability to spend, with GDP per capita levels estimated at $1,656 up from $1, 551 in 2012, $1,541 in 2011 and $390 in 2001. "However, as development of the retail sector gathers momentum, investors are becoming increasingly attuned to factors that could limit growth. Firstly, retailers decry the lack of adequate space. Modern outlets are dependent on the standards of newly built, large shopping malls. However, cumbersome access to land, high costs and the short duration of bank financing is constraining developers' appetite, "OBG said. The experts added: "Outside of Nigeria's commercial centre, the situation is little different. In Abuja, despite the opening of four malls in the past five years, it has taken until June 2012 for the Grand Towers to open with the standards required by international retailers. Other cities, such as Port Harcourt and Calabar, have yet to see the arrival of their first city mall." *(This Day)*

ZIMBABWE Stock Exchange-listed Colcom has cut its profit forecast for the year ending June following completion of a forensic audit by the company. In a profit warning issued yesterday, Colcom chairperson Robert Davenport said the board had implemented a series of measures prior to year end that would result in certain asset impairments and cost provision in the year to June 30 2013. A profit warning is usually done two or more weeks before an earnings announcement. Companies do this to soften the blow to investors. This gives the investors and the market more time to adjust accordingly before the public release, ideally taking some of the sting out of the expected price adjustment. If no profit warning is released, the earnings announcement is called a negative earnings surprise. "Shareholders are reminded of cautionary statement released in November 2012 and the interim Press release published in March 2013, and hereby advise that your board has implemented a series of measures prior to year end which will result in certain asset impairments and cost provisions in

the year to June 30, 2013," reads the statement. "As a result of these measures, profits for the year to June 30 2013 will be substantially lower than those recorded in the prior year." In November, Colcom said a forensic audit on the company had been launched after it emerged that the "control and governance environment" of the listed firm had been "compromised". Colcom Holdings incorporates an inter-related group of strategic business units, a joint venture and an associate company, Freddy Hirsch. Pigs have been and continue as the group's core business. The company is member of the Innscor Africa Group, which is also listed on the ZSE. Colcom Holdings Limited recorded a profit after-tax of $4,8 million for the year ended June 30 2012 from $4,7 million. The group revenue grew by 14% to $52,8 million from $46,2 million contributed by pork sales which grew by 31% mainly due to the introduction of entry level low margins products in the last seven months of the financial year. Speaking at the company's analyst briefing in Harare last year, Colcom group chief executive officer Theo Kumalo said as a result, operating profit growth was limited to 8%. Kumalo said basic earnings per share for the year amounted to 2,87 cents which was an 8% reduction on the prior year mainly due to improved profitability in the group's subsidiary business which resulted in higher non-controlling interest charge. *(Newsday)*

HWANGE Colliery's bid to bar its business partner, a Chinese-owned firm, Hwange Coal Gasification Company, from selling coal stocks and coking oven battery hit a snag recently after High Court judge Justice Joseph Mafusire dismissed the application. Hwange had made the application seeking an anti-dissipation interdict arguing "a free-for-all situation" obtaining in the Coal Gasification Company would result in the dissipation of its assets. Hwange Colliery Company holds a 25% stake in the firm while the latter owns 75%. However, Justice Mafusire said the move by Hwange Colliery Company would cripple the Coal Gasification Company. "I am satisfied that given the Coal Gasification Company was a going concern with substantial financial commitments on a day-to-day basis, such an order would cripple the company and eventually collapse it," Justice Mafusire said. "While I found Hwange Colliery's fears to be reasonable under the circumstances, nonetheless, I have considered that firstly, the signing arrangement above is a good measure of protection for everyone, and secondly that since the interdict related mainly to the coke oven and battery, there was minimal danger of its dissipation," he added. Justice Mafusire said Coal Gasification Company's structure was built on Hwange Colliery premises and as such Hwange Colliery could easily monitor the structure and take remedial action if anyone tried to tamper with it. The court, however, granted Hwange Colliery reprieve after interdicting former board member Tendai Savanhu from being involved in any business of the two firms. "Tendai Savanhu is hereby interdicted and restrained from holding himself out to any person or body whatsoever as one with authority to represent Hwange Colliery Company in any manner or capacity," Justice Mafusire said. "Tendai Savanhu is hereby further interdicted and restrained from attending any board meetings of Hwange Coal Gasification Company or signing any documents or making representations or statement of authority in relation to that company." On the question of the two firms' joint bank accounts, Justice Mafusire said the interim signing arrangements agreed to by the parties shall apply to all the bank accounts of Coal Gasification Company, but ordered the deletion of a signatory, one Fred Moyo, substituting him with Stanford Ndlovu. *(Newsday)*

Economic News

ZIMBABWE'S trade deficit widened sharply in May as imports continued to outpace exports on the back of a sluggish economic performance, Finance minister Tendai Biti has said. Presenting the Mid-Term Policy review last week in Harare, Biti said cumulative exports as at May declined to $1,301 billion from $1,328 billion recorded during the same period last year while imports continued to balloon. This represents a 2% decline in exports, which also reflects the overall slowdown in the real economy. Imports, on the other hand, rose to $3,2 billion from $2,6 billion recorded last year reflecting a 3:1 ratio. Biti said although exports were expected to reach $4,5 billion by year end, the recovery of the exports would be constrained by limited foreign direct investment. Biti said by the end of 2013, the current account deficit was expected to marginally improve as a result of a slight improvement in export performance. The current account deficit to gross domestic product (GDP) ratio, he said, was projected to slightly improve from 21% in 2012 to 18% by the end of 2013. South Africa, Zimbabwe major trading partner, accounted for 73% of total exports, followed by Mozambique at 8% and the United Arab Emirates at 7% while the rest of the world accounted for 1%. Biti said exports to South Africa mainly included unprocessed mineral resources. "Over-reliance on primary commodities, of which the prices are influenced by international developments, is unsustainable in the medium to long

term. Thus, the beneficiation of primary commodities will also go a long way to increase the value of exports," Biti said. "The manufacturing sector growth has remained sluggish over the period as a result of such factors as liquidity constraints, high cost of borrowing, power outages, old technology and equipment. Furthermore, a depreciating rand has also contributed in reducing the country's manufactured exports competitiveness." Biti said since 2009, the country's external position had remained precarious, characterised by persistent current account deficits which could not be offset by capital account inflows. "These unsustainable current account deficits are also a reflection of the country's over-reliance on foreign savings to finance domestic investment," Biti said. "Due to the depleted foreign currency reserves, the import cover has remained on average below one month since 2009, which falls far below the Sadc threshold of three months." *(Newsday)*

ZIMBABWE requires huge investments in power generation and more independent power producers (IPPs) to ease electricity challenges currently besetting the economy, University of Cape Town Professor Anton Eberhard has said. A professor in the Management Programme in Infrastructure Reform and Regulation, Eberhard, told journalists, at the Zimbabwe Energy Regulatory Authority (Zera) breakfast meeting last week that there was need for more investment in IPPs to reduce the energy deficit. "The biggest problem in Zimbabwe is there is not enough power generation capacity to meet demand, but there is need to bring investment into the country," Eberhard said. Currently Zimbabwe requires about 2 200 megawatts during peak hours, but only generates around 1 400MW, with the shortfall imported from the region. Eberhard said Zimbabwe should find ways of bringing more independent power producers and also to build additional small hydropower stations that could produce at least 6MW. Eberhard said in the past the Southern African Power Pool (SAPP) used to have surplus electricity that other countries could buy, but now most of these countries were now in demand for electricity. "It is true that in the past the SAAP has had surplus electricity that other countries could buy, now most countries are now in demand, there is need to accelerate investment," Eberhard said. He, however, said the current electricity tariffs in Zimbabwe were now reasonably close to those charged by other countries in the region. "The tariff situation in Zimbabwe is getting close to what it should be: cost-reflective pricing," Eberhard said. Elberhard said the tariffs in the region were between 10 cents and 14 cents per unit while in Zimbabwe it cost about 9 cents per unit. *(Newsday)*

THE Grain Marketing Board (GMB) has increased the maize producer price to $378,68 per metric tonne up from last season's $295 in a bid to persuade reluctant maize farmers to deliver the crop to the parastatal's depots across the country. The new price for the 2013/14 marketing season represents a 28% increase although the GMB has been paying an interim price of $310 per metric tonne. The new increase comes at a time when maize farmers have been reluctant to sell their grain to the GMB, preferring private millers who offered competitive prices. The GMB said the price increase followed a recent announcement to that effect by the Ministry of Agriculture, Mechanisation and Irrigation Development. "The increase comes amid calls by farmer organisations and individuals for the government to incentivise maize farmers to continue producing the staple crop," said the GMB's corporate communications department. Following the new price announcement, the board said it was expecting an upsurge in maize deliveries to its 84 depots. The GMB's marketing season runs from April 1 to March 31. Zimbabwe has experienced a serious maize deficit, forcing it to import grain. In April this year President Robert Mugabe said the country was going to import 150 000 metric tonnes of maize from Zambia. The announcement followed reports that the country could face food shortages after erratic rains this season. In April, Finance minister Tendai Biti said the government had engaged private millers to import grain to complement efforts to ensure food security in the country. In his state of the economy report, Biti said millers made a commitment to import 150 000 tonnes of maize. "Given the constrained fiscal space, the involvement of the private sector in importation of grain is unavoidable. Hence, it is paramount that government continues to encourage the current ongoing private sector initiatives in the importation of grain," Biti said.*(News Day)*

RESERVE Bank of Zimbabwe (RBZ) governor Gideon Gono says the country is in desperate need of a clear Presidential winner following yesterday's harmonised elections to usher in a stable macro–economic environment. In a statement on Tuesday postponing the half-year Monetary Policy Statement announcement to sometime in August due to elections, Gono said the next six months would depend on the outcome of the polls. Gono said the success of proposed measures in the policy statement would hinge on the outcome of the polls, adding that the economy desperately needed a "clear winner and a peaceful ending to the electoral processes" for it to stabilise and prosper. "The next six months will to a very large extent depend on the outcome of the harmonised elections whose voting process is scheduled for July

31, 2013," said Gono. "Against this background, and with concurrence of the Minister of Finance, I hereby advise the market that a post-election Monetary Policy Statement will be issued on a date to be advised in August, 2013. "Until then, banking sector players and all stakeholders should go about their business in the normal way, remembering that the saying 'Peace begins with me; Peace begins with you and Peace begins with all of us' must remain our Zimbabwean prayer during and after voting today." The governor last presented his monetary policy on January 31 this year. A local advisory firm, MMC Capital, recently said the country's economy was expected to slow down during the second half of the year due to political uncertainty and macro-economic risks confronting the economy. In a quarterly equity market review for the period ending June, MMC Capital said the economic growth rate may miss the target partly triggered by political risks and lack of clarity on the indigenisation and empowerment regulations compelling foreign-owned companies to sell 51% stakes to locals. "We are a bit bearish on the Zimbabwean economy in the second half of the year as far as growth is concerned. We expect a growth rate of at least 3,5% to be driven by mining and agriculture," read the report in part. MMC said despite the slowdown, year-end annual inflation was expected to be between 2% and 2,5% as local firms cash in on a weakening rand. *(News Day)*

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