SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	30-Aug-13	6-Sep-13	Local	USD	Local	USD
Botswana	DCI	8,495.30	8,558.62	0.75%	15.16%	13.96%	15.50%
Egypt	CASE 30	5,267.72	5,169.89	-1.86%	13.02%	-5.36%	-5.31%
Ghana	GSE Comp Index	1,989.55	1,989.97	0.02%	10.07%	65.87%	62.79%
Ivory Coast	BRVM Composite	201.95	201.95	0.00%	-7.28%	21.23%	12.94%
Kenya	NSE 20	4697.75	4708.95	0.24%	4.62%	13.93%	18.18%
Malawi	Malawi All Share		9,921.87	0.37%	20.14%	64.94%	97.81%
Mauritius	SEMDEX	1,929.10	1,934.00	0.25%	-2.56%	11.66%	11.84%
	SEM 7	376.40	376.10	-0.08%	-2.88%	11.51%	11.69%
Namibia	Overall Index	932.00	959.00	2.90%	29.14%	-2.76%	0.20%
Nigeria	Nigeria All Share	36,248.53	36,403.95	0.43%	3.38%	29.65%	29.48%
Swaziland	All Share	284.32	284.32	0.00%	26.15%	-0.47%	2.87%
Tanzania	TSI		1,985.36	1.16%	3.49%	33.64%	36.23%
Tunisia	TunIndex	4,602.49	4,574.06	-0.62%	1.24%	-0.13%	-3.97%
Zambia	LUSE All Share	4,772.55	4,778.92	0.13%	9.69%	28.28%	36.16%
Zimbabwe	Industrial Index	181.67	181.76	0.05%	0.05%	19.27%	19.27%
	Mining Index	48.73	46.78	-4.00%	-4.00%	-28.16%	-28.16%

CURRENCIES

	30-Aug-13	6-Sep-13	WTD %	YTD %
Cur-	Close	Close	Change	Change
BWP	8.63	8.57 -	0.66	12.04
EGP	6.97	6.89 -	1.16	13.77
GHS	1.87	2.14	0.05	12.18
CFA	492.97	496.70	0.76	0.27
KES	86.13	85.95 -	0.21	0.41
MWK	320.37	324.32	1.23	1.03
MUR	29.64	29.75	0.37 -	2.61
NAD	10.32	10.24 -	0.73	20.90
NGN	160.89	160.76 -	0.08	2.98
SZL	10.32	160.76 -	0.73	21.16
TZS	1,580.69	1,577.36 -	0.21	0.15
TND	1.64	1.65	0.82	6.81
ZMW	5.35	5.31 -	0.72	2.46

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

Circle Oil Plc reported a 47 percent increase in net production, boosted by its operations in Egypt and Morocco. The Middle East and Africa focused company said aggregate oil and gas production net to the company from Morocco and Egypt was in the range of 6,170 barrels of oil equivalent per day (boepd). Pretax profit increased 10 percent to $14.7 million for the six months ended June 30. Revenue rose 19 percent to $42.3 million. The company said its operations were unaffected by the unrest in Egypt and that the current oil production in Egypt was about 11,000 barrels of oil per day (bopd) with 4,400 bopd net to Circle. "Circle's interims highlight again operational progress made this year. Cashflow remains strong and Circle's valuation leaves it poised to rerate on any positive political progress in North Africa," Investec Securities Brian Gallagher said in a note. Shares in the company closed at 18.25 pence on the London Stock Exchange on Friday. *(Reuters)*

Economic News

Egypt to receive further financial boost after the United Arab Emirates pledged additional $2 billion in aid for the country. Mohammed Bin Zayed Al-Nahyan, the crown prince of Abu Dhabi, has pledged an additional $2 billion aid comprising deposits and grants to support Egypt, Al-Ahram's Arabic-language news website reported on Monday. Al-Ahram has quoted anonymous sources in Egypt's Cabinet as saying that the Emirate's prince vowed to support the country in several fields through making new investments in the domestic market. Al-Nahyan, who is also the deputy supreme commander of the UAE Armed Forces, arrived in Cairo on Sunday to discuss ways of supporting Egypt with the interim figures after the 30 June uprising that led to the ouster of Islamist president Mohamed Morsi. Egypt's Central Bank said in July that it received $3 billion in aid from UAE, part of the $12 billion pledged by Gulf Arab states after Morsi's removal. The UAE has also sent seven shipments of fuel worth $225 million in the same month. *(Ahram)*

Egypt has scrapped emergency import tariffs on raw and white sugar, it said in a filing to the World Trade Organization. Egypt said in December it had imposed a "provisional safeguard measure" of 17 percent of the CIF value of raw sugar imports, or a minimum of 591 Egyptian pounds per tonne, and 20 percent on white sugar, or a minimum of 713 pounds per tonne. Such temporary emergency tariffs are allowed under WTO rules if a country can show a threat of serious damage to its domestic industry from an unexpected flood of imports.
But in its latest filing, posted on the WTO's website on Tuesday, Egypt said it had decided the tariff was not justified under the rules. "The injury suffered by the domestic industry is not due to the increased imports but due to other causes of injury," it said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

No Corporate News This Week

Economic News

The Ghana Stock Exchange (GSE) and the Securities and Exchange Commission (SEC) are optimistic the maiden listing and subsequent trading of the country's Eurobond on the bourse will help attract more corporate bonds from local and international issuers. Currently two, three, and five-year government of Ghana (GoG) bonds are listed on the bourse. Previous issues by HFC Bank have not been sustained due to dwindling interest on the issues over the years. The Managing Director of the GSE, Mr Kofi Yamoah, and the Director-General of SEC, Mr Adu Anane Antwi, are, however, confident that recent developments on the bourse and the country in general could serve as a bolster to issuance of bonds on the market. "Our hope is that this listing and trading of the Eurobond will turn the attention of more issuers on our market," the DG of SEC told the GRAPHIC BUSINESS after the symbolic listing and start of trading of the country's second Eurobond on the stock exchange. The US$1 billion Eurobond, issued on July 25, was listed on the GSE on August 28 and that makes the GSE the first bourse in Africa to trade a Eurobond. Given that the development gives domestic and international investors the opportunity to buy and sell the Eurobond on Ghana's market, the MD of the GSE was confident that investor interest on the market will rise and could cause more foreign issuers of bonds to direct their attentions to the country. "The listing will serve as a benchmark to other issues. With it on our market, there will definitely be more activities on the bourse and that presupposes that any issue on it will now attract more investor interest," Mr Yamoah said in an interview. "And the more we have of this (Eurobond listings), the more corporate institutions will come to issue bonds and all these will help develop the market," he added.

Mr Yamoah, however, advised that people should not be surprised if the Eurobond does not witness continuous day-to-day tradings, explaining that most investors who buy the bond could decide to hold on to it rather than selling. "If the yield is good, of course, they will prefer not to sell but to hold it till maturity," he said. Local investors currently hold about US$16.5 million of the bond, which is due to mature in 2023. The bond is also listed and being traded on the Irish Stock Exchange (ISE) at a yield of 8.17 per cent as of August 28. The maiden listing of the Eurobond on the GSE came days after the International Finance Corporation (IFC) announced in a statement that it had secured the approval of the GSE and the SEC to issue cedi-denominated bonds on Ghana's market. According to Mr Yamoah, the exchange will record two more listings before the end of this year and mentioned the Vanguard Assurance Company and a fund he declined to disclose its identity as the two institutions currently preparing to float part of their stakes on the bourse. Mr Yamoah said Intravenous Infusions Limited (IIL), an indigenous pharmaceutical company based in Koforidua, was also working at listing. The exchange entered its 23 year of trading this year and is currently rated the best performing bourse in Africa. *(Ghana Web)*

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Kenya

Corporate News

Pretax profit at Kenya's Uchumi Supermarkets rose 20 percent to 485.9 million shillings in the year ended June, the company reported on Tuesday. It posted earnings per share of 1.35 shillings against 1.03 shillings last year. *(Reuters)*

Kenya's Mumias Sugar fell to a 2.24 billion shilling pretax loss in the year through June, the company said on Tuesday, blaming higher regional supplies and cheap imports for a fall in prices. Shares of the company, Kenya's biggest grower and miller of sugar, fell 2.7 percent to 3.65 shillings after it acknowledged its results were below expectations. However, Mumias said it was confident of returning to profit soon. "The global and regional sugar supply has increased, resulting in much lower selling prices which further (hit) ... turnover when coupled with low production," Mumias said in a statement. "Cheap sugar imports also served to depress prices." Revenue in the 12 months through June fell 20 percent from the year before, when Mumias posted a profit of 1.76 billion shillings. Mumias said its sugar production fell 15 percent on the year to 147,320 tonnes, due to a fall in harvested cane and reduced factory efficiency. Low cane supply also led to a fall in power sales from its plant that burns bagasse, a sugar waste product, to generate electricity. *(Reuters)*

Kenya's Uchumi Supermarkets will launch a 1.5 billion shilling rights issue by December to fund expansion locally and within east Africa, Kenya's Business Daily newspaper reported on Thursday. "According to our timetable, the rights issue is slated for November, latest December," the newspaper cited Uchumi Chief Executive Jonathan Ciano as saying. Uchumi, ranked Kenya's second biggest supermarket chain by sales, announced this week a 20 percent jump in pretax profit to 486 million shillings in the year through to June. It already operates in neighbouring Tanzania and Uganda and plans to enter Rwanda and South Sudan. *(Reuters)*

Economic News

Kenya's inflation rate increased to 6.67 percent in the year to August from 6.02 percent a month earlier, the statistics office said on Friday, a rise which had been expected because of higher fuel prices and a new VAT law. Inflation has roughly remained within the government's preferred medium-term range of 5 to 7 percent since August last year. The central bank kept its key rate at 8.50 percent in July to allow previous cuts to filter through the economy. The next meeting of the monetary policy committee is on September 3. A Reuters survey of 16 economists taken over the past week forecast rates would stay on hold until at least the end of this year to counter rising inflation and pressure on the shilling. Duncan Kinuthia, head of trading at Commercial Bank of Africa, said before the announcement: "Unless inflation goes beyond 7 percent I don't see ... (the central bank) acting yet." Analysts had expected inflation to rise partly due to higher fuel prices and the coming into effect of a new VAT law that increases the number of goods and services subjected to the tax. *(Reuters)*

Kenya could seek as much as $2 billion dollars from its debut Eurobond issue, double the previously stated $1 billion, the country's finance minister said on Tuesday. Treasury Secretary Henry Rotich said he was confident east Africa's biggest economy would match the yields secured by other sub-Saharan states, despite questions over Kenya's rising public debt. "Once we prepare the documentation we will firm up the numbers. It will be more than $1 billion dollars but not more than $2 billion," Rotich told Reuters. Kenya has said it expects to tap international debt markets before the end of this year. It initially planned to issue a $500 million Eurobond but that was shelved after nationwide violence in early 2008 following a disputed election that stunted economic growth and because of the global financial crisis.
In 2012, the Treasury doubled the size of the planned Eurobond to $1 billion. Rotich did not specify why the target amount was being raised, but said the country had a "very favourable rating with Standard and Poor's and Fitch. "...The global market is very stable, so there is no reason why we should get something different from what (other) emerging markets are getting now." Rwanda sold a debut $400 million

Eurobond in April at a yield of 6.875 percent, signalling strong appetite for emerging market debt as rock-bottom interest rates in the developed world left investors searching for yield. But since then, emerging markets have experienced a selloff on expectations that U.S. monetary stimulus will soon be scaled back and on concerns about possible U.S.-led military intervention in Syria. *(Reuters)*

Kenya's central bank held its key lending rate at 8.50 percent on Tuesday, in line with market expectation, saying inflation was within an acceptable margin of its medium target for inflation. A Reuters poll ahead of the decision had forecast Kenyan policymakers would leave the bank's benchmark rate unchanged until at least the end of the year to help counter inflationary pressures and a bearish currency. The Monetary Policy Committee also noted festering risks to the economic outlook of east Africa's biggest economy. It said political instability in the Middle East and North Africa had led to higher oil prices and could hurt Kenya's tea exports, an important source of hard currency. "These developments coupled with the high current account deficit remain a threat to macroeconomic stability," the MPC said in a statement. The government holds a medium term inflation target of 5 percent, plus or minus 2.5 percent. Inflation climbed to 6.7 percent in August from 6 percent in July. The MPC said that new Value Added Tax measures that came into force this week would contribute short-term inflationary pressures but that these would be mild. *(Sharenet)*

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 Bank of Mauritius said on Wednesday it would auction a 10-year Treasury bond worth 1.2 billion rupees on September 11. The central bank said in a statement that the coupon rate would be set equal to, or higher than, the lowest accepted yield at auction. At the last sale of a 10-year bond in July, its weighted average yield stood at 6.52 percent. *(Reuters)*

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Nigeria

Corporate News

UNITED Bank for Africa Plc (UBA) has unfolded a new strategy known as Project Alpha, in an effort to consolidate its Pan-African status with operations in 19 African countries, New York, London and Paris. The strategy, which marks the Group's next stage focus for strategic transformation, is a three-year route map of key initiatives, designed to consolidate the Group's strategic positioning and fully capture the opportunities from Africa's economic renaissance and the Group's unique platform. According to the bank, it has for eight years executed a dedicated strategy of local, regional and global expansion, which implementation has seen the Group move from a national player to an institution of international prominence. To drive this, the group is reinforcing its senior African leadership with the appointment of Emmanuel Nnorom, as the Chief Executive Officer of UBA Africa. He was the Executive Director, Finance and Risk Management at UBA. Also Apollos Ikpobe has been appointed as Deputy Managing Director, Domestic Bank and Ms. Obi Ibekwe as Executive Director, Human Resources and Customer Service, while the Central Bank of Nigeria (CBN) has already approved the appointments. Ikpobe was an Executive Director at Zenith Bank for seven years and is expected to bring his over 21 years of experience of the Nigerian banking sector to drive UBA's domestic business in Nigeria, while complementing the existing Deputy Managing Director, Kennedy Uzoka, who is responsible for Resources and Treasury.

The new Executive Director of Human Resources and Customer Service, Ibekwe, had a distinguished career with Zenith Bank Plc, where she was responsible for Human Resource Management and Customer Service, as well as Credit Risk Management. She has a background in consulting, banking and customer service, which is critical for leading the renewed service excellence culture at UBA. Her appointment to the board brings to five, the number of female Directors at the group's board of UBA. Also, Rasheed Adegoke, General Manager has been appointed the Group Information Technology. Adegoke joined UBA from First Bank of Nigeria Plc, where he was Chief Information Officer, a role he has held for over 13 years at different institutions in the Nigerian financial services sector. Other senior level appointments in UBA Africa include Mrs. Amie Sow, Managing Director, UBA Senegal; Demola Ogunfeyimi, Managing Director, UBA Tanzania; Mamadou Sanon, Managing Director, UBA Gabon; Martin Che, Managing Director, UBA Congo Brazzaville; Marcel Bitang, Managing Director, UBA Democratic Republic of Congo; Stanley Ugwueze, Managing Director, UBA Zambia; Mrs. Abiola Bawuah, Deputy Managing Director, UBA Ghana; Benedict Nklama, Executive Director, UBA Kenya; Wilbrod Owor, Executive Director, UBA Uganda and Chinedu Obeta, Executive Director, UBA Sierra Leone.*(Guardian)*

The CEO of African lender Ecobank has forgone his bonus as part of efforts to rebuild confidence after Nigeria's SEC said it was investigating corporate governance issues at the bank, a spokesman said on Monday. Ecobank Chief Executive Officer Thierry Tanoh has passed up his bonus award and "reverted to the original terms of his contract," bank spokesman Jeremy Reynolds said in an email to Reuters. He did not specify the size of the bonus. A senior source at Nigeria's securities regulator said on Friday that Togo-based Ecobank was being questioned over an alleged misstatement of its 2012 performance. Nigeria's SEC spokesman Obi Adindu declined a telephone interview, but on Monday sent a text message to Reuters saying that "the thrust and focus of those investigations is corporate governance."Adindu also told Reuters that "as of today, the SEC is not investigating misstatement of ETI's 2012 account." He also said their investigation was now about someone in the bank "being pressured to commit (a) misstatement," without elaborating further. The initial complaint about governance came from Laurence do Rego, the bank's suspended head of finance, whom Ecobank had suspended.

Ecobank's Reynolds said in an email that Do Rego's original allegation was that Tanoh had tried to pressure her to alter the 2012 results, but that she had refused. "Thierry is clear that he made no such request," he added. The bank's shares closed down 2.32 percent on Monday, underperforming the Nigerian banking index, which rose almost 1 percent. Ecobank is often touted as a pan-African banking success story, with a high-growth, aggressive expansion strategy. In July, the lender denied that it had broken any company rules in issuing loans to businesses associated with its chairman Kolapo Lawson. *(Reuters)*

The Ecobank Transnational Incorporated (ETI) Monday maintained that its 2012 consolidated financial accounts were audited and properly certified by its auditor, the PriceWaterhouseCoopers (PwC). The pan-African bank, which said this in a statement, said the result was published under the International Financial Reporting Standards (IFRS), contrary to allegation that it was misstated. They were reports at the weekend that the Securities and Exchange Commission (SEC) was investigating the ETI over an alleged misstatement of its 2012 financial performance. A source at the commission had revealed that SEC held meetings with Ecobank's board of directors on August 6 to discuss the issue, which was raised by a suspended former head of finance at the bank. But the yesterday's ETI statement explained: "Ecobank Transnational Incorporated today responded to speculation in the media about its 2012 accounts. The 2012 consolidated accounts of ETI were audited and certified independently by PriceWaterhouseCoopers. "They are published under IFRS. Contrary to media speculation there was no allegation that these accounts were misstated. ETI will continue to cooperate fully with any of the regulators in its 34 African markets. "ETI fully subscribes to strong ethical standards and transparency and continues to value the role of regulators in all jurisdictions in which it operates."*(This Day)*

In furtherance of the financial inclusion drive of the Central Bank of Nigeria (CBN), Skye Bank Plc has said it introduced two new products to cater for the banking needs of the socially and financially disadvantaged in the society. The new products, Skye Flex account and Skye Ease account, are savings accounts that relax the Know Your Customer (KYC) requirements for account opening to ensure that the majority of the unbanked populace is catered for. A statement quoted the General Manager, Retail Banking, Skye Bank Plc, Mrs. Arinola Kola-Daisi, to have described the Skye Flex account as a low-value account that does not require any supporting documents apart from the account opening form and passport photograph to open an account with the bank. She explained that a customer only needed to fill an account opening form and submit two passport photographs. The account has as its features zero opening balance, access to mobile banking products in addition to attractive interest rate. Kola-Daisi described Skye Ease account as a medium-value account which requires the account opening form and passport photograph, along with proof of information submitted. Features of the account are zero opening balance, access to mobile banking products and attractive interest rate. She said the new products complement the existing savings accounts that the bank has, which include the Skye Save, Skye Rainbow (for children), Skye Classic Wise and Skye Wise accounts. The banker also advised members of the public to key into the bank's Skye Dreams programme which is a customer loyalty programme that rewards customers on the basis of points accumulated through banking with it. She revealed that rewards that customers could enjoy ranged from air tickets, household items, among others, and urged members of the public to avail themselves of those benefits. *(This Day)*

Nigeria's United Bank for Africa (UBA) has invested $700 million this year financing power assets in Africa's second biggest economy and is looking to put $2 billion into power projects across the continent over the next three years, CEO Phillips Oduoza told Reuters on Tuesday. Oduoza also said he expected the bank to grow loans by around 14 percent in the next six months, as it had done in the last six months. Nigeria is reforming its electricity sector in a privatisation scheme meant to end the country's chronic power shortages. President Goodluck Jonathan last week said bidders for state electricity assets had completed payments, clearing a major hurdle in the process. "We have been financing different parts of the power sector both generation and distribution. We are looking ... in Nigeria and across Africa with around $2 billion in the next 3 years," Oduoza said on the sidelines of an economic conference in the Nigerian capital Abuja. Of that, he said around $1.2 billion would be earmarked for Nigeria, a country suffering massive power shortages as demand outstrips supply, forcing those who can afford it to rely on diesel generators. The state-owned monopoly power firm has been broken up into 11 generation companies and six distribution companies, all being sold separately to private consortia, for a total of around $2.5 billion. UBA said in May it expected to grow its loan book by 30 percent this year, up from 6 percent in 2012, as it targets consumer and infrastructure financing. "The top line loan growth by first half was about 14 percent ... for the next half we are expecting about the same thing," Oduoza told Reuters. He added that African countries outside Nigeria continued to be a growing part of the business, expected to be about 22-25 percent this year, up from 19 percent last year. *(Reuters)*

In view of recent media reports on Ecobank Transnational Incorporated (ETI), the Securities and Exchange Commission (SEC) Tuesday confirmed it was investigating allegations of corporate governance breaches at the pan-African bank. The commission, which disclosed this in a statement, assured investors that it would ensure that they are adequately protected. The bank's Executive Director of Risk and Finance, Laurence do Rego had last month alleged that she was pressured to write off debts owed by a business chaired by ETI's Chairman, Mr. Kolapo Lawson, and had also alleged that the bank's 2012 results were manipulated. "We assure the investing public that the investigation will as usual be thorough and rigorous and will ensure adequate protection of the investors," SEC declared. Meanwhile, the Chief Executive Officer (CEO) of ETI, Mr. Thierry Tanoh, is expected to forgo a $1.14 million bonus for 2012 as the bank reviews its corporate governance structure following Rego's allegations. Also, Rego is expected to meet the board next week, the bank's spokesman, Jeremy Reynolds, told Bloomberg via an e-mail. The ETI had on Monday insisted that its 2012 consolidated financial statement was audited and properly certified by its auditor, the PriceWaterhouseCoopers (PwC). The pan-African bank had also said the result was published under the International Financial Reporting Standards (IFRS), contrary to allegation that it was misstated.

Continuing, Reynolds said the bank, which operates in more African countries than any other, would appoint external advisers to review governance. He noted that while the bank did not agree with Rego's allegations, "she has the opportunity to elaborate and present her evidence to the board." Rego is not attending work at Ecobank while the bank investigates a possible misstatement of her qualifications made when she joined 11 years ago, Reynolds said. Rego had said she did not lie about her qualifications. The new allegations against Ecobank emerged after SEC met with the board last month. Lawson had also reached an agreement with the Asset Management Corporation of Nigeria (AMCON) over his outstanding debts. Ecobank's board had also said there was no financial impropriety by Lawson. "ETI will continue to cooperate fully with any of the regulators in its 34 African markets. ETI fully subscribes to strong ethical standards and transparency and continues to value the role of regulators in all jurisdictions in which it operates," Ecobank said on Monday. *(This Day)*

Beta Glass Plc Tuesday announced a growth of 52 per cent in net profit for the half year ended June 30, 2013 just as the Nigerian equities market returned to the bears zone. Beta Glass, which manufactures, distributes and sells glass bottles and containers reported a net profit of N788.752 million in 2013, up from N501.852 million in the corresponding period of 2012. The growth in profit was higher than the 30 per cent growth witnessed in revenue and gross profit. Revenue stood at N6.761 billion in 2013, compared with N5.198 billion in 2012. Gross profit rose from N1.352 billion in 2012 to N1.770 billion in 2013. However, reduction in finance costs boosted the net profit of the company, resulting in earnings per share of 158 kobo in 2013, up from 100 kobo in the corresponding period of 2012. Despite the growth in half-year profit announced by Beta Glass, its share price stagnated at N13.18 per share. But the stagnation appears to be a blessing for the equity as some other stocks recorded significant price declines in a day the market returned to the bears' territory.

Trading had resumed the previous day on a positively note with the Nigerian Stock Exchange (NSE) All-Share Index (ASI), gaining 0.24 per cent to close at 36,337.15. However, the positive trend was reversed Tuesday as the gains of the previous day were wiped out yesterday. The ASI shed 0.29 per cent to close at 36,230.83, while market capitalisation shed N34 billion to close at N11.491 trillion. The bearish trading was not restricted to Nigeria alone as most markets across Africa, apart from Ghana and South Africa, witnessed negative trading sessions as well. The depreciation in the Nigerian market notwithstanding, it has the third highest year-to-date (YTD) growth of 25.9 per cent as at Tuesday. Ghana is leading with 65.43 per cent followed by South Africa with 25.94 per cent. *(This Day)*

A report by analysts at Cordros Capital Limited, an investment and financial advisory firm, comparing the performance indicators of banks for the half year ended June 30, 2013, has rated Guaranty Trust Bank (GTBank) Plc as the most efficient bank in terms of unit cost per unit earning. According to the report, which made available to THISDAY last Monday, while industry average cost to income ratio stood at 67.25 per cent, GTBank ended the period with 41.5 per cent. "This suggests that GTBank is the most efficient bank in terms of unit cost per unit earnings. On the other end of the spectrum, Access Bank and Union Bank of Nigeria are again lagging behind their peers as they have the highest ratios in the industry at 77.7 per cent and 77 per cent respectively. These rates are about 15.54 per cent higher than the industry average. Access Bank's high cost-to-income ratio was largely driven by declining interest income streams and rising interest expenses," the report said. In terms of gross earnings, the report pointed out that banking sector has been able to grow earnings on a Year on Year (YoY) basis but this growth was largely driven by Tier 2 banks. According to the report, on a YoY basis, the industry recorded an average gross earnings growth of 15.92 per cent, noting that of the 15.92 per cent average growth in gross earnings, Tier 2 banks accounted for 81.15 per cent while tier 1 banks accounted for only 18.85 per cent. "The outstanding performer was Stanbic Bank, which recorded a 30.1 per cent jump in gross earnings, a growth that was largely driven by a 74.18 per cent spike in non-interest income. Access Bank and Union Bank actually posted a five per cent and 0.9 per cent decline in gross earnings respectively to close the half year as the worst performers," the report added.

The analysts noted that although the average growth in Profit after Tax (PAT) on a YoY basis was 29.80 per cent, this figure masked the fact that this average was largely driven by a surge in PAT at Stanbic bank (104 per cent), Sterling Bank (97 per cent), and ETI (94.2 per cent). "If we calculate the average growth in PAT ex Stanbic bank, ETI, and Sterling Bank, we arrive at a figure of 11.1 per cent, much lower than the initial figure. Access Bank and UBN again underperformed by posting declines of 20 per cent and 5.7 per cent respectively. We are of the view that the average PAT growth ex the three star performing banks is artificially inflated by Access Bank's write-back in its credit portfolio which accounted for 49.16 per cent of the absolute PAT value in H1 2013. If we were to strip out its write-backs and just focus on underlying PAT, the conclusion we would arrive at is that the average PAT for the industry ex the three top performing banks was uninspiring," they said. They stressed that this reality is particularly worrisome going forward, considering the fact that the industry faces increased costs linked to the recent CRR hike on public funds which will in turn affect underlying earnings. *(This Day)*

One of the reinsurance firms in the country, Continental Reinsurance Plc (Continental Re) has entered into partnership with one of the leading reinsurers in the world, Swiss Reinsurance Company Limited, (Swiss Re), to make insurance services accessible to Nigerians. The Head of Products Origination at Swiss Re Life and Health Africa, Mr. Lloyd Campbell-Gibson, said Swiss Re is partnering Continental Re to help bring cost effective and accessible life insurance to the public. "We are here to gain a deeper understanding of the Life market together with Continental Re and to see how we can facilitate an increase in Life market penetration over the medium term, because we see a lot of potential in Nigeria," he said. Visiting Continental Re in the company of some executives of CaseJohnson, a distribution company in Lagos recently, Campbell-Gibson observed that many people who need life assurance had no form of insurances before now. There is need to get life assurance to the public in a cost effective way and simplify it for people to understand, he affirmed. The Swiss Re representative emphasised that the partnership with Continental Re and CaseJohnson was an important step in the journey towards making distribution of Life insurance cheaper. "It is important that whatever we do is appropriate for the local market. This is why we are spending a lot of time trying to understand the needs of the Nigerian Market," he said.

Executive Director (Life), Continental Re, Mr. Gbenga Falekulo, said his organisation had a long standing relationship with Swiss Re, adding that a major challenge in the local market is relates to finding ways to increase the sale of life policies and to ensure capacity is available. It is important that we are able to bridge these gaps, Falekulo stressed. "We are in partnership with Swiss Re and we want to deepen life insurance. Many firms have been pursuing government and corporate businesses with premium not coming as and when due. We want to work with life insurers to help them deal directly with individuals because we have a huge population in the country," the Managing Director of Casejohnson, Mr. Bruce Sahd, said. He confirmed that Swiss Re Life had a good collaboration with Continental Re and that it is impressed with the latter as a distribution company even as it is keen about developing life insurance distribution channels in Nigeria and other West African countries through this partnership. "Continental Re is very well represented in Nigeria, through this partnership, we will bring in distribution strategies that make use of technology, micro-insurance know-how, and large scale telemarketing," he said. *(This Day)*

When shareholders of Total Nigeria Plc, the highest priced stock in the petroleum products marketing sector of the Nigerian Stock Exchange (NSE) met last June, they commended the board and management of the firm for its 2012 performance. They were so pleased for receiving a bumper harvest of dividend that stood at N11 per share. The shareholders therefore pledged to support the company going forward. However, going by the half-year (H1) results of Total Nigeria as at June 30, 2013, the shareholders may not receive a higher dividend for the current financial year. While the company posted increase in revenue for the H1 of 2013, its profit declined. In his report to the shareholders in respect of 2012 results, Chairman of Total Nigeria, Mr. Momar Nguer, had assured them that although 2013 was envisaged to be marred by challenges, the company was well-positioned to overcome the challenges of the business environment as it has the human capital and experience to do so. "We envisage that 2013 will continue to provide us with opportunities for growth and investment and it is a year within which we shall consolidate on our past achievements, take advantage of growth the Nigerian economy will offer and deliver value to our shareholders and other stakeholders," Nguer said. However, given the H1 results of Total the management and board would have to work harder for the remaining half of the year to bring the promise of delivering good value in 2013 to a reality.

Total Nigeria, formerly known as TotalFinaElf Nigeria, emerged from the successful merger between Total Nigeria and Elf Oil Nigeria Limited in 2001. The company was incorporated as a private company in 1956 to market petroleum products in Nigeria. It transformed into Total Nigeria Limited in 1967 and Total Nigeria Plc in 1978 after it went public in accordance with the Nigerian Enterprises Promotion Decree (1977). The company's mission statement is: "We are in business to ensure total customer satisfaction by the creation of quality products and services delivered with a strong commitment to safety and respect for the environment and the sustainable development of resources. This objective drives all our corporate actions and the mutual acknowledgement of them by our partners forms the basis for our business relationships. To sustain this objective, our commitment is to constantly strive to improve our productivity so as to build and sustain a work culture that is firmly rooted in professionalism, respect for employees, internal efficiency and dedicated service." The company inaugurated its first filling station in Yaba, Lagos in 1956 and has since expanded its business through a network of over 500 retail outlets and corporate customers and organisations that are served through five regions. Also, with the support of Air Total International Paris, Total Nigeria is well established as one of the major suppliers of aviation fuel to the aviation industry in Nigeria. Besides, in order to maintain and consolidate its unique position in the oil industry, the company established three lubricants blending plants in Delta State, Kaduna State and Lagos State. The company equally invested in the bottling of Liquefied Petroleum Gas (LPG).

Total Nigeria is run by a board comprising 11 members. The board is led by Nguer as chairman while the managing director is Mr. Francois Boussagol. Other directors are: Wilfred Konde (Executive Director); Wole Adeyinka; Kanu Ukonne; F. Majekodunmi; Tejiro Ibru; Denis Toulouse; Ahmed R. Sirajo and Thibault de Langlais. Total Nigeria has a share capital of N169,760,918 made up of 50 kobo ordinary shares authorised and fully paid up. A breakdown of the shareholding structure indicates that Total S.A. Paris holds 45.24 per cent. Elf Acquitaine Paris holds 16.48 per cent while Enifor Limited holds 8.12 per cent. Nigerian shareholders hold the remaining 30.16 per cent. Total Nigeria ended H1 of 2013 with revenue of N117.294 billion, up by 6.7 per cent above the N109.838 billion in the corresponding period of 2012. Gross profit rose by 20 per cent from N12.909 billion to N15.54 billion in 2013. However, high cost of operations reduced the growth in operating profit to only 6.9 per cent to stand at N5.014 billion compared with N4.687 billion in 2012. However, Total ended the period with a decline of 17 per cent in profit from N2.924 billion to N2.409 billion. A further analysis of the results showed that the performance was affected majorly by the high growth in administrative expenses and finance costs. Specifically, administrative expenses rose by 29 per cent from N.449 billion to N8.377 billion, while finance cost soared by 219 per cent from N365.352 million to N1.165 billion in 2013. Total also recorded high negative cash flow of N15.902 billion, up from N11.212 billion in 2012.

The share price of Total is currently the highest priced in the petroleum products market sector of the exchange. It closed at N157.05 per share last Friday. Mobil Oil is the closest with a price of N112, while Forte Oil Nigeria Plc, MRS Oil Nigeria Plc and Conoil Plc closed at N38.87, N36.14 and N29.80 respectively. Year to date, Total has recorded a capital growth of 36 per cent. But market analysts have attributed the high price of Total stock to its unavailability in the market. According to them, less than 30 per cent of the shares are available for trading on the floors of the exchange given the shareholding structure of the company. They explained that the shares held by Total S.A, Elf Acquitaine Paris and Enifor Limited, which is about 60.84 per cent, are not traded. Analysts added that even the significant portion of the remaining 30.16 per cent are equally not traded often because they are held by some institutional investors. They contended that due to the fact that demand for the shares always surpasses supply, the price of Total Nigeria will remain high. Assessing the H1 results of Total Nigeria, analysts at FBN Capital said Total missed their profit forecast by 15 per cent. According to them, the forecast was missed, following a weaker-than-expected start to the year in first quarter of 2013. "Lower import volumes in Q2 compared with a year ago weighed on sales but substantial increases in operating expenses(opex) and finance costs contributed also. Given the negative surprises over the last six months, we have reduced our 2013-14 estimated earnings per share (EPS) forecasts by an average of six per cent," they said.

Explaining the retention of neutral rating, the analysts said the results were weighed down by finance costs and opex again. "We now understand, based on management's comments, that Total Nigeria's Q2 2013 PAT came in at N1.2 billion, 31 per cent below what was published by the NSE last month because finance charges of N569 million were erroneously left out. Q2 2013 sales of N56.2 billion declined 4.4 per cent year on year(y/y) due to lower import permit volumes and a focus on high margin products," they said. The analysts added that although gross margin expanded 2.26 per cent y/y to 13.9 per cent, a 22.6 per cent increase in opex to N5.3 billion and a 65. 6 per cent rise in net finance charges weighed on profitability. "Consequently, Q2 2013 PBT fell 20.9 per cent y/y to N2.1 billion, while PAT of N1.3 billion declined 26.1 per cent y/y. Sequentially, although sales declined 7.9 per cent quarter on quarter (q/q), PBT and PAT both grew by over 10 per cent thanks to gross margins expanding 1.3 per cent q/q. "Compared with our estimates, sales missed by 11.5 per cent, PBT by 10.1 per cent and PAT by 14.7 per cent. Finance charges, which exceeded our forecast by 42.2 per cent, were the main driver behind the negative surprise in earnings (operating profit was only two per cent below our forecast)," they said. Looking ahead, FBN Capital stated they believe Total will continue to be cautious in growing sales volumes due to the regulated regime governing PMS (petrol) sales. "We expect import volumes (and therefore sales) to be flattish-to-slightly up q/q in Q3 2013. We also expect finance charges and opex to remain elevated, potentially weighing on profitability in H2. Consequently, we expect EPS to grow by just 3.8 per cent y/y in 2013," they said. It is believed that Total Nigeria can reduce its high finance costs through injection of cheaper funds. And the best way, analysts said, would be by opting to raise fresh funds via equity issuance. This, they said, could be in form of rights issue or public offering. According to analysts, an equity offering with an average cost that is below five per cent is a better option than bank borrowings that attract interest rates above 20 per cent. *(This Day)*

ACCESS Bank Plc has unfolded a communications strategy that is aimed at boosting the financial institution's next stage transformation programme that began 10 years ago. The transformation programme, which is a five-year strategy for 2013 through 2018, alongside a better communication to drive the project, was critical to the bank to consolidate its established principles anchored on ethical banking, sustainability and professionalism. The bank's Group Managing Director/Chief Executive Officer, Aigboje Aig-Imoukhuede, who underscored the importance of communications, noted that the financial institution had revamped its communications function, while investing in local skills and expertise supported by a team of global consultants to ensure that it delivers best in class communications. Explaining what needs to be communicated properly, he said that the bank has consolidated its position as a Tier 1, customer focused financial institution; second largest customer base (6.5 million); second most deployed Automated Teller Machines/Point of Sale (1,552/8,480); fourth most branch spread (349); fourth largest balance sheet (N1.74 trillion); and a dramatic growth over the last 10 years, which moved the bank from nowhere to one of Nigeria's largest banks. "Knowing our customers has always been at the heart of our business model and we have grown by helping our clients to achieve their goals and dreams, we will build on this. We are going to be one of the top three banks in Nigeria and we are going to show the world what Nigeria is capable of achieving," he said. He noted that over the past 12 months, the bank has surveyed its customers, local and international stakeholders and key decision makers, to ascertain their expectations, with responses going the directions of delivery of promises, helping to achieve customers' goals, respect and value.

"Our strategy from 2015 to 2018 includes entrenching customer centric operations; consolidated retail franchise; dominant corporate bank with our game changers; taking leadership position in Ghana operations; technology-driven competitive advantage; introduction of the multi -channel banking; and expansion of Africa-footprint in the most attractive markets. "We will also strive to be the preferred African Bank in the United Kingdom, instituting the industrialised global operating model; and attaining best in class technology in Africa," he said. The bank in its strategy of supporting the nation's inclusive banking initiative, is also planning to institute Nigeria's Female Entrepreneur of the Year award, targets one million mobile phone customers in the next 12 months and up the Early Savers financial literacy campaign. According to the bank, it has focused on Small and Medium Enterprises (SMEs) markets through series of initiatives and activities that would activate development across key sectors of the economy. Presently, 13 critical segments of the economy are already benefiting from its empowerment programme, facilitated by the creation of a full division for these segments, which is already serving over 200,000 customers to date. Imoukhuede explained that the bank has identified about 200 different initiatives that would change the face of banking, which implementations are ready to be rolled out soonest. According to him, the recent guidelines on Nigerian Sustainable Banking Principles have been championed by the bank as it leads its adoption in Nigeria and beyond; adoption of IFRS; and the drive for lending to the real sector.***(Guardian)***

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria's Dangote Industries clinched a $3.3 billion syndicated loan from banks on Wednesday for a 400,000 barrel-per-day oil refinery and petrochemical plant, saying the project would cut African reliance on international markets. Standard Chartered and Nigeria's Guaranty Trust Bank led the loan deal, which also involved two South African and eight Nigerian banks. Dangote Group, the umbrella company of Africa's richest man Aliko Dangote, has said it is seeking a further $2.25 billion from development funds for the $9 billion project, into which it would put $3.5 billion of its own equity, and which will also produce fertilisers. "As a result, several African nations will be less reliant on importing fuel and fertiliser from foreignmarkets, reducing the negative impact of negotiating terms within increasingly turbulent international markets," Aliko Dangote said at the signing ceremony in Nigeria's capital Abuja. Nigeria imports 80 percent of fuel needs and the lack of refining capacity is a major brake on Africa's second biggest economy. The company expects the refinery to be completed around 2016. A statement issued at the event said the plant will produce 2.8 million tonnes of urea for fertilising crops and polypropylene, used to make plastics and synthetic fabrics. The Dangote Group has interests ranging from cement to basic food processing to oil and gas. The statement said stronger profit margins at Dangote Cement , which makes up nearly a third of the stock exchange, meant it could afford to foray into such projects. "The project will significantly boost Nigeria's economic productivity and create valuable jobs," the head of Standard Chartered's Nigeria branch Bola Adesola said. Nigeria now has the capacity to produce some 445,000 barrels per day among four refineries, but they operate well below that level owing to decades of mismanagement and corruption. A boost to its refining capacity would be a blow to European refiners and oil traders, which make huge profits bringing gasoline into the country. Other banks involved in the loan were South Africa's Standard Bank and FirstRand, and Nigerian lenders Access Bank, Zenith Bank, Ecobank Nigeria Limited, Fidelity Bank, First Bank, Diamond Bank, UBA and First City Monument Bank. "I expect over the next year or two we will see other investors coming into the private refining sector," Oil Minister Diezani Alison-Madueke said at an economic summit in Abuja, where the signing took place.*(Reuters)*

Nigeria's biggest sugar refiner will spend $1.5 billion over the next five years on farming cane at home, its managing director said, responding to a government drive to make the country less reliant on its oil industry. Dangote Sugar Refinery, majority-owned by Africa's richest man Aliko Dangote, has previously shied away from the risks associated with growing cane itself and preferred to focus on refining imported raw sugar. But progressive hikes in government duties along with tax breaks and other incentives for agricultural development have persuaded it to think again. "In the next five years, we should be able to produce 1.5 million metric tonnes locally, from around 50,000 metric tonnes now," Abdullahi Sule told Reuters late on Tuesday on the sidelines of a conference in the Nigerian capital Abuja. He said the firm, which claims 70 percent of the domestic sugar market, would invest $1.5 billion in the process. Sule also said Dangote Sugar would expand its refining capacity to 2.5 million metric tonnes a year by the end of 2014 from 1.4 million now, at a cost of around $100 million. The company expects consumption of sugar in Africa's most populous nation to rise from 1.2 million metric tonnes in 2012 to at least 1.8 million this year and 2.2 million in 2014.

President Goodluck Jonathan is trying to revive farming to reduce Nigeria's reliance on a notoriously corrupt oil industry whose exports account for around 80 percent of government revenues, and to cut down its $11 billion-a-year food import bill. Agriculture makes up around 45 percent of the economy, against 15 percent from oil, partly because it feeds a huge domestic market of 160 million people. But the sector is in disarray and largely the preserve of peasant farmers. To encourage its development, the government has scrapped duties on imported machinery for sugar processing plants. Firms who invest from "sugarcane to sugar", rather than just on refining, have also been given a five-year tax break. Meanwhile, raw sugar import taxes rose to 60 percent, from 5 percent last year, and the government says they will keep rising to a level of around 90 percent. Nigeria has also banned imports of refined sugar in retail-ready packets, although supermarkets still stock them. Dangote Sugar's competitor Flour Mills of Nigeria is also planning major expansion into sugar production, Vice Chairman John Coumantaros told the Abuja conference. Dangote Sugar shares, which have risen around 76 percent so far this year compared with a 29 percent gain for Nigeria's stock index, were unchanged on Wednesday. *(Reuters)*

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Economic News

The African Development Bank (AfDB) and the Government of Djibouti on Monday, August 26, signed the funding agreements, totalling $7.5 million, for a geothermal exploration project in the region of Lake Assal. "The exploitation of geothermal potential in the Lake Assal region will enable the Djiboutian population to access reliable, renewable and affordable source of energy," said AfDB's Regional Integration Director Alex Rugamba, on behalf of the Vice-President, Infrastructure, Private Sector and Regional Integration, during the signing ceremony. The financing scheme includes a grant and a loan from AfDB's soft loan arm, the African Development Fund to the tune of US $5.3 million and US $0.4 million respectively. It also includes a grant of US $1.8 million from the Sustainable Energy Fund for Africa (SEFA). The contribution from the AfDB and SEFA will be used to continue to raise more financing and will serve as a catalyst to rally independent geothermal electricity producers. Speaking at the signing ceremony, Ali Yacoub Mahamoud, Djibouti's Minister of Energy in charge of Natural Resources, commended the African Development Bank for "breathing new life into this 20-year old project". With this first phase of the project, the government of Djibouti is taking the lead on the first exploration and appraisal drilling phase. The private sector will be responsible, in a second phase, for the production drilling, steam gathering system and electricity production and evacuation to the national grid.

Geothermal development has known a boost in East Africa during the past two years, and has been attracting more and more private investors, thanks to new financing schemes put in place by development finance institutions such as the African Development Bank. "Those innovative models help overcome the several risks associated with geothermal development, among which the most important one is the exploratory drilling risk, which is related to the probability of hitting dry wells during the exploration and appraisal drilling phase," said Youssef Arfaoui, Chief Renewable Energy Specialist. "By providing concessional finance to the early stage and high-risk activities mainly related to exploration and drilling, the African Development Bank paves the way for private investors to step in," he explained. The AfDB has successfully used that innovative model in 2011, for the Menengai Geothermal Development Project, supported by concessional financing to the tune of US $150 million. The Menengai project, once completed, will increase the energy supply in the country by an amount equivalent to the current consumption needs of 500,000 Kenyan households, 300,000 small businesses and some 1,000 GWh for other businesses and industries. At a much smaller scale, the Lake Assal geothermal exploration project will help expand geothermal development, by building regional capacities, to other Rift Valley countries in Sub-Saharan Africa such as Ethiopia, Uganda, Tanzania and Rwanda, which have considerable geothermal resource development potential. Currently Djibouti relies mostly on fossil fuels and some hydropower imports from Ethiopia. The majority of the country's current generation capacity is situated in Djibouti City. The existing power stations are old, polluting and expensive to operate. In addition, fuel imports are expensive and require important foreign-currency expenditure. *(This Day)*

THE Governor of the Central Bank of Nigeria (CBN), Mallam Sanusi Lamido Sanusi, has decried worsening unemployment situation in the country, which stands at 23.9 per cent. He said "the 2012 general household survey conducted by the National Bureau of Statistics revealed that 23.9 per cent of the adult working population in Nigeria is unemployed". Sanusi, who disclosed this Monday in Calabar at the official launching of the CBN South Entrepreneurship Development Centre (EDC), in collaboration with the Cross River Government, said that "the current rate of unemployment in the country was very worrisome, saying "this was adversely affecting the economic development of the country" and has posed a serious developmental challenge to the nation. He stated that "more worrisome is the fact that unemployment rate has exhibited a worsening trend, rising from 8.2 per cent in 1999 to 23.9 per cent in 2011.'' The CBN governor pointed out that the rate of unemployment in Cross River State was also rising astronomically from 7.9 per cent in 2002 to 18.2 per cent in 2011 and "this is obviously not only having significant effect on the psychology of the individuals concerned but have a distablising impact on the wider society". The CBN according to Sanusi, over the years had partnered with governments at all levels and various stakeholders to initiate policies and schemes that would help the youths in the country.

He noted that, the CBN-EDC programme has successfully completed the training of 41, 828 entrepreneurs between 2008 and 2013, adding that 13,124 jobs were also created and out of this number, 1,743 have been linked with financial institutions from which they obtained loans amounting to N227.84 million to start and expand their businesses. While enjoining the governments of the South-South states to take advantage of the programmes to advance the economic potentials of the youths, Sanusi said due to the success recorded in the first phase of the project, the apex bank was in the process of putting together the second phase for the South East, North West and South West zones. The Governor of Cross River State, Senator Liyel Imoke thanked the CBN for choosing Calabar as the centre for the EDC for the South South zone after a rigorous bidding exercise. Imoke said that Calabar had become not only a tourist destination but also an entrepreneurial destination, adding that the centre would complement the efforts of the state in its effort at economic empowerment of its people. "We, in Cross River are pleased to emerge as the centre for this EDC after a rigorous bidding process", he said, adding that much would be done to keep it the best in the country and serve the purpose it is meant for. *(Guardian)*

The Asset Management Company of Nigeria (AMCON) said on Monday it was seeking prospective investors to buy 100 percent of its shareholding in Enterprise Bank, the first of Nigeria's three nationalised lenders to be put up for sale. "Bad bank" AMCON, which holds non-performing assets of troubled banks, in July appointed Citigroup and Africa-focused investment bank Vetiva Capital to manage the divestment. AMCON said in a public notice that prospective buyers will be required to submit their bids by September 20, and show evidence of financing capacity. The central bank rescued nine lenders in a $4 billion bailout in 2009, after reckless lending and lax governance left them undercapitalised. The regulator told them to find new investors before a deadline or face nationalisation. Only six of them met the deadline. The others, Afribank, Spring Bank and Bank PHB, were nationalised in 2011. AMCON then recapitalised them and changed their names to Mainstreet Bank, Enterprise Bank and Keystone Bank, respectively. Based on Enterprise Bank's 2012 audited accounts, the bank has seven subsidiaries, 150 branches with total assets of 263.5 billion naira and total equity of 31.9 billion naira, AMCON said in the notice. *(Reuters)*

Nigeria's central bank will resist pressure to devalue the naira since it retains ample funds to defend the currency, a central bank spokesman said, and its governor is expected to stay the course until his term is up in 10 months. Nigeria's naira has fallen in recent months, trading outside the central bank's target band of 150-160 naira to the U.S. dollar since June, initially due to foreign investors booking profits on their naira assets, and on importers buying dollars. Central bank spokesman Ugochukwu Okoroafor said by telephone that the institution remained committed to the band. "We have the resources to meet demand. We are still determined to keep within that band," he said on Monday. Central bank deputy governor Kingsley Moghalu also said there were no plans to change the band in an interview with Reuters in London on Tuesday. "We are comfortable with the band as it is currently - we do not have any intention of doing anything spectacular," he said. But a similar naira weakness, partly caused by excessive spending prior to 2011 national elections, forced the central bank to lower the target band from 145-155 naira to the dollar in November that year, after months of struggling to prop it up. Pressure on the currency of Africa's second biggest economy will worsen next year as elections loom again in 2015 - traditionally at a time when government expenditure becomes very loose, pumping excess liquidity into the banking system. "It's the case all over the world - governments tend to spend a lot leading up to elections," Moghalu said. The unit has hovered around the 162-163 level in recent months, on strong demand for dollars. It touched a 20-month low of 163.70 naira to the dollar last week. It closed at 163.10 naira to the dollar on Monday, after it became clear the central bank would not intervene again to prop it up. By 0910 GMT on Tuesday it had rebounded to 162.90. "We believe that the probability of (moving the trading band) is slim in the coming months," said Gaimin Nonyane, an economist at Ecobank, adding that the bank had ample funds.

"Such a move would ... increase inflationary pressures. Given the central bank's commitment to promoting price ... stability, we think the current rate ... will be maintained." Nigeria's consumer inflation ticked up to 8.7 percent in July, though Moghalu said he expected it to stay in single digits this year. Central bank governor Lamido Sanusi has repeatedly warned that excessive election spending poses an inflation risk that he is ready to counter with tight monetary policy. Analysts expect Sanusi will stick to that path until his planned departure next July when his five-year term expires. "The central bank will continue to defend exchange rate stability ... as long as governor Sanusi remains in charge," said Standard Bank's Samir Gadio. Sanusi has spent billions of dollars of foreign reserves over the past months in keeping the naira, which has lost 4.6 percent since the year, within its target corridor. But Nigerian foreign exchange reserves stood at $46.85 billion by Aug. 29, down only 0.23 percent month-on-month from July, so they are not being rapidly depleted. "Nothing about the central bank's recent guidance or behaviour suggests that is about to allow a devaluation of the naira," said Alan Cameron, economist at CSL Stockbrokers. The bank tightened liquidity significantly in July, slapping a 50 percent reserve requirement on public sector deposits, up from 12 percent previously. That sucked 1 trillion naira out of the banking system and although the effect on the naira was shortlived, it showed the lengths to which the bank will go. Moghalu said, however, that the purpose of the reserve requirement hike was to encourage banks to lend more, rather than to boost the currency. "We would like to see more real economy lending and an expansion of the deposit base, and higher deposit rates, so that people can save," he said. Another factor, said Charles Robertson, economist at Renaissance Capital, was that pressure on emerging market currencies generally could subside in the coming weeks, so the naira may start to recover all by itself. "We are comfortable," said Moghalu. "The naira has appreciated a bit in recent days." *(Reuters)*

Pension Fund Administrators (PFAs) are finding non-government bonds more attractive as they have invested about N246.8 billion in such bonds as at last June, THISDAY checks have revealed. The investments portfolios of PFAs have been dominated by federal government bonds due to their perceived relative safer nature, higher yields and liquidity. For instance, non-government bonds accounted for only 0.4 per cent of PFAs investments portfolio in 2007, which was only N300 million. However, this has increased to seven per cent of their portfolio as at end of June, 2013. Speaking in an interview with THISDAY, the Vice President and Treasurer of International Finance Corporation (IFC), Mr. Jingdong Hua, whose corporation has shown renewed interest in the Nigerian bond market, said PFAs' investment in non-government bonds has increased from N0.3 billion in 2007 to N246.8 billion as at June 2013. IFC, which is the private arm of the World Bank, early this year issued the first local-currency bond by a non-resident issuer in Nigeria and successfully raised N12 billion. And the corporation has launched its first long-term, local-currency bond programme of about $1 billion in Nigeria that would enable it issue series of local-currency bonds to deepen the domestic capital markets and support private sector development in Nigeria. Hau said the growth in PFAs investment in non-government bonds would continue to improve given the upper regulatory limit of 35 per cent. He noted that a greater number of attractive investment alternatives such as such as the IFC triple-A rated bonds, would also increase opportunities for PFAs to engage in the bond market.

According to him, PFAs are accumulating contributions and they would continue to seek sound investments that provide fair returns while also offering a benefit to Nigeria. "Numerous reforms put in place by the authorities, as well as PenCom's efforts to increase pension fund participation through targeted asset allocation regulations that encourage PFAs to diversity their investments, are supporting deeper engagement of pension funds in the domestic bond market ," he said. Speaking on the improved momentum for the Nigerian bond market, Hua attributed the development to some factors including consistent economic growth; favourable demographics through a rising middle class and a young population. "The inclusion of Nigerian federal government notes in the JP Morgan and Barclay's emerging market indexes and proactive efforts by the authorities to put in place reforms that facilitate bond issuances have all led to increased investor interest in the Nigerian capital markets," he said. The IFC chief said the secondary segment of the bond market can be deepened when relatively large benchmark issues which can have greater liquidity are made. However, he said such issues should be supported by some market-making mechanism. "We hope that reforms undertaken by the Nigerian regulators will help boost foreign and domestic investors' participation, increase the number and size of issuances of non-government bonds, expand hedging instruments and improve market infrastructure for a better functioning secondary market," he said. *(This Day)*

The Wholesale Dutch Auction System (WDAS) for foreign exchange experienced a decline in market demand in August as the Central Bank of Nigeria (CBN) offered a total of $2.4 billion. This represented a decline by 27.2 per cent or $900 million, compared to the $3.3 billion offered in July. Data at the CBN's bi-weekly forex auction for August compiled by THISDAY however showed that the central bank sold a total of $2.165 billion to dealers in the month under review, also lower than the $3.298 billion sold in July. Dealers attributed the relative decline in dollar supply and demand at the regulated bi-weekly window to an increase in inflows from foreign portfolio investment in the fixed income market, which they argued helped in improving liquidity in the market. It was also gathered that the central bank sold dollars directly to the market to support the nation's currency.

The CBN offered $300 apiece at the eight trading sessions that were held last month. The lowest level the naira attained against the dollar at the WDAS was N155.76/$1; while its highest value in the month under review was N155.75/$1. The Ecobank Group said in a report: "Month-end dollar inflows from oil companies and intervention by the CBN in the interbank market have continued to provide some support to the naira. "Robust export earnings and capital inflows into government securities following Nigeria's inclusion into the JP Morgan and Barclays Emerging Market government bond indices have also had the same effect. "The CBN's decision to hold the monetary policy rate (MPR) unchanged at 12 per cent since October 2011 has also played a major role, in providing a large cushion to support the naira. Despite these positive developments, the naira has been on a weakening trend most of this year." It added: "There is a structural imbalance between dollar supply and demand, which reflects strong import demand driven by high levels of government spending, robust domestic demand, and insufficient domestic manufacturing activity and food production. As a result, the naira will remain under pressure." But commenting on the outlook for the naira, the Financial Market Dealers Association (FMDA) predicted that in the near term, the nation's currency would appreciate against the dollar following the withdrawal of public sector deposits in banks. *(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's energy regulator raised the prices of petrol, diesel and kerosene on Wednesday, citing higher global oil prices. The retail price of petrol was raised 2.79 percent, diesel by 1.13 percent and kerosene by 2.0 percent in the latest monthly price changes which take immediate effect, the Energy and Water Utilities Regulatory Authority (EWURA) said in a statement. The energy regulator raised the price of petrol in the commercial capital Dar es Salaam by 58 shillings per litre to 2,154 shillings, that of diesel by 23 shillings to 2,060 shillings, and kerosene by 39 shillings to 2,001 shillings per litre. Fuel prices are the second-biggest driver of inflation in Tanzania after food prices. The overall inflation rate fell to 7.5 percent in the year to July from 7.6 percent in June. *(Reuters)*

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Zambia

Corporate News

Zambia's statistics agency estimates that a re-basing exercise later this year will show that the country's $20.7 billion economy is a fifth bigger than currently measured as its mining industry has expanded. Africa's biggest copper producer has "completely" changed structurally since 1994, the current base year used for calculating the size of the economy, John Kalumbi, director at the Central Statistics Office, said yesterday by mobile phone from Lusaka, the capital. "The mining sector was in disarray at that time,"said Kalumbi. "In the last three or four years the mining sector has changed in terms of structure and contribution. There are other sectors that have come on board in the last 10 years or so, and these have also completely changed the structure of the economy." Zambia began selling its copper mines to private investors in the 1990s, reversing a nationalization program in the 1970s. Production plunged to 263,000 metric tons in 1997 from 750,000 tons in 1973, according to the Chamber of Mines.
The country has benefited from growing private investment in mining, as well as increased investment in agriculture, with GDP growing by 7.3 percent last year, according to the World Bank. The Central Statistical Office will re-base the coutry's GDP numbers once it has assessed the results of an economic census in October, which will form the base of the exercise, Kalumbi said. "It will be in the range of 20 percent higher," Kalumbi said. Zambia produced 818,000 metric tons of copper last year, and this will grow to 1.1 million tons by 2015, Yamfwa Mukanga, then minister of mines, said in April. The southern African country re-based its currency, the kwacha, at the start of this year, removing three zeros.*(Bloomberg)*

Economic News

MAIZE is poised to become Zambia's major earner if agriculture policies from all stakeholders are harmonised, a South African-based organisation says. Capacity and Development Services (CAPDEV) says if Zambia is to become a major maize exporter, the private sector and Government need to devise similar agriculture patterns aimed at increasing production in the country. CAPDEV executive director Samuel Nyambi said the agriculture sector has the potential to generate income through exporting agricultural products that bring about foreign exchange. "If Zambia is to become a major maize exporter in the region, similar agriculture patterns should be brought together by the private sector, Government and the Civil Society Organisations that will target increasing maize production in the country," he said. Mr Nyambi was speaking during the first Southern African Agriculture Development Partnership Platform (SADDPP) conference in Lusaka last week under the theme, "Innovative Approaches to increased private sector participation in agriculture development." He said participation of the private sector should be encouraged, and that SADDPP needs to be developed and implemented in Southern Africa to boost the performance of the agriculture sector in the region. He said, "We want to promote the agriculture sector so it can be able to create wealth, income and food security not only in Zambia, but also in the Southern region."

Mr Nyambi, however, said market integration is a challenge that needs to be addressed in the region. He said there is need to set up policies and regulations that will enable effective cross border trade in the region. "Regional market integration is another challenge that needs to be addressed, Governments should set policies and regulations in the region to enable trade practices among the countries in the Southern region," he said. Mr Nyambi said there is need to increase capacity building for smallholder farmers especially that they are the major maize producers in the region. He said lack of land access by smallholder farmers have hampered their performance in contributing to agriculture sector. "Capacity building and inadequate land availability is another challenge faced by smallholder farmers, this has affected the performance of the agriculture sector and hence should be addressed," he said. CAPDEV is an entity committed to contributing to development in Africa. *(Daily Mail)*

Zimbabwe

Corporate News

LAFARGE Cement Zimbabwe's after-tax profit for the half-year period ended June 30, 2013 declined by 3,8 percent to US$2,6 million due to lower sales volumes and the payment of retrenchment costs. Total revenue generated in the six months amounted to US$32,2 million, which was 6 percent lower than the US$34,3 million generated during the same period last year. The French-controlled company attributed the decline in revenue to the prevailing liquidity crunch on the market and a decrease in cement sales to the depressed overall domestic demand in the economy. In a statement accompanying the company's results, Lafarge chairman Mr Muchadeyi Masunda said he was optimistic that the company's performance would improve as a result of measures being implemented. Lafarge said that the statement of the group's financial position reflects favourable current asset position largely because of an increase in raw material as the company increased production capacity. "Following the successful implementation of various cost reduction exercises, profitability is expected to improve in the second half of the year," he said. The group said US$600 000 went towards settling obligations to employees affected by the retrenchment exercise that was effected during the half year. Basic earnings per share in the six months were unchanged at US3 cents per share from the prior period. The company added that their statement of financial position reflects a relatively favourable asset base which has improved to a value of US$62,4 million up from US$59 million in the prior period, mainly because of an increase in the stock of raw materials as they increased their production capacity.

In addition, the company said prospects were modest to high after the country held peaceful harmonised elections, which is expected to improve the operating environment and increase activity in the construction industry. As such, Lafarge said the net cash used in the company's operating activities during the half year rose more by than 600 percent from about US$90 000 during the prior period to almost US$700 000 the period under review. Lafarge's total current liabilities for the period under review increased by a marginal 2,7 percent from US$16,7 million to US$17,1 million largely dominated by trade and other payables, accruals and provisions and also related party payables.
The cement manufacturing concern said it has in the past five years injected about US$25 million into its plant upgrading exercise, a move that is aimed at boosting the company's operations while also easing product supply. *(Herald)*

MWANA Africa Plc executives have agreed to a 50 percent pay cut as the pan-African multi-commodity mining company bids for US$5 million in annual savings. The mining and development company announced in June its plans to save US$5 million from budgeted corporate costs. Mwana has suffered from lower commodity prices in 2013 and said in June it was hoping to save US$5 million a year and considering its options in relation to its assets and projects including Bindura Nickel Corporation and Zani Kodo. To that end, Mwana Africa said on Friday that the firm's non-executive directors had all agreed to the 50 percent reduction in their fees with immediate effect. Mwana chief executive Mr Kalaa Mpinga has since agreed to reduce his salary by 25 percent and waived his US$510 000 bonus awarded to him in March. "Senior management have agreed to salary cuts ranging from 15 percent to 20 percent, effective from 1 September 2013. The company has also decided to significantly scale down its London presence," Mwana said in a statement. The expected annualised savings from these cost cutting measures is US$2,6 million. Mwana said the remainder of the cost savings will primarily be achieved through a review of suppliers' contracts, reducing advisory costs and benefiting from ancillary savings associated with the scaling down of the London office. The multi-commodity mining giant has been facing challenges raising funding to support operations. Mwana needed US$15 million for its subsidiary Bindura Nickel Corporation to restart phase two of the Trojan mine, but the funds have been difficult to find in the debt markets as planned resulting in a funding shortfall.

BNC has since revised its mining plan to also target ore massives in an effort to increase revenue, reduce operational costs and hence the funding requirement. But Mwana contends that the success of the new strategy will depend largely on the company managing to get short-term bridging finance of at least US$5 million. The company intended to have a phased restart of BNC with the first phase to mine and produce concentrate and restart the smelter and refinery as a second phase. Mining at the Trojan mine started in September last year with first concentrate completed in April. The company was targeting around 7 200t in 22 months from restart and has an off-take with Glencore for 100 percent of the production. The funds raised last year took the company through the first year of a restart with further capital required in a year's time where they will be looking at debt funding options. Mwana owns 75 percent of BNC and 85 percent of Freda Rebecca. *(Herald)*

AICO Africa Limited has projected a significant loss for the year ended March 31 2014 largely weighed down by low intake volumes at its cotton small business unit, Cottco. The company said it was apparent that the level of cotton production this year was much lower than prior years as the cotton buying season comes to an end. "As a result intake volumes in our cotton small business unit are significantly lower than last year. Accordingly, Aico will post a loss for the year to March 31, 2014 that is substantially higher than the loss recorded in the year to March 2013," the company said. Last year, Aico recorded a loss of US$2,4 million, in the full year to March, as earnings went on a downward trend as the seed business performed poorly and a loss was recorded at the FMCG concern exacerbated by a free fall in international cotton prices. A sharp decline in local cotton output has been projected for this year while concerns abound that crop funding for the next season may be lower than the previous year. Preliminary figures obtained from the Cotton Ginners' Association indicated that cotton output could be as low as 145 000 tonnes, from the initial forecast of 250 000 tonnes. This would be 58 percent lower than the 2011/12 production of 347 000 tonnes. The CGA said lower output was due to poor "grower viability" which resulted in poor harvests while an estimated 30 000 tonnes are suspected to have been lost through side marketing. About 98 percent of cotton is grown under contract schemes. The schemes were introduced when farmers were failing to access finance from the banks due to lack of collateral. Cotton growers exhibiting at the Harare Agricultural Show last week said they had suspended production until prices become favourable. The farmers said they had incurred huge losses during the just-ended marketing season even though buyers kept on increasing producer prices. Aico, however, said the group was working on finding ways to reverse the situation and return to profitability. "The directors of both Aico and Cottco are engaged in identifying and mapping ways to contain the impact of this phenomenon as well as to come out of this difficult situation and will provide updates in due course," AICO said in a statement. To that end, Aico Africa said it was in the process of finalising capital raising projects and other disposals that will inject funds into cotton in a bid to boost its fortunes. Aico owns 100 percent stake in the Cotton Company of Zimbabwe, 50,2 percent in Seed Co and 49 percent in Olivine Industries. In 2011, the group shelved its proposed US$50 million rights issue which was expected to recapitalise its subsidiaries and retire a huge debt. *(Herald)*

METBANK'S after tax profit for the half-year period ended June 30, 2013 went up by about 27 percent to US$1,9 million compared to the same period last year's figure of US$1,5 million largely owing to a determined focus on diversified revenue generation and cost control as well as efficiency throughout the bank. Total comprehensive income realised for the period under review also grew by about 27 percent from the prior period to US$1,9 million. In a statement accompanying the results, Metbank chairman Mr. Wilson Manase said due to the efficiency throughout the bank, they had managed to maintain a stable cost to income ratio. "As a result of unrelenting focus on diversified revenue generation and cost control as well as efficiency throughout the bank, our cost to income ratio remained stable at 79 percent," he said. Metbank's total assets also took a 2,9 percent dip to end the period under review at US$191,6 million down from US$197,3 million the prior period while gross advances rose 12,5 percent to US$118,4 million . Deposits accounted for US$137,1 million representing a 6,9 percent decrease and as a result, the loans to deposit ratio rose from 68 percent to 86 percent as at June 30. The statement added that during the six-month period under review, macro-economic indicators showed some levels of stability, but generally indications are that economic performance remains hamstrung by the liquidity constraints, subdued fiscal revenue inflows and huge expenditure requirements on very limited resources. The bank's total liabilities decreased marginally by 7 percent from US$152,8 million to US$142,1 million largely owing to a decline in deposits from customers during the period under review compared to last year. Mr. Manase added that going forward, the bank would continue to implement the necessary strategies to ensure they are able to tackle the challenges that lie ahead.

"We will continue to implement all necessary strategies to ensure that Metbank is adequately equipped to exploit opportunities and also meet the challenges that lie ahead. "The Internet banking project for consumer banking customers is in progress and will be completed in the second half of the year," he said. He also said Metbank became the first bank in Zimbabwe to issue EMV (Europay, Mastercard and Visa) chip enabled Debit MasterCard, while the move will enable safer, smarter and more secure transactions across cards and remote payment channels.*(Herald)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

THE cattle banking project spearheaded by a unit of Lifestyle Holdings could be affected by lack of legitimacy and low confidence as there was no legislative framework or regulatory oversight guiding it, the African Development Bank (AfDB) has said. TN Livestock Trust (TNLT) takes cattle deposits and as of June 2013 had 265 head of cattle compared to 56 in the same period last year. Under the plan, farmers deposit their cattle and get a certificate of deposits which will be used as collateral when they borrow money from banks. "A possible challenge in this scheme is that there is no legislative framework and regulatory oversight for cattle banking in Zimbabwe, which could affect the legitimacy of the scheme and confidence of potential investors," AfDB warned in a July report on Zimbabwe. "Another challenge is that there is no mechanism that guarantees financially illiterate farmers from being unfairly remunerated on their cattle deposits." It said the implications of the scheme for the monetary authorities were that "they should come up with proactive measures for dealing with potential challenges in determining the interest rates". The AfDB noted that the successful implementation of the scheme might increase the demand for cash on the market. Farmers have been failing to access funding from financial institutions due to lack of collateral.

Most farmers in the 2012-13 farming season produced few crops due to the bad weather and low liquidity levels. According to the report, demand deposits as of May 2013 were almost half while savings and short-term deposits and long-term deposits were occupying the other half. "In the banking system in Zimbabwe, wide concern has been expressed about the predominantly short-term and transient nature of the bank deposits. "While ideally, banks can transform short-term deposits into long-term loans, the transformation in the case of Zimbabwe has so far been limited," the regional bank reported. The total banking deposits in June this year declined to $3,7 billion from $4,2 billion due to liquidity constraints resulting in the cost of funds being expensive. *(News Day)*

AICO Africa Limited's plans to dispose part of its shareholding in Olivine and seed producing company SeedCo will be concluded by year end, a company official has said. AICO hold a 49,3% stake in Olivine and 50,14% in SeedCo. The company's group chief executive officer Patrick Devenish told an annual general meeting last week that Olivine Industries continued to struggle and required working capital, while SeedCo needed enhancement in expertise, capital and technology. "Negotiations are at an advanced stage and we are in the process of conducting a due diligence. The transaction will be concluded by late November to early December," Devenish said. He said the group would dispose part of its stake in SeedCo to a global seed house. Devenish said the seed house was expected to bring capital, expertise and technology for the expansion of its operations particularly in East and West Africa. He said Aico was close to concluding negotiations for the restructuring of the group, adding that once funds were injected into Cotton Company of Zimbabwe (Cottco), the company would be fully operational. "The group is in talks with three of the companies to get new shareholding on board and this will result in recapitalisation of two of our subsidiaries," Devenish said. He, however, said Cottco would post a loss for the year ended March 31 2014. "For so many years we have seen that Cottco is not fully capitalised and once it is capitalised, it will return to profitability," he said. He said production of cotton had declined to 145 000 tonnes as compared to a targeted projection of 250 000 tonnes. AICO for the past three and a half years had been issuing cautionary statements that the group was contemplating a series of transactions to enhance shareholder value. *(News Day)*

THE Agricultural Development Bank of Zimbabwe has secured a $98,6 million loan from the Brazillian government to boost the agricultural sector as the country continues to reel under a high food import bill. In an interview yesterday, Agribank chief executive officer Sam Malaba said the development came hardly six months after the bank was removed from the sanctions list by the European Union in March this year. The bank has been on the sanctions list since 2008. "We signed the agreement on Tuesday on a government-to-government basis. The money will be used to finance the purchase of agricultural machinery and equipment," Malaba said. Malaba could, however, not comment on the interest rates and whether farmers would be required to submit collateral in order to access funding. "It depends on the source of the funding. We will discuss with government on what will be the conditions," he said. Farmers have been failing to access funding from banks due to lack of collateral as the issue of land tenure remains unresolved. Government is still to implement the use of acceptable forms of land tenure and security, including the negotiable 99-year lease. On Tuesday, the United Nations World Food Programme (WFP) estimated that 2,2 million people could require food aid by early next year due to poor harvests realised in the previous cropping season.

The mid-term fiscal policy review for the Second Round Crop and Livestock Assessment Report from the Ministry of Agriculture indicated that 798 600 tonnes of maize would be realised in 2013, down from an initial projection of 1 100 000 tonnes. The poor maize output is mainly a result of the erratic rainfall pattern witnessed during the 2012/13 season, which affected yields and hectarage. Out of the 1 442 845 hectares planted, 177 605 hectares were written off. This reduced harvested area from 1 265 237 hectares to 967 229 hectares during the same period. By May this year, the import bill stood at $3,2 billion compared to exports of $1,3 billion resulting in a trade deficit of $1,9 billion. Malaba said the bank was also negotiating with PTA Bank, African Development Bank, and African Export Import Bank for additional lines of credit. The agricultural sector requires an estimated $2 billion for it to perform optimally. Plans are already underway by government to dispose of a significant stake of the bank to a strategic partner to boost the bank operations. The government engaged financial and legal advisers for the bank and due diligence reports have been submitted to the technical partners while an evaluation would be conducted before privatisation takes place.*(News Day)*

Economic News

SECURITIES Commission of Zimbabwe (SEC) chairperson Willia Bonyongwe yesterday said modalities to protect the interests of minority shareholders were underway to ensure fairness. Speaking at a Press conference in Harare, Bonyongwe said this followed the realisation that decisions of majority shareholders always prevailed at the expense of minority shareholders. Bonyongwe also disclosed that the commission had raised $5,5 million for the Investor Protection Fund to assist investors in case of uncertainties. "Majority shareholders operate the company as if they own the company 100%. When you list on the Zimbabwe Stock Exchange (ZSE), you are saying you adhere to certain principles. Minority shareholders do not benefit from some of the deals, but majority shareholders will be happy," Bonyongwe said.

She said the commission was working with other stakeholders such as the ZSE, Public Accountants Auditors Board and others to address the issues of corporate governance. "Yet still, we have serious issues to do with the integrity of players, the level of disclosures and the tyranny of the majority shareholders in this country. We hope that the issue of the Companies Act commercial crimes and penalties be looked into so that people don't get away with criminal behaviour," she said. Bonyongwe said the new listing requirements that would be gazetted later this year would be supported by a statutory instrument that will address independence of the board and company disclosures. She said the commission was happy for having been nominated for the Africa Investor Institutional Investment summit awards. Africa Investor has 40 investor indexes and nominated SEC under the Most Innovative Capital Markets regulatory category. It will compete with seven other regulators in the region. The nomination comes at a time the ZSE market capitalisation is at $4,6 billion. It is projected to reach $6 billion by year end. "While we are very enthused by the nomination, we know that our task is far from complete," Bonyongwe said. *(News Day)*

THE Zimbabwe Stock Exchange (ZSE) will not relegate counters from the bourse, but plans to set up a second tier market for small- to-medium enterprises (SMEs), it has been learnt. This comes against calls by business players to delist inactive counters that are making up the numbers. ZSE chief executive officer Alban Chirume said last week that while some counters were inactive, they had managed to adhere to the listing requirements such as publishing financial results timeously. "We are not looking at moving any of the counters that are not performing at the ZSE. Counters cannot be relegated. We are working on the second tier market to create a market for small and medium enterpirses. It will be the choice of companies that are not performing well at the ZSE to move," Chirume said. Despite the exchange having 63 listed counters, 10 companies constitute more than half of ZSE's market capitalisation. In the first half of the year, ZSE delisted eight firms — Cairns, Apex, Gulliver, Steelnet, Lifestyle, Redstar, TZI and Barbican—for various reasons.

Only Lifestyle requested to be delisted. Chirume said companies on the market have failed to raise capital due to the current liquidity challenges. Chirume said stock exchanges in the Southern African region have plans to trade across borders, but its efforts were being stalled by lack of funding. He said the African Development Bank has agreed to provide the financing required and was in discussion with stock exchanges. The initial phase of the project would have the JSE, Botswana and Namibia stock exchanges, Chirume said. The ZSE will automate in the first quarter of 2014, a move that will increase trading hours and enhance transparency. *(News Day)*

AS the new government takes office, the World Bank says the 2014 outlook for Zimbabwe's ailing economy is increasingly uncertain.

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

According to the World Bank's September economic briefing, the economy faces uncertainty both from expected volatility in the global economy and on the domestic front after the contested July 31 elections amidst worsening macroeconomic indicators and increased vulnerability of the banking sector.

The outlook report: As the US Federal Reserve Bank starts unwinding the recent expansionary monetary stance, emerging markets may face increased volatility due to expected capital outflows and possible volatility of international commodity prices. Year 2013 global growth is expected to remain slow, at 2,2%, held back by rather weaker high-income countries growth (1,2%). Although financial conditions in high-income countries have generally improved, growth in the Euro area remains subdued by the still weak confidence and continuing banking sector and fiscal consolidations. Growth in developing countries is firming and expected to accelerate to 5,1% in 2013, largely supported by less volatile external environment, recovery of capital flows and relaxation of capacity constraints. In Sub-Saharan Africa, strong domestic demand and strengthening global demand are expected to support the region's robust growth of 4,9%. However, the region's growth prospects may be derailed by downside risks related to easing international commodity prices, overheating of some economies which are close to potential, adverse weather conditions and political unrest. In South Africa, the rand has depreciated further by over 10% since April.

Commodity prices have been easing in the first half of 2013 due to both increased supply and weaker demand. Commodity prices are expected to continue easing over the short to medium term. The expected increased volatility of commodity prices would affect Zimbabwe's export growth, worsening the current account deficit, shrinking fiscal revenues and upsetting the economic recovery process. As Zimbabwe's external position has been supported by substantial short-term capital inflows, the situation would be compounded by the risk of capital outflows from emerging markets as the US Federal Reserve progressively unwinds its expansionary monetary policy.

Growth in Zimbabwe is rapidly fading, and after 4,4% in 2012, the growth projections for 2013 have been revised downwards to 3%, with little prospects for a recovery in 2014. Growth performance has been stymied by continued slowdown of the key sectors of the economy, amidst easing of international commodity prices, low investment, tight credit conditions and policy uncertainty after the July elections. Concerns over the new government's economic policies, including extensive implementation of indigenisation legislation, are bound to extend the "wait-and-see" attitude of both domestic and foreign investors that characterised the run-up to elections. Agriculture's growth prospects have been revised downwards and the sector is expected to slightly contract (-0,3%). The performance of the 2013 season has been largely below initial projections, with a strong contraction in maize and cotton, dampened by adverse weather conditions, lower hectare planted and subdued yields. The tobacco sector has been, on the contrary, supported by another strong performance in 2013. Maize is predicted at 798 600 tonnes in 2013, declining by 17.5% from 2012 and falling 56% short of the national requirement of 1,8 million tonnes. The traditionally resilient cotton sector, which traversed almost unscathed the tumultuous decade-long crisis, hit rock-bottom in 2013, with an estimated 108 832 tonnes compared with 350 000 tonnes in 2012 as many farmers switched over to other crops in response to the 2012 pricing impasse. The manufacturing sector growth is projected at 1,5%, stunted by low investment, declining competitiveness amidst tight credit conditions. Services sector will remain the biggest contributor to GDP, at 41%, growing at 3.1%

The baseline projections forecast economic growth at 3% in 2014 as levels of investment remain below potential and economic agents adjust to uncertain economic directions. Overall, risks remain tilted to the downside due to declining levels of exports as international prices of minerals ease. There is also the risk of exacerbation of vulnerabilities in the banking sector, expected fiscal slippages, potential destabilising effects of hurried and disorderly implementation of indigenisation policy by the new government as well as precarious external position.*(News Day)*

Chinese-backed China Africa Sunlight Energy said it will begin work early next year on a 600 MW coal-fired electricity plant in western Zimbabwe, part of $2 billion of energy projects in the power-starved southern African country. The company, a 50-50 joint venture between China's Shandong Taishan Sunlight and locally owned Old Stone Investments, has concluded coal exploration in Gwayi, near Zimbabwe's second city of Bulawayo, and mining will start in November. Charles Mugari, general manager of China Africa Sunlight Energy, told Reuters on Wednesday the company had discovered 4 billion tonnes of coal reserves after exploration and would mine at a rate of 2.5

million tonnes a year. "Early next year we will start the construction of the 600 megawatt power station and hope that by mid-2015 the first plant of 300 megawatt will be running," Mugari said, adding the final 300 MW plant would be commissioned at the end of 2015. Zimbabwe has a peak electricity demand of 2,100 MW but is able to produce only 1,200 MW, with another 300 MW coming from imports, mainly from neighbouring Mozambique. The country's state power company ZESA warned consumers on Wednesday that electricity cuts would deepen as imports will fall to 50 MW from next week, when Mozambique's Hydro Cahorra Bassa plant starts annual maintenance. ZESA will also start maintenance of its local generating plants next week, worsening the electricity shortages. China is speeding ahead with projects worth tens of billions of dollars to electrify Africa. Mugari said his company was also exploring for methane gas in Gwayi, which it would use for domestic consumption and electricity generation. *(Reuters)*

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