SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	1-Nov-13	8-Nov-13	Local	USD	Local	USD
Botswana	DCI	8,750.79	8,768.25	0.20%	11.04%	16.75%	18.32%
Egypt	CASE 30	6,181.86	6,415.82	3.78%	17.86%	17.45%	17.51%
Ghana	GSE Comp Index	2,120.18	2,126.58	0.30%	13.42%	77.26%	73.97%
Ivory Coast	BRVM Composite	207.58	216.40	4.25%	-6.09%	29.91%	21.03%
Kenya	NSE 20	4989.97	5019.18	0.59%	2.11%	21.44%	25.97%
Malawi	Malawi All Share	12,219.25	12,263.54	0.36%	44.77%	103.87%	144.50%
Mauritius	SEMDEX	2,038.15	2,040.45	0.11%	-4.92%	17.80%	18.00%
	SEM 7	397.65	397.35	-0.08%	-5.10%	17.81%	18.00%
Namibia	Overall Index	1,021.00	1,030.00	0.88%	22.29%	4.43%	7.62%
Nigeria	Nigeria All Share	37,765.82	37,870.87	0.28%	0.88%	34.87%	34.70%
Swaziland	All Share	294.04	294.04	0.00%	21.84%	2.93%	6.39%
Tanzania	TSI	2,442.49	2,477.91	1.45%	3.19%	66.79%	70.03%
Tunisia	TunIndex	4,489.50	4,515.93	0.59%	2.14%	-1.40%	-5.19%
Zambia	LUSE All Share	4,961.44	5,015.74	1.09%	12.62%	34.64%	42.91%
Zimbabwe	Industrial Index	209.86	212.45	1.23%	1.23%	39.40%	39.40%
	Mining Index	50.29	51.24	1.89%	1.89%	-21.31%	-21.31%

CURRENCIES

Cur-rency	1-Nov-13 Close	8-Nov-13 Close	WTD % Change	YTD % Change
BWP	8.37	8.53	2.01	11.54
EGP	6.87	6.87	- 0.00	13.50
GHS	1.87	2.22	1.28	16.68
CFA	478.95	485.43	1.35	- 2.00
KES	83.77	83.99	0.26	- 1.88
MWK	386.08	369.13	- 4.39	14.99
MUR	28.97	29.49	1.80	- 3.47
NAD	9.97	10.26	2.97	21.12
NGN	157.23	157.89	0.42	1.15
SZL	9.97	157.89	2.97	21.38
TZS	1,571.53	1,569.25	- 0.15	- 0.37
TND	1.64	1.66	1.18	6.84
ZMW	5.44	5.50	1.08	6.09

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Egypt's Juhayna Food Industries, one of the country's largest dairy product and juice makers, reported a 23 percent drop in its third-quarter net profit on Monday, hurt by muted sales growth and one-off foreign exchange losses. Egypt imposed a night-time curfew on August 14 after security forces dispersed protest camps calling for the return of ousted Islamist President Mohamed Mursi, who was toppled by the army in July following mass protests against his rule. "It should come as no surprise - considering recent political and economic upheaval - that our (2013 third-quarter) results fell short of ... our initial expectations," said Safwan Thabet, Juhayna's chief executive officer in a statement. "Particularly problematic ... was the impact of the very early curfew in effect during the period, which substantially curbed traditional shopping hours." Juhayna, which counts among its clients EgyptAir, Air France and several large hotel chains, also said its net income was hit by the impact of one-time foreign exchange losses of 4 million Egyptian pounds. Juhayna's net profit in the third quarter fell to 93 million pounds from 121 million pounds a year earlier. Revenue rose by 4 percent to 876 million pounds, boosted in part by the company's new yogurt plant in Assiut contributing to a nine-percent rise in yogurt sales. In the nine-month period through September 30, Juhayna's net profit rose to 308.2 million Egyptian pounds, helped by higher revenue which rose to 2.49 billion pounds from 2.11 billion a year earlier, the group said in a statement. Juhayna said its nine-month results were boosted by 38 million pounds in non-recurring revenue due to a re-evaluation of foreign currency assets, but gave no further reason for the improvement in its performance. Juhayna shares stood at 12.55 pounds at 1330 GMT, down from a previous close of 12.67 pounds. The Egyptian pound stood at 5.8160 to the dollar immediately before the uprising that swept Hosni Mubarak from power in January 2011, but started to gradually strengthen when Mursi was toppled in July, after hitting a low of 7.0288. It stood at 6.8892 to the dollar on Sunday. Juhayna, which operates seven factories across Egypt and employs more than 4,500 people, expects to begin production at its new Egyfood yogurt plant and a new dairy farm early next year. *(Reuters)*

Economic News

No Economic News This Week

Ghana

Corporate News

Fortiz Private Equity Fund Ltd. will list Merchant Bank Ghana Ltd. on the stock exchange within three years after acquiring a majority stake in the lender, according to Ghana's central bank. Fortiz will inject capital to address solvency and liquidity challenges after agreeing to buy the holding from the state pension fund and a unit of SIC Insurance Co., the Bank of Ghana said in a statement on its website without providing further details. Fortiz, a private-equity firm based in Accra, acquired the stake after talks between Merchant Bank and FirstRand Ltd. of South Africa fell through. FirstRand offered to buy 75 percent of Merchant Bank for about 750 million rand ($74 million). Andrew Boye Doe, secretary of the Bank of Ghana, didn't answer two calls to his office today. The Ghana Stock Exchange Financial Stocks Index, which tracks the performance of banks and insurance companies, advanced for a third day to a record high. The index added 0.2 percent by 2:48 p.m. in Accra, bringing this year's gain to 69 percent. *(Bloomberg)*

ECOBANK is attributing the Ghana cedi's continues decline to excessive spending by government. The state as at August this year has spent 7 percent more than what it has generated as revenue. Analysts say this is likely to go up by the end of this year because of pressure from organized labour for higher salaries, which would in turn increase the wage bill. ECOBANK is currently putting the local currency rate of depreciation at almost 17 percent. This was after it ranked the Ghana Cedi together with South African Rand and the Swazi lilangeni as the most depreciated currency in Africa. Speaking to Joy Business from London, Head of research at ECOBANK GROUP, Angus Marcus however suggested some measures the country can adopt in the short term to stabilize the free fall in the cedi's value including revenue mobilization and cost recovery measures such as removing subsidies. He however justified the Bank's report which ranked the Ghana cedi as one of the most depreciated currency in Africa. According to figures from the Bank of Ghana, one would need 2 Ghana cedis 41 pesewas (GHc2.40) to get a dollar from a commercial bank. *(Ghana Web)*

South African miner Gold Fields will make a decision on its loss-making Damang mine in Ghana by March, the chief executive officer said on Thursday. Options include trying to find a buyer or putting it on "care and maintenance", Nicholas Holland told Reuters in an interview. The mine in southwestern Ghana, one of two Gold Fields operates there, has been hit by a fall in gold prices. Tarkwa, the company's other Ghana mine, was being downsized but remains sustainable, Holland added, without giving further details. *(Reuters)*

Economic News

Ghana has assured China of guaranteed protection of her citizens and their investments as long as they operated within the confines of the law. Answering questions on concerns for security of investments and safety of Chinese citizens in Ghana at an investment environment forum, on the sidelines of the 6th Yiwu China International Forest Products Fair, Ghana's delegation emphasised that the country did not subscribe to en masse expulsion of Chinese citizens. Mr Sylvester Parker-Allotey, Director, Policy Planning Research and Monitoring Bureau of the Ministry of Foreign Affairs, said that the Chinese were free to do business in Ghana as long as they operated within the culture and confines of the country's laws, besides, there was no systematic evidence that Ghana was chasing away Chinese citizens. Mr Parker-Allotey said China must not allow recent infractions of the law by few Chinese residents in Ghana to mar the long cherished relationship between the two countries. "We think the little irritation of the recent past do not sour the over 50 years relationship between the two countries," he said, adding that, no government could sit by and watch when her laws were being infringed upon, especially in the area of the use of dangerous chemicals, destruction of the environment and pollution of water bodies. Mr Allotey said the Ghanaian Constitution guaranteed non-discrimination, and that, Chinese investors' rights are protected and they could seek redress in the courts to assert those rights.

Dr John-Hawkins Asiedu, Economist with the Ministry of Trade and Industry, said Ghana is a signatory to various international trade treaties, which impose on her the obligation not to violate the right of investors. In addition, investors have access to international arbitration to

which Ghana subscribes, adding that, protection of property is guaranteed. He said Ghana was ready to do business with Chinese investors and urged them to take advantage of the many opportunities in Ghana to expand to the West African sub-region. Mr Gideon Quarcoo, Chief Executive Officer of Ghana Export Promotion Authority, said Ghana's investment regime was very friendly and that numerous investments exist for foreign investors. There are opportunities in infrastructure, oil and gas, energy and information communication technology and the housing sectors. Mr Ben Eghan, General secretary, Ghana China Friendship Association, said the country had no problems at all with Chinese, who go about their business dealings legally. The China-Yiwu International Forest Products Fair being held from November 1 to 4 in Yiwu, Zhejiang province, China, is on the theme: "Innovation-driven, low carbon-led. Ghana Export Promotion Authority, under the auspices of the Ministry of Trade and Industry, is collaborating with the Ghana China Friendship Association (GHACHIFA) to coordinate the participation of over 40 Ghanaian entrepreneurs and institutions at the fair. *(Reuters)*

Cocoa purchases declared to Ghana's industry regulator reached 107,916.81 tonnes by October 24, the end of the first week of the 2013/14 season, up 21.6 percent on the previous year, Cocobod data showed on Monday. Total purchases for the maiden week of the 2012/13 crop were 88,731 tonnes, the data showed. The world's second largest cocoa grower after Ivory Coast, Ghana expects to produce around 830,000 tonnes from the season, which ends next September. Kwabena Asante Poku, Cocobod's deputy chief executive, said that farmers had built up stocks ahead of the start of the season and purchases were likely to decline gradually before picking up again "around February-March". Ghana runs a two-cycle cocoa season consisting of the October-June main crop harvest which is mainly exported and the light crop which is discounted for local grinders. The country produced 835,410 tonnes of cocoa in the 2012/13 crop year, down 5 percent on the previous season. For the first time in several years, the country left its producer price for cocoa for the new season unchanged at 3,392 cedis per tonne as global prices remained vulnerable. *(Reuters)*

President John Dramani Mahama on Wednesday said Ghana would soon receive a $1 billion loan facility from the Brazilian government to undertake projects in energy, agriculture and other development projects. He said the government, through the Social Security and National Insurance Trust, would complete all the 4,900 affordable houses started by the Kufuor Administration. "The houses, when completed, would be sold to public and civil servants all over the country to reduce the housing deficit," he said. President Mahama said this when he cut the sod for start of work on the Republic of Ghana and Construtora OAS Housing Project at Saglemi near Old Ningo in the Greater Accra Region The company is expected to build 5,000 housing units within a four-year period. Ghana Home Loans would be in-charge of the mortgage system of the housing units. President Mahama said public housing was becoming necessary on account of high advance payment demanded landlords and landladies. He said public workers would, in the next three years, become comfortable as the government was working around the clock to build more housing units throughout the country. The President pledged to provide a leadership that would sustain Ghana's position as the pride of the African continent in the coming years. President Mahama said the government's failure in the STX Housing Units gave the government the opportunity to search for alternatives, hence the coming on board by the Brazilian Construtora OAS company. Alhaji Collins Dauda, the Minister of Water Resources, Works and Housing, said the government's efforts to tackle the housing deficit was yielding dividends as more partners had agreed to invest in the sector. He said the housing deficit was 1.7 million units and government needed to build about 85, 000 each year for the next 20 years to achieve the housing deficit target.

The Minister said the project would also create not less than 5,000 jobs for the youth in the area and beyond and appealed to the contractor to respect the local content law by engaging more Ghanaians. Madam Irene Vida Gala, Brazilian Ambassador to Ghana, commended President Mahama for taking up pragmatic steps to solve the economic challenges facing the country. She promised to contribute towards the success story of Ghana by providing all the necessary assistance for Ghana to achieve her development goals. Mr Andrew Clocanas, Chairman of the Construtora OAS, said apart from providing housing projects, they were also engaged in energy, oil and gas, sanitation and infrastructural development in over 20 countries. He pledged to support the Government of Ghana with infrastructure that would enhance her socio-economic development. *(Ghana Business News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

Kenya's Equity Bank Group said on Monday its pretax profit for the first nine months of the year rose 7 percent to 12.6 billion shillings. Equity, which focuses on the lower-income part of the market, and also operates in Uganda, South Sudan, Tanzania and Rwanda, said in a statement its total interest income rose 4 percent to 23.6 billion shillings from 22.7 billion shillings in the same period in 2012. *(Reuters)*

Kenya Airways Ltd. Chief Executive Officer Titus Naikuni said it's pointless to acquire more aircraft from Boeing Co. (BA) unless the U.S. government allows his airline to begin direct flights to the country. "I don't see the point of buying aircraft from Boeing, then you don't allow us to get into the U.S.," Naikuni said at an event in the capital, Nairobi, to mark the arrival of a Boeing 777-300ER aircraft, the biggest in the company's fleet. Four years ago, Delta Air Lines Inc. postponed indefinitely a plan to start direct flights between Atlanta and Jomo Kenyatta International Airport in Nairobi, after the U.S. government refused permission over security concerns. Kenya borders Somalia, where the al-Qaeda-linked al-Shabaab Islamist group has been fighting the government since at least 2006. The militants attacked a Nairobi shopping mall in September, killing at least 67 civilians and security forces. Kenya Airways plans to more than double the number of routes it flies and increase the size of its fleet to 107 aircraft as part of a decade-long expansion plan, it said last year. The carrier currently has at least 26 Boeing passenger aircraft, two Boeing freighters and 17 Embraer SA (EMBR3) jets, according to the company's website, and it has ordered nine Boeing 787-800 Dreamliner airplanes. Delivery of the first one is expected in March, according to Naikuni.

The Boeing 777-300ER aircraft will be used for non-stop flights to Guangzhou, China, three times a week in line with the country's strategy to deepen commercial ties with the Far East, Kenyan President Uhuru Kenyatta said at today's ceremony. "This presents a golden chance to deepen our bilateral partnership with China, which is one of our leading cultural, diplomatic and economic development partners," Kenyatta said. Kenya's government owns 30 percent of the Kenya Airways and Air France-KLM is its largest shareholder with a 27 percent stake, according to data compiled by Bloomberg. Kenya is expediting construction of a fourth terminal at Jomo Kenyatta airport to be ready by March after a fire gutted the international arrivals hall in August, forcing authorities to set up a temporary area to handle immigration and baggage pick-up in tents in a parking lot outside the building. Kenya's more than $1 billion a year tourism industry is the country's largest source of foreign exchange after tea exports. British Airways Plc, Air France-KLM (AF) and Emirates Airline are among international airlines that fly directly to Nairobi. Shares in Kenya Airways fell 0.5 percent to 10.45 shillings by 2:33 p.m. in Nairobi, taking losses this year to 8.3 percent, according to data compiled by Bloomberg.*(Bloomberg)*

Kenya's second biggest cement firm ARM Cement posted a 28 percent rise in pretax profit for the nine months which ended on September 30 boosted by higher sales. ARM, which lags Bamburi Cement in production capacity, said on Tuesday its profit rose to 1.53 billion shillings buoyed by a 32 percent jump in turnover to 10.2 billion shillings. The cement maker forecast a 35 percent growth in earnings this year helped by increased production capacity due to a new plant in Tanzania. ARM posted a 31 percent jump in pretax profit in 2012 to 1.76 billion shillings. East African cement consumption is growing thanks to vibrant economies, drawing in foreign firms such as Nigeria's Dangote Cement, which plans to build a $400 million plant in Kenya. Construction has been one of Kenya's fastest growing sectors over the last decade, fuelled by a burgeoning middle class with higher disposable incomes. *(Reuters)*

Strong growth in data and mobile money services in the six months through September propelled Safaricom to the best half year performance since listing at the Nairobi bourse in 2008. The company's net profits for the period increased by almost a half to Sh11.3 billion, up from the Sh7.77 billion reported during a similar period last year. On Tuesday, chief executive Bob Collymore said the company had solid growth all round with non-voice services being key contributors. "Non-voice service revenue streams continue to deliver solid growth having increased by 30 per cent," Mr Collymore told investors in Nairobi. Total revenues went up by 17 per cent to Sh69.2 billion, with voice, the firm's biggest revenue stream, contributing about 61 per cent from 20.8 million customers. SMS (Short Messaging Services) had the highest growth of any single revenue stream at 48.7 per cent to Sh6.35 billion. Growth was stimulated by promotions such as the

recently concluded Bonyeza Ushinde na Safaricom. Earnings from data, on the other hand, grew at 37.4 per cent to Sh5.7 billion, triggered by an increase in customers from 5.59 million the previous period to 8.48 million. However, the average revenue per user in mobile data fell by 5.18. "We gained 2.9 million customers in the data segment but they have not yet grown to match the spending of earlier adopters," said Safaricom chief financial officer, Mr John Tombleson. In the wake of dwindling revenues from the traditional voice revenues, the firm has earmarked data and mobile money as its future drivers of growth.

In the period under review, M-Pesa, the firm's mobile money service, which was started in 2007, remained key contributing 18 per cent of total revenue. The service generated Sh12.5 billion due to a 19 per cent increase in active M-Pesa customers from 9.7 million to 11.6 million and an increase in the average number of transactions per customer. M-Pesa agent outlets also grew by 73 per cent to 78,856. Mshwari, the saving and credit service offered on M-Pesa had 2.3 million active users, with Sh1.7 billion deposits and Sh700 million lent out. "We also launched the Lipa na M-Pesa service which enables cashless merchant payments and facilitates trade between businesses and their customers," Mr Collymore said. "We are well on course in our strategy to deepen financial inclusion and embed the service as an integral part of the Kenyan society and economy". "As part of our commitment to democratize access to affordable broadband in Kenya, we have requested the Government of Kenya to allocate to Safaricom additional spectrum resources to facilitate the nationwide rollout of a 4G or LTE networks over the next 24 months," Mr Collymore said. The company's shares at the Nairobi Securities Exchange eased to close Tuesday trading at Sh9.65 after touching an all-time high of Sh9.90 on Monday. *(Daily Nation)*

ARM Cement Ltd., Kenya's second-largest maker of the building material, is considering selling Eurobonds to help fund a planned $300 million expansion program, Managing Director Pradeep Paunrana said. The sale of debt will follow the Kenyan government's planned offering of as much as $2 billion of the securities by January, Paunrana said in a Nov. 5 interview in the capital, Nairobi. The company intends to double cement production within four years from 2.5 million metric tons in 2012, Deputy Managing Director Surendra Bhatia said in the interview. Kenya's sale of Eurobonds "will set the stage for other corporates to tap into the Eurobond markets" Paunrana said. "That is one of the events we are looking at anxiously as we plan our own capital raising.", Production in Kenya's cement industry, the largest in East Africa, climbed 3.5 percent to 4.64 million metric tons last year, according to Kenya National Bureau of Statistics data. Growth is being driven by government spending on infrastructure projects like upgrading ports and constructing new roads, as well as home builders trying to meet an annual deficit of 440,000 units, according to Kestrel Capital East Africa Ltd. Cement consumption per capita surged 60 per cent to 85.7 kilograms (189 pounds) over the past five years, the Nairobi-based brokerage said in a August research note. Demand is expected to grow at 2.7 times gross domestic product growth over the next three years, compared with a 2.4-times-GDP increase in production, Kestrel analyst Linet Muriungi said in the report. Kestrel has an accumulate rating on the industry.

Consumption per capita in Kenya compares with 300 kilograms in South Africa and 500 kilograms in Egypt, Paunrana said. Kenya's total consumption is expected to more than double to as much as 10 million tons within seven years, he said. "We see the market growing for the next 50 years in this country," Paunrana said. ARM Cement will next year begin construction of a clinker factory in Kenya at a cost of $250 million to boost its capacity to 5 million metric tons of cement, Bhatia said. Another $50 million will be spent on other projects, he said. Clinker is the main ingredient used to make cement and as much as 45 percent of domestic consumption is met by imports, Paunrana said. The company expects to complete construction of a 1.2 million-ton plant in Tanga, Tanzania, within five months that will boost supplies of the material, he said. The total cost of that project, as well as a grinding plant that has been in operation since last year in Dar es salaam, the commercial capital, is $150 million, Paunrana said. ARM also produces industrial minerals, chemicals, fertilizers and other types of building products, Bhatia said. Cement sales grew at an annual average rate of 28 percent over the past 10 years in Kenya, Paunrana said. In the nine months through September, ARM's revenue grew 32 percent to 10.2 billion shillings ($120 million), boosting net income in the period to 1.06 billion shillings from 826.5 million shillings a year earlier, the company said on Nov. 5. "We are looking at closing the year higher than that number," he said. "We are in a good market, a growing market where cement consumption is increasing throughout the region." Africa Finance Corp., a Nigeria-based development-finance institution that gave ARM a $50 million convertible loan in September 2012, will mostly probably convert the remaining five years of its funding into 13 percent equity, said Paunrana, who owns about half of the company's stock. In August, ARM's price estimate at Kestrel Capital was increased to 77.50 shillings from the 43.4 shillings set in July 2011, while the

recommendation was upgraded to accumulate from buy. Accumulate means investors are advised to buy more shares during price dips. ARM's stock surged 85 percent this year to 82.50 shillings, outperforming the FTSE NSE 25-Share Index, which has gained 38 percent. The company ranks as Kenya's biggest cement producer by market value, after Bamburi Cement Co.*(Bloomberg)*

Kenya Electricity Generating Co., the country's biggest power producer, will more than quadruple its shares in issue with a $1.65 billion rights offer to fund an expansion program, acting Managing Director Simon Ngure said. The state-controlled company, based in Nairobi, plans to increase the number of outstanding shares to 10 billion from 2.2 billion once it gets the go-ahead from the government, Ngure said, detailing for the first time the number of shares to be issued. KenGen said last month it will raise $5.5 billion through a mix of 70 percent debt and 30 percent equity to finance a tripling in electricity output to 3,379 megawatts. "Once we receive government approval for that, then we will do a rights issue to bring in about $1.65 billion in equity," Ngure said in an interview on Nov. 6. KenGen will also take on about $3.85 billion of debt, he said. Kenya plans to spend as much as $15 billion over the next 40 months to increase power output by more than 5,000 megawatts and help accelerate growth in East Africa's biggest economy, Energy Minister Davis Chirchir said last week. Most of the power, which will add to existing capacity of 1,700 megawatts, will be produced from coal, gas and geothermal sources, he said. KenGen will probably issue the new shares in stages to enable the domestic market to absorb the offering, said Kuria Kamau, an analyst at Nairobi-based Kestrel Capital (East Africa) Ltd. A once-off sale to raise $1.65 billion (141 billion shillings) would dwarf the 20.7 billion shillings that Kenya Airways sought last year in the biggest single offering of stock to existing shareholders by a Kenyan company.

"I don't think it is something they will do in one go, they may do it in phases over time like Kenya Commercial Bank," Kamau said in a phone interview. Kenya Commercial Bank Ltd. raised 20 billion shillings in three rights offers in 2004, 2008 and 2010. AngloGold Ashanti Ltd. (ANG), the world's third-biggest gold producer, carried out the continent's largest rights offer since at least 2000 when the Johannesburg-based company raised 13.5 billion rand ($1.32 billion), according to data compiled by Bloomberg. KenGen appointed transaction advisers including KPMG, Johannesburg-based Absa Capital Ltd., Nairobi-based Dyer & Blair Investment Bank Ltd. and Hamilton Harrison and Matthews in May as it prepares to seek regulatory approval for the rights offer, he said. "We need to raise more equity now so that we can take on more debt," Ngure said. "To do a proper rights issue we've got to add more authorized shares." Talks on whether the government, which owns 70 percent of KenGen, will take up its rights during the offer are continuing, he said. The company plans to generate an additional 2,500 megawatts of electricity by 2017. It currently produces 1,239 megawatts. About 960 megawatts of the extra output will come from coal, 700 megawatts each from gas and geothermal sources, 120 megawatts from wind and 24 megawatts from hydropower, Ngure said. KenGen's shares have surged 87 percent this year. The stock closed 0.9 percent lower at 16.45 shillings today after falling as much as 3.6 percent. The FTSE NSE 25-Share Index has gained 38 percent since Jan. 1.*(Bloomberg)*

National Bank of Kenya posted a 119 percent jump in pretax profit for the first nine months of the year to 1.26 billion shillings, it said on Thursday. National Bank is trying to reclaim its position as a top three lender in the country, which it lost in 1996 due to poor management and competition from rival lenders like Equity Bank. Now ranked number 12 out of 43 banks in east Africa's biggest economy, it plans to raise cash from the market in a rights issue to fund branch expansion and raise lending. The lender attributed the growth in profit this year to a jump in net interest income and a drop in costs. Net interest income rose 21 percent to 4.3 billion shillings while costs fell by 7 percent to 4.6 billion shillings. Managing Director Munir Ahmed said the bank was in the process of contracting 2,000 agents across the country to broaden its customer base. Under Kenyan law, lenders can contract outlets such as shops and petrol stations to offer services like accepting deposits on their behalf. "This will see the bank tap the huge unbanked market in Kenya, projected to grow by 4.2 million by 2016," Ahmed said in a statement. *(Reuters)* Tullow Oil and partner Africa Oil said on Thursday they would resume operations this week in northwest Kenya after talks with the government to prevent a repeat of violent protests which halted work last month. Supported by local politicians, residents from the remote, poverty-stricken northern Turkana community marched on Tullow sites on October 26 demanding more jobs and other benefits. Britain's Tullow said in a statement that it would restart work on Friday in blocks 10BB and Block 13T in the Turkana region after "successful dialogue with national and county government and leaders of the local community".

Energy Minister Davis Chirchir is expected to give an update on Tullow on Thursday. Tullow's suspension of drilling highlighted the challenge

which firms face in managing local expectations of swift returns as they seek to build an oil and gas industry from scratch in Kenya and east Africa, a hot new region for oil and natural gas. Tullow said a memorandum of understanding it signed with the Energy Ministry laid out plans for the government, local officials and communities to work together. It said this would "ensure that operations can continue without disruption in the future". Tullow, which says more than 800 of its 1,400 employees in Kenya are from the Turkana area, said it had reaffirmed its commitment to providing local employment and opportunities. The government had accused a local member of parliament, James Lomenen, of leading a group of about 400 people to Twiga 1 drilling camp. It said the group broke down a fence and "engaged in wanton destruction of property and looting" when security officials barred their entry. Lomenen had told Reuters he expected to be charged in court last week in relation to the incident, but the court hearing did not go ahead. He denied incitement and said he welcomed investors, but wanted the local community to see more benefits. *(Reuters)*

Economic News

Kenya's central bank said that its official usable foreign exchange reserves dipped to $5.869 billion in the week to Friday, equivalent to 4.11 months import cover, from $5.891 billion a week before. Kenya's import cover is required to be a minimum of four months. *(Reuters)*

The average price of top Kenyan tea edged up to $3.72 per kg at this week's auction from $3.63 per kg last week, traders said on Wednesday. The east African nation is the world's largest exporter of black tea, which is a major foreign exchange earner. Africa Tea Brokers (ATB) said in a market report that Best Broke Pekoe Ones (BP1s) sold at $2.82-$4.62 per kg compared with $2.67-$4.58 per kg last week. Brighter Pekoe Fanning Ones (PF1s) sold at $2.04-$3.00 from $1.96-$2.54 per kg at the previous sale. ATB said 135,975 packages of tea were offered, with 24,276 remaining unsold. Last week, 126,452 packages were offered, with 27,520 left unsold. *(Reuters)*

The Kenyan shilling firmed on Tuesday after a liquidity crunch raised the costs of overnight borrowing and prompted banks to sell dollars, traders said. After the 1300 GMT market close, the Central Bank of Kenya said in a statement it was leaving its key lending rate unchanged at 8.50 percent, in line with market expectations. The central bank said the liquidity squeeze in the interbank market was caused by a "skewed distribution of liquidity in the market", without providing further details. "With these elevated interest rates it's hard for banks to hold dollars," said Duncan Kinuthia, head of trading at Commercial Bank of Africa. Central bank data showed the liquidity crunch had pushed the overnight interbank lending rates up to 11.8354 percent on Monday from 11.7116 percent on Friday. Commercial banks quoted the shilling at 85.25/45 per dollar from Monday's close of 85.40/60. In stocks, the benchmark NSE-20 share index dipped 0.2 percent to 4,954.69 points. In the secondary bond market, debt worth 5.4 billion shillings was traded as the market resumed normal trading after a technical hitch halted Monday's session. *(Reuters)*

Tightening supply on Kenya's money markets supported the shilling on Thursday, with traders expecting the currency to firm slightly in coming sessions. By 0732 GMT, commercial banks quoted the shilling at 85.30/40 per dollar, barely changed from Wednesday's close of 85.25/45. "The market is very tight. The bias is for the shilling to strengthen if the central bank stays out of the money market," said Wilson Mutai, a trader at Gulf African Bank. The central bank injected 7 billion shillings into the money markets the previous day, using reverse repos, at a weighted average rate of 11.855 percent, but traders said it did little to ease liquidity. They said annual tea bonus payments over the last two weeks had concentrated shilling supply at a few commercial banks, pushing interest rates on the interbank market higher. The weighted average interbank rate rose for the third straight session to 12.3635 percent on Wednesday from 12.0688 percent on Tuesday. "There is very little (dollar) buying pressure ...due to lack of liquidity. The shilling could easily touch 85.00," said a trader at one commercial bank. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

Mauritius

Corporate News

Air Mauritius reduced its pretax loss in the six months ending in September to 3.07 million euros from 8.91 million euros a year earlier on the back of higher passenger traffic, the airline said in a statement on Thursday. The Indian Ocean island national carrier said the number of passengers carried rose 1.4 percent in the first half to 618,868. It said in a statement that this was achieved by seeking more business in emerging markets. Mauritius is a popular holiday destination, but the fragile economic situation in Europe has hit the airline and the island's tourism industry hard. The airline said pretax profits rose in the second quarter to 5.0 million euros from 1.25 million euros a year ago. Shares in Air Mauritius closed down 1.09 percent at 13.55 rupees *(Reuters)*

Economic News

Mauritius' annual average inflation rate fell to 3.4 percent in October compared with 3.5 percent a month earlier, official data showed on Thursday. Statistics Mauritius said the year-on-year rate of inflation, used by the Indian Ocean island's policymakers to determine monetary policy, rose slightly to 3.4 percent from 3.3 percent in September. Last week, Mauritius' central bank said assuming no change in the monetary policy stance, it forecast year-on-year inflation to be in the range of 4.5-4.9 per cent for December 2013. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

The Ecobank Transnational Incorporated (ETI) has said its unaudited nine months financial performance as at September 30, 2013 showed that its profit before tax increased to $299 million, representing a 56 per cent improvement over the comparable period last year. A statement said the result showed that its revenue grew by 24 per cent to $1.456 million, while total assets went up by 16 per cent to $21.5 billion. ETI's gross earnings also rose to $1.45 billion in period under review, from $1.17 billion last year. The bank's Long-term issuer Default Rating (IDR) was recently affirmed at 'B' with a stable Outlook, Short-term IDR at 'B', Viability Rating at '5' and Support Rating Floor at 'No Floor' by Fitch Ratings. The result, according to the statement, was influenced by increasing non-profit revenue led by trade finance activity as the bank sought to increase its pan African footprint. Also, it recorded a 69 per cent increase in net customer loans and five per cent in customers' deposit. *(This Day)*

Dangote Cement last week reported a growth of 28.7 per cent in revenue and 39.4 per cent in profit for the nine months ended September 30, 2013. According to the unaudited results, profit before tax (PBT) rose to N151.73 billion indicating an increase of N45 billion over N106.43 billion in 2012, while operating profit rose by 36.4 per cent to N156.89billion. Revenue for the period under review went up by N64 billion or 28.7 per cent to N288.98 billion compared to N244.50 billion the preceding year. Commenting on the results, Group Managing Director, Dangote Cement, Devakumar Edwin, said demand for cement remained strong in Nigeria with company recording sales nearly 30 per cent higher than last year. "As we predicted in July, the gas supply to Obajana was lower than desired during the third quarter and we are looking for additional sources of gas and other fuels such as coal to keep us fully supplied in the coming years." "Our plant in Senegal will soon be producing cement and our South African venture, Sephaku Cement, is well on track to open in the early part of 2014. These two plants will be our first production ventures outside Nigeria as we aim to become Africa's leading supplier of cement," he said. Dangote Cement is Nigeria's leading cement producer with three plants in Nigeria and plans to expand in 13 other African countries. The group plans to build more integrated, grinding and import facilities across Africa, bringing its total capacity to over 50metric tonnes per annum (mta) by the end of 2016. Dangote Cement's Obajana plant in Koi state, Nigeria, is reputed to be the largest in sub-Saharan Africa with 10.25mta capacity across three lines and a further 3mta capacity currently being built. The new 6mta Ibese plant in Ogun state, near the key market of Lagos, was inaugurated in February 2012. Building is underway to add 6mta of capacity. The Gboko plant in Benue state has 4mta capacity. *(This Day)*

Conoil Plc has rekindled its 2013 half year performance with yet another outing for the third quarter of the year. According to Conoil's unaudited report submitted to the Nigerian Stock Exchange (NSE) at the weekend, its profit before tax rose to N3.08 billion from N699.4 million recorded during the same period last year, which represented 341 per cent increase. Also, demonstrating its efficiency in the management of resources, Conoil posted 329 per cent rise in profit after tax from N487.2 million in 2012 to N2.09 billion, while revenue also rose from N114.7 billion to N121.8 billion. Its earnings per share (EPS) also rose sharply by 330 per cent from 70 kobo to N3.01. Capital market watchers are of the opinion that, going by the excellent performance thus far this year, the company will end up with higher dividend for its shareholders at the end of the current financial year compared to what it paid last year. Predictably, the capital market has reacted positively to the sterling performance of the company with a surge in the demand for its stocks by investors resulting in 62 per cent jump in its share price between June and October this year. "The performance is very much in line with the commitment of the board to continue to make progress towards delivering superior shareholder value," the company said. Chairman of Conoil Plc, Dr. Mike Adenuga, had while reviewing the company's performance for 2013 at its 43rd annual general meeting, assured shareholders that the company remained committed to growing its business in order to maintain its leadership position in the downstream petroleum sector. "While we are certainly not immune to the challenges the downstream petroleum sector is still expected to face in the coming year as a result of non-deregulation of the sector, let me quickly assure you that your company is better positioned to weather the storm," Adenuga promised.

He added: "We have committed substantial investments to reinvigorate the totally deregulated and high margin-yielding lubricant business

with the aim of growing value for our shareholders through robust profitability, riding on our competitive edge. On this score, the company has upgraded and expanded its lubricant blending plants at its depots at Apapa, Lagos, Port Harcourt and Kano with a view to meeting and surpassing customers' ever increasing demand for our quality engine oil brands." "We have also ensured that our business generates immense value by creating jobs and supporting local business development. Our strategy in retail is to provide top quality products and services that will make customers want to always patronize us for their fuel and non-fuel needs. On this score, we are not resting on our oars on our aggressive acquisition and expansion drive that aims at increasing, substantially, the number of our retail outlets nationwide," he said. *(This Day)*

FCMB Group Plc has grown its Profit before Tax (PBT) by 21 percent to N14.7 billion for the nine months ended September 30, 2013, up from N12.1 billion recorded in September 2012. The Group, which is the holding company of First City Monument Bank Limited and its subsidiaries, within the same period, also recorded a Gross Income of N96.6 billion, representing 14 percent increase in N84.7 billion recorded in the nine months ended September 30, 2012. The unaudited International Financial Reporting Standards (IFRS)-compliant group results submitted to the floor of the Nigerian Stock Exchange (NSE) recently showed a 19 percent year-on-year (YoY) growth in Net Interest income to N41.1 billion from N34.5 billion, for nine-months in 2012. A statement from the group explains that net provisions for risk assets and other known losses was N3 billion compared to N0.7 billion the same period in 2012 and Year-to-Date (YTD) operating expenses of N43.8 billion, representing an increase of 10 percent YoY. (N39.8 billion was recorded in 2012). On the balance sheet side, the Group achieved a 12 percent YoY growth in Customer Deposits to N690.6 billion, representing a 15 percent growth on the second quarter's deposit volume. Loans and advances also increased by 21 percent YoY and 13 percent QoQ, to N439.4 billion as at September 30, 2013. The Group's Total Assets increased by 8 percent YTD to N978.6 billion from the N908.5 billion recorded in December 2012.

The Group also closed the period under review with key ratios showing that Non-Performing Loans to Total Loans ratio came down to 2.7 percent, from the 3.6 percent recorded for the half-year 2013 and 5.0 percent for the nine-months 2012. Net Interest Margin, at 7.8 percent, also increased by 9.3 percent from the 7.1 percent recorded for the nine-months ended 30 September 2012. Loan to Deposit Ratio also increased to 63.6 percent compared to 59.0 percent recorded as at September 30, 2012. Cost to Income ratio decreased to 71.2 percent, against the 75.6 percent for September 2012. Return on Average Equity (ROaE) was 12.3 percent versus 11.3 percent for nine-months 2012, while Return on Assets (ROaA) decreased to 2.1 percent from 2.2 percent for nine-months 2012. Earnings per share also rose to 86k from the 74k recorded in the same period in 2012. FCMB Group is one of the leading financial services institutions in Nigeria with subsidiaries that are market leaders in their respective segments. Through ownership of the Group, shareholders have continued to own all the subsidiaries 100 percent, including FCMB Capital Markets Limited, CSL Stockbrokers Limited and FCMB Limited (the bank). *(Business Day)*

The confidence of customers and investors in Union Bank of Nigeria Plc seems to have been renewed given its improved financial performance for the nine months ended September 30, 2013. According to the unaudited results, Union Bank of Nigeria Plc recorded gross earnings of N70.2 billion in 2013 as against N69.9 billion in the corresponding period of 2012. Profit before tax for the bank for the period was N11.7 billion, while the group recorded profit before tax of N6.8 billion. Profit after tax was N12.4 billion for the bank and N7.6 billion for the group. Customers' deposits, which show the level of customers' confidence rose from N522billion to N536 billion. Further analysis of the bank's results showed that loans and advances stood at N180.6 billion, up by 32 per cent from N137 billion in 2012. The bank's shareholders' funds stood at N188.2 billion compared to N171.7 billion in 2012. Speaking on the results, Chief Financial Officer of the bank, Oyinkan Adewale, said the bank fully absorbed the impact of exposures to discount houses and from non-banking subsidiaries, amounting to N4.075 billion in the review period. "Union Bank's core performance remains stable, and cost and efficiency initiatives will continue to support our profits, and fund our future investments in people, systems and infrastructure. One-off losses notwithstanding, the Union Bank Group stayed on course," she said. Also commenting, the Chief Executive Officer of Union Bank, Mr. Emeka Emuwa, said: "In the 3rd Quarter we continued to grow our core banking business, whilst transforming Union Bank into an institution with improved customer service, as the basis for our increased long-term profitability. "As part of our core banking strategy and as announced, we are executing the divestment of our non-banking subsidiaries. While we improved the quality of the earnings from our core banking activities, Union Bank's third quarter results were negatively impacted by the non-banking subsidiaries, particularly by losses in one of the subsidiaries and the effects of the

recent developments in the discount house sector. "As we develop our long-term strategy and optimise our cost structure, we will continue to reinvest our resources in our people, service delivery and infrastructure to attain our goal of becoming a leading institution in the Nigerian banking community."*(This Day)*

In order to take advantage of the favourable global market conditions, Guaranty Trust Bank Plc (GTBank) has concluded plans to issue a new five-year $500 million Eurobond. This emerged just as Access Bank Plc disclosed that it recently raised $100 million in seven-year international bilateral debt priced below its Eurobond yield of 7.25 percent. The proposed fixed income instrument by GTBank will be the bank's third external issuance since 2007. A report obtained by THISDAY indicated the proceeds from the Eurobond would be used to finance the power sector and potentially oil and gas and other infrastructure projects as well as the bank's expansion into sub-Saharan Africa. Commenting on the development, the Emerging Markets Strategist at Standard Bank, Mr. Samir Gadio, put the fair value of the proposed instrument at about six per cent. "Interestingly, the bank has another outstanding Eurobond due in 2016 ($500 million) which currently trades at 4.85 per cent, the equivalent of a spread over UST of 431 basis. "GTB is coming back to global capital markets amid a broadly constructive risk tone, as illustrated by relatively contained US Treasury rates (despite a small pick-up in recent days) and on the back of a rally in emerging market Eurobonds in October. With the Fed now unlikely to start tapering its quantitative easing programme until March 2014, there is a clear incentive for emerging market issuers to lock in low Eurobond rates," Gadio added. Shedding more light on the $100 million it raised, the Group Managing Director/Chief Executive Officer, Access Bank, Mr. Aigboje Aig-Imokhuede, said the fund would bolster the bank's bolster capital base. The Access Bank boss who revealed this in a chat with Reuters said the tier II debt would help to increase the bank's capital adequacy ratio to 20 per cent by year-end, up from 18 percent as at its nine-month period to September. The bank would not need to issue any equity, he added. Aig-Imokhuede will retire as chief executive of the bank at the end of the year.*(This Day)*

Nigerian bank Access Bank has raised $100 million in seven-year international bilateral debt priced below its Eurobond yield of 7.25 percent, to bolster its capital base, outgoing chief executive said on Monday. Aigboje Aig-Imokhuede said Access Bank, and that the Tier II debt would help to increase the bank's capital adequacy ratio to 20 percent by year-end, up from 18 percent as at its nine-month period to September. The bank would not need to issue any equity, he said. Aig-Imokhuede will retire as chief executive of the bank at the end of the year. *(Reuters)*

Diamond Bank Plc has suspended the launch of its proposed seven-year $550 million bond due to pricing turbulence in the international debt market. The bank disclosed during an investors' conference call on its financial results for the period ended September 30, 2013. "Our efforts towards injection of tier II capital have been put on hold following the persisting pricing turbulence in the international debt market," Reuters quoted the bank to have said in a presentation with analysts. Diamond's bond was marketed by France's BNP Paribas and Afrexim Bank as lead managers. Meanwhile, THISDAY gathered yesterday that the Guaranty Trust Bank Plc (GTBank) has reduced the size of its proposed Eurobond from $500 million to $400 million. According to a report, the bank launched the 5-year dollar-denominated debt instrument with a coupon of six per cent yesterday. It revealed that the Eurobond was initially priced at 6.125 per cent. "While the advertised initial size of the deal was $500 million, the issuer decided to reduce it to $400 million which possibly indicates that the bank was not willing to accept further bids at higher yields. "In fact, the yield in the primary market was also tightened to the lower end of the 6.125 per cent and 6.25 per cent guidance," the report explained. Commenting on the arrangement, the Emerging Markets Strategist at Standard Bank, Mr. Samir Gadio, argued that the reduced amount suggested no immediate urgency for GTBank to raise the fund. He added: "The funds will likely go towards plans to finance medium-to-long run projects in power, potentially the oil and gas sector and a gradual expansion into Sub-Sahara Africa. The rationale behind the Eurobond sale now was also to take advantage of the cheap financing presently available. "This is expected to become more expensive next year in line with the tapering of the Fed's quantitative easing programme. We suspect that there should be reasonable support for GTBank from both offshore investors and Nigerian financial institutions in the 6.25 per cent and 6.50 per cent area, especially given the bank's track record and robust fundamentals." *(This Day)*

Standard Alliance Life Assurance Limited (SA Life), one of the exclusively life insurance companies in the country, raked in premium income totalling N2.88 billion in the last financial year ended December 31, 2012. The firm returned to profitability last year, reversed the

N246.23 million loss it suffered during the 2011 financial year and coasted home with a N336.07 million profit last year. Investors' stake in the company was however grown to the tune of 18.44 per cent from N1.79 billion in the previous year ended December 31, 2011 to N2.12 billion last year. This information formed part of the contents of the company's 2012 Annual Report approved by shareholders during the 2013 Annual General Meeting of the company in Lagos recently. Gross premium income recorded by the company last year was N2.88 billion, a 26.32 per cent increase over the figure of the previous year, which was N2.28 billion. Net premium income raked in by the firm in the same period peaked at N2.05 billion, a 7.89 per cent increase over the N190 billion recorded in 2011. Last year, the company earned commission on reinsurance to the tune of N201.71 million, a 78.55 per cent improvement on the N112.97 million recorded in the previous year. Gross claims paid by SA Life last year was N1.49 billion last year, a 16.41 per cent improvement in customers' expectation met and surpassed. In the previous year, claims settled by the group totaled N1.28 billion. Within the same period, the company's underwriting profit peaked at N423.54 million, a 10.94 per cent shortfall from the N475.54 million made in 2011. The group also raked in N480.13 million from its investments, a 29.53 per cent shortfall from the N681.35 million it raked in by the end of 2011 financial year. Also, fees and other income earned by the firm last year was 4.62 per cent short of the 2011 figure. This went down from N399.44 million in 2011 to N381 million last year.

The firm puts its result of operating activities at N448.22 million, a 49.85 per cent increase when compared with the N299.11 million it recorded in the previous year. The profit before taxation declared by the life insurer last year was N384.88 million, as against the N213.55 million loss it suffered in 2011; a 280.23 per cent improvement. Profit after taxation recorded by the life office last year peaked at N336.07 million, a whopping 236.49 per cent improvement on the N246.23 million loss it suffered in the previous year. The life insurer within the year under consideration maintained its share capital and share premium at N2.70 billion and N1.17 billion respectively. Its contingency reserve was raised by 30.84 per cent from N86.91 million in 2011 to N116.33 million last year while its retained earnings improved by 14.29 per cent, reducing the N2.17 million deficits it recorded in 2011 to N1.86 million deficits by the end of 2012. Shareholders' interest in the company rose by 18.44 per cent, having been grown from N1.79 billion in 2011 to N2.12 billion in 2012. The company also increased the balance in its insurance contract liabilities considerably to the tune of 43.64 per cent from N1.10 billion in 2011 to N1.58 billion in 2012. In contrast, its investment contract liabilities were reduced by 41.01 per cent, from N774.56 million in 2011 to N456.95 million last year.

SA Life also last year raised its financial and reinsurance assets by 33.43 per cent and 51.98 per cent respectively. Financial assets held by the firm rose from N173.15 million in 2011 to N231.04 million last year its reinsurance assets peaked at N147.56 last year, up from the N97.09 million it recorded in 2011. The life insurer also increases its investment in properties by as much as 61.07 per cent and 80.79 per cent respectively. The former was grown from N352 million in 2011 to N567 million last year while the figure for the latter went up from N49.91 million in the previous year to N90.23 million in 2012. However, the life office's investment in property, plant and equipment went down from N182.18 million in 2011 to N94.03 million last year, a 5.48 per cent shortfall. The firm's total assets was grown to the tune of 11.68 per cent from N4.11 billion as at the end of 2011 accounting period to N4.59 billion last year. Earnings per share by the insurance group rose by 33.33 per cent, reversing the 9 kobo loss per share in 2011 to 12 kobo last year. *(This Day)*

Zenith Bank Plc (ZENITHBA), Nigeria's second largest lender by assets, said it expects to increase loans to the country's privatized power companies as the government seeks to end blackouts in Africa's biggest oil producer. Loans to the power sector may rise to 10 percent of the bank's loan book by next year, up from 4.3 percent in the third quarter and 1.3 percent at the end of June, Chief Executive Officer Godwin Emefiele, 52, said in an interview yesterday at the bank's headquarters in Lagos, Nigeria's commercial capital. President Goodluck Jonathan has handed control of 14 power plants in September to buyers including Munich-based Siemens AG (SIE) and Forte Oil Plc to secure funding for the facilities and end daily blackouts in sub-Saharan Africa's second biggest economy. "Opportunities in power opened up and we took advantage of it," Emefiele said. "It is a very essential utility that we all need for our survival." The value of Zenith Bank's loans to power companies was about 40 billion naira ($252 million) in the third quarter after the hand-overs, said Emefiele. Zenith Bank gave loans to companies including Eko Electricity Distribution Company and Ikeja Electricity Distribution Company both in Lagos state, which is Nigeria's most populated, with about 22 million people. "As we review the companies and we see viable propositions, yes we will" expand loans to the industry, he said.

Zenith Bank reported nine-month net income rose 16 percent from a year earlier to 68.9 billion naira, with revenue advancing 12 percent. The lender expects "steady growth" next year, with total loans rising 15 to 20 percent, Emefiele said. The Central Bank of Nigeria, which has kept its key interest rate at a record high of 12 percent for two years to stabilize the naira and curb inflation, is unlikely to ease policy next year before elections in 2015, he said. Central bank Governor Lamido Sanusi warned in September of an increasing demand for dollars being used for political patronage before elections. "There's going to be a lot of spending and the central bank has a lot of work to do in controlling the spending so that it doesn't spiral into interest rate effects too," Emefiele said. *(Bloomberg)*

Guaranty Trust Bank (GTB) on Monday launched a 5-y $400m Eurobond which pays a coupon of 6.0 percent and was initially priced at 6.125 percent, the equivalent of a spread over United States Treasuries (UST) of 469 basis points (bps). Analysts say that with an issuance size of $400m, the GTB 2018s should be eligible for inclusion in the JP Morgan Corporate Emerging Market Bond Index (CEMBI) with a broad inclusion threshold of $300m. The yield in the primary market also tightened to the lower end of the 6.125 percent – 6.25 percent guidance, according to bond traders monitoring the issuance. The advertised initial size of the deal was $500m, but the issuer decided to reduce it to $400m, which possibly indicates that the bank was not willing to accept further bids at higher yields, say analysts. "The smaller issue amount certainly suggests no immediate urgency for GTB to raise United States Dollars (USD). The funds will likely go towards plans to finance medium-to-long run projects in power, potentially the oil and gas sector and a gradual expansion into Sub-Sahara Africa," said Samir Gadio an emerging markets strategist at Standard Bank, London. "The rationale behind the Eurobond sale now was also to take advantage of the cheap financing presently available." The new GTB bond is seen to be likely less liquid than the tightly held GTB 16s (USD500m), an outstanding GTB Eurobond due in 2016. The old bond currently trades at 4.85 percent or a spread over UST of 431 bps. "This means that the GTB 18s offered a pick-up of only 38 bps versus the GTB 16s at inception which, on a liquidity-adjusted basis, limits any yield compression potential," said Gadio. The new bond was trading below re-offer on Tuesday, at 98.375/98.875, or a mid-yield of 6.32 percent and a spread over UST of 489 bps. Analysts say there should be reasonable support for the GTB 18s from both offshore investors and Nigerian financial institutions in the 6.25 percent – 6.50 percent area, especially given the bank's track record and robust fundamentals. GTB in October announced nine months profit before tax (PBT) of N82.3 billion, a 7 percent increase from the 2012 period. *(Business Day)*

Amnesty International called into question Royal Dutch Shell's accounting in Nigeria for oil spill amounts and causes, saying the oil major was seeking to avoid compensation payments and damage to its reputation. The Anglo-Dutch oil major responded in a statement that it "firmly rejects unsubstantiated assertions that they have exaggerated the impact of crude oil theft and sabotage to distract attention from operational performance". There are hundreds of leaks every year from pipelines that pass through the creeks and swamplands of the Niger Delta, damaging the environment and cutting into profits of oil companies including Shell and Italy's Eni. Widespread oil theft, sabotage and pipeline operational failures are cited as the main reasons for leaks, but the official cause of a leak is often disputed between oil companies and local communities. Shell says most of its oil spills are caused by sabotage and theft and that it cleans up the damage whatever the cause. Amnesty International said in a report on Thursday that evidence suggested this might not be true. "Shell is being disingenuous about the devastation caused by its Niger Delta operations. This new evidence shows that Shell's claims about the oil spills cannot be trusted," said Audrey Gaughran, Amnesty's director of global issues. The watchdog said it saw reports of spills that stated the reason as sabotage without any further explanation and also examples in which Shell had calculated the size of a spill behind closed doors. Amnesty also said it worked with U.S. pipeline specialist Accufacts, which found that some pictures on Shell's website showed that spills categorised as being caused by sabotage, were more likely due to corrosion of ageing pipelines. Accufacts also questioned the methodology used by Shell in calculating the cause and size of spills. Shells said that since 2011 it has published spill investigations including photographs on its website, the only oil major operating in Nigeria to do so. "We seek to bring greater transparency and independent oversight to the issue of oil spills, and will continue to find ways to enhance this," the statement said.

Amnesty acknowledged that Shell had improved its transparency over oil spills since 2011 and that the Nigerian government needed to improve the capacity of its regulators. The decision over the cause of an oil spill can have serious financial and reputational consequences for oil firms. Shell is locked in a legal dispute with thousands of villagers in Nigeria's Bodo community over damage caused by two spills in 2008, for which the company has taken responsibility. The two sides dispute the size of the oil spill and the damage caused. The community rejected a compensation offer of 7.5 billion naira ($47 million) in September. Shell and U.S. oil firms Chevron and ConocoPhillips are selling

assets in the Niger Delta, partly due to the damage caused by oil theft and spills. When an oil spill occurs in Nigeria, there is a Joint Inspection Visit (JIV) to determine the size and cause, which includes representatives from the oil company and the National Oil Spill Detection and Response Agency (NOSDRA). Amnesty's report said, based on interviews, that in many cases NOSDRA has little involvement in determining the cause and size in the JIV because of a lack of capacity and funding, leaving Shell to be "judge and jury". "This is a system that is wide open to abuse - and abuse happens. There is no one to challenge the oil companies and almost no way to independently verify what they say. In effect it's, 'Trust us - we're big oil,'" Gaughran said. The Niger Delta has for years been plagued by a range of problems including environmental degradation, kidnappings, oil theft, armed rebellions, and conflict between communities over clean-up contracts or compensation deals. *(Reuters)*

Zenith Bank Plc has said it will increase loans to the firms that acquired the recently privatised power assets. The bank's loans to the power sector may rise to 10 per cent of its loan book by next year, up from 4.3 per cent in the third quarter and 1.3 per cent at the end of June, its Group Managing Director/Chief Executive Officer, Mr. Godwin Emefiele, said in an interview with Bloomberg yesterday. President Goodluck Jonathan last week handed over 14 power plants in September to buyers. The move is expected to end daily blackouts in country. "Opportunities in power opened up and we took advantage of it," Emefiele said. "It is a very essential utility that we all need for our survival." The value of Zenith Bank's loans to power companies was about N40 billion in the third quarter after the handover, Emefiele added. Zenith Bank gave loans to companies including Eko Electricity Distribution Company and Ikeja Electricity Distribution Company both in Lagos state. "As we review the companies and we see viable propositions, yes we will expand loans to the industry," he said. Zenith Bank's nine-month net income rose 16 per cent from a year earlier to N68.9 billion with revenue advancing 12 per cent. The lender expects "steady growth" next year, with total loans rising 15 to 20 per cent, Emefiele declared. The Central Bank of Nigeria, which has kept its key interest rate at a record high of 12 percent for two years to stabilise the naira and curb inflation, is unlikely to ease policy next year before elections in 2015, the Zenith Bank boss said. The CBN Governor, Mallam Sanusi Lamido Sanusi, had warned in September of an increasing demand for dollars being used for political patronage before elections. "There's going to be a lot of spending and the central bank has a lot of work to do in controlling the spending so that it doesn't spiral into interest rate effects too," Emefiele said. *(This Day)*

Shareholders of Japaul Oil and Maritime Services Plc may be in for a bad year as the nine months financial results has shown a declining fortune in consolidation of its streak of negative performances. The unaudited financial statement for the period ended September, 2013, obtained by Vanguard showed that the profit after tax declined significantly by 144.60 percent over the period, even as the cost of sales was on the rise. This is in spite of the assurances given by the chairman, Major General Joseph Omosebi (rtd), at the last annual general meeting with shareholders of possible return to profitability after a negative outing in 2012. Specifically, the profit before taxation slumped to N485.500 million from N1.397 billion, while the profit after tax fell to N485.500 million from N1.19 billion in nine of 2012. Meanwhile, the cost of sales grew to N4.51 billion from N4.400 billion in equivalent period of 2012, showing inefficiency in use of resources. A further look at the results pointed to a company in financial distress as interest on loans rose to N546.760 million from N220.230 million, indicating an urgent need of fresh capital injection. However, the turnover for the period grew marginally by 0.70 percent to N9.61 billion from N9.54 billion in 2012. General and administrative cost also improved marginally, rising from N3.544 billion in 2012 to N3.416 billion in the review period. The recent results could be a pointer to the fact that the company was yet to recover from adjustments made for depreciation and newly-introduced policies for preparations of statutory financial reports as alluded to by the chairman, which he said were responsible for the drastic decline in the profit of the company in 2012. Explaining the ballooning finance charges, Omosebi had explained that some of the new vessels acquired during the year were financed with loans from the bank, "hence the high amount of interest that we paid during the year.*(Vanguard)*

Economic News

Nigeria's excess crude account (ECA), where it saves oil export earnings over a benchmark price, contains $4.3 billion, Finance Minister Ngozi Okonjo-Iweala said on Monday. The Finance Ministry said it had $9 billion in accumulated oil savings as of last December. The

accountant general said the ECA held $5.1 billion on August 23. Africa's second-biggest economy is becoming increasingly attractive to portfolio investors, but they often worry about the government's tendency to squander its oil windfall. Oil revenues from Africa's biggest producer have been hit by persistent oil theft and pipeline outages this year. *(Reuters)*

A report by the Joint Committees of the National Assembly on Finance and Appropriation which was submitted on the floor of the Senate Thursday has recommended an upward review of the oil benchmark price from $74 per barrel to $76.5 per barrel in the 2014 budget as contained in the Medium Term Economic Framework and Fiscal Strategy Paper (MTEF and FSP) 2014-2016, and also described the implementation of the 2013 budget as poor. The report also frowned at the continuous building up of the nation's foreign reserves above the internationally recognised standards of three months at the expense of the provision of critical infrastructure whose multiplier effect on GDP would boost national development. The Ahmed Makarfi committee further called on government to take drastic measure at curtailing the ongoing crude oil theft in the Niger Delta. "Oil theft came into prominence in 2012 with a daily loss of about 150,000bpd. By July 2013, the loss had risen to about 400,000bpd. Government needs to take some drastic steps to halt this development." However, the committee lamented that it was disheartening to learn that a total of N93.5 billion of the N180 billion Subsidy Reinvestment Empowerment Programme (SURE-P) allocation for 2012 which could not be exhausted in the 2012 budget was rolled over to 2013. "This shows that only 40 per cent of the SURE-P budget was utilised. That brings the total SURE-P budget for 2013 to N273.5 billion instead of the usual annual N180 billion for SURE-P. "It was observed that of the N273.5 billion budgeted under SURE-P for 2013, only N104.1 billion had been expended on various projects and programmes, and that a provision has again been made to roll over to 2014 a total sum of N94.34 billion - an indication that about 34.50 per cent of the 2013 SURE-P allocation would not be spent."

However, the joint committee maintained that details of all projects to be executed under the SURE-P budget must accompany the 2014 appropriations bill that will be presented next week Tuesday to the joint session of the National Assembly by president Goodluck Jonathan. In the same vein, the lawmakers said based on the submissions made to them by various government agencies, the 2013 budget implementation was very poor and that they "have given various reasons for the failure of the budget implementation. From all indications, President Goodluck Jonathan will on November 12 present the 2014 budget to a joint sitting of both chambers of the National Assembly without the passage of the 2014 to 2016 MTEF and FSP. The report of the Joint Committee on Finance and Appropriation was listed on the Senate's order paper for consideration yesterday, but Senator Ahmed Makarfi (PDP, Kaduna North), said the consideration of the report cannot proceed because that of the House of Representatives was yet to be concluded for proper harmonisation. The senate consequently deferred it indefinitely. This means that Since the two chambers don't sit on Fridays and Mondays, the implication is that the president will present the budget on Tuesday without the passage of MTEF or FSP and the MTEF and FSP set the parameters for the medium-term expenditure plan of government before the 2014 budget presentation. The Chairman, Senate Committee on Rules and Business, Ita Enang (PDP/Akwa Ibom East), said unless the National Assembly deliberate, pass and forward the MTEF to the president, he (President Jonathan) cannot present the budget. He added that that the delay in the presentation of the 2014 budget was as a result of that as the president was waiting on.*(This Day)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's economy is set to grow 7 percent in 2013 but the government needs to expand revenue by simplifying tax exemptions and curbing power subsidies to sustain growth and ease fiscal pressure, the IMF said on Wednesday. The International Monetary Fund said inflation was expected to slip back towards the government's target of 5 percent by mid-2014, after falling to 6.1 percent in the year to September. It also noted that the current account deficit "remained large", at the equivalent to 13.5 percent of gross domestic product in the year July 2013 to June 2014. Tanzania, like its east African neighbours, has been growing strongly. It is banking on gas discoveries in the years ahead, but for now has a huge job fixing rickety infrastructure, lifting its people out of poverty and addressing the sensitive issue of power and other subsidies that drain state coffers. Paul Mauro, who led an IMF team to Tanzania, said in a statement at the end of the talks that growth of 7 percent in the first half of 2013 was expected to extend to the full year. "To sustain economic growth and to stem fiscal pressures during the current and next fiscal year, priorities include mobilising additional revenues by reducing and simplifying tax exemptions and bringing the power sector to financial sustainability," he said. He said the government had reaffirmed its commitment to a fiscal deficit equivalent to 5 percent of gross domestic product that was agreed with the IMF, although he said agreed targets for domestic financing had been exceeded in 2012/2013. Among the medium-term policy challenges, Mauro included "enhancing the institutional framework to ensure that possible future revenues from newly discovered natural gas deposits benefit all citizens". *(Reuters)*

Tanzania's president said on Thursday that Kenya, Uganda and Rwanda risked weakening the East African Community by seeking closer unity without the agreement of all five members, weighing in on a row that has exposed rivalries in the economic bloc. The region has moved faster than other parts of Africa to deepen trade ties which are widely seen as important to sustaining the continent's long term growth, but relations within the community can be testy. Kenya, Rwanda and Uganda have agreed on several joint projects, such as a new railway to link them but not Tanzania, and have also announced moves for a single customs area during meetings that excluded Tanzania. Kenya has been bidding to create a new trade corridor and port in its northern territory and Kenyan officials say joint projects with other nations are not aimed at sidelining Tanzania, which sits on Kenya's southern border. But the latest spat has exposed historic rivalries between the two heavyweights in the bloc. There are also plans for an oil pipeline between Kenya and Uganda that aspiring member South Sudan could use.

The EAC's fifth member is Burundi, to the southwest of the bloc. "We will do whatever we can to ensure that the community is not weakened or forced to collapse," Tanzanian President Jakaya Kikwete said in an address to parliament. "We don't want what happened in 1977 to repeat itself," he said, a reference to the date when an earlier bid to build a grouping broke apart because of political and economic disagreements between then members Kenya, Uganda and Tanzania. Kenya, east Africa's biggest economy and one of its most liberal, and Tanzania, which still imposes fairly tight capital controls and ranked No. 2, have long tussled for influence. The EAC, in its current form, was set up in the 1990s. Regional analysts say Tanzania, which is also a member of the 15-member Southern African Development Community, has dragged its feet over moves towards deeper economic integration including the free movement of workers and trade. Hinting at Tanzania's concerns, Kikwete said: "Tanzania is not a stumbling block to regional integration ... but we will not skip key stages of the integration process and rush towards a fast-tracked political federation." There have been other strains in the group. Tanzania's recent call for nations in the Great Lakes region to talk to rebels to help end Congo's conflict riled Rwanda, which saw this as meddling and an attempt to prod it into negotiations with a group it blames for the 1994 genocide. Tanzania asked Uganda to mediate. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

The Zambian arm of mining company Vedanta Resources plans to cut at least 1,529 jobs by March, the chief executive of the unit said on Friday, as the firm automates its mines in Africa's top copper producer. "The resultant changes may affect upwards of 1,529 members of our staff," Kishore Kumar, the chief executive of Konkola Copper Mines, said in a statement. A spokesman for the company confirmed the job cuts would be made by March. Kumar said that Konkola's annual output of 8 tonnes per employee was "unsustainable" when compared to the global average of 100 tonnes. Moving to mechanisation and automation for all of its operations would increase productivity, he said. *(Reuters)*

COPPERBELT Energy Corporation (CEC) Africa Investments Limited and its consortia partners have taken over operations of two Nigerian power utilities. Abuja Electricity Distribution Company (AEDC) and Shiroro Generation Company (Shiroro) were acquired after a recently concluded power sector privatisation in Nigeria. AEDC and Shiroro were simultaneously but separately handed over by the Federal government of Nigeria to KANN Utility Company Limited (KANN) and North-South Power Company (NSP) on November 1, 2013. In a joint statement, CEC Plc executive chairman Hanson Sindowe and CEC Africa chairman Sianga Malumo described the handover of the companies as a first step in fulfilling the expectations of improved and better service delivery to employees and customers. This is according to a statement released in Lusaka yesterday. The handover allows the new owners to start implementing their turnaround plans for the acquired assets. "We commend the federal government of Nigeria for the focused determination exhibited throughout the privatisation process and ensuring successful delivery on power sector reforms," the statement reads in part. AEDC is a distribution company serving a franchise area covering the federal capital Abuja, Kogi, Nasarawa and Niger states; with a catchment area of 11 million people while Shiroro is a 600 Megawatts hydroelectric power generation company located in Niger State. In acquiring the companies, CEC Africa entered into consortia with Nigerian partners under the banners of KANN, a joint venture with XerXes Global Investments Limited for AEDC, and NSP for Shiroro.

AEDC and Shiroro are two of the six generation and 11 distribution companies that emerged out of the unbundling of PHCN, which have all been sold to private investors. CEC Plc is Zambia's second largest power utility, which transmits and distributes electricity to the majority of copper mines in Zambia, and undertakes power transmission for national utilities, Zesco Limited and SNEL of Democratic Republic of Congo. It has interests in optic fibre based retail and wholesale telecommunications through joint ventures, Realtime Zambia and CEC Liquid Telecom. The company is listed on the Lusaka Stock Exchange and is a member of the Southern African Power Pool. CEC Africa, a wholly owned subsidiary of CEC Plc, was established by CEC Plc to develop, finance and operates energy infrastructure projects across Africa. It has a strong pipeline of projects across sub-Saharan Africa and is currently operating in or has projects in development or consideration in Zambia, Nigeria, Namibia and Sierra Leone in its pursuit of becoming a Pan-Africa power infrastructure developer. The firm is the direct investor in both AEDC and Shiroro. *(Daily Mail)*

Economic News

MOST stakeholders have praised President Sata on the revocation of Statutory Instrument No. 89 of 2013 on the export of raw copper, as it will propel job creation. An economist and lecturer at University of Zambia (UNZA) Chrispin Mphuka said the removal of 10 percent export levy on copper concentrates and ores will encourage processing to ensure better pricing. Dr Mphuka, however, urged Government to consider taxing mines more and avoid contracting additional debt. He said there is need to reduce the rate of debt contraction by taxing the mines to increase revenue and reduce deficit. He was speaking at a post-2014 national budget organised by Economics Association of Zambia (EAZ) on Friday. Dr Mphuka said both concentrates and blisters can attract a tax to boost Government revenue. "Copper blisters should equally be taxed, only copper cathodes must not attract export tax, "he said. Similarly, EAZ member Lydia Chikumbi said the revocation of the SI is a positive move as this will create jobs. Ms Chikumbi said Government should put in place a system that will encourage setting up of smelters to effectively utilise raw materials and increase value addition to commodities.

Meanwhile, Union Gold chairman Mark O'Donnell said the 2014 national budget is good, saying Government's policy is consistent, predictable and transparent. Mr O'Donnell who is also Zambia Tourist Board chairperson said the macro-economic objectives of achieving 7 percent of gross domestic product (GDP), 6.5 percent inflation and the creation of 200,000 jobs are realistic. He, however, called for clear investments policies to enable the creation of jobs. Other concerns raised included increased Government indebtness and the country's downgrading to B negative from B stable by Fitch, a credit rating agency which, they observed, could increase the cost of borrowing for the country. At the same event, EAZ president Isaac Ngoma called for a prudent fiscal management, coherent and consistent environment to help sustain economic growth. Mr Ngoma said there is need for Parliament to also get involved in debt management to avoid the country contracting additional debt. *(Daily Mail)*

GOVERNMENT has proposed to streamline the granting of incentives given through the Zambia Development Agency (ZDA) to avert manipulation and revenue leakage, Finance Minister Alexander Chikwanda has said. Meanwhile, Government says it will soon present to Parliament a planning and budgeting bill to accord the public an opportunity to contribute to budget process after Cabinet approval. Mr Chikwanda allayed fears that Government intends to abolish all incentives granted to investors under ZDA, saying such claims are misplaced and should be ignored. "What we have proposed is to streamline the granting of incentives granted through the ZDA to prevent abuse and revenue leakage," Mr Chikwanda said. He said incentives under the ZDA mechanism will continue, but will be confined to priority sectors in multi-facility economic zones, industrial parks and rural areas. Mr Chikwanda said this when winding up debate on the 2014 budget last Thursday. Commenting on the planning and budgeting bill, Mr Chikwanda said steps have been taken to ensure stakeholder participation in the budget process, starting with the development of the planning and budgeting policy. He said the policy is currently going through stakeholder consultations. "I will come back with the planning and budgeting bill to this august House after we have received the comments [from stakeholders] and Cabinet approval," he said. Mr Chikwanda said currently the public is involved in the budget process through the medium-term expenditure framework, which is issued every year. The government also issues the Green Paper, which is a policy document that outlines key policies for the short and medium-term, and also provides indicative budgetary allocations to each sector. He, however, said with the other process already existing, stakeholders still feel that they are not fully involved in the process. A number of stakeholders and collaborators have recommended that the government should enhance transparency in the budget process to accord them an opportunity to contribute to the policies. Meanwhile, Government says it is exploring ways to tax informal sector traders as a way of casting the tax net wide. Mr Chikwanda said Government has continued to receive proposals to cast the tax net wider and be able to capture the income being generated in the informal sector. He said the informal sector is one of the sectors classified as "hard-to-tax" because of the nature of their transactions. Mr Chikwanda said the administrative arrangements and costs that are required to effectively tax income in the informal sector far out-weighs the revenues that can possibly be generated from there. "The most effective and feasible way to tax the informal sector is through indirect taxation such as value added tax and excise duties as opposed to income taxation…This means that we need to have most of the goods consumed in Zambia, excluding foodstuffs, brought into the tax net, and then everyone including the informal sector traders will pay the tax on the goods they consume," he said. *(Daily Mail)*

Zambia's Bond and Derivatives Exchange will delay trading currency futures beyond next week to allow the clearing bank to upgrade its system, its deputy chief executive said on Friday. Peter Sitamulaho told Reuters Zanaco Bank, the exchange's clearing bank, had asked that the scheduled November 5 start date be delayed to allow it to complete a system upgrade. "They have asked that we give them a bit of time but we are hoping we can still go live within November," Sitamulaho said. The exchange will trade in currency futures to hedge against foreign exchange risk after Zambia introduced a law reinforcing the use of the local kwacha currency. Zambia's kwacha would be traded against the U.S. dollar, the South African rand, the British pound and the euro, he said. Zanaco Bank had agreed to be the clearing bank and Bank ABC would handle the trading for the exchange. Last year, Zambia introduced a law requiring mining companies and other exporters to write their contracts in the kwacha currency, exposing exporters and importers in Africa's top copper producer to foreign exchange risk. *(Reuters)*

Zambian Mines and Energy Minister Christopher Yaluma said companies including the local units of Glencore Xstrata (GLEN) Plc and Vedanta Resources Plc (VED) agreed to start talks to pay more for power in Africa's biggest copper producer. "They are willing" to re-

negotiate the contracts, he said on Nov. 2 by mobile phone from Lusaka, the capital. Zambia is building new power plants to end an electricity shortage that has led to daily cuts. Mines, which are struggling with declining copper prices and rising costs as they follow ore bodies deeper underground, pay about half the cost of generating for new projects, according to Copperbelt Energy Corp., the biggest supplier to operators. The Energy Regulation Board has granted state-owned power supplier Zesco Ltd. a "double-digit" tariff increase for its non-mining customers, such as households and companies that include the local units of SABMiller Plc (SAB) and Illovo Sugar Ltd. (ILV), Yaluma said, declining to provide the actual percentage increase for the utility. The increase is "much lower" than the average 26 percent Zesco applied for in July last year and will probably become effective in January, he said. Zesco produces more than 90 percent of Zambia's power, some of which it sells to Copperbelt Energy that in turn sells to mines owned by companies including Vedanta, Glencore Xstrata and China Nonferrous Metals Co. Zambia's mining industry accounts for about half of the country's power demand.

Vedanta's Konkola Copper Mines unit on Nov. 1 said it will cut 1,529 jobs as it seeks to lower costs and boost productivity. Copper for delivery in three months fell 0.6 percent to $7,200 a metric ton by 12:29 p.m. on the London Metal Exchange yesterday, extending the drop this year to 9.2 percent. Copperbelt Energy increased its tariffs to mines by 28 percent in January 2011, except for Vedanta's KCM, which agreed to increases over five years. Mines owned by Barrick Gold Corp. (ABX) and First Quantum Minerals Ltd. (FM) buy their power directly from Zesco. Zambia needs higher power tariffs to be able to grow supply and upgrade its distribution network, Yaluma said. "This network has been totally neglected," he said. "Come next year December there will be sufficient supply outstripping demand but we don't know if the network will be in such a shape to transmit the power." Cephas Sinyangwe, a spokesman for Glencore Xstrata's Mopani mine, declined to comment when contacted by e-mail. A Konkola representative didn't respond to a message for comment. Emmanuel Mutati, president at the Chamber of Mines of Zambia, couldn't be reached after four calls to his mobile phone. *(Reuters)*

FINANCE deputy minister Keith Mukata yesterday told Parliament that Zambia's external debt currently stands at about US$ 3. 2 billion as at September 1, 2013. Mr Mukata told the House that Zambia's external debt in September 2011 stood at US $1. 7 billion. Mr Mukata said the internal debt currently stands at K17. 8 billion as at September 1, 2013, compared to the K13.8 billion as of September 1, 2011. He said to avoid plunging the country into more speculative debate the ministry, according to the debt management strategy, conducts the Debt Sustainability Analysis on annual basis to determine Zambia's debt carrying capacity and fiscal space for new borrowing. Mr Mukata said this when MMD Chembe MP Mwansa Mbulakulima asked the minister of Finance what Zambia's external and internal debt was on September 1, 2011 and September 1, 2013. Mr Mbulakulima also wanted to know the steps that Government had taken to ensure that Zambia does not slide into another debt trap. (*Lusaka Times)*

Zimbabwe

Corporate News

ECONET Wireless is on the verge of concluding negotiations with Cell Insurance to underwrite its new insurance product as the mobile phone firm turns to value-added products to grow revenue, sources close to the deal have said. The development came at a time when the Insurance and Pensions Commission (IPEC) recently launched an investigation into Zimbabwe's largest mobile phone company operations of the structure of EcoFarmer. EcoFarmer is a micro-insurance product that provides crop cover against bad weather conditions to registered farmers. "Cell Insurance is the partner that Econet is engaged with for EcoFarmer," the source said. Addressing journalists at a Press briefing last week, Econet chief executive officer Douglas Mboweni said a deal with an unnamed insurance company may be sealed soon. "We are still in discussion. We are working with somebody on the product," Mboweni said. He could not give the name of the firm that the company was engaged in. "We cannot say much about the discussion we are engaged in," he said. IPEC commissioner Manett Mpofu told NewsDay recently that the telecommunications company was being investigated for allegedly offering a micro insurance product without a licence. Mpofu said the telecommunications company was not licensed to offer insurance services in terms of Section 7 of the Insurance Act. "With respect to their weather index micro-insurance product (EcoFarmer) advertisements in the print media, it is not clear from the same advert whether Econet Wireless is the underwriter of the product or a duly registered insurance company using their mobile platform to offer the product. Meanwhile, investigations into the matter by the commission are underway," Mpofu said. According to the company's financial results for the six months ended August 2013 the group posted a $70,5 million after-tax profit for the period under review, down from $78 million in the first half prior year due to increases in finance costs. Finance costs increased to $18 million in the six-month period from $10 million the same period last year. The company's interest charges rose by 75% compared to last year as the company secured a multi-lender facility of $317 million. EcoCash had surpassed the $2 billion mark and there are 14 banks on the platform, while the company has 7 000 agents countrywide. *(News Day)*

PRIVATE Equity investment firm Brainworks Capital is set to make a mandatory offer to all listed African Sun shareholders. This is after the group recently completed an acquisition of 36,51 percent of the total shares amid indications that the hotel group together with its landlord Dawn Properties are set to be combined back into one entity. The offer is being made to comply with Chapter 9 of the Zimbabwe Stock Exchange listing requirements which compels shareholders to make a mandatory offer to minorities once their shareholding passes the 35 percent level. Brainworks acquired a shareholding in African Sun through a share-swap deal with former controlling shareholder Mr Shingi Munyeza. The remaining two tranches of the transaction made up of 29 million shares and 14 million shares were completed in the past two weeks. African Sun is expected to issue a cautionary statement on the take-over. The firm also completed transactions in Dawn Properties after the disposal of a 12 percent shareholding or 294 705 134 shares by African Sun at a 53 percent premium from the last trading price at US1,47c, through its subsidiary Lengrah Investments. Brainworks went on to raise its stake last week in a book-over on the stock exchange to 16 percent. This means that African Sun together with Brainworks now control 32 percent of Dawn. If they increase it above 35 percent they will be forced to make another mandatory offer to minorities and delist the group if that is successful. Well-placed sources told the Herald Business that pieces of the deal are coming together with the intentions of Brainworks pointing to a re-bundling of Dawn and African Sun. African Sun unbundled Dawn in an effort to unlock value in its properties but wrangles between the two started in 2010 when the hotel group tried to register a US$12 million bond over Crowne Plaza Monomotapa without board approval.

In 2012 former chief executive Mr Mike Manyika left the group after an acrimonious year in which he tried to evict African Sun from eight hotels citing breach of the lease agreement. With a lack of collateral, African Sun has been struggling to refresh its product and has been saddled with short term debt. However, with the coming on board of Brainworks, African Sun has been able to restructure its debt while the private equity firm is expected to unlock further value by raising international capital for the group. The disposal was in line with African Sun's target of reducing the net debt to below US$10 million. Net proceeds from the disposal will be applied entirely towards reduction of short-term debt with the following benefits expected to accrue to the company. Analysts say if Brainworks is to emulate the Ecobank deal where the then Premier Bank partnered with a reputable foreign institution, then African Sun can only benefit from the group's

international exposure. The main African Sun deal held two investors, one from Australia and one from New Jersey. Both investors are said to be experienced entrepreneurs in the hotel sector. They are expected to lead a technical team which will work together with Mr Munyeza to expand and create value for shareholders. Brainworks have also raised international capital for BancABC through the African Development Corporation. ADC's activities in growth markets align to African Sun's regional activities. It is expected that ADC will play a key role in bringing in new hotel developments through its linkages. *(Herald)*

THE National Social Security Authority blocked business tycoon, Mr Nicholas van Hoogstraten from acquiring Capital Bank's 21 percent stake in First Mutual Life, a deal that would have made the businessman one of the major shareholders. Mr van Hoogstraten had proposed to buy Capital Bank's 79 million shares at US20c per share, but on condition NSSA would dispose of an additional 12 percent stake in FML to him. This would have given him about 35 percent stake in FML, including 3 percent he already owns, while NSSA's shareholding would have been whittled down to 39 percent. NSSA, the 86 percent shareholder in Capital Bank, formerly Renaissance Merchant Bank has 51 percent direct interest in FML and 21 percent through the bank. NSSA is winding up Capital Bank's operations and since it already enjoys a direct controlling interest in FML, the authority has already authorised the disposal of the shares. The proceeds will partly pay off depositors. Sources at Capital Bank said it was now considering bids from other potential investors. "Although his proposal was attractive in monetary terms, the conditions attached to it were not favourable at all," said one source who spoke on condition of anonymity. No comment could be obtained from Mr van Hoogstraten by the time of going to print yesterday. At US20c per share, Mr van Hoogstraten would have paid US$15,8 million for Capital Bank's 21 percent stake in FML. This represents a 66 percent premium at yesterday's price of US12c. When NSSA resolved to invest in Capital Bank, it had high expectation of return on the investment. Initially, the authority invested US$24 million. In February this year, it converted its deposits in the bank to equity in a rights issue. As such, the total invested in the bank by way of equity amounted to US$30,2 million equivalent to 86 percent stake.

The revival of the bank did, however, not materialised as the debtors' book did not perform as had been intimated by the curator. The fresh capital injected was used to settle old depositors leaving little or no funds for new lending. Despite rebranding to attract depositors, non-performing old loans militated against the revival of the bank. Even a fresh cash injection of US$6 million by NSSA in a rights issue did not help. Instead, the financial situation of the bank worsened with capital levels falling from US$20,1 million in March last year to about US$17,3 million by August 2013. With the winding up of Capital Bank, NSSA said it may write off the US$30 million it invested. But it has accrued more benefits through FML and Peal Properties and RTG. The investment in Capital Bank provided NSSA with an opportunity to end up in FML group as the major shareholder which was initially the main reason for NSSA to consider the investment. The value contributed by FML group to NSSA's balance sheet was US$176 million as at end 2012. *(Herald)*

Meikles Department Stores has reversed its decision to retrench 55 workers after the Retrenchment Board ordered it to pay out almost US$1 million in retrenchment packages. Meikles department stores chief executive Mrs Belinda Sharples said the company has since reinstated the workers after deciding to grow the business rather than pay US$900 000 in retrenchment packages. "We cannot afford to pay the packages proposed by the Retrenchment Board because we are currently facing a liquidity crisis. It is better for us to grow the business and create employment rather than pay the packages. "Our decision to retrench has been reversed by the executive and the company is prepared to carry the costs," she said in an interview. The Retrenchment Board proposed that Meikles pay a month and a half salary per year served but the retail company challenged the judgment. In an appeal letter to the Retrenchment Board, Meikles Stores stated that it cannot afford the proposed retrenchment packages. "During the course of the retrenchment board meeting we agreed that if the board chose to impose packages above what we are ready to offer, Meikles Department Stores would have no option but to continue to carry to the monthly expenses of excess staff and allocate them to the various business units," read part of the letter. As part of the appeal the company said the Ministry of Labour and Social Welfare together with the Retrenchment Board do not have the power to impose retrenchment packages on the employer.

The letter stated that the retrenchment application is made by an employer to seek the board's permission to retrench and neither the board nor the minister has the right to terminate the services of an employee of Meikles Department Stores. "Once permission is given to

retrench, the employer then has the right to decide whether to exercise that permission or not and obviously the size of the package will determine whether the retrenchment should go ahead or not. In this case it is in our best interests not to retrench," part of the appeal added. However, the Zimbabwe Labour Centre, which is representing the Meikles employees, defended the position of the Meikles Stores employees saying the employer-employee relationship was under threat therefore the company was supposed to adhere to the judgment proffered by the board. "It is now common cause that the minister approved the proposed retrenchment of the employees on October 14 this year. "The employer-employee relationship ceased to exist, thereby we request that Meikles Department Stores should initiate the payment of our clients' retrenchment packages forthwith," Mr Gwisai said.

Meikles Stores has been posting losses since the advent of dollarisation four years ago and in August this year the retail company announced its intention to lay off 55 workers in Harare and Gweru. The Thomas Meikle Stores group currently comprises eight department stores: Barbours, Greatermans and Meikles Department stores in Harare's busy Central Business District, including the specialised hardware outlet in Orr Street; a Barbours Store in Sam Levy's Village, Borrowdale, and Meikles Department Stores in Bulawayo, Gweru, Mutare and Masvingo. The stores offer a selection of electronic and household appliances, ladies' and men's fashions, boys' and girls wear, furniture, kitchenware, luggage and travel accessories, a wide range of shoes and footwear, baby and toddler gear, toys, and other family "goodies". The first Meikle Store in the country was opened in Masvingo (then Fort Victoria) in 1892, when Thomas Meikle, with his brothers Jack and Stewart, saw a business opportunity to supply a starved market and moved across the border from South Africa. The businesses grew rapidly, with stores being opened in quick succession countrywide. However, the department store concept is slowly being overtaken by events globally, hence the need to downsize by reducing trading space and trimming staff as well. *(Herald)*

TRUST HOLDINGS is on the verge of concluding a placement with a South African firm MOGS to raise US$20 million to comply with minimum capital requirements and enhance liquidity in its banking unit. According to THL's investment proposal to shareholders, the financial services group would convene an extraordinary general meeting to consider the two recapitalisation options available. Directors preferred a private placement to a rights offer. This is because the capital injection by a new investor was considered most feasible as current shareholders appear constrained to support a rights issue. THL group chief executive Mr William Nyemba said while several regulatory approvals were required for the transaction to sail through, the group has already secured endorsement from 60 per cent of key shareholders. "There are several regulatory approvals required before the extraordinary general meeting and the eventual capital injection. The new investor offered to inject equity which will result in a significant stake well above the indigenisation percentage thresholds for foreign investors," he said. THL is now waiting for this crucial approval from the Ministry of Indigenisation and once the regulatory approval has been obtained the share placement could be concluded by end of next month.

Mr Nyemba added that THL was only waiting for approval from the Ministry of Youth Development, Indigenisation and Empowerment as they have already secured the other approvals from regulatory authorities. The South African firm is an investment vehicle of the Bafokeng Nation, which holds significant interests in SA's major mining and financial services companies such as RMB and Implats. MOGS has offered to invest US$20 million in Trust Bank in exchange for a 100 percent shareholding in the bank and reduce it in line with indigenisation laws over five years. The indigenisation law requires foreign- owned companies to hold a maximum of 49 percent stake in local firms with indigenous Zimbabweans holding the balance. Failure to inject capital fresh for the bank in the short term would have dire consequences for the bank and the group. Operation was capitalised to the tune of US$16,5 million after reopening in 2010. Trust Bank was among the casualties of the 2003-2004 banking sector with December 2012 target (US$25m) and June 2013 target (US$50m) and urgently needs to capitalise for compliance as well as liquidity purposes.

According to documents in our possession of Herald Business MOGS will offer current institutional shareholders to take up shares offering staff through an Employee Share Ownership Scheme. MOGS will ensure bank regulatory capital compliance, improve bank liquidity, give shareholders premium for their shares plus US$6 million net assets against US$1,4 million market value. With a THL market capitalisation of US$1,44 million shareholders will get a 344 percent premium at an implied valuation of US1,67c per share if they take assets for their shares in the bank. THL directors also believe that the capital injection and shareholding acquisition by MOGS will give the group an opportunity to

unlock value through assets released to current shareholders. The share placement is subject to regulatory approval from the Reserve Bank of Zimbabwe, Zimbabwe Stock Exchange and Ministry of Youth Development, Indigenisation and Empowerment. The core capital of Trust Bank after capital injection will increase to US$24,1 million from US$4,1 million. MOGS will be responsible for ensuring profitability and future capitalisation of bank. Property assets to be transferred have a combined value in Trust Bank books of US$6 million comprising US$2, 4 million for Transtobac and US$4 million for the Newlands Bypass. THL believes that due to the current market conditions the assets are undervalued. Various options can be explored to unlock or derive value from the assets including. The financial services group may also consider liquidating when conditions improve to obtain better valuation, development of properties and leveraging properties to secure funding for other projects. THL once engaged Norwegian equity investor, Norfund for funding but the deal fell through with the investor eventually settling for Trust Bank's fellow financial services provider NMBZ. *(Herald)*

AFRICAN Distillers Ltd is on course to achieve a 20 percent growth in turnover to US$30 million at the end of its financial year while a 16 percent volume increase is also expected, managing director Mr. Cecil Gombera said on Wednesday. Despite the challenges of diminishing disposable incomes due to tight liquidity, the business was on a growth trend after turnover in the first quarter to October this year was 9 percent up from the previous quarter. Volumes during the quarter rose by 6 percent, largely driven by local brands. Brown spirits were 30 percent up. "Viceroy and Chateau are performing well and are in line with group expectations," said Mr. Gombera. White spirits continued to face stiff competition from cheaper products at the end of the market but the group was moving at addressing this." Work towards local cider production was progressing with Mr. Gombera saying the ready to drink market was the future in terms of the growth of the business. Feasibility studies had been completed and the group was in the process of piecing together the equipment. The US$5 million plant is expected to be commissioned in June 2014. Sting was relaunched and it has been well received, said Mr. Gombera while the same trend had been witnessed on the Esprit brand. Under wines, Mr. Gombera said the long-term objective was to achieve an annualised volume of one million litres. The company is also planning to refurbish its current manufacturing plant in order to improve monthly capacity. Going forward, the group intends to achieve an 85 percent market share of all the segments, said Mr. Gombera. *(Herald)*

Zimbabwe Stock Exchange-listed industrial concern Seed Co after tax loss for the half year to September was up 44% to $12,8 million compared to the same comparative period last year dragged by operating costs, the company has said. Revenue rose to $17 million during the period under review from $13 million while operating costs accelerated to $16 million from $13 million. "Overheads at $16,6 million were 29% higher than the prior year due to a $3 million impairment of deposit receivable from one of the financial institutions currently under curatorship and an increase in the general provision for bad debts by another $1 million to take account of slow moving retail debtors from previous years", the company said. Finance costs, the company said, were higher than the prior year due to delayed receipts from government and quasi-government institutions that have been slower on their payments resulting in working capital constraints. The group's current ratio, which measures the company's ability to meet current liabilities, stood at 1,4, a figure above the minimum efficiency of one. "Current assets at $119 million were 3% higher than prior year end figure in spite of 31% reduction in accounts receivable to $44 million. A total of $8 million was received from the Governments of Zambia and Zimbabwe just after cut off. Efforts are still being made to obtain payment from related government institutions in Zimbabwe that still yet to honour their obligations." This, according to the company, resulted in borrowings increasing by 51% $70,8 million. Despite taking a knock, the group announced that performance was expected to improve in the second half of the year buoyed by improved support for agriculture and continued growth in East Africa with further gains in market share in Tanzania and entry into the highland variety in Kenya. Continuation of the subsidy programme in Malawi and improved product pricing on the market, the company said, was also expected to drive growth. Seed Co's total assets turnover, a measure of how much assets were being used to generate sales stood at 0,10. The efficiency was below 1 showing under-utilisation of assets which might be a management issue or pricing policy in light of stiff competition. *(NewsDay)*

Economic News

ZIMBABWE is in discussions with the International Monetary Fund, World Bank and African Development Bank for fresh financial support

to rebuild capacity to repay the country's debt, a Cabinet minister has said. Addressing parliamentarians during a pre-Budget seminar at Elephant Hills Hotel last Friday, Finance and Economic Development Minister Patrick Chinamasa said he made the request when he met the institutions' executives during the annual IMF and World Bank meetings held recently in Washington, US. He said he told leaders of multilateral lenders that their reluctance to provide financial assistance over arrears maintained or perpetuated the current economic crisis because the country had no capacity to clear its US$7 billion debt plus US$4 billion arrears. The minister made the remarks after he was asked whether Zimbabwe's debts could be pardoned under the Heavily Indebted Poor Countries Initiative and was told that the country does not qualify. "They said Zimbabwe does not qualify and was actually in a better state (than other countries) given our debt to exports ratio. They said Zimbabwe did not qualify for debt forgiveness," Minister Chinamasa said. Multilateral institutions, particularly the Bretton Woods institutions, suspended financial help to Zimbabwe when the country defaulted on repayments in 1999 when it started experiencing an economic downturn. He said because of its huge arrears and nominal debt overhang the multilateral lenders have been watching the country slide into an economic abyss instead of helping it rebuild its capacity to repay the debts. While clearing its arrears is one of the conditions the country needs to meet under the IMF staff-monitored programme, a precursor to processes for normalisation of relations, there will be little progress on that front because the country has no funds to meet the obligations.According to international standards qualification for debt forgiveness is determined by basic ratios – export to debt and debt to revenue. However, Minister Chinamasa was satisfied with the engagements in Washington, which he described as positive and said further discussion will be held in meetings to be held before end of year. Zimbabwe's US$11 billion debt has been standing in the way of access to fresh funding as institutions that are owed have demanded that the country should clear its arrears first before getting fresh assistance. The finance minister also said he was leaving no stone unturned in the quest to unlock external lines of credit, revealing that during the IMF/WB annual meetings in the US he held discussions with little-known Burma. While Zimbabwe faces a myriad of constraints to economic growth, lack of access to affordable medium- term funding is the biggest problem. The country needs at least US$8 billion to get its economy kicking. The country's problems multiplied during the decade of recession from about 1998 to 2008, when half its gross domestic product dissipated. Other challenges now include old and antiquated equipment resulting in inefficiency and lack of competitiveness, high cost of funding, shortage of electricity, high cost of labour, erratic water supply, low aggregate demand and competition from low-priced exports. The net effect of that has been industry's incapacity to compete with imports or just to produce to meet local demand, forcing the country to rely on imports, which totalled US$6,6 billion in the nine months to September 2013. Exports totalled a paltry US$2,3 billion in that period. *(Herald)*

***Z*imbabwe Finance Minister Patrick Chinamasa has postponed the announcement of his 2014 budget, tentatively scheduled for this month, to allow more time for consultation, local media reported on Monday.** Chinamasa, who was appointed by veteran leader Robert Mugabe in September, had said his maiden budget would come this month but the state-owned Herald newspaper quoted him as saying that was too soon. "We won't have a budget statement in November. I need more time, possibly in December, but we will meet the constitutional requirement of doing it by January 2014," he told members of parliament at a pre-budget meeting in Victoria Falls. Chinamasa could not immediately be reached for comment. Mugabe has promised to increase the salaries of government workers but with wages already consuming 70 percent of the budget and revenues barely growing, Chinamasa has little room to move. The southern African nation's economy is expected to grow 3.2 percent this year, a significant decline from the near-double digit expansion it enjoyed after the government scrapped the worthless Zimbabwe dollar in 2009. Zimbabwe desperately needs foreign investment and donor support to create jobs and revamp infrastructure but Mugabe and other top officials remain subject to international sanctions, making major support impossible. *(Reuters)*

THE cost of living for an urban family of six decreased by 0,89% to $561,03 last month pushed down largely by a drop in food prices, latest figures from the Consumer Council of Zimbabwe (CCZ) showed. October figures marginally dropped to $561,03 from $567,033 recorded in the previous month which, however, remain high for the majority of Zimbabweans who earn less than $300 per month. In the period under review, the food basket shed $4,89 to $149,69 as prices of most commodities recorded a marginal decline. Decreases in prices were recorded in meat (beef) which went down by 48c to $3,90 per kg, sugar shedding 9c to $1,90 for a 2kg packet while the price of a 2-litre cooking oil bottle dropped by 5c to $1,70. Rice prices in the same period shed 45c to $1,59 for 2kg while washing powder lost 5c to $1,50 per 500g. CCZ attributed the drop in prices to promotions currently running in various supermarkets. Detergents prices also decreased by

15c or 1,12% to $13,30 per litre. However, roller meal in the same period increased by 23c to $12,23 for a 10kg bag while margarine gained 11c to $2,36 for 500g. The prices of other basic commodities which include fuel, tea leaves, bread, salt, tomatoes, flour, fresh milk, onions, cabbage, and laundry soap bar remained unchanged from September figures. CCZ urged consumers to buy certified products and to exercise their right to information by carefully examining products for labels, packaging and vital information such as manufacturing and expiry dates. *(Bulawayo24)*

ZIMBABWE'S gross domestic product is projected to grow by 6,1 percent next year to US$15,5 billion largely driven by growth in the mining, Finance and Economic Development Minister Patrick Chinamasa has said. Addressing parliamentarians during a pre-Budget seminar in Victoria Falls on Saturday, Minister Chinamasa said on the basis of the projected growth rate, revenue was anticipated to increase from US$3,7 billion this year (revised downward from US$3,8 billion) to US$4,4 billion. Treasury expects to spend US$4,4 billion as budgeted in line with the cash budgeting principle. Capital expenditure is set to be increased from 14,7 percent this year to 18 percent next year. Minister Chinamasa will, however, soon start putting emphasis on off-Budget financing of capital projects through Build, Operate and Transfer and Public Private Partnership initiatives. In 2014 current expenditure is expected to maintain pressure on the fiscus at US$3,6 billion with US$1,9 billion of that amount anticipated to be spent on salaries and wages for civil servants. Minister Chinamasa said while annual inflation has fallen from 2,51 percent in January to 0,86 percent in September, it is expected to rise marginally to 1,5 percent next year. "In terms of key projections the economy is projected to grow from 3,4 percent to 6,1 percent and a nominal gross domestic product of US$15,5 billion," Minister Chinamasa said.

The economy is projected to grow at an average 7 percent until 2018 after Government said it will work hard to address all challenges including shortage of funding. "The 2014 macro-economic framework takes into account the new series of national statistics following the completion of a poverty, income and expenditure survey results of 2012," he said. The chairperson of the University of Zimbabwe Economics Department, Dr Pheneas Kadenge, commended Government for adopting sound macro-economic policies saying all that is required to ensure growth in 2014 has been captured in Minister Chinamasa 2014 Budget framework. However, he said that the performance of the 2014 National Budget will depend on the extent to which the minister's projections were realistic. "The figures that are being suggested for the growth of the economy are very good. My (only) issue is on the increase in the economic growth rate from 3,1 percent to 6,1 percent. Is it realistic?" he asked. The 2014 National Budget will be guided by the Zimbabwe Agenda for Socio-Economic Transformation, Government's new economic blueprint covering the period from 2014 to 2018. Minister Chinamasa said Zim Asset, designed to reverse economic slowdown and reposition the economy back on a sustainable growth trajectory will be anchored in the multi-currency regime. He said the budget will pay attention to food security and nutrition, social services and poverty reduction, value addition and beneficiation and rehabilitation of infrastructure and utilities. Broad assumptions expected to determine budget performance include firm international commodity prices, a stable macro-economic environment, adherence to cash budget, mobilisation of domestic funding for infrastructure and deepening liberalisation to support industry viability.

Other broad expectations include more value addition strategies, increased foreign investment, policy consistency and predictability, continued engagement with creditors, implementation of the IMF's staff-monitored programme and clarity and flexibility on indigenisation. The budget performance will also be determined by some specific assumptions, provided they hold constant. For agriculture these include normal rainfall, adequate funding, rehabilitation of small irrigation schemes, use of water bodies and fiscal measures in support of productivity. It is expected that there will be improved liquidity to provide affordable financing to industry, improved supply of utility services, increased agricultural output and fiscal support to industry. Government also anticipates recovery in international commodity prices, improved power supply, plugging of mineral leaks and transparency and accountability of mineral revenue. But downside risks to Zimbabwe's projected economic growth include its US$11 billion debt, liquidity constraints, high cost of funding, uncertainties in the global economy, fluctuation in mineral and agricultural commodity prices, poor weather, drought and growing domestic debt. Other growth constraints Minister Chinamasa cited included low capital inflows, declining domestic savings and investment, low competitiveness due to technology gaps, external debt and leakages in mining through smuggling, lack of transparency and accountability and tax evasion.*(Herald)*

A delegation from the International Monetary Fund is expected in Zimbabwe tomorrow to assess progress made in implementing its staff -monitored programme and mapping ways to clear the country's debt. According to Finance and Economic Development Minister Patrick Chinamasa, the team would be in the country for two weeks until November 19. "When we committed to the staff-monitored programme, there were certain benchmarks that the IMF said we should comply with. One of those was to amend our Mines and Minerals Act and we have not yet completed the process," he said. He said the IMF had also suggested that the Budget be reviewed so that more funds were allocated towards capital to get the economy running again instead of going to wages. "Currently, our Budget is skewed towards wages because 70-80 percent is going towards paying wages for civil servants and we are working on ways to restore balance in our Budget," he said. Minister Chinamasa said the engagement would also present Government with an opportunity to ask for new money considering that the country was complying with the benchmarks. Zimbabwe, which agreed to the IMF staff-monitored programme in June this year, is saddled with a US$11 billion external debt. This has been standing in the way of accessing fresh funding as institutions that are owed have demanded that the country clear its debt before getting fresh assistance. However, in October last year the IMF eased restrictions on technical assistance to Zimbabwe, opening the way for an IMF staff-monitored economic programme which the country committed to in June this year. The move marked a major step towards normalising relations with Zimbabwe.

The staff-monitored programme is supposed to help monitor the country's economic data, build transparency in diamonds earnings and determine whether the country is able to meet its macro-economic targets such as inflation. While the country is faced with many problems, lack of access to affordable medium- to long-term funding is the major challenge. The country needs at least US$8 billion to kick-start the economy. The external debt is also blocking capital for infrastructure and economic programmes. Minister Chinamasa said the Government would continue engaging creditors in order to find ways to clear the debt and be able to access new money. "We will continue to tell them we need new money to broaden the tax base so that we can start paying our creditors," he said. Zimbabwe owes the Paris Club about US$3,5 billion, the World Bank US$2 billion, African Development Bank US$600 million and IMF US$200 million. Clearance of arrears will unlock new financing arrangements from the IMF within the context of a fund-supported financial arrangement, which will then be used to repay the bridging loan obtained from the co-operating partners. *(Herald)*

PROFITS in the banking sector over the first half of the year fell by 17 percent to $52 million following the implementation of a central bank directive to cap interest rates, while bad debts accelerated to $500 million as economic performance continues to weaken. A banking sector survey by MMC Capital showed non-performing loans (NPL) constituted 13.8 percent of the $3.67 billion loan book as at 30 June, making the country's NPL ratio one of the highest in sub-Saharan Africa. "The deteriorating economic fundamentals have been the chief contributor to the sector's worsening NPL ratio as most borrowers are now failing to service their debts due to deteriorating macroeconomic environment," the report said. "This situation will have a huge bearing on the economy as the reduced credit supply will lead to working capital challenges and in many instances businesses will fail to fund capital expenditure." Total profit after tax for the reporting banks amounted to $52.1 million for the half-year ending 30 June 2013 relative to $63.3 million in 2012 after the banks signed a Memorandum of Understanding (MoU) with the Reserve Bank of Zimbabwe in January to cut customer service fees. "Historically, non-funded income has been the major contributor to most banks' revenue and the MoU (between the bank and the RBZ) was a major blow to the top line," the report read.

Non-funded income dropped by four percent to $170.6 million in the period under consideration. The majority of banks have instead, widened e-banking transactional activities which are cheaper than the traditional channels to increase revenue streams. "Banks seem to have exhausted their capacity to continue implementing cost containment measures as the cost to income ratio remained flat at 72 percent relative to HY 2012," said the report. Total banking deposits, at $3.84 billion for the half-year were 1.29 percent lower than prior year. Demand deposits constituted 52 percent of the total deposits followed by savings and short-term deposits which also constituted 33 percent. Long-term deposits accounted for 14 percent of the total deposits. CBZ, Zimbabwe's the largest bank saw its share of deposits rise to 24.9 percent up from 23.85 percent in the prior year although the bank's deposit base shrunk by 8.3 percent to $878.89 million from $958.83 million last year as consumers appetite to save wanes. The top quartile banks of CBZ, CABS, Standard Chartered and Stanbic contributed about 65 percent to the earnings base compared to 72 percent in 2012. Total banking sector assets grew by 19 percent from

$4.3 billion to $5.16 billion for the half-year while the loans to deposit ratio also increased to 96 percent from 88 percent, reflecting increased lending despite the risky credit environment.*(New Zimbabwe)*

Bonus Matashu points to a three-ton truck he bought for $15 000 in cash and says President Robert Mugabe's often violent programme of seizing white-owned farms and giving them to black Zimbabweans turned around his life. This is the best thing that could have happened to me and my family and the generality of black Zimbabweans," the former machine operator said at his six-hectare farm near the tobacco-farming town of Karoi, north of the capital, Harare. "I now lead a far better life." Matashu (34) was allocated land by the government in 2001 after a white-owned farm was seized and its former owner emigrated to South Africa, he said in an interview. He grew cotton for a decade before switching to tobacco. This year he earned $34 000 and won an award for being the best small-scale tobacco farmer in Karoi. During the turbulence of the farm takeovers, tobacco production in what was the second-biggest exporter of the top quality variety of the crop known as flue-cured plunged to 48,3 million kilogrammes in 2008 from a record 236,7 million kilogrammes in 2000, according to the Zimbabwe Tobacco Association. Now it's making a comeback, with this year's 166,7 million kilogrammes earning about $612 million. Mugabe said he embarked on the land-grab programme in 2000 to address the expropriation of land from blacks during the 90 years of white rule that ended after a civil war in 1980. While it helped him win rural votes and retain power, the economy was gripped by a decade of contraction, with plummeting exports of crops ranging from tobacco to roses.

About 18 white farmers were killed in violent takeovers of their land while almost all of the country's 620 000 permanent and seasonal farm workers were driven away from their homes, John Worsley-Worswick, the head of Justice for Agriculture, a Harare-based lobby group, said in an interview on October 28. Together with dependents those workers accounted for 2 million people, he said. "We tackled the enemy head on and we got the land," Agriculture minister Joseph Made said in an interview. "They will never, never accept that there are now new owners on the land who have done wonders." Most of the rest of Zimbabwe's agricultural industry remains in crisis. The rose export business, formerly worth $87 million a year, has largely disappeared. Once a corn exporter, Zimbabwe has regularly imported the grain in recent years, buying almost 97 000 tonnes from South Africa since the beginning of May. That's the most in a single season since at least the marketing season that ended in April 2010, according to South African Grain Information Service data. The tobacco industry no longer resembles the pattern of large, white-owned, farms, which have been seized and resettled. In 2000 the crop was grown by 1 500 large-scale farmers while 5 000 small-scale growers produced 3% of the crop. This year 110 000 small-scale farmers grew 65% of the crop, according to the government's Tobacco Industry Marketing Board (TIMB). While most of the tobacco used to be auctioned most is now grown under contract for leaf merchants. More than a fifth of the growers were registered this year, and farmers are being encouraged to grow the crop in the more arid region of Matabeleland, where little tobacco has been produced before. "It took the minority more than 50 years to reach 220 million kilogrammes," said Lovemore Chikweya, regional co-ordinator for the TIMB in Nyamandhlovu, 370 kilometers southwest of Harare, in an interview. "With these new farmers that number can and will be surpassed within five years," he said, forecasting production at 200 million kilogrammes in 2014. With the violence associated with the land reform programme and a series of disputed election resulting in sanctions targeting Mugabe and his allies from the European Union and the US, Zimbabwe's tobacco farmers are now exporting more of their crop to Asia. "Our exports to China have grown by over 50%," said Rodney Ambrose, chief executive officer of the Zimbabwe Tobacco Association, in an interview. "We have also established new markets particularly in Indonesia and Malaysia." This year Chinese buyers acquired $197 million worth of tobacco while Belgium bought $102 million, according to the TIMB. "People are seeing that you can grow the crop and it comes in handy because the returns are much higher compared to wheat and cabbages," Shandu Gumede, a 43-year-old farmer in Matabeleland, said in an interview. "I have no regrets."*(News Day)*

THE Securities Commission of Zimbabwe (SECZ) will today change its name to the Securities and Exchange Commission of Zimbabwe and have expanded roles in line with the provisions of the Securities Amendment Act. The name change followed the gazetting into law of the Securities Amendment Bill which also extended its powers and provided further protection for investors on domestic capital markets. The commission, according to the Bill, will register stockbrokers, a role that was initially played by the Zimbabwe Stock Exchange. The amendments will also see the inclusion of representatives of insurance companies on the Securities and Exchange Commission to be appointed by the Finance minister. Insurance companies are one of the active institutional investors on the local bourse. The proposed law

will, however, disqualify directors of quoted companies and companies which deal in securities from being appointed to the commission. In an interview with NewsDay, SECZ chief executive officer Tafadzwa Chinamo said the name change was due to provisions of the amendments and that the previous one was incomplete. "It was clear that the name was a misnomer. The name SecuritiesCommission of Zimbabwe excluded the exchange so the name was not complete. We are changing it to Securities and Exchange Commission of Zimbabwe," Chinamo said. Chinamo said SECZ had engaged professionals who were working on the logo. "We are coming out in the open to say who we are and for us, it is a reality and it means quite a lot for the people in the securities sector," Chinamo said. "We want to show people the new look and, hopefully, will give us the bouncing step." Chinamo said the launch was an opportunity for the company to open up as an authority and to show that it was ready to tackle anything. SECZ is the apex regulator ofcapital markets in Zimbabwe. Following the enactment of the Securities Act amendment of 2013, SECZ now regulates all persons registered and/or licensed to deal in market and investment in securities. *(News Day)*

THE quality and quantity of diamonds mined at the controversial Chiadzwa diamond fields has been on a decline since 2012, casting doubts over the possibility of the diamonds sector bailing the country out of the current quagmire. While many have held their breath on the hope that the country's diamonds would take Zimbabwe out of the woods, the Financial Gazette reported that currently the diamond producers themselves need bailing out to enable them to acquire the equipment needed to mine the gems underground. Despite official claims that the diamond fortunes are still as glittering as before, the Financial Gazette said it is reliably informed that the shine has been waning since last year because the alluvial (surface) diamonds are fast running out at the Chiadzwa minefields. Because there is now insignificant diamonds in the alluvial ore, the little that is found is of poor quality than before. While there is hope that economic grade diamond deposits exist underground, the companies operating in Chiadzwa need equipment to get to the gems, which is costly. As such, there is need for them to invest in state-of-the art equipment for them to extract the gems below the surface. The biggest challenge is that some of the companies have no financial wherewithal to invest in the equipment. The country got the most from diamonds in 2011 and thereafter production has been on the decline in terms of quality and quantity, according to the Zimbabwe Mining Development Corporation (ZMDC), which has an interest in all the companies operating in Chiadzwa. In 2011, diamonds were contributing to the fiscus between $ 23 million to $33 million a month. "Currently contributions of such magnitude are not possible, but that is not to say that it won't happen again in the future. It can again. Just that we were mining alluvial diamonds but now we need to mine conglomerates. We have to go deeper and we need equipment for that. We also need to expand and explore further. There is a lot of untapped land and we need to establish what we have under the ground," said Florence Gowora, acting board chairperson for ZMDC.

"Government is currently looking at ways to enable the diamond companies to acquire capital to expand their operations so that we can unlock the value we have underground. The future is bright for the mining sector. We are focusing on how we can grow it (the sector)." Gowora said while it was nothing unusual for the nation to look at the diamond sector expectantly, capitalisation challenges were affecting production while the companies operating in Chiadzwa are also desperate to plough back what they are earning into their operations. Mines and Mining Development deputy minister, Fred Moyo was quoted recently saying that surface ores have exhausted but expressed hope that the country still has opportunities to explore further for more alluvial diamonds. "It is naturally expected in mining that surface ores will exhaust first, specifically for diamonds. It is important to note that the area of Chiadzwa is not explored, really. We cannot exhaust deposit of this nature with five years of operating… the diamond area is not well explored, meaning we still have more of the surface diamonds," Moyo said. Although reluctant to say much, Marange Diamonds corporate affairs manager, Muriel Nqwababa, confirmed that surface gems were getting exhausted. "Our position is the same as that of the deputy minister," Nqwababa said. Compounding the situation are poor prices being fetched on the international market at a time when Zimbabwe is still trying to gain a foothold on the mainstream market following years of bickering with the Kimberly Process. "We have not been participating in the international space and prices of our diamonds have also not picked up," Gowora said, although she expressed optimism that the recent mission to Zimbabwe by Antwerp would result in better fortunes for the local diamond industry. "Antwerp is promising to get better value for Zimbabwe," she said. *(Bulawayo24)*

GOVERNMENT will review mining royalties and rates of taxation to reduce costs and ensure optimal exploitation of minerals, Mines and Mining Development Deputy Minister Fred Moyo has said. He made the remarks in his presentation to parliamentarians during a pre-

Budget seminar held at Elephant Hills Resort in Victoria Falls last week. Addressing challenges facing the sector is critical to mining as it is the anchor for economic growth. The mining sector accounts for 50 percent of local exports. Zimbabwe has more than 40 mineral occurrences and the major ones include gold, diamond, platinum, coal, nickel, iron, asbestos and chrome. "Zimbabwe's (mining) royalty rates are some of the highest in the region, which does not augur well for the country as an investment destination (for mining). "We will write rules that will enable these rates to be looked at," Deputy Minister Moyo said. The deputy minister also pointed out that the mining taxation system was fragmented, cumbersome and required immediate revision to enhance administration. "A thorough review of the tax and regulatory environment for mining is needed. "The tax system must be simple and not a multiplicity as is the case now," the deputy minister said. He said the objective of clear taxation system is to ensure that the public revenue system captures an appropriate share of the returns from exploiting mineral resources. The system, he said, should also allow project operators to achieve acceptable returns from their investments, without at the same time prejudicing Zimbabwe's attractiveness. Mining firms are supposed to pay 25 percent corporate tax, royalties ranging from 1 to 15 percent, 15 percent value added tax, unit tax of US$3 000 to US$10 000, 20 percent withholding tax and are levied 2 percent by the Environmental Management Agency. Further, mining companies are liable to a 2 percent presumptive tax, an 0,8 percent levy for the Minerals Marketing Corporation of Zimbabwe and they are also supposed to pay huge amounts of money to obtain mining titles such as special grants and exploration licences.

Deputy Minister Moyo said apart from scaring away potential investment, high royalties and charges negatively impact on the cut-off grade and prevents mining companies from extracting deposits below sub-economic grades. High rates of royalties and many other fragmented taxes on mines compute to an effective tax rate of around 60 percent, which negatively affects viability of mining as a business. Addressing the same gathering, Chamber of Mines president Mr Alex Mhembere said Government should streamline the taxation process to come up with a simpler one. "We call on the Government to streamline the (mining taxation) process so that we come up one system. "We have a fragmented tax system, making it difficult for treasury to account for money that comes from the mining sector," Mr Mhembere said. The complex mining taxation system also presents legal challenges for the Zimbabwe Revenue Authority in determining what is due from industry and in instances when challenged in court over such issues the national revenue authority often backs off. If not properly addressed, this situation could present drawbacks to the mining sector's contribution to economic growth in the short to medium term, after Government declared the sector the centrepiece of Zimbabwe's macroeconomic economic growth. Other challenges facing the sector include shortage of electricity, poor road and rail networks, high cost of transporting bulky goods, shortage of water, high cost of funding and inputs. It is therefore that the concerns raised by mining companies will be address through the minerals development policy that Government is working on. The policy will inform the process leading to a new Mines and Mineral Development Act. Exports from the mining sector totalled US$2 billion in 2012 and are seen bringing in US$1,8 billion this year. The sector supports 45 000 direct jobs and 500 000 jobs indirectly. The mining sector also accounts for 50 percent of foreign direct investment into Zimbabwe and contributes significantly to infrastructure development. It has marginally overtaken agriculture's contribution to GDP at 16,7 percent in 2012. *(Herald)*

Zimbabwe needs to be capacitated to build a new revenue base and be able to repay its debts to the multilateral financial institutions, Finance minister Patrick Chinamasa has said. "The creditors who want to be paid will certainly capacitate the debtor. We need to be capacitated into building our own revenue base to pay the debt," Chinamasa said at the launch of the Securities Commission of Zimbabwe's new brand and newsletter on Wednesday. Chinamasa's remarks came at a time a delegation from the International Monetary Fund (IMF) is in the country to assess progress made in implementing a supervised economic reform programme on Zimbabwe. The supervised economic reform plan, the Staff Monitored Programme (SMP) is supposed to end next month having run from June. Chinamasa said one of the aims of the meeting was to verify the size of Zimbabwe's debt and to agree on the figure. "We are currently verifying the size of our external debt and to agree on the figure, but indications show that the debt is much less than what the media is telling," Chinamasa said. He said indications showed that the external debt was between $6 billion and $7 billion. Of that debt, about $800 million is owed to the African Development Bank (AfDB) in which $528 million is in arrears. The country owes about $1,4 billion to the World Bank. Its arrears to the bank are $926 million. The country's total debt to IMF is $124 million. Clearance of the debt and arrears is expected to unlock the flow of lines of credit key in stemming the prevailing liquidity crunch.

Chinamasa said Zimbabwe had no capacity to clear the external debt, a view also shared by IMF. "I understand Zimbabwe has no capacity to clear those arrears and they have also noted we have no capacity. We are currently paying using tokens per month and it will take a million years to pay the arrears," Chinamasa said. He said IMF has indicated that Zimbabwe was among the top-five countries that are to be targeted for international capital inflows if Zimbabwe plays its cards right. He, however, said the issue of the external debt that the country was facing was not a cost of bad governance, but a price for the transformation. Zimbabwe agreed to an SMP in June this year. The SMP is a key component of Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy and Zimbabwe Accelerated Re-engagement Economic Programme. The SMP is supposed to help monitor the country's economic data, transparency in diamond earnings and determine whether the country was able to meet its macro-economic targets such as inflation. Earlier in Parliament, the Finance minister told lawmakers that the SMP had affected government business. "The staff monitored programme is placing us at a standstill position. In other words, there is no growth to our economy; there is no new money," he said. "So I have been arguing with them that they should provide new money to give us capacity to be able to pay their debt. Any creditor would understand this language that if they are serious about receiving clearance and payments on the debts, they should capacitate us by giving us new money so that we are able to pay and clear our arrears. Basically, that is the message we are conveying in our dialogue with the Bretton Woods Institution." *(NewsDay)*

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