SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	4-Dec-15	11-Dec-15	WTD % Change Local	WTD % Change USD	31-Dec-14	YTD % Change Local	YTD % Change USD
Botswana	DCI	10506.87	10507.29	0.00%	0.28%	9,501.60	10.58%	-2.35%
Egypt	CASE 30	6779.28	6637.91	-2.09%	-2.08%	8,942.65	-25.77%	-32.19%
Ghana	GSE Comp Index	1972.89	1954.21	-0.95%	-0.92%	2,287.32	-14.56%	-28.26%
Ivory Coast	BRVM Composite	304.99	298.34	-2.18%	1.64%	258.08	15.60%	4.54%
Kenya	NSE 20	3990.64	3995.09	0.11%	0.39%	5,112.65	-21.86%	-30.45%
Malawi	Malawi All Share	14871.56	14599.53	-1.83%	-3.08%	14,886.12	-1.93%	-24.06%
Mauritius	SEMDEX	1815.24	1810.55	-0.26%	2.09%	2,073.72	-12.69%	-23.11%
	SEM 10	348.96	348.16	-0.23%	2.12%	385.80	-9.76%	-20.53%
Namibia	Overall Index	896.16	774.03	-13.63%	-17.83%	1,098.03	-29.51%	-45.76%
Nigeria	Nigeria All Share	27631.05	27269.71	-1.31%	-0.75%	34,657.15	-21.32%	-27.33%
Swaziland	All Share	321.52	321.52	0.00%	-4.87%	298.10	7.86%	-17.01%
Tanzania	TSI	4582.52	4549.81	-0.71%	-0.25%	4,527.61	0.49%	-18.74%
Zambia	LUSE All Share	5752.74	5760.27	0.13%	-4.19%	6,160.66	-6.50%	-45.28%
Zimbabwe	Industrial Index	114.42	114.40	-0.02%	-0.02%	162.79	-29.73%	-29.73%
	Mining Index	21.48	20.32	-5.40%	-5.40%	71.71	-71.66%	-71.66%

CURRENCIES

Currency	4-Dec-15 Close	11-Dec-15 Close	WTD % Change	YTD % Change
BWP	10.70	10.67	-0.27	-11.70
EGP	7.80	7.80	-0.00	-8.65
GHS	3.79	3.79	-0.03	-16.03
CFA	620.04	596.71	-3.76	-9.57
KES	100.32	100.04	-0.28	-10.99
MWK	590.48	598.07	1.29	-22.57
MUR	35.36	34.55	-2.30	-11.94
NAD	14.34	15.08	5.12	-23.06
NGN	197.06	195.95	-0.56	-7.64
SZL	14.34	15.08	5.12	-23.06
TZS	2,113.21	2,103.41	-0.46	-19.13
ZMW	10.38	10.85	4.51	-41.48

WEEKLY AFRICAN FOOTPRINT

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TRADING

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's Finance Ministry has presented a supplementary budget to parliament, saying it needed an additional 1.34 billion pula ($123.28 million) for the 2015/16 financial year to fund measures to mitigate against water and power shortages. The bulk of the money - 821 million pula - will be allocated to the state power utility to fund electricity imports and coal purchases, according to the supplementary budget estimates put before lawmakers on Tuesday. A total of 192 million pula will be provided to the Water Utilities Corporation (WUC) to replace leaking pipes, which have been blamed for shortages in financial hub and capital Gaborone. The Ministry of Education will be allocated an additional 325 million pula for building schools and purchasing equipment. Botswana, the world's biggest producer of diamonds, slashed its 2015 growth forecasts by almost half to 2.6 percent in September due to a steep drop in prices of the precious stone and the effect of power and water shortages. Diamonds account for around 75 percent of Botswana's foreign exchange earnings and 30 percent of GDP, but gem demand has slowed since late 2014 as middlemen who buy rough stones struggle with a stronger dollar and liquidity problems.Â In September, the government forecast a deficit of 4.03 billion pula, or 2.6 percent of its gross domestic product for the 2015/16 fiscal year. *(Reuters)*

Egypt

Corporate News

Egypt's Pioneers will offer to buy 100 percent of its subsidiary Universal Co for Packaging Materials and Paper for 7.5 pounds per share on Sunday, a Pioneers official told Reuters. "We will submit today an offer to buy 100 percent of Universal Co at the price of 7.5 pounds per share," he said. The company posted a statement on the Egyptian stock exchange confirming its offer. Universal closed at 6 pounds on Thursday while Pioneers was trading at 6.83 before the announcement was made. Pioneers specialises in market research and brokerage services but also has investment arms in real estate, industry and financial services. Pioneers Chief Executive Walid Zaki told Reuters in August that it will work on increasing its holdings in subsidiary companies. Some of the other companies Pioneers has acquired significant stakes in are Cairo for Housing and Development, Roaya Group, United Housing, and Electro Cable. *(Reuters)*

Egypt's top cigarette maker Eastern Company on Sunday revised its fiscal 2014/15 net profit to 1.27 billion Egyptian pounds ($162.20 million) versus the 1.083 billion it reported in July. Its profit, revised after a general assembly meeting held on November 29, was up 40 percent from 908 million pounds a year earlier. *(Reuters)*

Economic News

Egypt expects to add 2,500-3,000 megawatts of electricity generation capacity in the coming year, going some way to ending power shortages that have hampered heavy industry in recent years, the electricity minister said on Sunday. Falling oil and gas production coupled with rising consumption have turned Egypt from an energy exporter into a net importer. To placate the public, it has prioritised gas for home consumers, but that has meant rationing gas for industry, particularly in the energy intensive cement and steel sectors during the peak summer months. Electricity minister Mohamed Shaker told Reuters at a conference in Cairo that he was speeding up existing projects to increase generation capacity in the hope of averting disruption to factories. "We believe that this summer will be better than the last. We are anticipating 2,500-3,000 MW of existing projects that we are accelerating," said Shaker. Any marked improvement will also require increased gas supplies for its power stations, which had a capacity of about 32,000 MW as of May 2015, according to data from the Middle East Economic Survey. Egypt began renting two floating storage and regasification units (FSRUs) this past year that allow it to import liquefied natural gas and convert it into natural gas for electricity generation, and a third is expected by the end of 2016 or early 2017. The minister said 6,882 MW of additional capacity had already been added to the grid since the start of 2015. *(Reuters)*

Business activity in Egypt dropped to its lowest in more than two years in November, falling the fastest since September 2013, as output and new orders declined. Egypt has been struggling to revive its economy since a popular uprising in 2011 drove both investors and tourists away, depriving the country of foreign currency it needs for importing raw materials. In a survey, the Emirates NBD Egypt Purchasing Managers Index (PMI) for the non-oil private sector fell to 45 points in November from 47.2 points in October, below the 50-point mark that separates growth from contraction. Output levels dropped to a 26-month low of 42.7 points in November, down from 45.5 points in October. "Roughly 31 percent of panellists noted a fall in activity, which they mainly linked to weaker-than -expected demand," the survey said. New orders fell for the second straight month and at the quickest rate of decline since September 2013, to 44.2 points from 46.3 in October. "The weakness of the Egyptian pound against the US dollar was cited as the main reason behind lower new work, with firms referring to the subsequent impact on clients' liquidity," it said.

Egypt has been facing a currency crisis that economists blame on an over-valued pound. The central bank had been gradually weakening the pound, but then surprised markets by strengthening it by 20 piasters against the dollar to 7.7301 pounds, still far from the black market rate of 8.5 pounds. The survey showed record declines in employment for the third consecutive month to 45 points in November from 48.3 points the month before, the fastest decline in the history of the series. "Anecdotal evidence suggested that some workers had left voluntarily in order to search for better job opportunities." Egyptian President Abdel Fattah al-Sisi had pledged to reduce the jobless rate to 10 percent over the next five years. Unemployment stood at 12.8 percent during the first three months of 2015, according to the government's statistics agency. Analysts believe it may be much higher. *(Reuters)*

Egypt said on Sunday it would appeal an order by international arbitrators to pay $1.76 billion in compensation to state-owned Israel Electric Corp for halting agreed gas deliveries, and would freeze gas import talks until the dispute was resolved. Egypt's oil and gas import authorities, EGPC and EGAS, said in a statement that the arbitrator had also ordered them to pay $288 million to Egypt Mediterranean Gas (EMG), the company that oversaw the gas deal. EGAS and EGPC will also appeal that ruling, the statement said. They said in the statement they had "received instructions from the Egyptian government to freeze negotiations between companies to import gas from Israeli fields or to award import approvals until the legal position regarding the arbitration ruling and the results of the appeal are clear." *(Reuters)*

The Egyptian pound held steady at an official foreign currency auction on Sunday and strengthened slightly on the black market. Egypt, which depends on imported food and energy, is facing a dollar shortage and mounting pressure to devalue the pound. The central bank surprised markets when it strengthened the pound on Nov. 11 by 20 piasters against the dollar. On Thursday, it sold 39.5 million dollars at a cut-off price of 7.7301 pounds to the dollar, unchanged from Thursday, with a pro-rata of 33.33 percent. The official rate is still far from the black market, which was around 8.52 pounds to the dollar on Sunday, making the pound marginally stronger than Thursday's rate of 8.53 pounds, one trader said. Egypt's reserves have tumbled from $36 billion in 2011 to $16.4 billion in October, and the country has been rationing dollars through weekly dollar auctions to banks, keeping the pound artificially strong. On Tuesday, the central bank said it had changed the way it allocated dollars at its foreign exchange auctions. It provided fewer banks with dollars but at higher allocations. Previously, banks in Egypt had been accustomed to receiving a regular quota of dollars at each foreign currency sale. Since the changes, some banks said they were declined dollars at the regular auctions. The country has been starved of foreign currency since a popular uprising in 2011 ousted autocrat Hosni Mubarak and drove tourists and foreign investors away. In February, the central bank imposed capital controls, limiting dollar-denominated deposits to $50,000 a month in an attempt to fight the black market. The move caused problems for importers, who could no longer source their foreign currency needs. *(Reuters)*

Egypt expects to receive $1.5 billion from the World Bank and African Development Bank by year-end to support the budget and could discuss potential IMF financing once parliament convenes, International Cooperation Minister Sahar Nasr said. Egypt is implementing a series of reforms aimed at reviving its economy after the 2011 uprising that ended Hosni Mubarak's 30-year rule frightened off tourists and foreign investors, on which it relies for foreign currency earnings. Foreign currency reserves, which stood at about $36 billion before the uprising, were $16.42 billion at the end of November despite billions of dollars in Gulf Arab aid that Egypt has received since mid-2013. A foreign currency shortage has crippled import activity this year and the country is struggling to pay for supplies of energy, which drain some $700 million to $1 billion a month. The minister said she had negotiated loans with the World Bank and AfDB worth $3 billion and $1.5 billion respectively, to be disbursed over three years with the first tranche arriving "within days" of the deals being signed later this month. The economic reform programme Egypt launched in June 2014 helped it secure the aid without a list of specific conditions. "If you already have done an integrated reform programme with a clear timeline ... you would not call it a conditionality because it has already been achieved," Nasr told Reuters on the sidelines of the Egypt Mega Projects conference in Cairo.

She said the first effect of the loan would be to bring much-needed foreign exchange into Egypt: "There are three main advantages to this programme. First, it will bring in foreign currency, quick foreign currency." Though the money has not been ring-fenced to help Egypt pay some $2.7 billion owed to international oil companies or to purchase petroleum products, it will ease pressure on foreign reserves and implicitly free up more cash for energy imports. Asked if Egypt planned to turn to the International Monetary Fund for further financing, Nasr said the decision was one that should be taken collectively by the government and only pursued with the support of the Egyptian people. "It is one of the options we are discussing, and it is very good we will be discussing it when the parliament is in place as you need to get the people's consent, and that would be a prerequisite," she said. But the benefits of an IMF package would have to be compared with other sources of aid: "Nothing is ruled out ... I am presenting all the different options to the economic ministerial cabinet to discuss the pros and cons." Egyptian officials have said in the past that they would not rule out an IMF financing package, although no requests have been made and no concrete plans drawn up. In total, Egypt has signed off on some $4 billion of investment loans this year in addition to the budgetary support deals from the World Bank and AfDB, Nasr said. Egypt also expects to receive 370 million euros in budget support from the European Union over three years, Nasr said, without elaborating. *(Reuters)*

Egypt's annual inflation rate accelerated 11.8 percent in November compared to 10.3 percent in October, official statistics agency CAPMAS announced on Thursday. The annual consumer price index registered in November the highest rate since May 2015, when the high food prices drove it to hit 13.1 percent. The Egyptian government has introduced discounted foodstuff all over the nation in an effort to curb rising food prices. Prices of food and beverages, the main contributor in the consumer price index, saw an annual rise of 15.1 percent in November. Urban inflation rose 11.1 percent in Novemeber year-on-year, while rural inflation increased 12.7 percent in the same period.
As it is back in the double-digits, UK-based macroeconomic research company Capital Economics said that the impact of the latest inflation figures on the interest rate is highly uncertain given that the Monetary Policy Committee meeting (scheduled to take place on 17 December) will be the first under new Central Bank of Egypt governor, Tarek Amer. "There is growing risk that CBE will be spooked and decide to hike rates," the company said in e-mailed comments over Egypt's latest consumer price index. *(Egypt.com)*

Egypt's Central Bank will issue one-year dollar-denominated treasury bills worth $1.1 billion to local banks and international financial institutions on 15 December, the MENA state news agency reported Thursday citing a CBE statement. The dollar t-bills will mature on 16 December in 2016 with a nominal value of $100,000 each. The t-bills' interest rate is yet to be announced. MENA cited anonymous bankers as saying that the CBE move is aimed at repaying Qatar $1 billion worth of bonds that mature 7 January. *(Egypt)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana's economic performance in the first half of 2015 was below average mainly due to energy constraints and high cost of input for production, according to the Institute of Economic Affairs's (IEA's) Economic Review Report for the first half of 2015. The report also indicated that Ghana could not attain the 13.5 per cent Gross Domestic Product (GDP) growth as of December as targeted by the government. The review covers the real sector, fiscal developments, money and prices, and the external sector. Presenting the report in Accra last Tuesday, a Senior Fellow at the IEA, Dr John Kwakye, indicated that the outlook for the economy in the second-half of the year was clouded with uncertainties associated with a new International Monetary Fund (IMF)-sponsored programme and commodity price prospects. He said strong fiscal consolidation would be critical in bringing about the much-needed macroeconomic stability. Dr Kwakye said that in the long-term, the government needed to transform the economy by diversifying and adding value to exports through industrialisation to produce a significant part of current imports at home. That, he said, would be necessary to address the structural,financial and economic imbalances and for sustained growth. The report indicated that during the first half of 2015, the government's total receipts amounted to GH¢14,9832.2 million (11 per cent of GDP). Total expenditure was GH¢17,3367.7 million (12.9 per cent of GDP), while recurrent expenditure was disproportionally high compared to capital expenditure, which the report said was an "undesirable feature for the budget." It urgently called for a rebalancing of expenditure to foster economic growth.

The report stated that as of the end of June, 2015, total public debt stood at GH¢94.5 billion or 70.9 per cent of GDP, and indicated that over the six-month period, the debt increased by GH¢15.5 billion. The report noted that there was concern that Ghana could return to the Heavily Indebted Poor Countries (HIPC) situation if borrowing continued at the current pace. It stated that the way to avoid the risk of returning to the HIPC situation was to adhere strictly to the fiscal consolidation envisaged under the IMF-supported programme, and indicated that any departure from that path would have disastrous consequences. As warned by the IMF, it indicated that the 2016 elections posed the greatest risk, given the political cycle of expenditure overruns. The report said during the period under review, inflation remained high between 16.4 per cent in January and 17.1 per cent in June. It said the high rate of inflation was fuelled by exchange rate depreciation and previous increases in fuel and utility prices. The report said subdued international oil prices, if sustained, and the expected effects of fiscal consolidation and stability in exchange rate as a result of new foreign inflows could help dampen inflation pressures in the second-half of the year. The report indicated that the Bank of Ghana (BoG) increased its policy rate by 100 basis points from 21 per cent to 22 per cent as it sought to counter both inflation and exchange rate depreciation. For his part, a senior lecturer at the Economics Department of the University of Ghana, Legon, Dr Eric Osei-Assibey, who moderated the function, said Ghana's economy was under severe challenge. He noted that the government was trying to consolidate the economy, and tasked the government to also work towards growing the economy "so that your people do not go hungry." *(Ghana Web)*

Economic cooperation between Ghana and Germany is deepening by the day, with the number of German companies directly operating in the country growing significantly to 155, from below 100, a couple of years ago. In recent times, German trade associations and institutions have organised a number of trade exhibitions with the Federal government also backing trade missions to Ghana, with reciprocal missions to Germany. These are helping to deepen trade and economic relations between the two countries. According to the Minister of Trade and Industry, Dr Ekwow Spio-Garbrah, Ghana is happy about the growing number of German companies which are dotted across the country playing in various sectors of the economy. "Credit must be given here to the impetuous work carried out by the Ghanaian-German Economic Association (GGEA), my own Ministry as well as other major stakeholders whose efforts culminated in the realisation of the aforementioned feat," Dr Spio-Garbrah stated. He was speaking at the annual dinner dance of the GGEA, which was normally held to climax their activities for the year and provide policy and business perspectives into the beckoning year. The Hysen-, Kasapreko Company Ltd- and Brussels Airlines-sponsored event was attended by members of the GGEA, a community of German and European businesses with interest in West Africa and Ghanaian companies with European interests. Silver Star Auto Ltd was honoured as the GGEA 'company of the year' for the various supports the company offered the GGEA and some of its members. While lauding the number of German businesses in the country, the trade minister called on them to increase their value of investments by forming joint ventures to increase capital injection. "The current level of technology transfer between Germany and Ghana is also low. Ghana could benefit from German investment in Ghanaian industries facing technological and resource constraints. Increased German investments in Ghana's manufacturing could boost employment, diversify exports and improve firms' efficiency with accelerated technology transfer," Dr Spio-Garbrah stated.

Germany has also been a key pillar of support in Ghana's development efforts with programme and budget support, soaring after every three years. Between 2012 and 2014, Germany's bilateral commitments to Ghana came to about €160 million in areas of agriculture, local government and decentralisation, economic development and renewable energy. Dr Spio-Garbrah further assured the business community that the government was aggressively building the necessary infrastructure to support the private sector, promote entrepreneurship and attract foreign direct investments. For his part, the German Ambassador to Ghana, Mr Ruediger John, said Germany would continue to provide developmental support to Ghana, adding that the bilateral relations between both countries had improved in recent months, heralded by President John Mahama's visit to Germany on two occasions and reciprocal trade and diplomatic delegations from Germany. "All the visits centred on various forms of development assistance and Germany will soon commit more funds for the development of the agriculture, governance and other economic sectors," stressing that his country would continue to provide budget support for the country. Last month, the German Ambassador announced fresh funds of €34 million for the medium term, spanning 2015-2017. The President of the GGEA, Mr Stephen Antwi, called on the government to ensure that the energy crisis became a thing of the past in 2016 because it was severely affecting its members and the business community in general. "The energy situation has affected our members severely as well as other businesses in 2015. We know the government has brought in some generating assets, but our concern is whether there is any strategic policy in place to ensure constant supply of the necessary fuels to fire the engines. As businesses, we don't want to see any 'dumsor' or any power issues in 2016," Mr Antwi stated. *(Ghana Web)*

Kenya

Corporate News

Safaricom's Chief Executive Officer Bob Collymore's takes home Sh9 million per month. Mr Collymore stated that he has accumulated Sh109.5 million in the last 12 months, including interests and dividends. According to a declaration of wealth posted by the CEO, he has a net worth of Sh277.3 million in cash, properties and shares. Mr Collymore owns a Sh54 million residential house in London, UK and has Sh18.3 million worth of shares in Safaricom. The CEO, who has placed himself at the head of President Uhuru Kenyatta's fight against corruption, has published his wealth as part of the private sector initiative with government. The government has vowed to blacklist companies and directors who engage in corruption to disqualify them from accessing government tenders. *(Nation)*

INDUSTRIAL gas maker BOC Kenya expects its profit this year to drop by at least 25 per cent, becoming the 12th Nairobi-listed company to do so this year. The company which made a net profit of Sh229.6 million last year, projected its net earnings for the year ending December 31, 2015 will decrease citing low sales due to high competition, foreign exchange losses and a large deferred tax credit. BOC said it had "a lower level of sales due to competition from oxygen and nitrogen imports", which have hampered its ability to recover cost of operations. The company further said: "a large deferred tax credit was made in the income statement in 2014 and which will not recur in 2015. The adjustment was cash flow neutral." Investment analyst Aly Khan Saatchu attributed the poor performance of many companies this year to the economy being "soft".

Other companies that have issued profit warnings this year are Standard Group, Crown Paints, Mumias, Athi River Mining, retailer Uchumi Supermarkets, East African Cables, logistics company Express Kenya, Car and General and Sameer. BOC said it had taken new measures to safeguard shareholder value which include adoption of a more efficient and productive operation model "in light of an increasingly commoditised gases and welding product market environment." Despite the profit warning which was issued pre-market opening, BOC stock closed unchanged at Sh95. Its value has decreased by 24 per cent since the beginning of the year to date. Businesses have reported a tough business environment this year causing many to record lower earnings. In August, financial services group Britam reported a 77 per cent drop in half year net profit for the period ended June 30 to Sh625 million from Sh2.74 billion recorded in a similar period last year. *(The Star)*

At least four companies listed on the Nairobi Securities Exchange (NSE) are insolvent, nearing insolvency or have a negative working capital, putting the Capital Markets Authority (CMA) on the spot over their continued trading at the bourse. National carrier Kenya Airways tops the list having chalked up liabilities in excess of its assets while at Uchumi Supermarkets the difference between assets and liabilities has consistently deteriorated in the past 12 months in tandem with reported negative financial results. National Bank of Kenya has also moved perilously closer to the margins having accumulated liabilities of Sh104 billion against Sh118 billion assets, leaving it standing just Sh3.5 billion away from insolvency — which may be a single transaction or a few loans. The bank's assets to liabilities difference deteriorated to Sh3.5 billion in September from Sh13.3 billion in June. Express Kenya, which reported a negative cash flow at the end of the last financial year, is also on the edge. The company was at the end of June left with a negative working capital of Sh40 million and was in a similar position to the tune of Sh50 million at the end of December last year. The CMA is on the spot because the capital markets law empowers it as the regulator to take action against listed firms with slim chances of recovery from losses, insolvency and negative working capital to protect investors, financiers, suppliers and employees. Analysts said the logical thing for the regulator to do was to suspend a company from trading on the NSE once its net-worth has dropped to zero, meaning it has become a liability to the owners.

Such action is followed by the regulator asking the directors and the management of such companies to table before investors proposals on how they plan to recover with specific milestones. The alternative is to ask the companies to go into voluntary receivership or bankruptcy.
Suspension of an insolvent companies from the NSE or the slipping of such a company into bankruptcy would give it time to assess the possibility of getting back to business or should in fact be liquidated to save owners from further losses. Where a company has a negative

working capital it should show how it will do business in the next one year. Analysts also said it was unethical for directors and management to continue running an organisation they have reason to believe is facing serious hurdles in doing business, thereby giving false hopes to investors, employees, supplies and financiers. In countries like Germany drastic plans aimed at reviving companies in such distress, including staff retrenchment, must be made public early enough. "In Germany, it is illegal to continue to operate a company that is technically insolvent. The directors and management are assumed to know this and should take action immediately when that point is reached. In fact they should be calling in lawyers for advice because they could be held personally liable by the company's stakeholders," said Antony Muthusi, a partner for transaction and advisory services at audit and financial consulting firm Ernst & Young.

Mr Muthusi said technical insolvency means that a company is in distress and it is upon the directors to take care of the interests of employees, suppliers and financiers. The CMA did not respond to questions on what actions it could take against financially distressed and insolvent firms that are trading at the Nairobi bourse. One senior manager, who is not authorised to speak on behalf of the organisation, said the regulator did not want to put itself in an awkward situation by speaking on an issue that has persisted for months without regulatory action. "We know issues of insolvency are weighty but no one wants to fix themselves on this one. You don't know how the market will respond should there be word from the regulator that all is not well here," said the source. Faith Waitherero, a research analyst at the Nairobi-based Standard Investment Bank, said the financial situation at Kenya Airways and the National Bank had worsened because the government was yet to put in more capital as expected. "There is a lot of uncertainty over KQ because we don't know when cash will be injected into the firm," said Ms Waitherero. At NBK, the need for capital arises from the strained ratios of liquidity standing at 21.1 per cent against a legal requirement of 20 per cent, leaving a headroom of only 1.1 per cent. The total capital to total risk-weighted assets — which is a measure of the extent to which capital covers possible loan losses — is also near the limit standing at 15.4 per cent against a requirement of 14.5 per cent, leaving a narrow gap of 0.9 per cent. Parliament rejected the Treasury's plans to inject new cash into the bank, leaving it in a difficult position. The Treasury had initially proposed to pump Sh4.9 billion into the bank through a rights issue intended to raise Sh13 billion.

The government owns 22.5 per cent of NBK and is the second largest shareholder after the National Social Security Fund, which has a 48 per cent stake. The reason for rejection of the proposal was not made clear. Patrick Ngumi, the CEO of Institute of Certified Public Accountants of Kenya, which has been at the forefront of the campaign for good corporate governance and accountability, did not respond to queries on the matter. Mr Muthusi said that once a company falls into insolvency, the best thing to do is to allow it to fall into receivership to sort out the problems or liquidate it. "Once you start making losses it eats into capital and insolvency becomes end result unless there is some intervention. An insolvent company is no longer owned by shareholders — as it might legally appear — but in fact by creditors," said Mr Muthusi, adding that many firms collapse because of corporate governance rather than market failure. "The board and management normally know at least two years in advance that a company is in some difficulties. That is why they are responsible for whatever happens. They can be sued for not properly notifying stakeholders. Again you shouldn't be trading on the stock exchange if you are bankrupt." Ms Waitherero said the regulator should protect investors by suspending a financially distressed company till they put their house in order. "When you see the problems are a bit extended and not a one-off the good this is to suspend the company from trading," said Ms Waitherero. *(Business Day)*

Economic News

Kenya has secured a $1.5 billion loan from China to extend its railway from the capital to the Rift Valley town of Naivasha, a spokesman for the Kenyan presidency said on Sunday. The faster railway being built from the Indian Ocean port of Mombasa is expected to reach Nairobi next year and open up to commercial services in mid-2017. The Chinese-financed project is the first stage in a scheme that aims to extend to Uganda and other land-locked countries. The goal is to cut the cost of transport and boost trade, by replacing a slower, narrow-gauge line. Spokesman Manoah Esipisu said the extension to Naivasha will offer access to an industrial park to be built there to

accommodate manufacturing firms wishing to use power from the nearby geothermal steam fields that are being developed. "Kenya and China signed a financing package for the extension. China Eximbank will provide a $1.5 billion loan, 85 percent of the financing, while Kenya will provide the balance," he told a news conference. The deal was signed on the sidelines of the Forum for China-Africa Co-operation, which was held in Johannesburg. Kenya Railways and China Communications Construction Company Ltd have also signed a deal to carry out feasibility studies and initial designs for the second leg of the Mombasa-Nairobi line, which will stretch to Malaba on Kenya's border with Uganda. "The Standard Gauge Railway remains the single largest investment in Kenya's economy in the last five decades," Esipisu said.
Kenya has also signed or is close to concluding various deals with China for the expansion of the electricity grid, he said. *(Reuters)*

Kenya may review its foreign-borrowing plans after facing questions from the main political opposition party that funds from last year's Eurobond sale had gone missing. The government of East Africa's biggest economy is wary of politicians "misreading" the Treasury's accounts, hurting efforts to raise more debt on international markets, according to Kamau Thugge, principal secretary of the department. The Treasury has said it has evidence to show that all the money from the $2.75 billion bond is accounted for. "The issue has been politicized," Thugge said in a phone interview on Dec. 3 from the capital, Nairobi. "We had factored in external commercial borrowing every year so we don't crowd out the private sector from the domestic debt market. We now have to reassess if that can still be the position for the 2016-17 financial year." Kenya's public prosecutor last week ordered police and anti-graft investigators to probe allegations that more than 140 billion shillings ($1.4 billion) of the Eurobond proceeds had gone missing, as alleged by the Coalition for Reforms and Democracy, known as CORD. Thugge said the Treasury collected the equivalent of 250 billion shillings from the sale of the Eurobonds last year, from which it spent 53.3 billion shillings to pay a syndicated loan. The remaining funds were disbursed to ministries to finance projects over two financial years, he said. The government had planned to plug the 2016-17 fiscal deficit with about 240 billion shillings of external borrowing, and about the same amount raised on the domestic debt market. The Treasury may raise its domestic-borrowing target by 20 percent to 265 billion shillings in a supplementary budget next year, according to Alexander Muiruri, head of fixed income at Kestrel Capital Ltd. Thugge declined to say if the government plans to sell another Eurobond. Yields on the dollar-bond due June 2024 have climbed 134 basis points to 9.22 percent in the past month. Raila Odinga, CORD leader and a former prime minister, was summoned by the anti-corruption agency to discuss his allegations, his party said in an e-mailed statement on Tuesday. He had previously turned down an invitation from the Treasury to scrutinize documents on the Eurobond and asked officials to instead make the paperwork public. *(Bloomberg)*

Kenya's central bank sought to inject 4 billion shillings ($39.27 million) into the money markets on Wednesday saying liquidity was skewed. The central bank has been using reverse repurchase agreements (reverse repo) in recent months to provide liquidity to banks that might struggle to get funding on the interbank market.*(Reuters)*

The Kenyan shilling was stable against the dollar on Wednesday supported by inflows from Kenyans living abroad and foreign investors buying an infrastructure bond. At 0655 GMT, commercial banks posted the shilling at 101.90/102.00, barely moved from the previous day's close of 101.95/102.05. "There is subdued demand for dollars and there are seasonal flows for the festive season and into the infrastructure bond on sale," said a trader at a commercial bank. "It will be stronger in the short-term." Kenyans living abroad usually return for the holidays, carrying hard currency. The central bank is scheduled to auction an infrastructure bond worth up to 30 billion shillings on Wednesday. The bond is popular with investors because it is exempt from taxes. After plunging close to an all-time low in September at 106.80 to the dollar, the shilling has traded in a band of roughly 102.00 to 102.50 since early November. *(Reuters)*

THE cost of Unga is likely to increase following decreased maize imports from neighbouring countries. Large volumes of imports from Uganda two months ago had stabilised maize prices in the country. Maize prices in Uganda are now almost at par as those in Kenya, leading to lower imports. Uganda has recorded a slight drop in maize production this year. Maize imports from Tanzania have also reduced.
"The imports have been a major cause of low prices of maize in our markets especially within Western Kenya but with higher prices in Uganda, the influx has declined raising the possibility of higher prices," said George Idewa from the East African Grain Council. A 90-kg bag of maize currently costs between Sh2,000 and Sh2,300 in Eldoret, Kitale and Bungoma. The price was however lower before the National Cereals and Produce Board began buying maize from farmers at Sh2,300 per bag. About two million bags of maize had been imported from Uganda into the local markets by last month. The Kenya Farmers Association and Kenya National Farmers Union are lobbying the NCPB to

increase maize prices to about Sh3,000 per bag. "We still demand that the price should be raised but at the same time we ask farmers not to sell their produce at throw away prices as there is likely to be an increase in prices," said KFA director Kipkorir Menjo. He said the influx of maize into local markets was not as high as during the last two years. Ministry of Agriculture estimates maize production will more than 41 million bags this year although El Nino rains in some areas may affect the harvest. *(The Star)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius year-on-year inflation slowed to 1.0 percent in November from 1.5 percent in October, due to lower costs of transport, food and non-alcoholic drinks, the statistics office said on Monday. *(Reuters)*

Nigeria

Corporate News

The shareholders of PZ Cussons Nigeria Plc, and its subsidiaries, PZ Tower and PZ Power, have approved the plan to merge the three entities into one in compliance with the Investment and Securities Act 2007 regulations. The decision for the merger proposal was taken by over three quarters of the shareholders that met for that purpose during their Extraordinary General Meeting held in Abeokuta, Ogun State, as required by a court order. PZ Tower and PZ Power are wholly-owned subsidiaries of PZ Cussons and, upon the conclusion of the merger, would be fused with the parent entity. The subsumed companies in the new arrangement – PZ Tower and PZ Power – were incorporated in 2005 and 2009 respectively for the manufacture and sale of detergent to PZ Cussons Nigeria and for energy generation and distribution to PZ and its related companies. In his remarks at the EGM, the Chairman, PZ Cussons Nigeria Plc, Chief Kola Jamodu, lauded the shareholders for their "support and trust," assuring them that the Board would continue to manage business changes positively in line with current realities. Also, the Corporate Affairs and Administrative Director of the company, Mrs. Oluwayomi Ifaturoti, in a release shortly after the meeting, said the merger was geared towards improving operating efficiencies and cost savings. She noted that the purpose was also to drive enlarged managerial efficiencies and reduce transfer pricing complexity. She said, "The purpose will be achieved through simplification of the corporate structure, streamlining their operations and reducing administrative costs and in the end, harness the benefits of synergy maximally." *(Reuters)*

Guaranty Trust Bank Plc has collaborated with the United States-based MasterCard Incorporated to introduce virtual prepaid cards to its customers. According to a statement by the GTB on Tuesday, the card is issued instantly via Internet banking and it enables security-conscious customers not to use their regular debit/credit cards when making online payments. "The GTBank virtual card has all the security features of a physical card and can be used to make both international and local online payments," it added. The lender said the introduction of the virtual card had bridged the gap between traditional e-wallets and bank accounts by providing a low-cost alternative to physical debit cards. Customers also have the option of converting the virtual card to a physical card. The GTBank Managing Director /Chief Executive Officer, Mr. Segun Agbaje, was quoted to have said, "This marks another milestone in our quest to make banking more seamless for our customers. "As a bank, we remain firm on our objective to deliver value-adding services that are tailored to meet the diverse needs of our ever-growing customer base by leveraging technology to make banking more convenient for all our customers." He further stated that "the launch of this product attests to our commitment towards encouraging a cashless culture in our country by promoting the use of alternative payment channels for transacting both locally and internationally. "Our desire to be at the frontier of banking excellence enables us to pioneer innovative products aimed at making banking more simple and attractive to the unbanked and underserved." *(Punch)*

FBN Insurance said it has in the past three years successfully raised its Gross Written Premium from below N 2 billion to N10 billion in 2015. Managing Director (MD) of the company, Val Ojumah who disclosed this at a media briefing in Lagos as part of activities to mark the company's fifth anniversary celebration, said in 2012, Gross Written Premium of the company stood below N2 billion, while operating profit was within N200 million. He said in N2014, Gross Written Premium of the Life business rose to N7.3 billion, while the operating profit stood at N 1 billion. The firm's return on equity also rose by 24 per cent. The company said this year, it is maintaining the same returns on equity, while its Gross Premium forecast is N10 billion for 2015. According to the MD, the company aims at giving good returns on equity as well grow grass written premium. "We are second in the industry in terms of efficiency, our operating cost, income ratio is one of the best in the industry, hovering around 22 to 25 per cent, while others in the industry is around 76 per cent", he said. "We have successfully been paying dividend to shareholders since 2012, this is achievable because of the commitment of the employees, stakeholders and the parent company, FBN and Sanlam Group.

Together, we have been able to change the landscape on insurance in Nigeria and we are very proud of where we are and where we are going to", he added. Speaking on the company's operating strategy in the competitive environment in Nigeria, Ojumah said: "As you are all aware, insurance is not really part of our culture in the country, this is something we are working together from the regulator and the operator. From my study, I know insurance is more important for the poor than for the rich. With penetration under one percent, you can understand why insurance can't measure with their counterparts in banks and other lucrative sectors. So, we are working to grow the business, to increase insurance awareness to the public and to make sure that the general population find the value in insurance." According to him, from day one, FBN Insurance recognised that the large proportion of Nigerian population don't buy insurance and has come up with what it called penny products, that enables the ordinary person to buy insurance at just N2,000 . He said the company did this even before the regulator came up with micro insurance policy. "As a company, we recognised micro-insurance to this economy. That was equally the motivating force why we go into mobile insurance. As you are very much aware, there are more than 100 million mobile lines in Nigeria, and out of which many of these, belong to the low income group,

So, the easiest way to reach them is through mobile insurance, because large proportion of the populace fits into these products. This is growth area and an important area," he said. From findings on the company's operational method, it was discovered that FBN has from its inception five years back and in accordance with is promise to the regulator before license was issued to it stood out in exploring opportunities in the retail segment of insurance business." Speaking at the signing ceremony, AGM Business Development of FBN, Mr. Supo Sogelola said the cover will give each member of the group a life cover to the tune of N1.5 million, adding that his company hopes to extend similar cover to the national body of the association. According to Sogelola, with the cover, FBN is trying to have a greater penetration of insurance nationwide and is looking at the professional bodies in order to achieve success in the bid to ensure that every Nigerian has an insurance cover.*(This Day)*

Tiger Brands Limited (TBL), the majority investor in Tiger Branded Consumer Goods Plc (TBCG) has restated its commitment to its investments in Nigeria. Following recent developments in TBCG, which led to the change in the name of the company from Dangote Flour Mills Plc, some industry analysts have said TBL may review its investments in Nigeria. However, Chief Executive Officer TBL, Mr. Peter Matlare, said the suspension of funding of TBCG does not erode the confidence the company Southern Africa based company has on the Nigerian economy. According to him, apart from retaining its stakes in other investments in Nigeria, the company will consider new acquisitions whenever the opportunity arises. "We will look at all opportunities and consider them on their merits. This action is not a vote of no confidence in Nigeria, as Tiger Brands retains its 50 per cent interest in UAC Foods and its 100 per cent interest in Deli Foods. Africa remains fundamental to Tiger's international growth strategy and we will continue to develop in these markets and invest appropriately to drive penetration. Despite some challenges in our African businesses, expansion in Africa represents a growth opportunity for the group," Matlare said.

According to him, Tiger Brands would work with all stakeholders to determine the way forward for the TBCG and any material information and decisions would be communicated to the investing public. Matlare explained that Tiger Brands had made significant investments in the former Dangote Flour Mills but the company continued to struggle with losses, which brought the board of Tiger Brands to consider either of two options of further recapitalisation or to find alternative option, the board subsequently settled for alternative options. Responding to enquiries on possibility of merging TBCG with its other investments in Nigeria, Matlare said: "A variety of options are being considered, which could include a partnership, a sale, a merger, but no decision has as yet been made." The CEO also added that the continued listing of TBCG on the Nigerian Stock Exchange will depend on whatever option is chosen for the business, stating that the Tiger Brands believed it made the right decision when it acquired the majority stake in the former Dangote Flour Mills (DFM) in 2012. He stated that subsequent events impacted negatively on the fortunes of the company. "Hindsight is always a perfect science. At the time, it was the right decision but we could not have anticipated the global economic circumstances which would impact the business. The challenges which have faced DFM include significant over capacity in the industry, the impact of low oil prices and the devaluation of the Naira against the US Dollar, and could not have been foreseen.

The inability of the company to pass on cost increases to the market has contributed significantly to the losses. Since its acquisition in 2012, the performance of the business has been disappointing, despite a number of proactive steps taken by Tiger to improve the situation," Matlare stated. He said the 2012 acquisition of 63.35 per cent equity stake in DFM, the second largest flour-milling company in Nigeria, was undertaken primarily because of its significant downstream interests in Pasta and Noodles and strong branding, production and distribution capabilities. According to him, the acquisition represented an important step in Tiger Brands growth strategy on the balance of the continent and added substantial scale to the groups existing interests in Nigeria as the Nigerian market was recognised as one of the fastest growing in sub-Saharan Africa, and represented a significant growth opportunity for the group. *(This Day)*

The business strategic partnership deal between Vodafone of the United Kingdom and Globacom, which was signed in Lagos recently, will improve access to telecoms services for Globabacom subscribers, the two telecoms companies have said. Based on the partnership between the two telecoms giants, Glo subscribers will begin to enjoy improved access to affordable telecoms services, as the deal is expected to usher in a new phase of innovation-leadership and unrivalled quality of service. At the official unveiling of the mutually beneficial agreement to the public, which was attended by senior officials of the British High Commission, top government officials, Globacom's brand ambassadors, high net worth customers, captains of industry, top officials of the two companies, and other categories of guests, Globacom assured its customers of a more robust bouquet of products and services. Globacom and Vodafone will work together under the Partner Market Agreement (PMA), which covers Nigeria and Benin Republic, to significantly enhance the experience of individual and corporate customers in terms of access to more robust bouquet of telecom products and services as well as improved service quality levels. Globacom's Group Executive Director, Mrs. Bella Disu, while speaking on the partnership, said: "The partnership is something that both telecoms companies have been yearning for. Globacom is known to be a leader of innovations and we really have the hunger to increase our subscriber experience to the highest level possible. Vodafone has the scale; it has the experience and we both have the same customer-obsession to make that experience even better for our customers. We are very excited."

The company's Head, Corporate Sales, Mr. Kamaldeen Shonibare in his welcome address, explained that the partnership would reinforce Globacom's commitment to improving access to affordable telecommunications services for all categories of Nigerian subscribers. "We care about our customers, and we spare no resources to bring to them world-class telecommunications services. This partnership **will** give corporate and individual subscribers on the Globacom network in Nigeria and the Republic of Benin, an edge, particularly in voice and data services. The partnership is in line with Globacom's tradition of partnering global leaders to avail consumers of the best telecommunications services," Shonibare said. He listed the objectives of the partnership to include strategically enhancing customer experience to boost engagement, loyalty and recognition of the brand, internal alignment of the entire organisation, expansion of reach and improvement of costs in order to deliver better value to customers. Shonibare said the partnership would consolidate Globacom's position as an innovation leader in the African telecom market.

Speaking on behalf of Vodafone, Regional Director, Partner Markets, Vik Patel, said Globacom remained a company that is as customer obsessed and innovation-hungry like Vodafone. He explained that the partnership would guarantee enhanced roaming benefits for Globacom's consumer and multinational corporate customers, adding that Vodafone will gain from Globacom's expertise and deep understanding of African markets. The British High Commissioner, Mr. Thomas Arkwright said "the Globacom-Vodafone relationship is in continuation of decades of partnership between Nigeria and United Kingdom, which has manifested in over two million people of Nigerian descent living in the UK, 18,000 Nigerian students studying there and five Nigerians serving as members of Parliament." The Zonal Coordinator, Nigerian Communications Commission (NCC), Okechukwu Aninweke, was delighted that the bond would significantly improve quality of service and give customers better experience on the Globacom network. Globacom's Senior Manager, International Business, Mr. Femi Oduntan, said: "Globacom's partnership with Vodafone will add value to customer's experience in many ways such as Machine to Machine (M2M) solutions, Application Services, Cloud Services and Mobile Money services, among a host of other products and services. *(This Day)*

Economic News

The naira crashed further against the dollar from 247 last Thursday to 251 on Saturday at the parallel market. This came barely one week after the Central Bank of Nigeria cut foreign exchange supply to Bureau De Change operators. The central bank had during its weekly forex sale to the BDCs last Wednesday refused to sell forex to operators that failed to render returns on the utilisation of previous forex bought at the official window. The dollar was selling for between N241 and N243 before Wednesday's decision. The local currency was still sells for 197 against the dollar at the official market. Meanwhile, the nation's foreign currency reserves dropped to $29.7bn on December 3, 2015, data from the CBN's website showed on Sunday. This is expected to put more pressure on the CBN's bid to defend the naira and avoid a devaluation of the local currency. The gross foreign exchange reserves had dropped to $29.92bn on November 30, the first time they fell below $30bn since July 13. The reserves have fallen by 20 per cent since the end of June 2014, when Brent crude prices began a more than 60 per cent plunge, hammering the finances of Africa's largest economy and biggest oil producer. The naira has been fixed at 197-199 per dollar since early March after the CBN Governor, Mr. Godwin Emefiele, restricted banks' access to foreign exchange. *(Punch)*

Nigeria's government has agreed the immediate payment of 407 billion naira ($2.1 billion) owed to fuel importers under a subsidy scheme, the finance ministry said on Wednesday. Africa's biggest oil producer imports most of its gasoline requirement because of its dilapidated refining system, which President Muhammadu Buhari is keen to revive. Firms bringing in subsidised imports have struggled to finance their purchases with low dollar availability and shrinking credit lines. Finance Minister Kemi Adeosun has approved the payment of 407 billion naira for "subsidy claims to oil marketers", said Marshall Gundu, a spokesman for her ministry. "The president has directed that payments be made immediately in order to bring to a quick end the lingering fuel crisis," said Gundu. Fears of a fuel scarcity prompted Nigerians to resort to panic-buying in the last few weeks, forming long queues at petrol stations in major cities. Some of the money to be paid to importers dates back to 2014 and this is the first significant payment since Buhari came to power in May. A severe fuel crisis crippled the country in May because of a standoff between importers and the outgoing administration led by Buhari's predecessor, Goodluck Jonathan, over whether their debts would be honoured. Buhari, who kept the petroleum portfolio for himself, does not want to phase out the costly and fraud-ridden subsidy scheme just yet, putting him at variance with members of his own party, the All Progressives Congress, and his minister of state for oil. *(Reuters)*

Nigeria sold 50 billion naira ($251.93 million) worth of naira-denominated bonds maturing in 2020 and 2024 at an auction on Wednesday, at higher yields thanks its previous auction, the Debt Management Office said on Thursday. The debt office issued 30 billion naira in the 2020 debt at 10.95 percent, up from 10.24 percent at the previous auction in November. The same tenor bond closed at 10.80 percent at the secondary market on Wednesday. A total of 20 billion of the benchmark bond maturing in 2024 was issued at 11 percent compared with 10.01 percent same tenor debt attracted at the November auction. The 2024 paper closed at 10.99 percent at the secondary market on Wednesday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

THE country's financial inclusion continues to make headways using alternative banking, thanks to agency banking and mobile phones. The agency banking that was approved by the central bank some two years ago is a platform used by over six banks including, CRDB bank, Postal Bank, Equity Bank, DCB Bank and Maendeleo Bank. CRDB Bank Managing Director Charles Kimei said for instance agents under FahariHuduma managed to increase open over 6,000 new accounts. "Though this was not core operation for FahariHuduma, the agents raises bank's customer deposits by 13 per cent," Dr Kimei said. The MD, who also doubled as Tanzania Bankers' Association Chairperson, said the total deposits generated by CRDB's FahariHuduma agency reached 524bn/- as of yesterday. CRDB total deposits is hovering around 5.0tri/-. Dr Kimei said FahariHuduma agents have increased from zero in 2013 to 2,200 of yesterday, while from February this year they climbed from 1,700 to 2,200. "As we speak, agents are conducting 130,000 transactions per month… this is very encouraging," Dr Kimei said. Dr Kimei said financial penetration was still 17 per cent under those in mainstream banking system. At the end of this year's first half, bank agents have increased their penetration led by CRDB that have over 1,000 agents, followed by Tanzania Postal Bank over 300, and DCB Bank 130. NMB was targeting to recruit 250 before the end of 2015. The new country target for financial inclusion target of 75 per cent comprises all financial platforms — formal and informal banking service. Mobile phones are leading the financial inclusion in this year to force Bank of Tanzania to change target. Under the terms of the Maya (Mexico) Declaration, the BoT committed to increase the share of the population with access to financial services from 27 per cent in 2009 to 75 per cent within the next six years.

Meanwhile, CRDB bank has capitalized on the country tele-density to intensify its market outreach using the combination of mobile-phone and internet platforms. The bank's ten months campaign to raise awareness of using its SimBanking brand paid off big time after registering a 95 per cent success. CRDB's Managing Director Dr Charles Kimei said during the campaign period the bank managed to mobilise 695m/- out of over 10 million transactions. "It was not easy to convince those born before computer (BBC) to join Simbanking platform that offers banking services hassle free," Dr Kimei said. He said SimBanking customers increased from 830,000 in February to 1.2 million of yesterday. Since the country has about 30 million tele-subscribers which are almost 75 per cent of population, thus wining customers via the platform increases bank penetration. "If we tap this area, we are not only increasing our share of market but also financial inclusion of this land," Dr Kimei said. Dr Kimei said when welcoming chief guest CRDB's board chair Martin Mmari to deliver a speech and handover prizes for SimBanking campaign top winners. "In today's world, technology is the hallmark of our daily lifestyle and mobility is increasingly becoming integral to any service," Mr Mmari said. *(Daily News)*

Economic News

AFRICAN Development Bank says it can finance the cash-strapped Tanesco after it is unbundled into separate entities and stopped being a drain to the public funds. The bank's Chief Country Economist, Chidozie Emenuga, told the 'Daily News' in Dar es Salaam last Friday that the multilateral development finance institution could finance the power utility firm or provide guarantee if it secures finances from other banks when the unbundling process is completed and it improves its financial viability. "If they unbundle Tanesco, still owned by the government but it can stand on its own financially, it can borrow from us or it also can borrow from other banks and we guarantee," he said in an interview on the sidelines of two-day Powering Africa: Tanzania conference in Dar es Salaam. The government is focusing on unbundling electricity generation segment from transmission and distribution segments by December 2017 to improve efficiency and attract private investments in the electricity generation as part of reforms under Electricity Supply Industry Reform Strategy and Roadmap 2014 - 2025. Under the reforms, Tanesco, which faces chronic financial difficulties and is dependent on public subsidies, will be unbundled into separate entities where six new entities are planned for electricity generation by 2022, the Commissioner of Energy and Petroleum Affairs, Hosea Mbise, told reporters in Dar es Salaam on Thursday.

Tanesco is expected to continue to be responsible for transmission and distribution until when distribution is unbundled by June 2021, according to the roadmap. "Our business is to make it easy for the entity to secure finances for its operations. It can secure it from other funds and we guarantee," the AfDB Chief Economist said noting it could be full or partial guarantee depending on the agreement and viability of the entity. He said they have been indirectly financing Tanesco through general budget support where it has been used to bail out the state-owned power utility firm. AfDB is among 12 development partners who provide aid to the government through General Budget Support. Others are World Bank, Finland, Germany, Britain, Norway, Sweden, Denmark, the European Commission, Ireland, Canada and Japan. Mr. Emenuga said AfDB were looking to when Tanesco improves its weak financial viability and attracts investment capital from financiers. "For TANESCO in particular, we're looking towards a situation when the entity stops being a drain to public purse... Our initial target it to have TANESCO stand on own feet. It can't continue being a drag to development," he said. The government aims to increase installed electricity capacity from 1,583 MW to at least 10,000 MW by 2025 and expand transmission and distribution system to help in transforming the nation into semi-industrialized economy as envisaged in the Vision 2025. About 200 key global power investors were in Dar es Salaam for a two-day Powering Africa: Tanzania conference organised by a UK based EnergyNet Limited to explore investment opportunities in the booming Tanzania's energy and industrial sectors. Participants included representatives from a number of local and international banks, power developers, technology providers and engineering and construction companies. *(Daily News)*

STABLE interest rates and liquidity in the circulation has impacted positively on the 12- month treasury bills resulting into an over subscription. The BoT auction summary shows that the total amount tendered increased to 196.25bn/- compared to 170.34bn/- of the previous session held two weeks ago. Yield rates across all tenures declined slightly to 18.86 per cent from 18.87 per cent of the previous session for the 364 days offer, 16.97 per cent from 16.92 per cent for the 182 days, 9.35 per cent from 10.06 per cent for the 91 days. Rates for the 35 days offer 7.40 per cent. Some of the key investors in the treasury bills are commercial banks, pension funds, insurance firms and few microfinance institutions. In the 364 days tenure fetched a total of 147.92bn/- against 40bn/- offered for tendering.
The 182 days offer attracted bids worth 47.82bn/- compared to 25bn/- offered to the market for tendering. For the 91 days offer, 452.60m/- was tendered 9bn/- put to the market for tendering while the 35 days a total of 50.35m/- compared to 1bn/- offered for auction. Despite the over subscription of the one year Treasury bill instrument, the government at the end retained 119.66bn/- as successful amount. The highest and lowest bid/100 for the 364 and 182 days offers were 86.56/81.25 and 92.45/90.95 respectively while for the 91 and 35 days tenor had 97.87/96.90 and 99.30/99.30 respectively. *(Daily News)*

Tanzania's energy regulator lowered maximum retail prices for petrol and diesel on Saturday but raised the limit for sales of kerosene in order to reflect changes in global energy costs. Fuel costs are the second-biggest driver of inflation after food in the East African country, where consumer prices rose 6.3 percent in the 12 months through October -- outpacing the government's medium-term target for 5.0 percent. In its regular monthly fuel-price adjustment, the Energy and Water Utilities Regulatory Authority (EWURA) lowered the benchmark retail price of petrol by 1.38 percent to 1,977 shillings ($0.92) per litre. The ceiling for diesel prices was also cut by 2.96 percent to 1,823 shillings per litre, a statement said. However, EWURA raised the maximum retail price of kerosene by 1.85 percent to 1,765 shillings per litre in the monthly price caps, which take immediate effect and last for one month. Kerosene is widely used for heating and lighting in Tanzania, which depends on imports to meet its fuel needs. *(Reuters)*

Tanzania has signed a $346.9 million loan with the African Development Bank (AfDB) to build new roads to help transform it into a regional trade and transport hub, the finance ministry said on Saturday. The East African nation wants to profit from its long coastline and upgrade its rickety railways and roads to serve growing economies in the land-locked heart of Africa. "The project will improve transport infrastructure in Tanzania... and promote regional integration through improved transport services," Servacius Likwelile, permanent secretary of Tanzania's finance ministry said in a statement. The loan agreement was signed on Friday, it said. Likwelile said part of the loan would be used to fund feasibility studies for rail and airport projects. Oil discoveries in Kenya and Uganda and gas finds in Tanzania have sent governments to undertake new infrastructure projects after decades of underinvestment. *(Reuters)*

The shilling appreciation was also backed by moderate demand on the dollar, the main trading currency. The National Microfinance Bank (NMB), said on its e-Markets statement that the local currency gained on Tuesday against the dollar. "The market closed up four shillings from yesterday's (Monday) close," NMB said. CRDB bank said on it's Market Highlights that the shilling/dollar pair expected to match in overall demand and supply as the holidays season approaches. "As we look towards to the holiday season…the local currency is expected to remain relatively stable against the greenback in the days ahead," CRDB bank said. The shilling closed yesterday's session around the levels of 2,135/2,175 against the dollar. The Bank of Tanzania (BoT), data showed that the shilling depreciated from 1,723/- in January to 2,175/- of Tuesday but hopes are lingering since the coming to power of President, John Magufuli a month ago. The shilling has gone down by some 20 per cent since the beginning of this year, as demand from importers continued to outpace foreign currencies inflow. The shilling appreciation came at a time the inflation in November gone up by 0.3 percentage point to 6.6 per cent pushed by raising food prices. Meanwhile, gold rose on Tuesday as the dollar receded slightly and European shares fell, though expectations that the U.S. Federal Reserve will raise interest rates next week kept the upside in check.. A slide in commodity prices—particularly crude oil's drop to its lowest in almost seven years as OPEC continues to pump near-record oil to defend market share—also prevented gold from reaching higher levels. *(Daily News)*

The Economic Insight: Africa Q4 2015 report by the Institute of Chartered Accountants in England and Wales says Tanzania is among five most vulnerable economies in Africa on account of the current account deficit of 9.3 per cent and vulnerability score of slightly below 250. According to the report, the maximum risk of 300 is equivalent to the highest possible score across these three measures of current account balance, growth in private sector credit and the ratio of foreign debt to reserve. Tanzania recorded a current account deficit of 221.50 million US dollars in September of 2015, according to Trading Economics. The current account in Tanzania averaged -287.06 million US dollars from 2006 until 2015, reaching an all time high of 263.80 million US dollars in August of 2007 and a record low of -780.20 million US dollars in March of 2014. However, Kenya and Uganda are considered the most vulnerable in the East African Community region with current account deficits of 10.4 per cent and 9.7 per cent respectively. Tanzania (9.3%) and Ethiopia (8.0%) follow closely behind. According to the report, Ghana emerged as the weakest economy in Africa with a score of 273 out of 300 due to very high current account deficit and spiraling debt. Ghana's economy suffers from both a very high current account deficit and history of rapid credit growth. The current account deficit stood at 9.6 per cent in 2014 according to estimates from the IMF's World Economic Outlook. "While this is far from being the highest on the continent, it is still expected to be a significant drag on Ghana's ability to cope with the potential havoc caused by US rate rise in the near future." Generally, an economy with higher current account deficit will be more vulnerable to sudden capital outflows given the suggested dependence on imports. As its currency depreciates, imports become more expensive to the local population. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

The Zambia Sugar PLC has closed the sugar production and processing period for the 2015/2016 season and described the year as very challenging due to the volatile local and international economic environment. Zambia Sugar PLC Managing Director, Rebecca Katowa, says the failing Kwacha during the 2015/2016 season resulted into high procurement costs while plummeting commodity prices on the international market caused the dwindling inflow of foreign exchange for the company. Mrs. Katowa says the business also witnessed unprecedented increases in the company's critical inputs such as fertilisers, field chemical and haulage services during the season. "In particular, the prices of fertiliser have increased by 60 per cent while haulage costs have increase by about 35 per cent. At the same time, we have been hit by a power tariff increase of 176 per cent by Zesco," she explained. She was speaking in Mazabuka last night during the 2015 staff off-crop party. Mrs. Katowa further disclosed that the company had to battle with aphid infestation which affected the entire cane growing area in Mazabuka.

The Zambia Sugar Managing Director said this yellow aphid infestation resulted into low cane yields for Zambia Sugar and the farmers in the out-grower scheme. "These headwinds have brought us at a point where we have to make sound decisions in order to survive and remain in business," she said. Mrs. Katowa explained that the company had to, therefore, focus on market development, revenue enhancement, quality assurance and cost reduction, which she said were areas under Zambia Sugar control. She pointed out that to support these strategic imperatives, Zambia Sugar will enhance the human resource and skills development programme, redefine and straighten out procurement systems and supply chain development. She said the company will further implement cost management strategies. "All these will be anchored on foundations of safety and risk management, continuous improvement, legal and governance, communications and stakeholder management," she said. Mrs. Katowa has, however, disclosed that the company managed to score achievements during the season.
She said the tons of refined sugar made hit a recorded of 44,283 during the 2015/2016 season, beating the 2013 record of 43,979 tons. "This has resulted into another record for tons refined bagged of 43,755 exceeding the 2013 record of 43, 531," she said. Mrs. Katowa added that the record for tons bottler grade made was 24,235 tons, exceeding the 2014 record of 21,576 tons. "Our extraction was a record 96.23 beating the 2014 of 95.94," she said. Meanwhile, the Zambia Sugar company won various awards during the season under review despite many challenges it faced. Mrs. Katowa disclosed that from the Illovo Group, which owns the sugar companies in the region and beyond, Zambia Sugar was awarded with the 2015 best agricultural performance award, 2015 best factory performance and the 2015 marketing performance. Other awards which the company won were from the Zambia Chamber of Commerce and Industry (ZACCI), the Zambia Environmental Management Agency (ZEMA) and the Agricultural and Commercial Show Society, the International Trade Fair and the Southern Province show. And Mrs. Katowa has said for the medium and long term projections, the company will focus on completing the product alignment and refinery project, which will help it retain and increase its market share at both local and regional markets. Zambia Sugar plants a total of 17,000 hectares while out-grower scheme farmers cover 11,000 hectares of cane sugar. The total number of hectares covered for cane production under Zambia Sugar in Kafue flats is 28,000. *(Lusaka times)*

Economic News

Zambia is facing its toughest economic challenge in a decade as weak commodity prices, electricity shortages and slowing growth in China hit growth in Africa's second-largest copper producer, the World Bank said on Wednesday. In January, Zambia will begin importing an extra 200 megawatts (MW) of electricity from neighbour Mozambique as it seeks to stem power shortages, Director of Energy Oscar Kalumiana said at a World Bank briefing in Lusaka. Zambia already imports 148 MW from Mozambique, he said. *(Reuters)*

Zambia should charge higher electricity tariffs for its mines to attract investment in power generation, the World Bank said on Wednesday, a move that would be unpopular with mining firms that consume 55 percent of power in Africa's second-largest copper producer. Zambia also needs to strengthen its fiscal position to restore confidence in its economy which is expected to grow less than four percent next year before expanding 5-6 percent in 2017, World Bank senior economist Gregory Smith said. *(Reuters)*

Zambia overspent its 2015 budget plan by 14.9 billion kwacha ($1.4 billion) due to emergency electricity purchases, increased costs of importing fuel and a sharp depreciation of the kwacha, its finance minister said on Wednesday. Zambia is facing its toughest economic challenge in a decade as weak commodity prices, electricity shortages and an economic slowdown in China hit growth in Africa's second-largest copper producer, the World Bank said on Wednesday. The kwacha has fallen over 40 percent against the dollar in 2015, according to Thomson Reuters data. "The depreciation of the kwacha against major currencies meant that the government had to spend more than the budgeted amount on items such as debt service," Alexander Chikwanda told lawmakers. The weaker kwacha also led to "significant shortfalls in the re-financing of fuel importation," he said. Persistent dry weather conditions have caused an unprecedented shortfall in the supply of electricity, most of which is generated from a hydropower plant. "This has necessitated the importation of emergency electricity at a relatively higher cost," Chikwanda said. The World Bank warned that tough action will be required in 2016 to curb runaway expenditure, double-digit inflation and growing twin deficits. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

Econet Wireless has added to its huge debt stock after announcing yesterday it will get $300 million of the $500 million loan its parent company, Econet Global, has secured from China Development Bank and ZTE Corporation. Zimbabwe's biggest mobile telecommunications company by subscribers and value paid a staggering $21 million towards meeting finance costs for the full year to February 2015. While Econet continues to make significant profits in a market where it dominates and has well over half the 14,2 million population on its expansive network, its revenues and profitability have plateaued with stagnation in the voice segment. However, the mobile phone network operator has come up with a cocktail of innovative products including mobile money transfer, mobile insurance and data services in a bid to counter the group's tapering revenue and profits decline. Profit for the half year to August dipped 52 percent to $323 million while group's revenue took a 17 percent knock to $323 million. As at the end of the 2015 full year, Econet Wireless reported the group's total interest bearing loan at $165,7 million, hence high interest paid in the year to February 2015. But Econet Wireless Zimbabwe chief executive Douglas Mboweni said the loan facility negotiated at group level would help the telecoms giant consolidate its market position, as well as to introduce new products and services.

The country's biggest telecommunications operator said it will continue to invest heavily in expanding its services, despite having already suck in $1,2 billion to develop its network. "With this investment, we will take our investment to well over $1,5 billion. "This shows our commitment to our country," Mr. Mboweni said in a statement released late yesterday. He said the loan had been negotiated at group level because that is where the expertise is for this magnitude of funding. "At our group, they have developed a lot of expertise to raise large amounts of money when we need it." While the investment will increase the company's debt stock and regular obligations in terms of interest payment, it will the telecoms consolidate its position in a market it already dominates, while expanding the infrastructure basis on which its host of overlay services will run. Earlier, In 2012 Econet Wireless Group also concluded a $362m loan facility to use in some of its African operations. The Zimbabwe business, got $255 million from the $307 million to re-finance existing short-term facilities and $52 million to finance equipment purchases for further expansion. The tenor of the facilities was an average of 5 years and the blended rate was LIBOR plus 5,3 percent. The loan facility was arranged by Afreximbank, and syndicated to development and financial institutions from Germany, France, China, Netherlands, South Africa and Sweden.*(Herald)*

Seed Co Limited has received $50 million from regional banks for its local and foreign operations so far this year, the group chief executive officer, Morgan Nzwere has said. He said foreign businesses now contributed 60% of the group's revenue across the board and from the company's regional operations in Botswana, Kenya, Malawi, Zambia, Tanzania, Nigeria, Rwanda, the Democratic Republic of Congo and others, where the group is into seed production. Nzwere said the local market contributed 40% to revenues.
Part of the $50 million will go towards research and development. "We have been able to access cheaper facilities within the region and have been able to borrow $50 million, at between 4% and 5% using our balance sheet from banks in the region. They (foreign-based operations) probably contribute about 60% of our business," Nzwere said. "Zimbabwe is still an important market, as it still contributes almost 40% of earnings, so you cannot ignore it. We will be focusing on growth, but we realise that you cannot rely on just one market, you have to spread your wings." For the half year ending September 30, Seed Co recorded an after-tax loss of $5,5m compared to $7,6m during the same period last year. The company said the business operating environment was challenging, as major markets were severely affected by the slowdown in commodity demand linked to the Chinese economy. Nzwere said borrowing from banks in the region helped the group achieve a 17% increase in turnover to $18,8m, as there was a slight recovery of the winter cereals demand and early maize seed sales in Zimbabwe, Kenya and Botswana. He said Malawi was repaying their debt, which would help increase its operations and that they remained a major partner. Operating costs were up, due to the coming on board of the vegetable business in the acquisition of Prime Seeds, as well as additional expertise in research and development and increased depreciation on property, plant and equipment in Malawi and Zambia. Other income went up due to exchange gains in Zambia and an increase in non-seed disposals. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Innscor Africa is in talks to acquire three local companies, expanding its portfolio across various sectors of the economy to minimise risk and will consider unbundling more of its units to unlock shareholder value, chief executive Antonio Fourie has said. The group acquired automotive parts retailer Transerve in July and South African former Ellerine Holdings group chief executive Fourie — appointed Innscor head last year to spearhead the group's restructuring drive — told The Source in an interview that the group was eyeing three companies in speciality retail and light manufacturing, but declined to disclose the names. "We are looking at a few more acquisitions and we are currently in negotiations on three potential acquisitions. We are at a point where we are ready to go through the regulatory hoops and as soon as we are through with those hurdles we will be able to comment more on the acquisitions," said Fourie. After unbundling and separate listing of its quick service restaurants (QSR) unit as Simbisa Brands, Innscor is strategising to expand into the foreign markets, Fourie said. "We have to start again because we were achieving growth outside Zimbabwe through the QSR business. Now as we have unbundled the QSR, effectively 95 percent of our business is now in Zimbabwe so we are now coming out of the starting block," he said.

Prior to its unbundling, Innscor's fast food business had expanded rapidly on the African continent, having more counters in the region at 196 than the 171 it has in Zimbabwe. The now Simbisa group operates its own fast food outlets in Kenya, Zambia, Ghana and the Democratic Republic of Congo as well as franchised operations in Swaziland, Lesotho and Malawi. These regional operations added $52 million in revenue to Innscor in 2014 while the Zimbabwean fast food business, where it enjoys 82 percent market share, contributed $98 million. The fast food business – which includes Simbisa's own brands, Chicken Inn and Pizza Inn as well as Nandos and Steers franchises — contributed 14 percent to Innscor's revenue. "All the work we have done to date through the QSR to expand out of Zimbabwe is now undone with the listing of Simbisa," said Fourie. Primarily, the group is looking to expand its poultry market in Kenya and drive its logistics and distribution arms, Distribution Group Africa and Vital Distribution Logistics into the region. Most of the group's current foreign component is in Zambia and is "dabbling a little bit in Botswana and into Namibia," according to Fourie. Innscor also owns the Spar franchise in Zambia. The unbundling of Simbisa followed that of Padenga in 2010 and Fourie said opportunities were there for more units to be diverged from the group. "We are still busy working on what the best configuration and portfolio of investments for Innscor Africa Limited is and we think there is another opportunity for unbundling but it's a little bit too early to be definitive," he said.
Lofty targets

Fourie, who told The Source soon after his appointment last year that his objective was to achieve a 30 percent return on equity (ROE) and 60 percent of free cash generation earnings before interest, taxes, depreciation, and amortization (EBITDA), said the deteriorating economic fundamentals made it difficult to achieve the target. "We need to manage our returns and get them up, but in this economy there is debate on whether the 30 percent is the right target because nobody is getting 30 percent. The risk free rate of return here is eight percent and at 30 percent you are talking pre-tax," he explained. " After tax we are still looking north of 20 percent. We are not achieving that as we are around 18 percent but that is a function of the returns being lower than we would like them to be because our cost base is excessive and in this economy revenue growth is difficult to come by. But we also need to check our balance sheet because our gearing is very low at 10 percent. "We are looking at our balance sheet to see how we can better optimise the capital structure of the group and obviously we need to grow the business and take the costs out. We are comfortable that we are making good progress on costs but we are not moving our target (of 30 percent ROE)."

Going forward, Fourie said the future was not rosy and that companies should be prepared to adapt their strategies. "Disposable incomes are going to continue to come down, the price to the customer is going to be a material issue and therefore costs in our operating environment are going to have to get down and companies are going to have to be prepared to sacrifice margins to keep volumes up to ensure that the throughput in their factories and outlets are being maximised," said Fourie. Fourie — who told shareholders at the annual general meeting last month that the group had adopted an aggressive pricing regime to grow its volumes and protect its revenue base in the face of increased competition and falling disposable incomes — said the strategy would continue. "Our volumes have grown across the board with the exception of retail and volume growth has been very good in some sectors. Obviously that has come on the back of lower average selling prices and revenue is not coming through but we continue to fight that fight and make sure that our (Earnings Before Interest, Taxes, Depreciation and Amortization) can grow even though our prices are falling by focussing on the cost line," he said. *(The*

Source)

Border Timbers Limited (BTL) has recorded profit in the fours to October 31 driven by a surge in demand for poles and lumber, the company's provisional judicial manager Peter Bailey has said. The company was, in January, placed under provisional judicial management to protect all stakeholders after it had failed to negotiate with lenders. The demand for poles and lumber which is BTL's main products has remained strong for both their local and foreign market. Speaking on the sidelines of BTL's annual general meeting yesterday in Harare, Bailey said the company has started to generate cash despite lenders pushing for immediate repayment. "The immediate problem was that many of the lenders were pushing to have immediate repayment and the company was just not in a position to repay, it was very illiquid. At the same time it had started its turnaround and was beginning to generate cash and within a month or two of me joining was generating good profits. In fact, the last four months it has generated good profits," Bailey said. "So with my appointment I was able to stop any legal action causing a problem, giving some breathing space to negotiate new lending agreements. With the new agreements, which I hope will be sorted out very soon, the company will be resuscitated very much more quickly." To help bolster company profits, BTL is in negotiations with a local firm to secure additional capital that, if successfull, will see the company repaying the loan in eight to 10 years. BTL's production volume was up 45% in the prior year, in the main driven log supply and as a result outsourced harvesting and secured pole orders in the region.

Turnover was up 7% over the prior period last year, largely as a result of increased transmission pole sales into the region, while sales volumes were up by 2% as it has been affected by the depreciation of the South African rand against the dollar. BTL financial director Wellington Mutizwe said that earnings before tax was positive. "Earnings before tax is positive compared to the loss for the same period last year. The company has posted profits on a monthly basis since July 2015. There has been a rigorous approach to managing costs along the production chain paying off," Mutizwe said. "The business has been on a positive trajectory, particularly the last three months of the last financial year, right through to the current financial year." As at June 30, BTL revenue from continuing and discontinued operations was $17,8 million, down from the previous year of $18,05 million. *(News Day)*

Diversified listed concern Meikles Limited on Thursday said its net loss accelerated to $10,8 million in the six months to September from $2,8 million during the same period last year. Operating costs were up from $202 million to $225 million. The group recorded a $4 million loss on discounting Treasury Bills as well as a $3,6 million fair value loss on disposal of available-for-sale financial assets. During the six months, investment income fell 76 percent to $1,7 million. Total group revenue increased by 15 percent to $ 225 million. Turnover from the group's PicknPay and TM supermarkets increased by 17 percent to $196,7 million. Tanganda, the tea business was adversely affected by a decrease in international tea prices. Average prices fell to $1,28/kg from $1,32/kg in the comparative period. Revenue from the agricultural unit was flat at $11,1 million. The group said its hospitality unit recorded a seven percent decline in revenue to $8,2 million as a result of the 15 percent value-added tax (VAT) levied on foreign tourists for accommodation and tourism-related services. Meikles operates two five-star hotels in Zimbabwe, the Meikles in Harare and its 50 percent-owned Victoria Falls Hotel. African Sun owns the other 50 percent. Earnings before interest, taxes, depreciation, and amortization (EBITDA) increased by $6,4m relative to the previous period. *(New Zimbabwe)*

Engineering retail concern Powerspeed Electrical on Thursday said its revenue for the year to September grew nearly 19 percent to $40 million as volumes spiked by a quarter although net profit came in at $780,000 as the group sacrificed margins to increase sales. Gross margins fell slightly from 31 percent to 30 percent as the group slashed prices to stay ahead of competition and to grow its market share. Profit from operations grew 15 percent to $1,86 million. Operating expenses rose by a similar margin to $10,6 million in the year, but had 'declined significantly' in the last six months as the group tightened the lid on costs. Chief executive Hilton Macklin said the group had sold off its Zambian operation — which was mainly a distribution service — in July after performing poorly for a few years. "Given the low copper prices, power cuts and the depreciation of the Kwacha, it was becoming more of a headache than it was worth," Macklin told analysts during a presentation at the company's head office. Net profit at $780,000 was 19 percent higher on last year. Macklin said the group had targetted to grow net profit to about 10 percent of revenue but conceded that it was ambitious in the current economic environment. "Our net profit is lower than we would like it to be but at least we have a bottom line and that is an achievement considering the environment we are operating in," said Macklin. During the year, the group had opened one branch and increased its retail space at five of its branches countrywide and improved its product offering. Macklin said Powerspeed, which last November partnered Swiss clean energy firm, Meeco Group to distribute solar energy products and establish solar power plants in the country — felt there were opportunities for growth in the area and would look to push more solar products. He told The Source in an interview later that the partnership had secured its first order last week while various projects 'were in the air because of the liquidity situation in the country.' *(New Zimbabwe)*

Economic News

Zimbabwe is unlikely to achieve its projected economic growth rate of 2,7 percent next year in the face of falling commodity prices and an impending drought , analysts have said. Growth in mining and agriculture are expected to anchor the southern African country's economic growth next year, although revenue is expected at $3,85 billion from $3,69 billion this year according to finance minister Patrick Chinamasa's projections in the 2016 budget projections. Speaking at a parliamentary post-budget seminar on Tuesday labour economist Godfrey Kanyenze said expecting the economy to grow in the context of declining commodity prices and a possible drought was too ambitious. "We may actually struggle to do better than this year. It may actually be heroic to assume that we will grow at 2.7 percent given that the conditions are actually deteriorating," he said. "You cannot expect to reap the in same season that you sow. Structural reforms will take much longer and we may not be able to realise all the benefits in 2016."

This year, government revised the economic growth projections from an initial 3,2 percent to 1,5 percent following a poor agricultural season. Revenue projections were cut down to $3,69 billion from $3,9 billion as key sectors floundered. Revenues from tobacco – a top earner of foreign currency in previous years – this season fell 14 percent to $586,4 million. Tobacco output is expected to drop by as much as 20 percent after fewer farmers registered to grow the crop next year coupled with another expected poor rainy season. Mineral earnings for the nine months to September — excluding diamond revenue — fell 11 percent to $1,26 billion owing to a decline in commodity prices. "It is quite disturbing that they are expecting growth from agriculture and mining," said economist John Robertson. "Of concern really should be government's expenditure and them putting in place investment friendly measures. With the current restrictions, investing in Zimbabwe is a privilege that one has to pay for." The country's growth prospects hinge on government clearing arrears to international lenders by the first quarter next year to unlock fresh funding for the stuttering economy, analysts said. *(The Source)*

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