SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

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AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	5-Jul-13	12-Jul-13	Local	USD	Local	USD
Botswana	DCI	8,701.90	8,664.65	-0.43%	12.15%	15.37%	16.93%
Egypt	CASE 30	5,311.51	5,267.73	-0.82%	14.90%	-3.56%	-3.52%
Ghana	GSE Comp Index	1,884.93	1,910.98	1.38%	4.45%	59.29%	56.33%
Ivory Coast	BRVM Composite	207.32	208.16	0.41%	-4.79%	24.96%	16.42%
Kenya	NSE 20	4585.42	4720.53	2.95%	6.46%	14.22%	18.47%
Malawi	Malawi All Share	6,926.60	7,087.12	2.32%	20.50%	17.81%	41.30%
Mauritius	SEMDEX	1,894.00	1,870.96	-1.22%	-3.19%	8.02%	8.20%
	SEM 7	369.70	364.28	-1.47%	-3.43%	8.01%	8.18%
Namibia	Overall Index	853.89	893.00	4.58%	25.33%	-9.46%	-6.69%
Nigeria	Nigeria All Share	36,926.30	37,382.49	1.24%	3.29%	33.13%	32.96%
Swaziland	All Share	289.42	289.42	0.00%	20.79%	1.31%	4.72%
Tanzania	TSI		1,889.01	2.68%	5.35%	27.15%	29.62%
Tunisia	TunIndex	4,616.70	4,604.85	-0.26%	2.88%	0.55%	-3.32%
Zambia	LUSE All Share	4,555.07	4,553.96	-0.02%	11.14%	22.25%	29.75%
Zimbabwe	Industrial Index	213.43	223.89	4.90%	4.90%	46.91%	46.91%
	Mining Index	70.12	66.94	-4.54%	-4.54%	2.79%	2.79%

CURRENCIES

	5-Jul-13	12-Jul-13	WTD %	YTD %
Cur-	Close	Close	Change	Change
BWP	8.50	8.44 -	0.75	10.30
EGP	7.01	6.98 -	0.36	15.38
GHS	1.87	2.01	0.47	5.47
CFA	504.19	503.87 -	0.06	1.72
KES	85.33	85.49	0.19 -	0.12
MWK	315.22	321.78	2.08	0.24
MUR	29.89	30.00	0.36 -	1.80
NAD	9.85	9.82 -	0.37	15.86
NGN		158.31 -	0.72	1.42
SZL	9.88	158.31 -	0.41	16.39
TZS	1,585.24	1,569.00 -	1.02 -	0.38
TND	1.66	1.65 -	0.63	6.60
ZMW	5.43	5.41 -	0.42	4.30

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt's crumbling public finances may be in even worse shape than previously estimated. While stock and bond markets have cheered the ouster of unpopular President Mohamed Mursi by the army and Egypt's debt insurance costs have tumbled, data shows that financial risks are about to escalate. The central bank's net hard currency reserves, which a country needs to pay for imports, are in negative territory if upcoming short-term obligations are included, indicating a looming funding crunch for Egypt unless it quickly accesses external aid. The central bank has run through two-thirds of its cash reserves in defending the Egyptian pound since early 2011 as foreign investment dried up and the economy reeled after the uprising that toppled former ruler Hosni Mubarak. It has been unable to replenish them other than with top-ups provided by aid from Libya and Qatar. Gross international reserves now stand at around $15 billion, barely covering three months of imports, but even that figure is misleading, data shows. For one, it includes illiquid assets such as gold, and second, upcoming contractual obligations far exceed the amount of hard currency the bank holds in its buffers. According to data from the International Monetary Fund and Bank of America/Merrill Lynch, reserves held in easily convertible currencies are more than $5 billion in the red if measured against the central bank's forward obligations. "When accounting for pre-determined and contingent short-term drains, net currency reserves are effectively in negative territory," said Jean-Michel Saliba, Middle East economist at BofA-Merrill in London.

Pre-determined and contingent drains as defined by the International Monetary Fund include scheduled contractual obligations in foreign currencies, foreign exchange guarantees and commitments on swaps, options and futures contracts. These stand at over $11 billion, IMF data shows, compared to Egypt's existing gross currency reserves of around $6.5 billion. "In the absence of fresh Arab aid infusion, Egypt has a space of six months to calendar year-end before the external position tightens markedly again and the sustainability of the current FX arrangement comes under severe strain," Saliba said.

Estimates of Egypt's financing needs vary. Saliba reckons on $33 billion over the coming 18 months, including $14.7 billion by end-2013 while analysts at VTB Capital estimate external funding needs of $19.5 billion in the year through June 2014. The central bank has been rationing hard currency access via a system of auctions but the pound is at a record low beyond 7 per dollar and forward markets are betting the authorities will not be able to hold the line much longer, pricing a roughly 20 percent depreciation in the coming year. On the bright side for Egypt, a significant portion of these obligations consist of maturing dollar-denominated T-bills, which are mostly held by local banks and should be easy to roll over. These amount to around $5 billion by end-2013, analysts say. Souheir Asba, emerging markets strategist at Societe Generale, noted that a recent T-bill auction had seen healthy demand. "The market is being over-optimistic about Egypt but they won't default. They will get a lot of external help if they request it," she said. It is also possible for central banks to run negative positions for a period - the South African Reserve Bank for instance ran net negative reserves for years, hitting a deficit of almost $30 billion in 1994. Egypt's increasingly pressing funding crunch, however, suggests Cairo will be left with little option but to secure a $4.8 billion IMF loan deal - something its post-revolution governments have been trying to avoid, fearing that subsidy cuts demanded by the lender could fuel further social unrest. *(Reuters)*

Egypt's foreign reserves fell by $1.12 billion in June to $14.92 billion, the central bank said on Sunday, underlining the perilous state of the country's finances as a new military-backed government takes on the reins of power. Reserves have been under pressure since the 2011 popular uprising that pushed out Hosni Mubarak and frightened away tourists and foreign investors and the dollars they brought into Egypt. The reserves represent less than three months of imports, and only about half are in the form of cash or in securities that can easily be spent. The IMF considers three months to be the minimum safe cushion for reserves. The army, which ousted Islamist President

Mohamed Mursi on Wednesday, is working to form a new government. *(Reuters)*

Egyptian central bank governor Hisham Ramez said on Saturday he would remain in his position following the overthrow of President Mohamed Mursi, and denied a report he would be named prime minister. "I will not be the prime minister," he told Reuters. "I am staying on as the governor of the central bank, which is a very important role. I am not a politician." Since his appointment in January, Ramez has won respect from financiers as he has negotiated on a still to be finalised loan from the International Monetary Fund. Following the military's removal of Mursi on Wednesday, an interim government of technocrats is expected to be announced in the coming days. *(Reuters)*

The United Arab Emirates has agreed to grant Egypt $1 billion and lend it another $2 billion, an Egyptian source close to the talks said on Tuesday. The source said the amount was expected to be part of a larger financial package from the UAE. The loan would be in the form of a deposit at Egypt's central bank, although the interest rate and maturity had yet to be finalised. He also said that Saudi Arabia was expected to lend Egypt $2 billion, which he expected to be confirmed within two days. *(Reuters)*

Egypt's transitional cabinet is expected to be formed by early next week, interim prime minister Hazem El-Beblawi told Reuters on Wednesday. "The talks are still ongoing with different candidates and I expect we will finalise the formation of the cabinet by early next week," El-Beblawi said, adding that he had not yet picked a finance minister. Beblawi, an economist and former finance minister, was named interim prime minister on Tuesday to lead Egypt's army-backed transitional government after the ouster of elected president Mohamed Morsi by the military last week following mass protests*(Ahram)*

Egypt's urban consumer inflation accelerated to an annual 9.8 percent in June from 8.2 percent in May, Reuters calculated using data released by the state CAPMAS statistics agency. Egypt's annual core inflation rate, which strips out subsidised goods and volatile items including food and vegetables, rose to 8.56 percent in the year to June from 8.04 percent in the year to May, the central bank said on Wednesday. The cost of imports has risen in recent months because of a weakening Egyptian pound, which has lost more than 12 percent of its value against the dollar since December on the official market and even more on the black market. The Egyptian pound plunged after the 2011 popular uprising, which scared away tourists and investors, two of the country's main sources of foreign exchange. Analysts say the currency remains overvalued against the dollar. *(Reuters)*

Kuwait will provide $4 billion (Â£2.7 billion) in aid to Egypt, state news agency KUNA said on Wednesday, matching pledges by Saudi Arabia and the United Arab Emirates that showed Gulf Arab approval of the Egyptian army's ousting of Islamist President Mohamed Mursi. KUNA said the package would comprise a $2 billion central bank deposit, a $1 billion grant and $1 billion in oil products, On Tuesday Saudi Arabia and the United Arab Emirates each pledged $4 billion in aid to Egypt, where the army overthrew the Muslim Brotherhood's Mursi a week ago after huge street demonstrations against the elected president. KUNA did not say when the Kuwaiti aid would arrive. Kuwait has in the past cooperated with Riyadh and Abu Dhabi, pledging financial aid for Gulf neighbours hit by social unrest such as Bahrain and Oman, but also for Morocco and Jordan. The aid from the three Gulf Arab oil producers is expected to help Egypt avoid a balance of payments crisis and overcome fuel shortages that partly stoked public anger against Mursi. It will also ease pressure on Cairo to conclude long-running talks with the International Monetary Fund on a $4.8 billion loan. However, a surging fiscal gap and political turmoil following Mursi's toppling last week will remain a pressing challenge for Egyptian authorities, analysts said. Qatar lent Egypt more than $7 billion during Mursi's abruptly curtailed year in power, but other Gulf states remained aloof, wary of the Muslim Brotherhood's potential influence in their own conservative, dynastically ruled countries. *(Reuters)*

Twelve billion dollars in aid from Egypt's wealthy Gulf allies have bought Cairo a window of several months to try and stabilise its politics and repair its state finances or face fresh economic turmoil. The massive packages of grants and loans unveiled by Saudi Arabia, the United Arab Emirates and Kuwait on Tuesday and Wednesday should boost Egyptian foreign reserves enough to avert a balance of payments crunch that was looming this year. By replenishing state coffers, they will keep government departments running and may help authorities end fuel shortages that have caused immense public anger and contributed to last week's military overthrow of elected president Mohamed

Mursi. John Sfakianakis, chief investment strategist at MASIC, a Riyadh-based investment firm, estimated the $8 billion (Â£5.4 billion) in aid from Saudi Arabia and the UAE could give Egypt a breathing space of four to six months. On top of that, Kuwait has since pledged a further $4 billion. But the aid will not by itself solve two key problems in the Egyptian economy: a ballooning budget deficit and political instability that is scaring away foreign capital. If major progress is not made in these areas by the end of this year, Egypt could again risk an economic crisis and be forced to seek large amounts of additional aid from the Gulf, putting itself deeper in debt to governments there. "Unless there is a resolution of the politics/social schisms, private capital flows will remain elusive and capital flight risks high," Raza Agha, chief economist for the Middle East at VTB Capital in London, wrote in a report. The aid from the Gulf "buys time", he said. "But key at present is whether anything will get the Muslim Brotherhood off the streets." Mursi's Islamist supporters continue to protest at his removal by the army. Dozens were shot by troops on Monday. The Gulf money may also ease pressure on Cairo to finalise a $4.8-billion loan from the International Monetary Fund. Securing it might impress other would-be lenders and investors, but its conditions might prove too politically painful within Egypt.

The country's foreign reserves totalled $14.92 billion at the end of June. Excluding inflows of aid, they have been falling by around $1-2 billion every month, so the latest aid may cover Egypt's external deficits into early 2014. The speed with which Saudi Arabia, the UAE and Kuwait announced packages - less than a week after Mursi was deposed - is as important to financial markets as their size. The three Gulf states, which mistrusted Mursi and his Muslim Brotherhood, signalled they are determined to keep a post-Mursi Egypt afloat. The confidence created by that signal will help Egypt roll over about $5 billion in dollar-denominated Treasury bills maturing by the end of 2013, and could limit or halt further depreciation of the Egyptian pound in coming months. Cash grants totalling $3 billion from Riyadh, Abu Dhabi and Kuwait - a quarter of their combined $12 billion in loans, grants and donations of oil products - dwarf the $250 million in annual civil aid on offer from Washington. The European Union has been giving some $190 million annually. Late last year, the EU said up to $6.4 billion in loans and grants was on offer - but that is tied to reforms and would include the European share of the potential IMF loan. Egypt's military also receives an annual $1.3-billion direct subsidy from the United States. The arrangement, dating from the 1980s, is related to Cairo's 1979 peace treaty with Israel. The appointment as interim prime minister of Hazem el-Beblawi, an international economist who ran Egypt's Export Development Bank for 12 years, may increase the chances of Cairo obtaining the long-delayed loan from the IMF. "They need the IMF stamp of approval, given the IMF has criteria regarding economic reforms," said Sfakianakis. "That will give far greater confidence that the government is addressing the financial reform area, which will unlock further financial aid from the European Union and other agencies."But to satisfy the IMF, the government would have to commit to deep cuts in its budget deficit, which nearly doubled from a year earlier to 113.4 billion Egyptian pounds ($16.2 billion) in the first five months of 2013. It remains unclear whether any Egyptian government - either the interim administration, or the government that would take power after parliamentary elections scheduled in about six months - can muster the will to make the politically explosive cuts in subsidies required to reduce the deficit. For that reason, an IMF loan may never materialise, said Farouk Soussa, chief Middle East economist at Citigroup: "An IMF deal seems unlikely to me in the current political environment and until a new permanent government is put in place," he said. "In fact, a populist, anti-IMF platform is more likely to win votes, so I am not optimistic on a deal in the long run either."

In addition to healthier state finances, Egypt needs private capital to revive its economy. Foreign direct investment was just $1.4 billion in the nine months to March, compared to annual levels above $10 billion a few years ago; political stability is vital to lure private money back. The size of the Gulf aid packages may give the post-Mursi government room to launch spending programmes designed to buy social peace, as Saudi Arabia itself did successfully after the 2011 uprisings elsewhere in the Arab world. Soussa said he expected the new Egyptian administration to focus on restoring law and order through a combination of tougher policing and raising standards of living. "I'd therefore expect to see a ramp-up in public services, a raise in salaries, and an increase in imports of key products such as fuel and food," he said. But it is not clear whether an end to shortages and better living standards could paper over political divisions that have widened since Mursi's removal, with many Islamists outraged by the army's intervention and this week's bloodshed in Cairo. While Brotherhood leaders insist they will not take up arms, others may. Attacks on tourists in the 1990s hit Egypt's income hard. When Algeria cancelled a 1991 election that Islamists were winning, a decade of civil war ensued, crippling development. Emad Mostaque, strategist at Noah Capital Markets, said there was a risk that polarisation on the streets could develop into general strikes and militant violence, which would seriously damage the Egyptian economy. "We remain concerned about attacks against tourist centres by splinter groups," Mostaque said, "With our key takeaway from Algeria being that groups can quickly re-radicalise and it doesn't take many people to cause an almighty mess." *(Reuters)*

Egypt has less than two months' supply of imported wheat left in its stocks, ousted President Mohamed Mursi's minister of supplies said, signalling that a shortage is more acute than previously revealed. Speaking to Reuters near midnight in a tent at a vigil where thousands of Mursi's supporters are protesting against the Islamist president's removal, former Minister of Supplies Bassem Ouda said the state had just 500,000 tonnes of imported wheat left. Egypt is the world's largest importer of wheat, half of which it distributes to its 84 million people in the form of heavily subsidised bread. The ousted government closely guarded figures about its foreign grain stores even as a shortage of cash halted its imports. Two and a half years of political turmoil have caused a deep economic crisis in Egypt, scaring away investors and tourists, draining foreign currency reserves and making it difficult to maintain imports of food and fuel. After buying 3.7 million tonnes from a domestic harvest that is now finishing, Egypt has 3 million tonnes of home-grown wheat left in its stores, Ouda said. Egypt normally mixes its lower-gluten domestic wheat with equal parts foreign wheat in order to produce flour suitable to make bread. Ouda said Mursi's government had tried to increase the ratio of domestic wheat it used to 60 percent. In a typical year Egypt imports about 10 million tonnes of wheat. Egypt had not imported any wheat since February - its longest absence from the market in years - until the eve of Mursi's overthrow when it bought 180,000 tonnes for shipment in August. The government said on June 26 it had 3.613 million tonnes of total wheat but did not reveal how much of that was imported. Since Mursi was toppled last week, the United Arab Emirates, Saudi Arabia and Kuwait have promised $12 billion (8 billion pounds) in cash, loans and fuel, which economists say buys Cairo several months of breathing room to fix its finances.*(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana's consumer price inflation is expected to ease in August after hitting a fresh three-year high in June, the West African country's statistics office said on Wednesday. Ghana's June inflation figure, calculated on a rebased index with fresh items for a second month, rose to 11.4 percent year-on-year from 11.1 percent in May, largely as prices for food and non-food items jumped during the month. The rise was within the Central Bank's target band of 2 percentage points either side of 9 percent. "Both food and non-food contributed to the increase in June, with housing, water, power and gas going up," Philomena Nyarko, Ghana's acting government statistician told a news conference in Accra. Nyarko however added that authorities expected price increases to ease soon. "Going to the harvest period, we expect that inflation will drop on the back of lower food prices so we expect that from next month, inflation will start easing until September," she said. Ghana's vice-president told Reuters on Tuesday that inflation in the gold, cocoa and oil-producing nation should remain within the 2013 target range of up to 11 pct. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

Access Kenya's board of directors has approved a Sh3 billion acquisition offer from South Africa's Dimension Data. In a statement sent to newsrooms on Monday, the board recommended that its shareholders accept the Dimension Data's bid to take over 100 per cent stake in AccessKenya. The board said it was satisfied the deal was fair following an independent valuation by Kestrel Capital last month. "The offer is financially adequate, incorporating a fair takeover premium and, as a result, should be recommended to the shareholders to take up," read part of a shareholders circular issued by AccessKenya. Dimension Data has offered to acquire the firm at a price of Sh14 per share, 42 per cent higher than the trading price of Sh9.85 recorded when the company last traded on May 3. The board also recommended that shareholders vote in favour of de-listing from the Nairobi Securities Exchange following the acquisition. If the deal is concluded, AccessKenya operations will be merged with those of Dimension Data subsidiary, Internet Solutions Kenya. The takeover has already been approved by the Capital Markets Authority and it is now up to the shareholders to accept or reject the offer. During an Annual General Meeting earlier this year, shareholders, who had acquired AccessKenya stock at prices much higher than that offered by Dimension Data, were reluctant to accept the deal. The firm's 2007 Initial Public Offering (IPO) price was Sh10 and rose to a peak of Sh35 in 2008. Members of the Somen family, who own 30.3 per cent of Access Kenya, stands to earn more than Sh900 million from the sale. *(Daily Nation)*

Kenya's second-largest cement firm ARM Cement posted a 28 percent rise in first-half pretax profit helped by a rise in cement sales, and it forecast a strong performance for the second half of the year. The cement manufacturer, which exports to the East African region, said pretax profit for the six months ended June jumped to 1.0 billion shillings. Sales of cement rose 28 percent in the first half of the year compared to the same period last year, said ARM Cement, which is ranked second in Kenya behind Bamburi Cement. Cement companies are a focus for investors seeking a slice of East Africa's strong economic growth, punctuated by construction of highways and new office buildings in major cities, including in Kenya, the region's biggest economy. *(Reuters)*

ARM Cement Ltd., Kenya's second-biggest maker of the building material, gained the most in four months as the company said it plans to double sales in the next three years. The stock of ARM rose 4.6 percent, the biggest one-day gain since March 12, to 68 shillings by the close in Nairobi, the capital, Nairobi. ARM, which doubled its sales over the past three years, plans to achieve the same level of growth over the next three years, Deputy Managing Director Surendra Bhatia told shareholders today in Nairobi. The need for homes in Kenya, Rwanda, Uganda and Tanzania is as much as 1 million units a year, he said. First-half profit jumped 28 percent, while sales in the period increased by the same margin, ARM Cement said yesterday. Second-half consumption in Kenya is expected to rise "as activity from the construction sector picks up" after the central bank cut interest rates, Kuria Kamau, an analyst at Nairobi-based Kestrel Capital (East Africa) Ltd., said in e-mailed comments. Demand will also be driven by increased infrastructure spending, while a new plant in Tanzania will allow ARM to take market share from importers, he said. The central bank's Monetary Policy Committee, led by Governor Njuguna Ndung'u, kept its key lending rate at 8.5 percent yesterday, compared with 11 percent at the beginning of the year. The average commercial bank lending rate is the lowest since Dec. 2011, according to data compiled by Bloomberg. ARM has gained more than 50 percent this year compared with a 24-percent increase in the FTSE NSE 25 Index of the most liquid shares on the Nairobi bourse. *(Bloomberg)*

Co-operative Bank will next week open its first foreign subsidiary in South Sudan as lenders race to reduce reliance on the Kenyan market. Chief executive Gideon Muriuki said the bank is currently finalising plans to open its headquarters in the capital Juba, paving the way for the setup of two more branches later in the year. The bank last year announced plans to venture into the new market but had not yet started operations. South Sudan has emerged as one of the most lucrative countries in the East African region where Kenyan banks are expanding into to take advantage of low penetration of financial services. Central Bank of Kenya data shows that the 11 banks with subsidiaries in the region had a combined pre-tax profit of Sh5.1 billion last year, up from Sh2.3 billion the previous year. "We will start operations over the next two weeks," Dr Muriuki said in a telephone interview from Juba. "We expect to have at least three branches here by the end of the year." Co-op Bank is set to replicate in South Sudan its model of developing business partnerships with co-operative societies that has given it access to Kenya's 10,000 saccos and their eight million customers. The bank has taken a 51 per cent stake in a joint venture with the government of South Sudan and is expected to focus on the agricultural sector. *(Business Daily)*

Economic News

The amount of money borrowed by commercial banks from the Central Bank of Kenya's overnight lending window dropped by Sh244 billion in the six months to April signalling increased liquidity in the economy. Commercial banks typically use CBK's emergency window to borrow overnight loans to help them balance their books. Between November last year and April, the banks borrowed Sh8.09 billion from CBK compared to Sh252.7 billion in a similar period a year earlier. "The banks only accessed funds totalling Sh8.09 billion from the CBK Discount Window between November 2012 and April 2013 compared with Sh252.71 billion between November 2011 and April 2012 when a tight monetary policy stance had been adopted by the CBK," said the Monetary Policy Committee (MPC) in its latest bi-annual report. The low borrowing indicates that there is sufficient cash flowing in the economy, a pointer to a likely drop in cost of loans. "The lower the borrowing from CBK the better for lending; a bank can't borrow from CBK for on-lending. You can see that since the end of the first quarter the rates have been coming down," said Alexander Muiruri a fixed income analyst at African Alliance. Several banks have since last week announced reductions in their minimum lending rates with CFC Stanbic dropping to the lowest at 13.5 percent. Apart from lending to the private sector, commercial banks also have the option of investing their cash in risk-free government securities. However the returns on T-bills and bonds have been on a downward trend, making it more attractive for the banks to consider lending the money to the private sector. In last week's auction the average return for the 91 day T-bill was 5.5 per cent while that of the one-year paper was 8.4 per cent. Banks usually prefer the short-term papers to easily take advantage of any changes in interest rates.

The Central Bank lends money to commercial banks at a punitive rate to discourage the lenders from taking overnight loans regularly. Currently the overnight lending rate is 14.5 per cent. This is higher than the rate at which banks are lending to each other at the inter-bank market, currently at 9.38 per cent. The regulator has been keen to stop banks from borrowing through the overnight window to use the cash for foreign exchange trading as it says this exposes the shilling to speculative attacks. CBK has increased liquidity in the economy to boost economic growth through easing access to credit. Since June last year, the MPC, which meets again today, has reduced the indicative Central Bank Rate (CBR) from a high of 18 per cent to 8.75 per cent. "Liquidity conditions in the market improved following the adoption of a gradual easing of the monetary policy stance coupled with sale of foreign exchange by banks to the CBK and higher redemptions of Government securities relative to new issues" reads the report. Last year most banks also asked for additional capital from their shareholders, improving their liquidity. "Fresh injection provides long term capital so the banks don't need to borrow and the money market was liquid during the elections," said Mr. Muiruri. Some of the banks that raised additional capital last year include Standard Chartered, CFC Stanbic, NIC, DTB, Oriental, Fina, Ecobank, United Bank of Africa (UBA) and Chase Bank. During a parliamentary investigation of the depreciation of the shilling some of the banks had complained that the interbank market was not effective as a source of emergency cash for the lenders as some big banks were not willing to lend to the smaller players, forcing them to borrow from CBK. *(Business Daily)*

The average price of Kenya's top-grade tea rose at the weekly auction on Tuesday, even though buyers from Egypt, the biggest buyer of Kenyan tea, were absent because of its civil unrest. Tea is a major foreign exchange earner for Kenya, the world's leading exporter of black tea, at 112 billion shillings last year. Analysts have said prolonged unrest in Egypt could hurt Kenya's currency. Tea Board of Kenya has said it expects tea earnings to rise to 120 billion shillings this year , but it made this estimate prior to the eruption of unrest in Egypt following the overthrow of President Mohamed Mursi last week. Kenya's tea exports to Egypt had fallen after the overthrow of President Hosni Mubarak in February 2011. A trader at the Africa Tea Brokers (ATB) said Egyptian buyers had stayed out and that it was not clear when they would return. "It would have been difficult for Egypt to take part. We didn't expect anything positive from their buyers, and they were not buying because of the upheavals in that country," the trader said.

Nevertheless, tea prices rose on strong demand from Kazakhstan, while Sudan, Yemen and other Middle Eastern countries had more modest buys, and Britain was selective, ATB said in a statement. Broken Pekoe Ones tea rose slightly to $3.43 per kg from $3.30 per kg at last week's auction. Best Broken Pekoe Ones (BP1) sold at $3.08-$3.78 per kg from $3.04-$3.55 per kg last week. Best Pekoe Fanning Ones (PF1) fetched $2.52-$3.04 per kg, compared with $2.54-$3.26 per kg last week. ATB said 135,028 packages were offered for sale, with 28.12 percent left unsold. Last week, 137,369 packages were on sale, with 17.47 percent left unsold. *(Reuters)*

Kenya has a sustainable public sector debt and faces little risk of external debt problems, the International Monetary Fund said in a report, as the country gears up to issue a $1 billion Eurobond. Rated sub-investment grade at B1 with a stable outlook by Moody's last November, the east African nation is searching for a lead manager and lead counsel for its debut Eurobond issue, expected later this year. A senior Kenyan official said this week that Kenya still planned to go ahead with the Eurobond despite rising borrowing costs in the international markets. "The authorities have continued to improve debt management," the IMF said in the report co-authored by the World Bank, citing the elevation of the debt management office, to an agency level within Treasury, last July. Kenya's debt to gross domestic product ratio fell to 43 percent at the end of 2012 from 48 percent at the end of 2011, the IMF said, crediting prudent fiscal policy and a stable macroeconomic environment. Public debt is evenly split between local and external creditors, with the bulk of its external liabilities held under concessional terms by institutions like the World Bank. "Standard stress tests do not reveal any significant vulnerability as even the shocks with the highest impact would maintain debt levels below the relevant indicative thresholds," the IMF said. "The biggest risks to external debt sustainability come from exchange rate shocks and less favourable terms on new public sector loans," it added. Slower than expected growth, triggered by drought, a surge in the prices of food and oil, or an economic deterioration in key trading partners like Europe, could also pose a risk to debt sustainability, the IMF said. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Thirteen Nigerian banks emerged in this year's edition of the "Top 1000 World Banks' Ranking," by the Bankers magazine, owned by the Financial Times Group, London. Zenith Bank Plc, First Bank Nigeria and Guaranty Trust Bank Plc (GTB), in that order, were the top three Nigerian banks in the ranking. Others were Access Bank, United Bank for Africa (UBA), Ecobank Nigeria, Fidelity Bank, First City Monument Bank, Skye Bank, Diamond Bank, Stanbic IBTC, Union Bank and Standard Chartered Bank, in that order. According to a report from the Country Representative, Nigeria of The Banker magazine, Mr. Kunle Ogedengbe, at the weekend, this year's ranking saw the return of Union Bank to the league of top global banks. king are Zenith Bank, First Bank, Guaranty Trust Bank, Access Bank, United Bank for Africa, Ecobank, Fidelity Bank, First City Monument Bank, Skye Bank, Diamond Bank, Stanbic IBTC, Union Bank and Standard Chartered Bank.
"Zenith Bank moved 35 places from 322 in the world last year to 287; First Bank moved from 338 to 367, Guaranty Trust Bank moved to 417 from 455; Access Bank moved to 506 from 541 and UBA moved to 553 from 563," he stated. These movements according to analysts, was a good sign of the improvements of the soundness of the Nigerian banks among the world global banks and the robust monetary policies of the Central Bank of Nigeria (CBN). Ogedengbe stressed that the ranking was usually based on the definition of Tier–1 Capital as set out by Basel's Bank for International Settlements (BIS) and that it aimed to show global international banks' soundness in relation to the Basel guidelines on capital adequacy.

He further explained that the percentage change in the Tier-1 Capital, which underlined the strength of banks, for Zenith Bank increased by 23.82 per cent, the highest in the wholly Nigerian banks that made the ranking. "In the capital asset ratio of soundness parameter, Zenith Bank came top at 17.70 per cent followed by Guaranty Trust Bank at 16.23 per cent. Third is Fidelity Bank at 15.67 per cent, Standard Chartered Nigeria is fourth at 13.38 per cent followed by FCMB at 12.00 per cent and First Bank at 11.96 per cent; Access Bank at 11.60 per cent; Stanbic IBTC at 11.55 per cent; Ecobank at 11.14 per cent; Skye Bank at 9.90 per cent; UBA at 7.65 per cent; Diamond Bank at 7.31 per cent; and Union Bank at 6.35 per cent," he added. *(This Day)*

An indigenous oil company, Oando Plc, has concluded discussion with the federal government to provide long-term, uninterrupted power supply to the Murtala Muhammed International Airport (MMIA), Lagos and Nnamdi Azikiwe International Airport (NAIA), Abuja through the establishment of an Independent Power Supply project (IPP) at the cost of $100 million (N16 billion). THISDAY gathered that discussions over the project had reached advanced stage and that each airport would cost the company $50 million, while the federal government, through the Ministry of Aviation, is already looking at the terms offered by the company as the project, when completed, would last for about 20 years. An inside source from the aviation ministry Monday said: "This project is going to provide uninterrupted power supply at these airports and environs. We are yet to sign the agreement but we are in advanced discussion with them and after the last meeting, we are going to have with the government, we will come to a conclusion. They made an offer to us; we saw that it is good, so we accepted it. We need reliable power supply at the airports to carry out the kind of massive development that we want, to boost the economy of this country." The IPP, when eventually ratified, would be powered by gas and the capacity would be 30 KVA for each of the airports and when completed the projects would be primary power supply to the airports while the present power project almost completed at the Lagos airport would provide secondary power supply during the maintenance of the IPP and other planned interruptions. The Minister of Aviation, Stella Oduah, had during her midterm report a fortnight ago in Abuja, said all the major airports in the country would have IPP for uninterrupted power supply to provide the kind of service the airports need, especially now that the federal government was embarking on fresh produce cargo export programme as cold rooms would be built at perishable cargo terminals where the produce would be stored before airlift to various destinations overseas and locally. Oduah also said the airfield lighting that would be provided at some of the airport runways, including that of the 18L of the domestic terminal in Lagos and the existing ones, would need uninterrupted power both from the IPP and solar power in a backup on backup power system. THISDAY also learnt that if successfully completed, Oando would extend the project to other airports in the country, but another indigenous oil company, MRS was also jostling to provide gas powered IPP to some of the airports, but government had not started any discussion with the company. The period of completion of the projects, however, is still unknown as government is yet to finalise discussions on the project. *(This Day)*

The Board of Directors of Guaranty Trust Bank(GTBank) Plc will meet next week to consider the audited financial statements for the half year ended June 30, 2013. In a notification to the Nigerian Stock Exchange (NSE) Tuesday, GTBank said issues relating to interim dividend would also be discussed at the meeting. GTBank is known for paying dividend twice year, a policy that has always provided liquidity for its shareholders. The bank paid an interim dividend of 25 kobo last year and a final dividend of N1.30 bringing the total dividend per share for 2012 financial to N1.55. Market analysts said given the performance of the bank for the first quarter (Q1) of 2013 and expected improvement in the second quarter, the bank would declare a higher interim dividend for the half year. GTBank had recorded gross earnings of N28.49 billion in Q1 of 2013, up by 20.8 per cent from N52.62 billion in the corresponding period of 2012. Profit before tax rose from N24.38 billion to N28.49 billion, while non-performing loan ratio remained low at 2.8 per cent. Commenting on the results, Managing Director/Chief Executive Officer of GTBank, Mr. Segun Agbaje attributed the improved Q1 results to customer loyalty, staff passion, a defined strategic plan and a supportive board, noting that barring any unforeseen development, bank to maintain this performance for the rest of the 2013 financial year.

He said the bank was committed to positioning itself as the bank of choice for Nigerians and would continue to uphold the values of discipline, hardwork, excellent service quality and professionalism in all its operation. Meanwhile, market indicators closed in green at the stock yesterday with the NSE All-Share Index rising by 0.61 per cent to close at 37,014.13, compared with a decline of 0.37 per cent the previous day. Yesterday's positive performance brought the year-to-date return of the market to 31.8 per cent. Some of the stocks that spurred the index growth include: Flour Mills of Nigeria Plc, Dangote Cement Plc, Lafarge Cement WAPCO Nigeria Plc and Nigerian Breweries Plc. *(This Day)*

The N12.5 billion being raised by Sterling Bank Plc through rights issue would be used to enhance its growth and strengthen operations for continuous improved benefits to all stakeholders. The Managing Director of Sterling Bank, Mr. Yemi Adeola, who stated this in Lagos while speaking to journalists on the ongoing rights issue, explained that the funds would be used for the expansion and modernisation of branch network and information technology. He added that the bank's growing retail and corporate banking businesses would also benefit from the proceeds of the issue. The bank is raising N12.5 billion through a rights issue of about 5.889 billion ordinary shares of 50 kobo each at N2.12 per share. The lender had traded at a high of N3.05 at the stock market. The shares have been pre-allotted on the basis of three new ordinary shares of 50 kobo each for every eight ordinary shares of 50 kobo each held as at May 20, 2013. Application list, which opened on June 24, 2013, is expected to close July 31, 2013. Adeola noted that the capital raising exercise is meant to support the bank's next growth agenda, which is aimed at consolidating its stable performance over the years and enhance its competitiveness in terms of size and resilience to macroeconomic changes. He said additional capitalisation has become necessary because size has become increasingly important and relevant in the banking industry and the extent of capital base could be a limit to expansion in terms of physical presence and operations.

He stated that the additional working capital would enable the bank to expand the scope of its corporate banking business, noting that the lender is currently limited by the single obligor limit, which is a function of available capital base. A breakdown of utilisation of net proceeds show that 35 per cent of the net proceeds, estimated at N4.24 billion, would be used for branch expansion; 15 per cent of the funds estimated at N1.82 billion would be used for infrastructure upgrade, 10 per cent of the funds equivalent to N1.21 billion would be used for information technology and the largest chunk of 40 per cent, estimated at N4.85 billion, would be set aside as additional working capital.
"If with the modest capital that we have, we were able to stabilise the bank, deliver consistently better returns to shareholders and build up to become the a top tier bank, imagine what we would do with more capital. Our shareholders have no reason whatsoever not to be excited in participating in the rights issue. You can't regret it," Adeola said. *(This Day)*

PRESIDENT of Nigerian Stock Exchange and President of Dangote Group, Alhaji Aliko Dangote, on Tuesday, led captains of Nigerian industry in canvassing the need for the nation and other African countries to leverage on their respective rich resource endowments to drive growth in the productive sector of the economy. Dangote, who was the guest speaker at the Business Lunch of NEPAD Business Group-Nigeria (NBGN) with the theme, "The Growth and Challenge of the Manufacturing Sector," asserted that global experience had proved that no nation can transform into a great and industrial economy without the contribution of the manufacturing and private sectors. To achieve the desired growth, the African richest man emphasised that the manufacturing sector needs to contribute a lot more to Gross Domestic Product (GDP) in Nigeria in particular and Africa in general. Dangote, who was represented by his Chief of Staff, Joseph Makoju, an engineer, told the audience which included Chairman of MBGN, Chief Chris Eze, Senior Special Adviser to the President on NEPAD, Dr. Tunji Olagunju; President Manufacturers Association of Nigeria (MAN), Chief Kola Jamodu; Commissioner for Commerce and Industry in Ogun State, Otunba Bimbo Ashiru, chief executive officers of banks and other organizations, called on government and other stakeholders to confront headlong, challenges affecting the sectors. The industrialist noted that local value addition has to increase, to facilitate wealth creation, generate employment, develop skills and improve living standards. However, he noted that the past decade has been one of robust and sustained economic growth in Africa in spite of turmoil in the global economy. "The continent is now home to some of the fastest growing economies in the world (six of the 10 fastest-growing economies in the world over the period 2001–2010 were in Africa). The African economy has more than trebled since the turn of the century," he said. He based the economic outlook on improved macroeconomic environment in the area of political stability, economic reforms, good governance as well as availability of abundance of raw materials, enormous agricultural potential and rich variety of energy sources.

Dangote, among others, asked Nigeria and other African countries to look into high cost of doing business and chronic power problems as well as high transportation costs, which he said, have been increasing the costs of goods by at about 75 per cent in some landlocked countries. He also called for the establishment of well located and fully functional industrial clusters, provision of affordable and accessible long term development funding, resuscitation and expansion key transport arteries, especially public-private partnership in rail transport and in road construction/management and inland waterways as well as more efficient border management – land, air and sea. He also highlighted that policy-makers should put in place attractive sector specific incentive packages – and periodically benchmark incentive regimes against regional and global peers, and re-orientation of citizens to patronise locally made goods. On regional level, he said all efforts must be made to promote greater intra-African trade, even though since 2006, intra-African trade has increased from about $48 billion/year to over $100 billion/year). Eze, in his welcome address, said the manufacturing sector in any economy is reputed to be the engine of growth and the ultimate pillar for sustainable growth and development. "It is the steering wheel for the transformation of an underdeveloped economy to an advanced economy. Manufacturing Sector all over the world remains the highest employer of labour and contributor to the GDP. The fastest way through which a nation can achieve sustainable economic growth is through effective development of its manufacturing sector," he said. This critical sector, he noted, has however not fared well nor contributed adequately to the growth and development of Nigeria's economy. "Its capability to generate employment, create wealth, reduce poverty and contribute to gross domestic product, GDP, has been declining over the years. This is as a result of myriads of obvious challenges bedeviling the country. The most critical of these is the inadequate or in some cases near absent of infrastructures that are the oxygen that drives the productive sector", he added. *(Guardian)*

The Nigerian Stock Exchange (NSE) has named Dangote Cement Plc, Forte Oil Plc, Guaranty Trust Bank Plc and 22 others as companies that have exceeded the minimum listing standards in terms of timely disclosure of their audited annual and quarterly financial performance. The NSE has therefore listed the companies as 'Early Filers' on the Schedule One, of its X-Compliance report. X-Compliance report is a transparency initiative of the exchange, which is designed to maintain market integrity and protect the investors by providing compliance-related information on all listed companies. On the other hand, Early filers are companies that file their financial statements at least two weeks before the due date. According to the NSE, quoted companies on the Exchange are required to file their financial statements on a timely basis in accordance with Appendix 111 of the Listing Rules. For the companies which first quarter ended March 31, 2013, the NSE has identified 25 as early filers, saying "The exchange is extremely proud of these companies and will continue to show case quoted companies that imbibe high corporate governance practices." A look at the 'Early Filers' list show a mixture of companies from different sub-sectors of the NSE banking, manufacturing, oil & gas and healthcare. Forte Oil Plc and Mobil Oil Nigeria Plc are the only companies in the petroleum marketing segment to beat deadline. There are also Dangote Cement Plc, GTBank Plc; Skye Bank Plc; Unilever Plc; Nahco Plc; and FCMB Group Plc among others. Meanwhile, trading at the stock market recorded the second performance for the week yesterday as the NSE All-Share Index rose by 0.31 per cent to close at 37,128.40. The market capitalisation added N36 billion to be at N11.758 trillion. Mobil Oil Nigeria Plc led the price gainers with N10.71 to close at N117.81 per share. Lafarge Cement WAPCO Nigeria Plc and Dangote Cement Plc chalked up N2.00 and N1.00 respectively. *(This Day)*

First Bank of Nigeria Limited has signed a $100 million facility agreement with the China Development Bank (CDB), a leading bank in the Peoples' Republic of China. The facility was part of the bank's effort to boost lending to small and medium scale enterprises in the country to stimulate the economy. The Group Managing Director/Chief Executive Officer, First Bank Nigeria, Mr. Bisi Onasanya, is a member of the federal government's delegation to China. The delegation also includes four state governors and 10 ministers. According to the document signed by the management of the two banks, both financial institutions would work together to further strengthen the business cooperation between both parties within the framework of each party's respective articles and memoranda of association and applicable laws and regulations in Nigeria and China. Specifically, the memorandum of understanding provides for a comprehensive cooperation between First Bank and China Development Bank for on-lending of the facility to small and medium enterprises in Nigeria, while also touching areas such as credit lines, trade, syndication and project, consultancy services, sharing of business experience and foreign exchange transactions. Commenting on the MoU, Onasanya said the partnership with CDB was in line with First Bank's strategic focus on financial inclusion as it would address the challenges of credit delivery to the unbanked market's segment in Nigeria through mobilised funds that would avail credit facilities to registered SME operators at concessionary rate. He said in addition to disbursing funds, the bank would support SMEs through business advisory services, capacity building and development of relevant IT infrastructure. *(This Day)*

Shell Nigeria shut its Trans Niger pipeline on Thursday after a leak was detected, barely a week after the company re-opened the pipeline following the repair of some crude theft points. "Details of this latest incident, including cause and size of spill, are unclear at the moment, but the TNP has been variously targeted by crude oil thieves in recent months and shut down several times to enable the removal of theft points," Shell Nigeria spokesman Tony Okonedo said in a statement. "A total of about 150,000 barrels per day of oil have been deferred."
Shell said on Friday that it had re-opened the Trans Niger Pipeline (TNP), running through Nigeria's oil-producing Niger Delta region, after repairing a valve point and removing oil theft connections. But Okonedo said by telephone that a new leak on a different section of the pipeline meant it had to be shut down again, adding that some oil had been spilt. His statement said the Shell Petroleum Development Corporation, a Shell-run joint venture majority owned by Nigeria's government, was "mobilizing to respond as quickly as possible to the spill." The last time the TNP was shut, a local environmental NGO estimated 6,000 barrels of oil had been spilt. The area that the TNP crosses, Ogoniland, has been devastated by repeated oil spills. Environmental groups argue that Shell's 50-year-old infrastructure in the area is decrepit and must be shut down or replaced. Shell rejects that, arguing that the spills are caused by thieves hacking into pipelines, a major criminal enterprise with collusion from security forces that the company cannot prevent. Shell has been pushing the government to make greater efforts to combat oil theft, known locally as bunkering, which it blames for the loss of an estimated 150,000 bpd across the industry in Nigeria and for repeated oil spills and fires. *(Reuters)*

Nigeria plans to re-start the sale of its distressed state-owned former telecom monopoly Nitel via a "guided liquidation" process, beginning with the appointment of a liquidator, the government's privatisation council said. Nigeria has been trying to sell Nitel for almost a decade, struggling because of the shambolic state of its fixed-line infrastructure and high levels of debt, despite the country having one of the world's fastest-growing telecoms markets. The National Council on Privatisation, the government's highest structure for deciding on sales of state assets, made the announcement on Thursday after a meeting in the capital Abuja. Asked for details, Joe Aniechebe, spokesman for the government's privatisation body, the Bureau for Public Enterprises (BPE), said that the council had appointed Olutola Senbore as liquidator and gave him six months to set up the process. "The reason we choose to go through the liquidation option is because the expected proceeds from the (Nitel) sale is likely going to be less than its (debts') value," said Aniechebe. The privatised company will effectively be debt free, with creditors taking a loss on the remainder owed to them. Aniechebe said Nitel owes creditors - mostly suppliers - around 400 billion naira ($2.5 billion) and the liquidation process is aimed at protecting the government from future claims and liabilities. A court will now formalise the liquidator's appointment, he said. "The court will empower the liquidator to pro-rate the proceeds of the sale and pay-off creditors." Aniechebe said, adding that the government will not make up for the difference in value to settle any outstanding liability. In 2010, a consortium including Dubai's Minerva and China's second-biggest carrier, China Unicom (0762.HK), bid $2.5 billion for the state telecom carrier, more than five times its value, but could not raise the cash to pay for Nitel. The government then asked Omen consortium, the reserved bidder, who offered to pay $959 million after the preferred bidder missed several payment deadlines. This was the attempt that came closest to selling the ailing telecom firm, but Omen did not provide the necessary deposit. Nitel's fixed lines have fallen to fewer than 100,000 from five times that number in 2001 and subscribers to its MTEL mobile unit have dropped to a few thousand from over 1 million. *(Reuters)*

Chinese state-owned metals trader Sinosteel is in talks to take over a state-owned steel mill in Nigeria and expand its capacity to 5.6 millions tonnes from 1.3 million, Nigeria's mining minister said on Thursday during a visit to Beijing. The steel mill sale and upgrade would mean investment into Nigeria of around $6 billion, Minister of Mines and Steel Development Musa Mohammed Sada told Reuters. Sinosteel did not confirm or deny the talks when contacted. Nigeria, Africa's largest crude oil producer, is looking to China for cheap funding to help it move up the value chain from exports of raw materials, a goal that has been hampered by woeful infrastructure. A delegation of over a dozen ministers led by President Goodluck Jonathan is visiting China this week soliciting loans for infrastructure that Finance Minister Ngozi Okonjo-Iweala said last week could amount to $3 billion. "We have had discussions with Sinosteel... We would hope they will be able to reach some agreement and transfer the management to them," he said. The government holds 80 percent of the mill, with the remainder held by employees and the local community. Nigeria is delineating its iron ore deposits with a view to opening bids by the end of the year, he added. "We have a steel programme to produce steel within the country, but the size of the deposits we have of iron ore is more than what we can consume locally, so there is also (a need for) infrastructure development," Sada said. During the visit, China Ex-Im Bank agreed to lend $500 million to Nigeria to build airport terminals in Lagos, Abuja, Port Harcourt and Kano. The 20-year loan is at a 2 percent interest rate with a 30 percent local content provision, Aviation Minister Stella Oduah said. "It's free money, so we're happy," she said.

China, the world's most populous country and second-largest economy, has made several cheap loans to African nations in the past few years as it competes with Western powers like the United States for access to the continent's abundant natural resources and growing market for imported goods. Nigeria is seeking Chinese help to develop petrochemicals, metals smelting, roads and port infrastructure and even add cold-storage capacity at airports for exports of fresh agricultural products, to maintain economic growth that has averaged 7 percent a year for the past five years - but which economists say has been too dependent on crude oil. China and Nigeria signed a framework agreement between the China Development Bank and Nigeria's First Bank, details of which were not provided, as well as accords covering visas, cultural exchange and economic and technical cooperation. The lending is part of a $7.9 billion external borrowing plan approved by Nigeria's national assembly last year as the government seeks to increase cheaper external borrowing and limit domestic debt.
Chinese firms are already active in road-building, mining and construction in Nigeria, all of which require more steel. But a glut of steel capacity in China may make it more economic to sell steel to Africa than to build new mills there. *(Reuters)*

Economic News

The cost of borrowing among commercial banks reduced last week due to inflow of funds into the banking system. According the FSDH Merchant Bank Limited's weekly money market report, liquidity persisted in the market last week due to inflows from the sovereign debt notes (SDNs) and SURE-P funds of about N75 billion. Similarly, joint venture call and augmentation funds of N35 billion and N86 billion respectively were also injected into the system as well as open market operations (OMO) maturity of N143 billion. All these helped support the cash position of the market. Therefore, the Nigerian Interbank Offered Rates (NIBOR), used to measure the short-term borrowing among banks reduced across various tenors. The call tenor, 7-day tenor, 30-day tenor, 60-day tenor and 90-day tenor closed respectively at 10.33 per cent, 10.75 per cent, 11 per cent, 11.25 per cent and 11.50 per cent. But the Central Bank of Nigeria (CBN) did not sell OMO at the regular OMO auctions conducted Monday through Thursday, and in spite of the announcement of a special OMO auction of N300 billion at 13.12 per cent last Thursday, liquidity persisted in the system. "However, with the intervention through the special OMO on Thursday and OMO sales on Friday, interbank rates close the week stable, reflecting the stability in the money market. At the special OMO auction, which was held to reduce liquidity, only N92.45 billion was sold being the quantity demanded," it explained.

Analysts at FSDH Merchant Bank predicted that primary auction and OMO maturities of about N117.8 billion would be repaid into the system this week. "Looking forward, we expect liquidity to linger with low rates pending the withdrawals via the Wholesale Dutch Auction System (WDAS) and OMO activities of the CBN. Thus, we expect rates to trend up in the coming week. "We reiterate that investors with long -term view will soon re-enter the bond market to take strategic position on account of the current attractive yields in the market, causing prices to rise." At the CBN's regulated WDAS held last week, a total of $800 million was offered and sold by the central bank. The total amount of foreign exchange sold during the week represented the same amount offered and sold in the preceding week. At the interbank market, the demand pressure seen recently appeared to have finally waned. Meanwhile, the naira received support from multinational oil companies last week (Mobil - $60.2 million, Chevron - $44.8 million, Shell - undisclosed amount and Addax - $11 million). The value of naira, vis-à-vis the dollar depreciated in the official and the parallel market but appreciated at the interbank market. The value of the nation's currency lost one kobo at the WDAS to close at N155.76/$1 from N155.75/$1 the preceding week. Also, the naira fell by 60 kobo at the parallel market to close at N163.50/$1 from the N162.90/$1 the preceding week. It however gained 175kobo at the interbank market to close at N160.85/$1 from N162.60/$1 the previous week.

The CBN last week gave reasons for the restriction of telecommunication companies from offering mobile banking services in the country.
The Director, Banking and Payment System Department, CBN, Mr. Dipo Fatokun, stated telcos were not given the opportunity to provide mobile payment services because the central bank did not have direct control over them. Fatokun also argued that there was a lack of synergy between mobile payment operators and telecommunications companies in the country. "What we have seen is that because of the way mobile payment had taken off in some countries where telecoms companies were in the forefront, the Nigerian scenario is quite different. We excluded telcos from providing mobile payment because of reasons of not having direct control over them. "The CBN believes that the core business of the telecoms companies is not banking and payment and therefore it does not have supervisory power over telecoms operators," Fatokun added. The Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, last week called for improved tax revenue in the face of the dwindling income from crude oil. She called for improved commitment to tax obligations by everyone noting that "you cannot escape tax and claim to be a responsible citizen of that country."

The minister said the importance of taxation could not be over-emphasised, particularly in the wake of falling oil revenue occasioned by theft, bunkering and volatile global oil price movement. She said: "Everybody wants development, but nobody wants to pay tax that fuels development. The importance of taxation cannot be over emphasised, especially in the wake of dwindling income from oil revenue. "Any efforts by the Federal Inland Revenue Service (FIRS) to grow the revenue base of the country are welcome and everybody must contribute his or her share, especially, when somebody is earning taxable income." The Director, Development Finance Department, CBN, Mr. Paul Eluhaiwe, last week revealed the amount of Nigerians excluded from the banking system had declined by 14.3 per cent to 39.7 per cent in 2012, as against the 46.3 per cent it was in 2010. According to him, the figures that were derived from a 2012 survey by the Enhancing Financial Innovation & Access (EFInA) showed that the exclusion rate had declined across the geo-political zones of the country. For instance, he cited the survey to have shown that while in the North-east zone, the amount of those excluded from the financial system declined from 68.3 per cent in 2010, to 59.5 per cent in 2012, in the North-west region, the figure also fell from 68.1 per cent in 2010, to 63.8 per cent in 2012. This, it said, reflected a decline by 6.3 per cent. Continuing, Eluhaiwe added that just as the amount of those excluded from the financial system dropped from 44.2 per cent in 2010 in the North-central to 32.4 per cent in 2012, it also showed that more people were dragged into the banking system in the South-east region as the figure also improved to 25.6 per cent in 2012, from 31.9 per cent in 2010.

The CBN Governor, Mallam Sanusi Lamido Sanusi, last week stated the Islamic banking system, which was introduced to Nigeria, was vital to the country's infrastructural development. He said the Islamic finance asset-backed and asset-based financing instruments to fund infrastructural needs would go a long way in promoting financial inclusion, enhancing the productive capacity of the nation and by extension, contribute to its economic development. Sanusi also noted that the theme of the conference 'Infrastructure Development through Alternative Funding(Islamic Finance) in Africa', was appropriate and timely because of the current low level of infrastructural development experienced in most African countries as well as dwindling sources of finance especially in the aftermath of the global financial crises. He also revealed that a good approach to funding of infrastructure in Africa was through the Public-Private Partnership (PPP) explaining that the current administration in Nigeria had already embraced the method. *(This Day)*

The Chief Executive Officer of the Nigerian Stock Exchange (NSE), Mr. Oscar Onyema, Monday warned newly-inducted stockbrokers' stand against sharp practices in the market, saying requisite technology and expertise are being deployed to curb and arrest any form of manipulation in the market. Speaking at the induction ceremony for newly-qualified stockbrokers and dealing clerks, Onyema declared that the exchange is maintaining and would continue to maintain zero tolerance to sharp practices in the market. He said: "For all recently qualified stockbrokers, it goes without saying that the investing community will know and judge the Nigerian capital market through your example in character and service; the manner in which you engage, interface and service your clients will go a long way in shaping the perception of our market. You are all ambassadors of this great institution - I hope you will not let us down, but rather become embodiments of committed service. We expect that you will uphold the tenets of peaceful, innovative and harmonious working relationship and we will count on your support to help in achieving the highest level of competitiveness in delivering service excellence and a first rate capital market experience." He disclosed that of the 81 candidates who passed the Chartered Institute of Stockbrokers (CIS) examination and went through the 15 days of practical Automated Trading System (ATS) training at the exchange, only 55 per cent passed the oral examination at the Exchange. While Onyema congratulated the successful ones, he challenged them to continue to strive towards consistent excellence. Meanwhile, trading at the stock market closed on the negative note as investors adopted a cautious approach. As a result, the NSE All-Share Index declined by 0.44 per cent to close at 36,789.30 while market capitalisation fell by N43 billion to N11.651 trillion. Top tier banks-Guaranty Trust Bank Plc, FBN Holdings Plc and Zenith Bank Plc- were among the price losers, while all fringe players dominated the price gainers' table.*(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

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No Corporate News this week

Economic News

ANNUAL production of cement in Tanzania may soon exceed six million tonnes, twice the country's current demand of three million tonnes, thanks to increased investment in the industry. Dangote Cement, on May 28, this year, started construction of a 500 million US dollar (over 800bn/-) cement plant in Mtwara. Construction of the three million tone plant is scheduled for completion by March 2015. Major cement companies currently operating in the country--Tanga Cement, Tanzania Portalnd Cement Company and Mbeya Cement--have all embarked on ambitious expansion programmes. There are also some small scale new entrants in the industry as well. Projections show that within the next four years cement output may reach seven million tonnes, up from the current 2.5 million tonnes, according to industry sources. Several local cement companies are, however, not happy with the situation on the domestic market, particularly on the rising incidents of smuggling through Zanzibar and under-invoicing of imports. "The government is losing billions of shillings in revenue every year through under-declaration of import values. "In addition ...most of the cement being imported comes from countries like Pakistan where the government offers its firms improper and unfair export incentives," says Tanga Cement Company Limited (TCCL) Managing Director Erik Westerberg. "Within the World Trade Organisation (WTO) there are rules against this practice. Relevant authorities must act to bring this to an end so that there is level playing field on the ground," he adds. TCCL is among listed companies on the Dar es Salaam Stock Exchange (DSE), where it trades its shares as Simba. The Tanzania Portland Cement Company (TPCC) also trades equities at the bourse as TWIGA. Mr. Westerberg suggests that to bring the domestic market under control, relevant government authorities should see to it that correct tariffs were being applied, warning that there were importers who take advantage of "Duty and VAT exempted projects to smuggle in the product. "These importers get some tax relief, but throw back the products into the market," he says. Uncontrolled importation of cement is also associated with accidents such as collapse of some high rise buildings, where various stakeholders are now calling upon the Tanzania Bureau of Standards (TBS) to aggressively monitor quality of all imported goods.

Commenting on the government's 2013/2014 budget, Mr. Westerberg says he was impressed with efforts to improve roads, electricity supply, railway and ports. "Efficient transport and reliable power supply will help manufacturing firms to cut costs of production," he says.
A functional railway is important in moving products in a cost efficient way and will largely open up trade with land locked countries like Rwanda, Burundi and the Democratic Republic of Congo (DRC). Tanzania's economy is to a large extent driven by agriculture. With good infrastructure, farmers will ably take their produce to the market, not only increasing food availability but also improving the farmers' earning and keeping price levels on a reasonable level. He, however, points out that the increase in fuel levy would affect more of large scale investment projects. Most of the time, increased cost of fuel pushed up other costs as well. Review of tax exemptions offered to firms registered under the Tanzania Investment Centre (TIC) for items that were earlier categorised as "deemed capital goods" has affected cement manufacturers. "Tanga Cement is being affected at the time when we are about to embark on expansion projects. "Potentially this could discourage investors when contemplating expansion projects. We are waiting to see the list of items that the government will publish that do not fall under capital goods and give more views on this," he explains. He says there were many ways to improve the cement industry in Tanzania, but infrastructural issues such as energy, rail and ports are of crucial importance. "If electricity produced by TANESCO could be reliable, of good quality and available at reasonable cost, the local cement producer, would have fair operating environment. "Railway operation as well as port improvement is the major areas that should be looked at by the government in order to improve the local cement industry," he explains. *(Daily News)*

Zambia

Corporate News

ZAMBEEF Products Plc share price on the Lusaka Stock Exchange (LuSE) has declined by two percent over the last few weeks following reports of alleged importation of contaminated beef, Stock Broker Zambia Limited (SBZL) has said. But, the broker expects Zambeef, which is dual-listed on LuSE and London's Alternative Investment Market, to remain one of the most liquid stocks on the market because they are free- float [shares owed by public investors]. SBZL company managing director Charles Mate said the firm has seen the share price drop slightly by two percent from 4.65 when the announcement was made to 4.45 as at July 8, 2013. "The firm's closing price stood at 4.65 as June 1, 2013 when the announcement was made. In case of Zambeef, it is good to note that our market is exhibiting some signs of efficiency… [to] respond to changes. We have seen that the price has gone down slightly by two percent or so from 4.54 the last two weeks to 4.45 percent," he said. Mr Mate said this in an interview in Lusaka yesterday. He attributed the reduction to negative information about the firm on the market. "The issue here is that there have been comments in the press regarding Zambeef and the issues of aromatic aldehydes and we need to put this in the context of markets," he said. He said markets respond to positive or negative information, which is one way in which efficiency of the share price could be determined. He said one way of measuring market efficiency is to look at whether the share price has moved upwards or downwards in response to new developments. "Markets are supposed to respond to information and give you some sense that the market is efficient or working," he said.

Meanwhile, Mr Mate said historically, the firm has performed well and has been one of the most liquid stocks on the market. "We expect that it will continue to be one of the most liquid stocks on the market because it has one of the largest free-float, which is a positive position," he said. Zambeef is one of the oldest listed entities with a market capitalisation of over US$70 million and is on record of slaughtering 60,000 cattle per year. It also produces eight million litres of milk, 3.5 million chickens, 20 million eggs, 120 million tonnes of feed and 90,000 hides per year. The firm operates over 80 retail butcheries and the in-store meat departments of the Shoprite supermarket chain. Its brands include: Zambeef, Zamchick, Zamchick Egg, Zamchick Inns, ZamMilk, Zamsip, Zamleather Limited and Zamshu. *(Daily Mail)*

Economic News

No Economic News This Week

Zimbabwe

Corporate News

LONDON Alternative Investment Market-listed resources company Mwana Africa Plc says it is still pursuing several funding options including equity and project finance for phase two of the restart of Trojan Mine. Trojan was initially put under care and maintenance back in 2008 at the height of Zimbabwe's economic instability. The mine resumed operations late last year after BNC successfully raised US$23 million for recapitalisation through a rights issue, share placement, staff rationalisation and a payment plan with creditors. Mwana, however, requires additional funding for phase two of the restart of Trojan, but has struggled to raise the funds. "The board of Mwana Africa today announces that, further to the update made on 24 June 2013, several funding options are being actively considered by the board and include, among others, an equity placing and funding at project level," Mwana said in a statement. Trojan is a unit under Bindura Nickel Corporation, a nickel mining company in which Mwana holds 76,5 percent stake. After rationalisation BNC's head count now stands at about 1 000. BNC had made significant progress last year towards the restart of its closed nickel mines, which include Shangani, but funding constraints are now affecting progress. The Zimbabwe Stock Exchange-listed entity completed financial restructuring in September 2012 and was able to deliver its first nickel concentrate, since reopening, in April 2013. Mwana last week said BNC has not been able to raise the restart funding for Trojan Mine. "BNC has been unable to raise additional funding through debt to finance phase two of the restart of Trojan Mine as had been anticipated at the time of the September 2012 rights offer and private placement by BNC." Mwana said the difficulties were attributable to the negative market sentiment associated with the falling global nickel prices, coupled with the challenging capital markets, and this has created a funding shortfall at BNC. Additionally,

Mwana said while Freda Rebecca remains cash generative, its cash contribution to the Mwana Africa Group in recent months has fallen in light of lower gold prices. The Mwana board has therefore embarked on a significant cost-cutting exercise targeting annualised savings from budgeted corporate costs of around US$5 million, and is considering its strategic options in relation to its assets and projects including BNC and Zani Kodo in the Democratic Republic of Comgo. Operationally, Freda Rebecca continues to perform well and the pilot plant project to test the viability of treating its tailings dumps continues. The pre-feasibility study that has commenced at Zani Kodo is planned to continue as was exploration of the Katanga copper licences in a joint venture partnership with Zhejiang Hailiang. Mwana's principal operations and exploration activities cover gold, nickel, copper and diamonds in three countries - Zimbabwe, the Democratic Republic of Congo and South Africa.*(Herald)*

PELHAMS Limited has revealed that sales for the twelve months to March declined 50 % to US$8,4 million compared to the previous year as the company sought to strike a balance between its credit sales and the unwinding of expensive debt structures. In a statement accompanying its results which were released on Monday, the company said credit sales contributed 69 percent of turnover against a prior year comparative to 82 percent. The gross margin for the locally listed company decreased marginally from 27 percent in the prior to 26 percent as the company focused more on local better quality products instead of imports. A number of deliberate strategies were also implemented during the course of the year to improve cash inflows in the face of the unwinding of the existing expensive debt structure. Although the gross debtors book declined by 44 percent from US$10,3 million at the beginning of the year to US$5,8 million, finance income only eased by 32 percent from US$4,5 million to US$3,1 million. The company incurred a loss of US$1,7 million during the period under review from a profit of US$1,5 million with its current liabilities exceeding current assets by US$1,1 million. The losses incurred during the year are mainly as a result of challenges that the company faced in raising funds for its debtors book. Pelhams chairman, Tawanda Nyambirai Nyambirai said the company had adopted measures such as realignment of overheads, relocation and closure of non-performing branches, research and manufacturing of exclusive lines to increase margins. The group is also close to concluding new initiatives for working capital and funding of the debtors book to ensure that it returns to profitability.

Nyambirai said the new board had inherited a company whose business was modelled around credit sales, yet all the finance charges earned from the credit were mortgaged to lenders in their entirety leaving very little finance charges income for the company. "The new board has had to deal with these and many other legacy issues while at the same time keeping the company going. Instead of focusing on cheap imported products, the company is now increasingly focusing on locally produced and appropriately priced goods of high quality," said Nyambirai. He said more "reasonably priced" financing arrangements had been put in place. "Better supply terms were being negotiated with suppliers. Some non-performing branches are being shut down. A consultant has been engaged for the group to work on the introduction of a performance culture that will see the conversation on branch staff from being store-keepers to sales persons who will go out to look for customers," he said. Nyambirai said overheads alignment would be key in returning the company to profitability. He said measures are being put in place to increase space utilization through exploitation of synergies amongst brands. "The company will also stock exclusive lines manufactured within the group specifically for Pelhams to enhance margins and improved stock levels across the company's branch network," he said. "The company is also seeking to strike a balance between credit sales and cash sales. Structures for the financing of the further debtor's book that apportion the finance charges fairly between the financier and the company are now being put in place."*(New Zimbabwe)*

POWERTEL Communications (PowerTel), a telecoms unit of State-owned power utility Zesa Holdings, could be close to securing $100 million vendor financing from China Eximbank as the firm embarks on a network expansion programme, the company has announced. In an interview, the company's managing director Patrick Farai Chivaura said PowerTel had been expanding using internal resources and 20 base stations had already been installed. He added that the communications company was now working with the government to process the securing of the funds. Vendor financing is a loan from one company to another, that is used to buy goods from the company providing the loan. "We need $100 million and have already started the process and we are working with the Transport, Communication and Infrastructural Development ministry. We have already done a presentation to the ministry and it has been accepted. Our ministry will make representation to the Finance ministry," Chivaura said. "We need government guarantees and the vendors have already been identified. We have already started working with them. The process takes up to a year." PowerTel has a 50% wholesale market share for corporate customers, while the company is yet to establish a strong foothold for individual customers. "We want money to expand the consumer-facing products such as 3G mobile telecommunications technology and voice services," he added.

He said the communications company would next month launch a new billing system following the installation and the configuration of the new system. "This will enable us to provide small amounts to customers as we were using the flat rate and interconnection will now be possible. The quality of service and coverage will improve through the new billing system," he said. Zesa Holdings chief executive officer Josh Chifamba in February told the Parliamentary Portfolio Committee on State Enterprises that although PowerTel was not a core business, the group had no immediate plans to sell the business despite cut-throat competition in the telecoms sector. He said PowerTel required more funding to grow its market share. *(Newsday)*

TELECEL Zimbabwe's mobile operator's licence has expired and the company is battling to address anomalies in its shareholding, a precondition to having it renewed. The country's second biggest mobile phone operator's 15-year licence expired last month, but extending it would require the company to first transfer its controlling stake to locals. Apart from losing sleep over the staggering US$137 million required for licence renewal; this time for a 20-year tenure, Telecel is also grappling with addressing its lopsided shareholding to ensure locals assume a controlling interest. Telecel Zimbabwe is owned 60 percent by Telecel Global, now part of Russian Telecommunications group Vimpelcom, which last year bought into Telecel Global's Egyptian shareholders, Orascom. The 40 percent balance is held by an indigenous entity, Empowerment Corporation. Transport, Communications and Infrastructural Development Minister Nicholas Goche, whose ministry oversees telecoms operations, recently said the company's cellular operator's licence will not be renewed until it has rectified the shareholding anomaly. In an e-mailed response to questions from Herald Business, Telecel Zimbabwe said its shareholders had indicated several initiatives were underway, including discussions with the parent ministry, to have the sticking issues resolved. "Our shareholders have advised us that there are several initiatives underway and several meetings have been held over the most recent past with the relevant authorities including the Ministry of Transport, Communications and Infrastructural Development," Telecel communications and brand director Mr. Obert Mandimika said yesterday. It was not clear if the firm had fully complied with regulatory requirements considering that its licence has expired having successfully contested its cancellation by the Postal and Telecommunications

Regulatory Authority of Zimbabwe back in 2007 over its shareholding structure anomaly. Potraz indicated yesterday that the Telecel shareholding and licence issues were now policy matters that only the parent ministry could handle. Efforts to get a comment from Minister Goche or his permanent secretary Mr. Munyaradzi Munodawafa were fruitless until the time of going to print yesterday. But Telecel insisted that it continued to meet all operational requirements and still operated as usual while the renewal process was underway. "Telecel continues to meet all requirements and continues to operate as usual. The process for renewal of Telecel's licence is underway and we expect this matter to be completed soon," Mr. Mandimika said. However, the response from the company's local management did not explain why the company had failed to address the skewed shareholding structure for the past 15 years. The licence, which was in 1998 given to a number of different groups under an empowerment initiative by Government, was revoked by Potraz in 2007, but the firm was allowed to continue operating after appealing to the relevant ministry. *(Herald)*

NATIONAL Social Security Authority (NSSA) has awarded a management contract of the recently completed Beitbridge hotel to Rainbow Tourism Group (RTG). The authority also extended a $4,4 million loan to equip Beitbridge Hotel. NSSA is the majority shareholder in RTG. NSSA general manager James Matiza said: "We have agreed that RTG will be given a loan by NSSA to equip the hotel and we will lease the hotel to them as well. The money will be paid over three years at an interest rate of 10% per annum." He said the pension fund has two options to recover the $4,4 million loan from RTG, either through payments or rental fees. This is the second time that NSSA had injected capital in the group after $10 million was extended to the hospitality company last year at 10% interest over a five-year period. The hotel was constructed to the tune of $32 million and has 140 rooms. The pension fund holds over 50% shareholding directly and indirectly through investment vehicles in the tourism group. Meanwhile, RTG yesterday launched the RTG virtual one-stop-shop for customers that allows them to access tourism products and services under one roof. Speaking at the launch of the one-stop-shop, RTG commercial director Shupai Marware said under the programme the group would leverage on its commercial capabilities market presence and linkages in the local, regional and international markets to generate additional business through driving tour packages. "Gone are the days when organisations were built on equity and success alone. The way to go is synergies. When RTG works with all the partners, it's good for the industry and will create convenience and easy access for the customers," Marware said. He said the company so far has 13 hotels on the platform. The hotels include Inns of Zimbabwe, Montclair, Rhodes Nyanga, Chengeta lodge, Pamuzinda and Regency Masvingo. Marware said the company is looking forward to engage 23 hotels by next month, eventually rising to 30 by the end of the year. *(News Day)*

Economic News

THE government is in the process of developing a minerals policy that seeks to, among others things, address challenges affecting the sector and explore ways of attracting new investment the African Development Bank (AfDB) has said. In its monthly economic review for May released last week, AfDB said the Ministry of Mines and Mining Development had held consultations with stakeholders in Masvingo, Bulawayo and Kadoma to solicit views and enhance stakeholder buy-in on the draft policy. "More stakeholder consultations are planned for the other mining centres across the country. The draft policy proposes to establish an internationally competitive, stable and conducive business climate to attract and sustain foreign and local investment, while ensuring equitable distribution of benefits from mining activities to meet both current and future needs," said AfDB. "It further proposes to overhaul the Mines and Minerals Act and introduce new minerals development legislation that will maximize the impact of mineral assets on growth and development," the bank said.

AfDB said a web based mining survey and information management system would enhance transparency in the awarding and monitoring of mineral rights. "The development of a mineral policy is critical, particularly given the increasing role of the mining sector in supporting the socio-economic growth objectives of the government, job creation, and revenue and export earnings," said AfDB. In terms of key sector developments in recent days AfDB said the Trojan refurbishment program was completed, and the first shipment of nickel concentrate to Glencore was dispatched in April 2013. The Mwana Africa subsidiary delivered its first shipment of nickel concentrate to Durban, South Africa, as part of an agreement with Glencore International signed between Bindura Nickel Company and the global commodity trader. The agreement allows Glencore to purchase all of the concentrate produced at the Trojan mine at a price linked to the London Metal Exchange settlement price. Refined platinum output at Unki mine decreased by 22 percent, dropping from 18,000 ounces in the first quarter of 2012 to 14,000 ounces during the same period in 2013. At least 362,000 tonnes of platinum ore were milled during the period under review against 379,000 tonnes milled in the same period last year. Unki mine's refined platinum production decreased due to lower head grade and also a depletion of pre-production stockpiles. Since 2009 the mining has been one of the sectors anchoring the recovery and growth in Zimbabwe .*(New Zimbabwe)*

THE Bankers' Association of Zimbabwe is hoping that Reserve Bank of Zimbabwe Governor Dr Gideon Gono will review his position on the new minimum capital requirements for banking institutions. The banking industry lobby group is rooting for what it has termed "the best approach" to the issue after discussions with and submissions made to the apex bank. BAZ executive director Mr Sij Biyam said while banks were alive to the need for well capitalised banking entities they were hoping for "the best approach" to the issue in view of the liquidity crisis pervading the economy. He made the remarks in an interview with Herald Business during which he also announced two senior appointments for senior economist and advocacy and marketing executive made by the association. "We have been talking to the RBZ on various challenges the banking sector and the entire economy are facing and we have put proposals. We hope he (Governor) will respond (to the proposals)," Mr Biyam said. It is not clear yet when Dr Gono will present the Mid-Term Monetary Policy Review Statement before or after the harmonised elections scheduled for the end of this month. Presenting the Mid-Term Monetary Policy Review Statement last year, the RBZ Governor said commercial and merchant banks would be required to have minimum capital of US$100 million by 2014 from US$12,5 million and US$10 million respectively. Minimum capital thresholds for building societies were raised from US$10 million to US$80 million, finance and discount houses from US$7,5 million to US$60 million and US$1 million to US$5 million for micro-finance institutions. The respective banks should be fully compliant by June 2014, but should have met 25 percent of the new capital levels by the end of this year.

Commercial banks would have to raise their minimum capital requirements by US$12,5 million by the end of this year. The financial institutions are required to be 75 percent and 100 percent compliant by December 31, 2013 and June 30, 2014 respectively. But the BAZ director pointed out that banks were not calling for extension of the compliance deadlines, but needed a few issues reviewed by the regulatory authorities. In the face of challenges the economy and companies are facing with regard to liquidity and capital banks have called for an agreement on the best way to handle the need to ensure that banks get well capitalised. This comes at a time it is becoming increasingly clear that some smaller financial institutions may struggle to meet the phased minimum capital requirements or even attract cash-rich investors. However, Dr Gono says higher bank capital thresholds were critical to achieving a sound financial system. Addressing bankers last year after an appeal by the by some members of BAZ for reduction of capital thresholds to about US$20 million for commercial banks by December 2013, Dr Gono said there was a positive correlation between higher capital levels and profitability, bank charges, credit extension and confidence. "A low capital base restricts a banking institution's capacity to underwrite sufficient business and generate enough revenues to meet its operational costs," he was quoted as saying then. *(Herald)*

THE African Trade Insurance Agency has agreed to give Zimbabwe more time to mobilise funds to make the payments required for the country to start benefiting from the institution's risk cover. Industry and Commerce Deputy Minister Mike Bimha yesterday said the ATI member states at this year's Annual General Meeting had said they understood the problems that the country was facing. "They understood the economic challenges that we have been facing and also the fact that we have elections coming, so they gave us more time to source the funds," he said. ATI is a multilateral financial institution which provides export credit, political risk and investment insurance. It provides other financial products to help reduce the business risks and costs of doing business in Africa. ATI also facilitates exports, foreign direct investment into and trade flows within the continent. Deputy Minister Bimha said Zimbabwe joined the pan-African body last year but the country could only enjoy the benefits after making a contribution of US$25 million in capital. He said his ministry had engaged the private sector to try and mobilise funds. "We have been talking to the private sector players, who mainly deal with imports and exports and we hope that the Government that comes in after the elections will also take this initiative seriously and release funds," he added. He said the country had been attending the ATI meeting of shareholders as an observer for three years before being admitted into the organisation last year. He noted that joining ATI would provide cover against political risks adding that some investors had indicated that they could not risk their investments as the country was not a member of ATI. "Most insurers do not cover political risk and being a member of ATI would mean Zimbabwe would be covered for political risk," he said. Zimbabwe has been on a mission to lure investments and help rebuild the economy. According to the Medium Term Plan, Government wants investment to contribute 20 percent of the Gross Domestic Product in 2015 from the current 4 percent. Recent statistics from the United Nations Conference on Trade and Development show that Zimbabwe's Foreign Direct Investment increased from US$387 million in 2011 to US$400 million last year. Since 2009, Zimbabwe has been registering growth in FDI following the adoption of the multi-currency regime which stabilised the economy. ATI currently conducts business in nine African countries, namely Burundi, Democratic Republic of Congo, Madagascar, Kenya, Malawi, Rwanda, Tanzania, Uganda and Zambia. The institution was launched in 2001 with the financial and technical support of the World Bank and the backing of seven African countries. In less than a decade, it has supported over US$2,5 billion worth of trade and investments across the continent. *(Herald)*

THE country's gold deliveries for the month of April increased by 9,25 percent from 990,35kg in March to 1 081,93kg in April 2013 on the back of an increased output by large-scale producers. According to figures released by the African Development Bank, deliveries by primary producers grew 19,33 percent to 917,38kg from 768,79kg in March. Gwanda-based Blanket Mine recorded a 14 percent growth in gold output for the four months to April 2013 producing 10 463 ounces from 9 155 ounces in the first quarter of 2012 on the back of strong prices of the bullion. In April, deliveries by small-scale miners fell 25,73 percent to 164,55kg in the period under review from 221,57kg in the previous month. The global price of gold in the month of April declined from US$1 560 per ounce on April 5 to US$1 410 per ounce on April 19. AfDB said the decline in the prices of precious metals in the first three weeks of the month could be attributed to the unanticipated slowdown in the Chinese economy in the first quarter of 2013 which signalled a setback in the global economy and hence a lower demand for precious metals. The depreciation of other currencies including the Australian dollar and Japanese yen also contributed to the decline. The prices, however, firmed to US$1 467 in the last week of the month due to the increased physical demand from Asia. On a year-on-year basis, total gold deliveries declined 2,73 percent to 1 081,93kg in April 2013 from 1 112,36kg during the same period last year. During the period under review, deliveries by primary producers went up 4,32 percent from 879,36kg while deliveries by small-scale producers declined 29,37 percent from 232,99kg in 2012 to 164,55kg. Production by small-scale miners has been declining in the past years. In April last year, production plummeted to two tonnes from 17 tonnes recorded nine years ago. Small-scale miners have said the exorbitant mining levies and punitive policies are responsible for the declining production saying Government policies were not promoting small-scale mining.

Government last year raised the pre-exploration fees for most minerals by as much as 8 000 percent to discourage speculative holding of mineral claims which had become prevalent. However, the fees and levies were reviewed in March as Government tried to accommodate the small-scale miners. Despite the decline in gold deliveries this year, mining has continued to dominate the economy with mineral exports rising by 230 percent between 2009 and 2011, making mining the leading export sector. The average share of mining to the gross domestic product also grew to an average of 16,9 percent during the same period, eclipsing agriculture. In terms of earnings, minerals exports surged in 2011 to US$2,45 billion from US$1,6 billion in 2010 driven mainly by platinum, gold and diamond production and also buoyed by booming international prices. The latest report by Finance Ministry shows the industry has continued to significantly increase the country's exports, contributing 71 percent of the total exports for the four months to April 2013. The mining sector had contributed US$719,9 million to the US$1 billion earned from exports. Commodity analysts say the growth of the sector was sustainable because it is hinged on the surge in international demand for metals mainly from the automobiles sector especially from the East. However, analysts say Zimbabwe could gain more if value addition is implemented on minerals before exports and Government must enforce prohibitive export taxes to encourage value addition. "There is no doubt that the mining sector is going for great heights in the next five years for a number of reasons," said Mr. Gift Mugano, a South Africa-based economist. *(Herald)*

CHENGETEDZAI Depository Company, a local business company that won the tender to run the country's first ever Central Securities Depository (CSD) in 2010, will be running the platform by September this year following the installations of core hardware, an official from the company has said. Chengetedzai chief executive officer Cable Musiiwa yesterday told NewsDay that progress had been made towards the automation of the Zimbabwe Stock Exchange and what was only outstanding was the training of stakeholders. "We have installed the system hardware and established a data centre and we have made the specifications of the blueprint system. We are now waiting for the training of the users that include our staff and stockbrokers and we will do that next month and we will go live in September," he said. Government entities, which include the Infrastructure Development Bank, ZB Holdings and NSSA, will hold 51% of the CSD firm. A CSD is an organisation holding securities either in certificated or uncertificated (dematerialised) form to enable book entry transfer of securities. Zimbabwe has been failing to automate since 2011 due to delays in the appointment of the commission's board and the setting-up of the shareholding. That means the local bourse has been using manual systems that are not transparent and could be manipulated as trades could not be monitored. Currently, clearance and settlement is done between stockbrokers with payment against delivery of physical scrip on a T+7 calendar day basis. In May 2010 government gazetted a new statutory instrument (SI) giving legal effect to the setting-up of the country's first CSD following delays that have slowed down changes as capital markets embark on far-reaching reforms. The CSD will maintain insurance policies, set up a $500 000 guarantee fund as well as provide safe custody of certificated securities. Participants in the CSD, according to the SI, may include holders of securities custodial licences, brokerage firms, transfer securities and the Reserve Bank of Zimbabwe.*(News Day)*

FINANCE minister Tendai Biti postponed his presentation of the Mid-Term Fiscal Policy statement on Wednesday after suspension of Cabinet meetings as Zimbabwe gears for the next harmonised elections. Biti was supposed to make a review of the economic performance for the first six months, but made a U-turn after it emerged that he had not received the greenlight from principals of the inclusive government. The MDC-T secretary-general, however, addressed journalists on the same day where he alleged that 300 000 potential voters had been denied the right to vote amid fears of rigging. Chief Secretary to the President and Cabinet Misheck Sibanda on Tuesday said cabinet meetings had been suspended in preparation for the elections, meaning that Biti had to seek approval from the principals of the inclusive government to make his presentation as Finance minister. "Members are hereby advised that Cabinet meetings are forthwith temporarily suspended to allow them to concentrate attention on the harmonised elections due on 31 July 2013. They will, however, be summoned to attend meetings in the usual manner should the need arise," Sibanda said. President Robert Mugabe was on Tuesday engaged in a Zanu PF politburo meeting seeking to step up his campaign ahead of the make-or-break elections set for July 31.
Prime Minister Morgan Tsvangirai, Mugabe's long-time rival, was addressing a rally in Mvurwi which was marked by intimidation. The Finance minister could not be reached for comment, but on Tuesday he said the state of the economy review would be announced the following day amid indications that it would be lukewarm. The policy statement, which reviews the current budget, comes at a time when the economy has contracted by an estimated 3% due to uncertainty surrounding the forthcoming polls. The elections come at a time when the local manufacturing sector is struggling to remain afloat due to biting liquidity constraints and stiff competition. Last month, Biti said the proclamation of the elections date by Mugabe had left Treasury back-footed and incapable of making any policy interventions. "I'm not sure when I will present it (review). I think the proclamation has really changed things. The proclamation has made the government a sitting duck. "We will present a mid-term review, but we are not going to make any proposals because once a proclamation is made, it's a yellow card. I don't think it's fair."*(News Day)*

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