SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	8-Nov-13	15-Nov-13	Local	USD	Local	USD
Botswana	DCI	8,768.25	8,788.19	0.23%	13.30%	17.02%	18.59%
Egypt	CASE 30	6,415.82	6,227.92	-2.93%	10.23%	14.01%	14.07%
Ghana	GSE Comp Index	2,126.58	2,127.79	0.06%	14.58%	77.36%	74.07%
Ivory Coast	BRVM Composite	216.40	217.08	0.31%	-8.42%	30.32%	21.41%
Kenya	NSE 20	5019.18	5030.76	0.23%	2.01%	21.72%	26.26%
Malawi	Malawi All Share	12,263.54	12,160.93	-0.84%	36.76%	102.16%	142.46%
Mauritius	SEMDEX	2,040.45	2,051.19	0.53%	-2.80%	18.42%	18.62%
	SEM 7	397.35	400.81	0.87%	-2.47%	18.84%	19.03%
Namibia	Overall Index	1,030.00	992.00	-3.69%	20.21%	0.58%	3.65%
Nigeria	Nigeria All Share	37,870.87	37,921.28	0.13%	1.15%	35.05%	34.88%
Swaziland	All Share	294.04	294.04	0.00%	25.46%	2.93%	6.39%
Tanzania	TSI	2,477.91	2,558.30	3.24%	4.86%	72.20%	75.55%
Tunisia	TunIndex	4,515.93	4,512.32	-0.08%	2.65%	-1.47%	-5.27%
Zambia	LUSE All Share	5,015.74	5,021.73	0.12%	12.74%	34.80%	43.08%
Zimbabwe	Industrial Index	212.45	216.23	1.78%	1.78%	41.88%	41.88%
	Mining Index	51.24	46.03	-10.17%	-10.17%	-29.32%	-29.32%

CURRENCIES

	8-Nov-13	15-Nov-13	WTD %	YTD %
Currency	Close	Close	Change	Change
BWP	8.53	8.57	0.42	12.00
EGP	6.87	6.87	- 0.00	13.50
GHS	1.87	2.22	- 0.13	16.53
CFA	485.43	486.94	0.31	- 1.70
KES	83.99	84.93	1.13	- 0.77
MWK	369.13	356.94	- 3.30	11.20
MUR	29.49	29.48	- 0.02	- 3.49
NAD	10.26	10.28	0.19	21.35
NGN	157.89	157.25	- 0.40	0.74
SZL	10.26	157.25	0.19	21.60
TZS	1,569.25	1,565.40	- 0.25	- 0.61
TND	1.66	1.66	0.27	7.13
ZMW	5.50	5.48	- 0.31	5.76

SECURITIES AFRICA

WEEKLY AFRICAN FOOTPRINT

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Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

Telecom Egypt on Wednesday reported a 15.6 percent increase in revenue in the third quarter compared with the same period last year. The landline monopoly, of which the government owns 80 percent, posted a net profit of 650 million Egyptian pounds and revenue of 2.86 million. Its earnings before interest, taxes, depreciation and amortization (EBITDA) reached 1.131 billion pounds. *(Reuters)*

CIB, Egypt's biggest listed bank, said on Tuesday its third-quarter net income climbed 51 percent to 920 million Egyptian pounds versus the same period a year ago. CIB also said its revenue for the quarter had climbed to 1.8 billion pounds, a 24 percent year-on-year increase. Deposits were 94.1 billion pounds, 19 percent higher than at the end of 2012, the bank said. Its consolidated gross loan portfolio was 45.1 billion pounds at the end of the quarter - 2 percent higher than at the end of 2012. Net interest income generated 1.28 billion pounds in the quarter, 24 percent higher than in the same period of 2012. The consolidated gross loan-to-deposit ratio was 47.9 percent at the end of the quarter, down from 55.2 percent a year earlier. Growth in the deposit base was "a key driver in the bank's growing top line," Chairman and Managing Director Hisham Ezz Al-Arab said in a statement. "Additionally, strong non-interest income performance compensated for the effects of a falling interest rate environment in the third quarter," he added. Consolidated non-interest income was 520 million pounds in the quarter, an increase of 23 percent year-on-year. *(Reuters)*

Real estate developer the Talaat Moustafa Group (TMG) Holding saw a 3.6 percent fall in its consolidated net profits for the first nine months of 2013 compared to the previous year, reported the Egyptian stock exchange. TMG achieved consolidated net profits of some LE417.8 million in the first three quarters of 2013, down from LE433.4 million in the same period in 2012. The company witnessed an increase of 27.8 percent in its housing unit sales in the period between January and September of 2013 to LE4.6 billion, compared to LE3.6 billion in the same period a year earlier. TMG management has estimated gross sales for 2013 will reach LE6 billion, but the Cairo-based investment bank Beltone Financial expects sales to surpass that figure, citing strong demand on real estate properties. In the third quarter ending 30 September, TMG revenue came in at LE837 million, a decline of 6.7 percent from the previous quarter but a rise of 2.3 percent year-on-year. "The figure missed our estimate of LE957 million...which is likely attributable to lower deliveries during the quarter on the back of the imposed curfew and escalated political instability," read a statement by Beltone. "We believe the contribution of hospitality revenue to total revenue dropped q-o-q mainly on the instability in Egypt, especially during 3Q2013. We believe the hospitality segment could improve in 4Q2013 as the political situation somewhat stabilises," added the statement.*(Ahram)*

Egypt's biggest listed vehicle assembler and distributor, GB Auto, has reported a net income of LE7.5 million in the third quarter of 2013, down 88.6 percent from the quarter before, the company announced on Wednesday. During the nine months of 2013 GB Auto has also seen a sharp decline in net profits of 50 percent, recording LE71 million compared to LE142 million in the same period of last year. "Having managed businesses through decades of challenges, there is no question in my mind that 2013 has been the toughest year the economy has ever seen," GB Auto CEO Raouf Ghabbour was quoted as saying in the firm's report. "Political and economic developments in our home market in 3Q13 combined with the imposition of a strict curfew saw consumer confidence hit its nadir. The result, of course, is that our performance in Egypt was particularly hard-hit," he added. Despite the hardships seen by the region's leading automotive assembler, revenues of GB Auto generated from selling passenger cars rose 4.1 percent in the third quarter this year to LE1.43 billion compared to the same period in a year earlier..*(Ahram)*

Economic News

The Egyptian government plans to launch its second economic stimulus package by the end of this year, Finance Minister Ahmed Galal said on Sunday. The government said in October the new stimulus package would be worth around 24 billion Egyptian pounds but had indicated it might only be brought in early next year. Speaking to reporters at an economic conference in Cairo, Galal said the second stimulus would be launched "before January". *(Reuters)*

Egypt's urban consumer inflation accelerated in October, driven by higher consumer spending on food and transportation, the state CAPMAS statistics agency reported on Sunday. CAPMAS said inflation rose to an annual 10.4 percent in October from 10.1 percent in September. Egyptian inflation has been pushed up this year by a weaker Egyptian pound, though the currency has steadily appreciated against the dollar since the army deposed elected Islamist President Mohamed Mursi on July 3. "This is a big rise for inflation within one month," CAPMAS head Abu Bakr al-Gindy told Reuters. "According to our statistics there was an obvious increase in the prices of meat, other food products and transportation." Gindy attributed the increase in the prices of meat to high demand last month's religious Eid al-Adha holiday, when Muslims are required to distribute free meat to the poor. Transportation prices, Gindy said, increased as more people are travelling from one city to another to study since start of the academic year in mid-September. More Egyptians are using buses and taxis to compensate for the halt in train services due to security measures. That has driven up the price of transportation. Authorities have imposed a state of emergency and a nighttime curfew since August 14 after the crushing of pro-Mursi protest camps triggered nationwide clashes. *(Reuters)*

The International Monetary Fund remains ready to provide aid to Egypt when Cairo requests it, a senior IMF official said on Tuesday without elaborating on when that might happen. "We have some technical work already underway and we will be very ready and keen to support them when they think the time is right in terms of financing," Masood Ahmed, the IMF's Director for the Middle East and North Africa, told a news conference in Dubai. Egypt and the IMF have had a sometimes tense relationship because of national pride and the international lender's efforts to persuade Cairo to undertake politically sensitive economic reforms such as subsidy cuts. For over two years the two sides have sporadically discussed the possibility of an IMF loan to Egypt that could be worth $4.8 billion, but no final agreement has been reached. The army-backed government which toppled President Mohamed Mursi in July, promised over $12 billion in aid from Kuwait, Saudi Arabia and the United Arab Emirates, has said it is in no hurry to obtain an IMF loan. But last month, the Egyptian finance ministry said it had asked the IMF to discuss possible technical aid for a VAT tax system. Farouk Soussa, Citigroup's chief economist for the region, told the same event in Dubai: "Egypt does not need the IMF from a financing perspective - they need them from a technical perspective but technical support without financing lacks teeth." He added of the idea of IMF aid to Egypt: "It will be a hot potato...and a bit of a political liability in Egypt." *(Reuters)*

Ghana

Corporate News

Newmont Ghana (Ahafo Mine) on Thursday announced the payment of GH¢49,647,796 ($25,359,064) for the third quarter (July – September) 2013, to the Large Taxpayer Office of the Ghana Revenue Authority (GRA). The amount represents Corporate Income Tax of GH¢29, 200,572 ($14,905,856), Mineral Royalty of GH¢10,560,296 ($5,407,174), Withholding Tax of GH¢3, 617,451 ($1,854,372) and Pay As You Earn of GH¢6, 269,477 ($3,191,662). A statement issued by Newmont Ghana Gold Ltd and copied to the Ghana News Agency noted that, Corporate Income Tax and Mineral Royalty payments declined by 24 per cent in 2013 as compared to payments made in same period (January – September) 2012. It said this was due to lower gold prices and other challenges facing the mining industry in recent times. "For the first nine months of 2013 alone, Newmont Ghana has paid a total of GH¢201M ($105M) taxes and to date, the company has made total tax payments of GH¢954M (US$588M) to the GRA since it begun production in July 2006. "Newmont Ghana has also made significant contributions to its Ahafo and Akyem communities. "In partnership with the International Finance Corporation, Newmont Ghana initiated the Ahafo Linkages Programme (ALP) to create sustainable business opportunities within communities around the Ahafo Mine area," it stated The statement said to date, ALP has trained more than 100 local suppliers and entrepreneurs, who contribute to the local economy in the Ahafo mine area. In addition, it has also provided about 400 local businesses with nearly $39 million in contracts and supporting more than 400 jobs, excluding direct mine employment. It said recently, MilTrac Ghana Limited, an indigenous Ghanaian company, was adjudged as Newmont Mining Corporation's 2013 Africa Region Supplier of the Year for its proven commitment to operate safely, reduce operating costs and improve efficiencies. "This is the first of its kind in the Africa region. Another initiative aimed at equipping locals with employable skills for the youth in our mining area is the Newmont Apprenticeship programme," it said. The statement said this programme has trained and employed over 181 locals from Newmont Ghana's (Ahafo and Akyem) host communities, with an average cost of $17,000 spent on each person during the four-year training period. "We thank all our employees, contractors and other stakeholders for their contributions towards this achievement," it said. *(Ghana Business News)*

Economic News

Tourism fetched Ghana US$2.5 billion last year, confirming the sector as the fourth largest export after gold, cocoa and remittances. The amount was spent by 1,263,857 international tourists who visited the country during the year, according to an official of the Ghana Tourism Authority (GTA) who disclosed this at the just-ended World Travel Market in London. Ghana set a national target of one million arrivals five years ago and that target set by the Authority and was envisaged to be achieved by 2010. The achievement, however, offers cold comfort, for, although officials of both the Ministry of Tourism and the GTA think that "we are living up to our dream", Ghana's piece of the global tourism pie is considered an insignificant drop in the vast global ocean, seen from the universal perspective. According to the United Nations World Tourism Organization (UNWTO), international tourism receipts reached an estimated US$ 1,075 billion worldwide. Over the decades, tourism has experienced continued growth and deepening ?diversification to become one of the fastest growing economic sectors in the world. ?Modern tourism is closely linked to development. Today, the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles.

In Ghana, however, the dream is far from to the reality. Successive governments, without exception, have not shown enough commitment beyond rhetoric and good intentions. To succeed as a tourism destination, the intentions have to translate into larger budgetary allocations for the sector. The current Minister, Mrs. Elizabeth Ofosu-Adjare, with an eye on the one per cent Tourism Levy (also known as Bed Tax) collected by private operators, is determined that "the dreaming must stop". She is "looking forward to the day when the Ministry of Tourism will not be part of budget hearing". She has plans to call a stakeholder meeting soon, partnering with the umbrella Ghana Tourism Federation (GHATOF), to strategise the way forward for collection of the levy. At the moment, although 90 per cent of the tourism plants have been registered to collect, only the big hotels are doing so faithfully. "Every tourism facility everywhere in the remotest part of Ghana must be registered to pay the one per cent," she urges in an interviewed. On the country's inability to attract greater arrival numbers, the Minister says "our pricing is good, but our challenge is the packaging and marketing to popularize Ghana as a destination. For example, she queried, "have we been able to put Kakum strongly on the international tourism map? Our challenge is selling what we have." On the domestic tourism front, Mrs. Ofosu Adjare mentioned a number of interventions planned to lure Ghanaians to travel outside of their regions or districts of abode. The campaign, says the Minister, targets "even the so-called 'ordinary Ghanaian' whose net-worth may not be high." The target of the ministry's promotional drive includes children and churches. A sensitization programme will be unveiled to get the churches to encourage their members to, once or twice a year, undertake tours to local attractions. They will, in addition, be urged to programme their annual conventions to allow their congregations to visit tourist attractions in the district where the convention takes place. The programme targeting children has already taken off. To instill the culture of travel and leisure in them, the Ministry, through the Ghana Tourist Development Corporation (GTDC) has been facilitating travel by school children from one region or district to another. *(Ghana Web)*

Camargo Correa SA, Brazil's third-largest construction company, will consider bidding on hydro-power projects in Ghana, where the government plans to spend $4.5 billion to double power capacity, Brazilian Ambassador Irene Vida Gala said. The Sao Paulo-based company, the biggest generator of hydroelectric power in Brazil, will be the fifth construction company from Latin America's largest economy to operate in Ghana, Vida Gala said in an interview yesterday in Accra. Angola and Mozambique are the only African countries with more Brazilian builders operating locally, she said. Camargo Correa didn't immediately reply to an e-mail and phone call seeking comment yesterday. "They are already in talks to come and establish a company and offices here. It's preliminary talks but they will come," she said. "They are going very much into what they are good in: electric generation of hydroelectric power." Ghana will add 2,500 megawatts of power in the next 10 years to halt outages and meet domestic demand estimated to grow 10 percent annually, Ebenezer Tagoe, finance director of the state-owned Volta River Authority, said last month in an interview. Power outages are curbing economic growth in West Africa's second-largest economy. Ghana gets about half of its electricity from thermal energy and uses imported oil to fuel the plants because of a natural-gas shortfall. Brazilian companies from plane maker Embraer SA, to the nation's largest builder Odebrecht SA are turning to African nations that weren't former Portuguese colonies to capture spending on infrastructure fueled by the discovery of oil, gas and other commodities. Kenyan President Uhuru Kenyatta met with representatives from Brazilian companies in July. Odebrecht and Queiroz Galvao SA already operate in Ghana. Brazil more than doubled the number of its embassies in Africa to 37 in the past decade as part of a strategy under former President Luiz Inacio Lula da Silva to strengthen political and commercial ties with the continent, Vida Gala said. Ghana and Brazil have been discussing a possible $1 billion credit facility for Ghana since 2011, she said, declining to give any more details. Trade with Ghana was $400 million last year, she said. Give any more details. Trade with Ghana was $400 million last year, she said. *(Bloomberg)*

Ghana's annual consumer price inflation surged to a fresh three-year high in October, well above the government's target band and in defiance of the central bank's forecast of a fall towards the end of the year. Ghana Statistical Service attributed the increase to 13.1 percent from 11.9 percent in September in part to a cut in utility subsidies, but it also signals the country's difficulties in managing the rapid growth of its economy. "There were substantial increases in the prices of water and utility products and that has pushed the inflation rate up," said government statistician Philomena Nyarko, citing price rises in housing, gas, fuels, transport and clothing. By contrast, food price inflation slowed to 6.9 percent in October from 8.9 percent the previous month, she said. The West African state produces gold, cocoa and oil and its political stability has encouraged investors to view it as one of the continent's stars. But analysts say they are concerned about high budget deficits, which prompted Fitch ratings agency cut Ghana's sovereign rating to B from B+ in October. The central bank said in September Ghana would likely miss some 2013 targets, including keeping consumer price inflation within 2 percentage points either side of 9 percent. The latest rise was partly due to government efforts to rebase inflation to better reflect pressures, so is not a surprise, said Razia Khan, head of Africa research at Standard Chartered, adding that it forecast inflation at 14 percent by year end. "While we do not think the pressure will be long lasting necessarily, it does raise the risk of a near term rate hike. We had factored in another 100 basis points this cycle," she said. A weaker than expected harvest may also explain why inflation has not fallen as forecast, said Joe Abbey, of the Centre for Policy Analysis.

While attention is focused on headline inflation, core inflation may also be creeping up which gives President John Mahama's government an extra headache for next week's budget, Abbey said. The main challenge facing the government is to maintain a strong growth rate, forecast at 7.9 percent for 2013, while limiting inflation and cutting a budget deficit towards a target of 6 percent of gross domestic product by 2015. A new deal on utility price rises hammered out at the weekend is evidence of the pressure on the government. Unions had threatened a general strike on November 18 if the government implemented a plan to raise utility prices by 79 percent. The cut in utility subsidies and fuel subsidies is part of the government's deficit reduction plan. It is also vital for the power sector, which has struggled to service a booming economy. Under the deal, utility prices will go up by 59 percent, which will saddle the government with an extra 400 million cedis in subsidies this year, economists said. The agreement seems to be a victory for unions. Strikes earlier this year held the government to its commitment to increase pay for public sector workers under a multi-year programme. But that programme has led to a spike in wage costs as a percentage of government spending. "It highlights the challenges that the government faces in order to reduce the budget deficit," Carmen Altenkirch, an analyst with Fitch, told Reuters. *(Reuters)*

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Kenya

Corporate News

Kenya Power Ltd., the country's sole electricity distributor, is considering selling Eurobonds to help fund its expansion plans and reduce its exposure to the domestic currency, Acting Managing Director Ben Chumo said. The company, based in Nairobi, plans to start the process of obtaining a credit rating after its annual shareholder meeting on Nov. 29, Chumo said in an interview at his office in the Kenyan capital on Nov. 6. A sale of Eurobonds will probably take place "at the beginning of next year," he said. "It will be very limiting for us to focus on local currency" Chumo said. "Forex will be the option that we will go for." Kenya Power will spend $700 million by 2017 building electricity substations and transmission lines as the government embarks on a plan to more than quadruple power output in that period. Power generation is set to increase by more than 5,000 megawatts in four years, compared with current capacity of about 1,700 megawatts. Last week, ARM Cement Ltd., the country's second-biggest cement producer, said it's considering selling Eurobonds to fund its $300 million expansion program. Kenya's government plans to offer as much as $2 billion of Eurobonds in January to finance infrastructure programs in Kenya. Kenya Electricity Generating Co., the state-controlled power producer, plans to raise $1.65 billion by selling stock to existing shareholders, which will more than quadruple its number of shares in issue. The company needs finance to triple electricity output to 3,379 megawatts. Kenya is East Africa's biggest economy. The government is investing in infrastructure as it seeks to transform country into a middle-income nation by 2030. Three quarters of the funding for Kenya Power's future projects will be come from outside the company, while the rest will be financed through revenue, Chumo said. The bulk of external funding will come from multilateral lenders such as the World Bank, he said. Kenya Power's capital expenditure in the 12 months through June was 40 billion shillings ($467 million), compared with 26 billion shillings a year earlier, it said Oct. 11.*(Bloomberg)*

Safaricom Ltd., Kenya's biggest telecommunications company, plans to begin selling bundled Internet and television services for on-demand viewing within the next 12 months, Chief Executive Officer Bob Collymore said. "We will provide aggregation of content and delivery of content," Collymore said in an interview in the capital, Nairobi, on Nov. 6. "Certainly within the year, we could be playing relatively prominently in that space." The offerings, which will be available on devices including tablet computers, mobile phones and television sets, are aimed at tapping revenue streams beyond the company's core voice service. Competition in Kenya's telecommunications market three years ago triggered a price war, causing a sharp reduction in mobile-phone call rates that led companies to expand into new lines of data business to attract subscribers. "We will become a content provider to several forms of media including TV stations and YouTube," Collymore said, without providing more details. "People want to decide when they want to consume, they don't want you to tell them. That immediacy is, I think, how the future will be defined." Sales growth from M-Pesa, Safaricom's mobile phone money-transfer system, Internet and text-message services has outpaced revenue from voice for at least the past three years, according to the company's latest annual report. Still, the share of revenue from phone calls was 60 percent of total sales in the year through March versus about a third for non-voice.

In Kenya, Wananchi Group Ltd., under the Zuku brand, offers packaged high-speed Internet, fixed phone-line services and cable television, while Cape Town-based Naspers Ltd.'s Multichoice Africa offers digital satellite-television via its DStv unit. Safaricom is developing its own platform to handle M-Pesa transactions at a cost of 25 billion shillings ($291.3 million) that should be completed between April and September 2015, eliminating a 10 percent commission it now pays Vodafone Group Plc., Collymore said. Vodafone owns 40 percent of Safaricom. The new platform will double the speed of transactions to 600 per second with the ability to scale up, he said. Half of all mobile-phone money-transfer payments done globally and about 99 percent in Kenya are processed through M-Pesa, with an average of 550 shillings per transaction, Collymore said. M-Pesa moves the equivalent of 27 percent of the country's $37 billion gross domestic product, he said.

The company plans to boost its capacity for high-speed Internet connections and faster downloads on its network by rolling out more fourth -generation network infrastructure, Collymore said. 4G networks, also known as LTE or long-term evolution, deliver fast Internet access allowing users to stream video and download music. "We would like to get that spectrum because we think there is a lot of need for LTE," he said. "LTE is not there yet because we need spectrum." The spectrum will become available when migration to digital broadcasting begins next month in Nairobi and is completed by mid-next year in other towns and cities across Kenya, Collymore said. "We are asking the government to make sure there is an open, equitable and transparent allocation of that spectrum," he said. "We will snatch our share when it is available because we are ready to roll LTE." Safaricom competes with Telkom Kenya Ltd., jointly owned by the government and France's Orange SA, Bharti Airtel's Kenyan unit and Essar Telecom Kenya Ltd., a unit of Essar Group of India. Safaricom had 20.1 million mobile customers as of the end of June, giving it a market share of 66 percent, according to the Communications Commission of Kenya. Safaricom shares have rallied 94 percent this year, outperforming a 37 percent advance in the FTSE NSE 25-Share Index. *(Bloomberg)*

Kenyan investment firm Centum said on Wednesday first-half pre-tax profit rose by nearly a quarter to 1.03 billion shillings. The company, which has investments in both listed and private firms, is diversifying into the fast-growing property sector, including shopping malls and housing estates. It attributed the rise in profit to a 60 percent increase in its revenue to 1.20 billion shillings, thanks to an increase in dividends from firms it has invested in. Centum's net asset value rose by 7 percent to 17.3 billion shillings, it said in a statement. It said it was in the process of acquiring investment firm Genesis Kenya Investment, which manages assets worth 100 billion shillings. *(Reuters)*

Africa-focused Tullow Oil Plc confirmed on Wednesday it had restarted operations in northern Kenya on Nov. 8 after reaching a deal with local leaders to prevent a repeat of protests that halted work last month. Residents of the remote, poverty-stricken northern Turkana community, supported by a local politician, marched on Tullow operations on Oct. 26 to demand more jobs and other benefits. The government said protesters ransacked one site, which Tullow works on with partner Africa Oil. Paul McDade, London-listed Tullow's chief operating officer, said the company had agreed to "accelerate" training programmes and other community involvement schemes. In a trading statement, Tullow also gave an update on a number of key wells worldwide. It flagged a weak market for the mature southern North Sea assets it is trying to sell - extending the process over the next 18 months and breaking up the business to sell it in smaller pieces. "We realised, having gone through the initial process, the market for those types of assets is a bit weaker than we anticipated. Potential buyers can see the value there but really struggle a little bit to structure the finance around it," McDade told Reuters. The future health of the North Sea - as its productivity begins to wane and the cost of running aging infrastructure escalates - has become part of a hot political debate on energy prices and supply security in Britain. Tullow is selling out because it sees itself as mainly an explorer and an opener of new basins. Tullow said a result on its Tultule 1 well in Ethiopia was expected by the end of November, and that its Fregate well in Mauritania would reach total depth in December.

In French Guiana, one of Tullow's big hopes and a closely watched new oil province, Tullow said its Zaedyus-1 had reached total depth and evaluation of the well was ongoing. Wessex Exploration, a partner in the Guyane Maritime Project along with operator Shell and Total, said the well had been plugged and abandoned after finding no evidence of hydrocarbons. McDade said this was in line with expectations as the well had been drilled to ascertain the limits of the resource. The partners now plan to work on integrating and assessing the data collected. Morgan Stanley analysts said the statement showed good overall progress but little news and maintained an overweight stance. Tullow shares fell 1.7 percent to 885 pence, slightly underperforming the broader European oil stocks market. *(Reuters)*

Kenya Airways posted a pretax profit of 548 million shillings in its first half, from a loss 6.589 billion shillings in the year-ago period, it said on Wednesday. It attributed the turn-around to a fall in costs and a rise in revenue, which jumped 9 percent to 54.34 billion shillings in the period ended September. Revenue from the passenger business rose 7.1 percent after the cost per seat fell 14.5 percent to 7.1 U.S. cents and yield per seat rose 6 percent to 7.17 U.S. cents, the airline said. The airline, which is 26.73 percent owned by Air France-KLM and 29.8 percent by the government, is ranked among the largest carriers in sub-Saharan Africa, alongside South African Airways and Ethiopian Airlines. Company Chairman Evanson Mwaniki told an investor briefing that the airline had extended Chief Executive Officer Titus Naikuni's tenure by a year to the end of 2014 to help the airline carry out its expansion programme. He said a search for Naikuni's successor had started. The company's earnings per share was 0.26 shillings from negative 4.85 shillings in the same period in 2012. *(Reuters)*

Kenyan lender Diamond Trust Bank posted a 22 percent jump in pretax profit for the first nine months of the year, helped by a rise in net interest income, it said on Thursday. The bank, which also operates in Tanzania, Uganda and Burundi, said that profit for the period rose to 5.33 billion shillings from 4.37 billion shillings in the first nine months of 2012. Net interest income rose by a fifth to 7.94 billion shillings, helped by total interest expenses falling to 4.45 billion shillings from 5.77 billion shillings. Net loans and advances to customers also jumped 20 percent 102.24 billion shillings, while its total assets rose to 159.28 billion shillings from 129.78 billion shillings. Its earnings per share rose to 17.64 shillings from 14.27 shillings in the same period a year ago. Diamond Trust Bank joins rivals such as Kenya Commercial Bank, Equity Bank and National Bank in reporting growth in pretax profit in the first nine months of the year. *(Reuters)*

Britam Thursday signed a strategic partnership with Acorn Group, a real estate investment and project management firm. The partnership, according to the management of the two companies is designed to bring institutional investment solutions and products into the real estate sector in Kenya and the region. The signing of the deal comes about two years after Britam announced plans to set up a Sh10 billion property fund targeting high net worth individuals to pool funds for multi-billion shilling investments in the regional property sector. Britam Group Managing Director Benson Wairegi said his company has acquired a 25 per cent stake in the Acorn Group enabling the two to exploit available opportunities in the real estate industry. During the signing ceremony at a Nairobi Hotel, he explained that the deal would be the first market offering that delivers property development, property investment and real estate backed investment products all under one roof. "The unrivalled partnership will provide the market with end-to-end solutions that have previously not been available to land owners, investors, financial institutions, pension funds and asset managers," he said. Wairegi added that under the deal, Britam through its asset management subsidiary, will offer quality and differentiated real estate backed investment products to its high net worth and institutional clients, both locally and internationally. "Through this partnership, Britam is positioning itself to tap into the opportunities offered by the exponential growth of the property market in Kenya and East Africa," he said. Acorn Group Chief Executive Officer Edward Kirathe said the group is positioning itself to be the largest and most profitable real estate development firm in the region. "Within the last decade, Acorn has undertaken projects across all segments including offices, hotels, residential, retail, commercial mixed use and industrial developments valued at over Sh40 billion," he said. *(Standard Media)*

Kenya's energy regulator reduced retail fuel prices for petrol, diesel and kerosene for the second straight month on Thursday, a welcome respite for policymakers with inflation lying outside the government's preferred upper limit. Fuel prices have a significant impact on inflation in east Africa's biggest economy, where the economy depends heavily for diesel for transport, power generation and agriculture, while kerosene is used in many households for lighting and cooking. The Energy Regulatory Commission (ERC) cut the maximum price of super petrol in Nairobi by 3.40 shillings per litre to 108.87, while it lowered the price of diesel by 1.22 shillings per litre to 103.25. The price of Kerosene will fall by 2.22 shillings per litre to 82.79. Kenyan inflation slowed to 7.76 percent in the year to October from 8.29 percent a month earlier, but still hovers above the government's preferred band of 2.5-7.5 percent. The changes take effect on November 15 and will be in force for a month. The regulator reviews domestic energy prices every month, with adjustments made depending on fluctuations in international energy prices. *(Reuters)*

Kenyan tea firm Williamson Tea reported a rise in pretax profit for the first half ended September, while peer Kapchorua posted a fall, and both said falling tea prices were likely to hurt their full-year performance. Williamson Tea, which shares owners with Kapchorua, said its pretax profit rose 32 percent to 526 million shillings, while that of Kapchorua fell 27 percent to 109.9 million shillings. Kapchorua's turnover fell to 523.4 million shillings in the period from 589.4 million shillings in the same period last year, while that of Williamson rose to 1.64 billion shillings from 1.5 billion shillings. Both companies expressed concern at falling prices for tea at the Mombasa-based tea auction that handles sales for the commodity from Kenya and other countries in the region, coupled with increased tea production. "It is a matter of national concern that the international tea markets have declined sharply over the period under review with the Mombasa auction prices currently a huge 30 percent below 2012, and now standing at a seven-year low," they said in a statement late on Thursday. "The Kenyan crop has increased by 20 percent in the period over 2012 which has combined with increases in crop in other major tea producing countries to create a very weak and commercially unsustainable tea market in Mombasa." The two companies said they would have to drastically cut the price they pay for green tea leaves from small scale farmers who supply them. Kapchorua and Williamson said they also had to contend with rising input costs and that they only managed to make profits by controlling costs on their own green tea production. "We anticipate very demanding trading conditions and therefore a significant decline to prices we receive for contracts in the forthcoming months," they said. "As a consequence we expect much lower returns until we witness a positive shift upwards in market sentiment and actual prices paid. The weak market is therefore likely to negatively impact our next six months." Kenya is the world's leading black tea exporter and the crop is a major foreign exchange earner in east Africa's largest economy, alongside horticulture and tourism. *(Reuters)*

The Kenyan shilling was barely changed on Friday, and traders said the direction it will take in the coming days would depend on the level of shilling liquidity in the money market. At 0821 GMT, commercial banks quoted the shilling at 86.30/50 to the dollar, the same as Thursday's close. The shilling has lost ground since November 7 when the central bank first injected liquidity into the money market to ease a squeeze on the shilling. The tight supply of shillings had sent overnight lending rates surging into double digits. "That's on the back of activities on the interest rate, so depending on how liquidity plays out, the currency softens," Raphael Owino, assistant general Treasury manager at Commercial Bank of Africa, said. "In terms of outlook, I think it will mostly be predicated on that, so you have for instance to track what happens on the interbank rate. If you see that softening then you will consequently see the shilling weakening." Increased liquidity makes it relatively cheaper to hold onto dollars, which in turn weakens the shilling. Chris Muiga, trader at National Bank, said the shilling was also under pressure since there was little demand for the local currency. "It's still on the back foot," he said. The weighted average interbank lending rate dropped to 9.6234 percent on Thursday from 10.4167 percent a day earlier. It had gone as high as 12.8799 percent on November 8. *(Reuters)*

Economic News

Financing for a 300 megawatt wind farm in northern Kenya is complete after the European Union (EU) plugged a 25 million euro funding gap, the EU said on Wednesday. The power plant is part of Kenya's plans to fill a power supply shortfall which, coupled with a dilapidated grid network, means frequent power outages that hamper industry in east Africa's biggest economy. The EU mission in Kenya said the funds would "help to ensure construction can start as soon as possible." A co-developer of the project, one of the largest undertakings of its kind in Africa, said in September construction should commence by the first quarter of next year if financing was arranged by the end of 2013. Denmark's Vestas Wind Systems will supply some 365 wind turbines at the site. The wind farm had been due to start generating power in June 2011 but the project had been dogged by financing difficulties. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi has raised its end-2013 inflation target to 23.1 percent from 14 percent due to higher food prices and a delay in disbursement of foreign donor aid, central bank Governor Charles Chuka said on Wednesday. Donors are holding back release of crucial budget support until President Joyce Banda's government investigates allegations of embezzlement involving millions of dollars. Norway suspended budget aid last month. "Given the delay in donor flows, monetary policy will focus on protecting the country's official foreign exchange reserves at about two months of imports, and building them to about three months of imports by December, 2014," Chuka said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

Mauritian luxury hotel group Sun Resorts reported that losses deepened in the in the first nine months of the year, hit by poor performance from one of its resorts. The Indian Ocean island state's tourism sector, a key driver of the economy and an important source of foreign exchange, has suffered from a slower than expected recovery in its core European source markets after the euro zone debt crisis. Sun Resorts posted a 405.5 million rupee ($13.3 million) pretax loss in the nine months to Sept. 30, against a loss of 289.88 million rupees in the same period last year. Its loss per share widened to 3.61 rupees from 2.29 rupees. Shares were unchanged at 37.20 rupees after the results announcement on Thursday. The company said that the loss posted by Ambre, its resort on the east coast of the island, was the main contributor to the wider group loss. Sun Resorts said that bookings show that occupancy rates will improve in the fourth quarter, though room rates will remain under pressure from competition. *(Reuters)*

Mauritius Commercial Bank (MCB) reported on Thursday a 16 percent rise in pre-tax profit for its first quarter ended in September, aided by strong growth in its subsidiaries in regional countries. MCB, ranked the biggest bank by capitalisation in the Indian Ocean region and east Africa, said pre-tax profit climbed to 1.56 billion rupees and said growth in the first six months of the year would be "satisfactory". MCB is present in Seychelles, Madagascar, Mozambique and Maldives. The bank said it would pay an interim dividend of 3.00 rupees per share for 2013/14. The results were released after the local stock market closed. Shares in MCB ended the session flat at 202.75 rupees a share. *(Reuters)*

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Guinness Nigeria Plc has re-launched its Extra Stout brand in a new label as part of its commitment to innovation across new and existing brands. The reveal, which took place last weekend, came on the platforms of the biggest concert with artistes like Flavour, Kcee and P-square amongst others. At the launch, Seni Adetu, Managing Director and Chief Executive, Guinness Nigeria Plc, said redesigning a new label for Guinness Foreign Extra Stout is in line with the company's tradition to continuously deliver quality to its consumers. "At Guinness Nigeria, we are widely known for our consistency in delivering great brands with ground-breaking innovations and unique experiences to our consumers. Guinness Foreign Extra Stout is definitely a brand that has redefined the experience in our market from time past with dynamic innovations leading to this moment. The concert has been a wonderful experience with the array of talents paraded tonight and we believe it is going to be the beginning of a new dawn in terms of satisfaction for our consumers" Adetu said. The contemporary and premium look of the new label is part of a global redesign for the Guinness bottle that will be rolled out in locations across the globe. The sophisticated style of the new Guinness bottle label is said to reflect the adventurous character of Guinness Foreign Extra Stout. According to Adetu, "Guinness Foreign Extra Stout appearance has been changed as part of our value of continuous improvement to depict more style and more substance. Despite the change in our label, you can be rest assured of the same world class quality and content inside the bottle. Today is a historical landmark, as we unveil the stunning transformation of our iconic Foreign Extra Stout label design for the first time in Africa." Commenting on the new label, Austin Ufomba, Marketing and Innovation Director, Guinness Nigeria Plc, relished the prospect of the new label endearing the brand to more consumers. "The new design reveals a new level of connection and resonance with the brand for both new and existing consumers. The dark bottle reflects the quality of its contents made from the finest of ingredients. The beautiful metallic gold foil crowning the bottle simply makes it a drink for every golden moment" Ufomba said. *(Business Day)*

First Bank Limited, a subsidiary of FBN Holdings Plc, yesterday announced that it has completed the acquisition of equity interest in ICB Ghana, ICB Sierra Leone, ICB Guinea and ICB Gambia from International Commercial Bank Financial Group Holdings AG (ICBFGH) to expand its banking operations in Africa. First Bank, which announced the acquisition through a statement made available to THISDAY, added that the transaction had been effective through the conclusion of a conditional sale and purchase agreement with ICBFGH. As a result of the acquisition, the Bank will consolidate its position as one of the largest corporate and retail banking financial institutions in sub-Saharan Africa (excluding South Africa). According to FBN, the transaction delivers against its stated ambition to win significant market share, expand its pan-African footprint and diversify earnings while delivering value to shareholders. Commenting on the transaction, Chief Executive Officer of FirstBank, Bisi Onasanya said: "The acquisition of ICBGFH assets in Ghana, Guinea, Gambia and Sierra Leone fulfils the first stage of our ambitions to steadily build a broader and more diverse footprint across Africa. We are committed to developing a multi-local business model that broadens our geographic revenue base while providing enhanced service delivery to our new customers. "By leveraging the transfer of FirstBank's, expertise and execution capabilities, supported by the Bank's robust risk management and corporate governance policies, there is a strong opportunity for an appreciable rise in the combined entity's asset turnover over time while net revenue synergies are set to improve profit margins." He emphasised that the transaction would have a considerable strategic benefits directly aligned with First Bank's growth plans and provides a very strong platform for regional growth as the Bank expands its operations to take advantage of opportunities across the wider continent. "Expansion offers a range of benefits, including new growth options, a diversified and broader geographic earnings profile, reduced country specific risk and enhanced customer benefits. By establishing a footprint in carefully selected African countries, the Bank expects to improve its ability to effectively serve an increasingly international profile of corporate and institutional customers," he said. *(This Day Live)*

Towards meeting the national sugar master plan, Dangote Sugar Refinery is actively pursuing a backward integration master plan with a target of producing a total of 1.5 million tonnes of sugar per annum locally from its subsidiaries. Savannah Sugar, one of its subsidiaries, at present is capable of producing 50,000 metric tonnes of sugar per annum. The nation's foremost sugar refinery has increased its market share of the Nigerian sugar market in the nine months ended September 30 2013 as part of the strategies to grow the company both locally and globally. The company is planning to resume exports to selected West African countries in the first quarter of 2014. The management of the sugar refinery in a statement pledged to continue to strengthen output, sales and distribution through large distribution network, even as the sugar refinery has six warehouses and 350 own trucks to ease distribution to distributors. It plans an additional investment of N180 billion for 4 factories in Sokoto and Kebbi States and has 150,000 hectares of land allocated for the project in Kogi, Kwara, Jigawa, Sokoto, Taraba and Kebbi. Dangote Sugar acquired the moribund 50, 000 tonnes per annum capacity sugar producing factory - the Savannah Sugar Company Limited in Numan, Adamawa State in 2002. The buy-over, midwifed by the Bureau of Public Enterprises (BPE), was the fallout of the failure of several attempts made by the federal government to reposition the nation's foremost sugar company. Dangote Industries Limited emerged as the preferred bidder and core investor and after which it quickly went into turnaround activities in the company. To put the company back in shape, Dangote began investments of several billions of naira.

Specifically, N12 billion initial investments were made by Dangote Group as core running expenses into the business after the take-over in the first five years. The areas that gulped the money included factory and estate rehabilitation; purchase of vehicles, trucks and heavy duty equipment; salaries and wages; farm inputs like fertilisers and chemicals, among others; spare parts for factory and heavy duty equipment and payments in the form of Sugar Development Levy. Dangote has embarked on expansion of the plant enhancing the integrated sugar cane farming and sugar milling through increased plant capacity from 50,000 tonnes per annum to 200,000 tonnes. This necessitated procurement of new machinery and new factory. This is to enhance the integrated sugar came farming and milling. Today, total production hovers between 15,000 and 16,000 tonnes down from 30,000 tonnes per annum recorded after the completion of initial turn around project due to issues with the community. Savannah Sugar cultivates a total of 18,000 hectares. It employs approximately 20,000 people made up of direct employees and farmer out growers. As a front line player in the backward integration policy, the Savannah sugar's projection is to produce one million tonnes of white sugar by 2015, cultivating 100,000 hectares in about six states of Sokoto, Kebbi, Jigawa, Taraba, Kogi and Kwara, employing over 50,000 Nigerians.*(This Day Live)*

Nigerian fuel retailer MRS Oil said on Tuesday it swung to a nine-month pretax profit of 129.31 million naira, from a loss of 36.20 million naira in the same period last year. Turnover rose to 69.21 billion naira, from 52.53 billion in the same period last year, MRS said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Economic News

Nigerian President Goodluck Jonathan will outline plans tomorrow to stick to budget targets as revenue falls and Africa's largest oil producer faces the threat of a spending blowout in a pre-election year. The budget, to be presented to lawmakers in the capital, Abuja, at about 10 a.m. local time, will give Nigerian voters and international investors the clearest indication yet about the government's priorities as it prepares for the vote in 2015. Investors are watching Jonathan's budget for signs that spending will soar next year as it did before the 2011 presidential vote, when it climbed 17 percent. Jonathan, 55, signaled his intent to cut planned expenditure by 10 percent next year to 4.5 trillion naira ($28 billion) as crude output missed targets, according to a medium-term spending plan released on Sept. 18. "The one the government will present will be a relatively tight, well thought-out budget, but when the electoral process really ramps up in the second half of next year, there could be supplementary budgets for political spending", David Cowan, Africa economist at Citigroup Inc. in London, said in a phone interview. "That's key to understanding the fiscal process". Jonathan, who has not yet said whether he plans to stand for re-election, was voted into office in 2011 on a platform of boosting economic growth by improving the country's electricity-generating and oil-refining capacity. Lower oil revenue and the risk of overspending is putting pressure on the currency, which the central bank aims to keep stable within a range of 3 percent around 155 against the dollar. The naira has dropped 1.5 percent versus the U.S. currency this year to trade at 158.65 on the interbank market as of 4:30 p.m. in Lagos on Nov. 8.

Finance Minister Ngozi Okonjo-Iweala, has pushed to curb spending on government salaries to keep the budget deficit under control. The medium-term plan estimates a fiscal shortfall of 1.9 percent of gross domestic product in 2014, little changed from 1.85 percent projected for this year. The median estimate of seven economists surveyed by Bloomberg is for the deficit to widen to 2.3 percent next year from 2.2

percent. If the numbers in the spending plan are accurate, "it's looking like a very tight budget," Charles Robertson, global chief economist at Renaissance Capital in London, said in a phone interview. "It's conservative on spending, it's conservative on the deficit. It's a budget to win the trust of investors ahead of the election in 2015." Okonjo-Iweala said on Oct. 31 that theft of crude as well as output interruptions in the country's Niger River delta oil heartland may result this year in the government's proceeds from oil falling as much as $12 billion below budget estimates. Africa's most populous country, home to more people than France and Germany combined, relies on crude exports for about 80 percent of government revenue and 95 percent of foreign-currency earnings. The government has run down its oil savings in the Excess Crude Account to plug the revenue shortfall. The account had a balance of just under $5 billion, down from about $9 billion at the beginning of the year, Okonjo-Iweala said last month. "The great challenge now is that the fiscal buffers are not as strong as they would be because of the revenue shortfall," Central Bank of Nigeria Governor Lamido Sanusi said in an interview on Nov. 1. "If there are any adverse external developments that would feed into this weak revenue profile and put pressure on exchange rates." The ruling People's Democratic Party, or PDP, which has won all elections held since Nigeria ended military rule in 1999, faces its sternest challenge as the 2015 vote approaches. The nation's four main opposition parties merged this year in order to take on Jonathan, while some senior PDP figures quit the party to form their own group.

Nigeria is still well-placed relative to its emerging-market African peers if the budget deficit deteriorates, according to Cowan. "Even if the budget slips next year, say from a deficit of 2.2-2.5 percent of GDP to 3.5 or 4 percent, this is still relatively slim compared with Ghana, Kenya and Zambia," he said. Ghana is forecasting a budget deficit of 9.2 percent of GDP this year, its Vice President Kwesi Amissah-Arthur said last month, while both Kenyan and Zambian budget deficits exceed 5 percent. The medium-term spending plan projects oil output of 2.39 million barrels a day for 2014, compared with 2.53 million barrels this year. Actual production this year has fluctuated between 1.8 million and 2.2 million barrels a day, according to data compiled by Bloomberg. "What we'd hope for is a more realistic projection for oil production," Giulia Pellegrini, sub-Saharan Africa economist at JPMorgan in London, said in an interview. "Clearly 2.5 million barrels a day is unrealistic. 2.3 million would be more realistic, but it depends on the government continuing efforts against oil theft, and actually realizing some victories on that score."*(Bloomberg)*

Nigerian banks' earnings slowed in the most recent quarter as lenders struggled to boost profit on elevated cash reserve requirements (CRR) and growing regulation. The 13 commercial banks that have released earnings for the nine-month period to September 2013 grew pretax profits by 9 percent to N388.9 billion, the slowest pace of growth in about two years. Five lenders (Unity, Union, Fidelity, Access and Skye) reported lower pretax profits for the nine-month period compared to the year-earlier period, while earnings growth for the rest rose at a slower pace than in the previous year, except for Stanbic IBTC, Wema Bank and Ecobank. Little wonder the International Monetary Fund (IMF) has urged the Central Bank of Nigeria (CBN) to curb the frequent use of CRR as a monetary policy tool. "Changes to the CRR require banks to make abrupt adjustments in their portfolios and as a consequence can induce volatility in financial market prices," said the IMF in a technical note on strengthening Nigeria's monetary and liquidity management published in October. "An increase in the CRR…imposes additional costs on banks, which then get passed on to the economy in the form of wider interest rate spreads. Therefore, changes in the ratio should be infrequent and made only when there is a strong reason not to use market-based instruments (i.e., government/CBN securities and foreign exchange sales)," noted the IMF. The CRR for banks – the minimum cash as a percentage of customer deposits that each bank must set aside as a reserve – has risen from 4 percent in 2011 to 12 percent for private deposits and 50 percent for public sector deposits. The IMF estimates that a 2 percent increase in the level of the CRR adds approximately 0.5 percent to the spread between deposit and lending rates. The CBN has kept its monetary policy rate (MPR) at a record high of 12 percent, while the liquidity ratio stands at 30 percent, and the net open position at 1 percent of shareholders' funds. Higher reserve requirements, tighter monetary policy and regulation aimed at lowering fees and increasing competition will crimp the ability of the industry – with year-end 2012 assets of N21.7 trillion ($136 billion) – to deliver returns in excess of their cost of equity, according to Renaissance Capital. A key driver of Access Bank's year-to-date (YTD) net interest income of N60 billion down by 22 percent (2012: N77bn) "is the impact of additional liquidity sterilised arising from increase in cash reserve on public sector deposits", the bank said in a presentation to investors and analysts made on November 4. While Nigerian banks appear to trade cheap, South African lenders trade at 2.4 times higher on a price-to-book basis, according to Bloomberg data. However, investors will be wondering if the slowdown in earnings growth is just a bump on the long-term growth path for Nigerian lenders or the start of a new normal of low return on equity (ROE). "The impact of the CRR and other CBN policies on banks' earnings is short term and we expect each bank to develop new strategies," Abiodun Keripe, head, investment management and research at Investment One Financial Services, said in a response to questions. "There are massive lending opportunities and we have seen some of the banks approach the market to raise some form of capital to further support their lending business." Zenith Bank expects to increase loans to the power sector to 10 percent of the bank's loan book by next year, up from 4.3 percent or N40 billion in the third quarter, said Godwin Emefiele, the bank's chief executive officer, in an interview last week. Guaranty Trust Bank (GTB) issued a five-year $400m Eurobond last week at a yield of 6.125 percent to finance power and oil projects. The Nigerian Stock Exchange Banking 10 Index has increased 20 percent this year, although it has underperformed the wider all share index up some 35 percent year to date. "The push for real sector growth ordinarily is a key driver of bank's business," said Keripe. "I believe that as we progress into 2014…there will be gradual improvement in ROE."*(Business Day)*

The Central Bank of Nigeria (CBN) has said it will continue to implement policies that will ensure the Consumer Price Index (CPI), which used to measure the level of inflation in the country remains within the single-digit band. The CBN Governor, Mallam Sanusi Lamido Sanusi, said this during an interview with journalists in Lagos at the weekend. The National Bureau of Statistics (NBS) is expected to release the October inflation numbers on November 18, 2013. The consensus is that headline inflation will continue its downward trend in the last quarter of the year. The CPI for September was eight per cent, the lowest level since March 2008. But Sanusi disclosed that in 2014, the central bank would ensure that inflation remains within the band of six to nine per cent. "As you know, we have to continue working to keep it around our target. Inflation is not static. Nine per cent is where it is today, but we have to make sure we keep it at sub-nine," the CBN governor added. According to him, the CBN had set a floor of six per cent. Furthermore, he predicted that in the medium- term, the country could achieve inflation within the region of four to five per cent. "Six per cent is the floor because there are very huge adjustment costs if you try to move too quickly to very low inflation target. But we can do that gradually and this is the beginning of the process. "In the medium- term, we should be able to move Nigeria into a proper lower inflation environment and a region of four to five per cent," he declared. Meanwhile, a Lagos-based financial advisory firm, Financial Derivatives Company Limited (FDC) has forecast a further decline in the headline inflation for the third consecutive month in October to 7.79 per cent. A report from the firm also argued that given the expected decline in inflation for October and the rest of 2013, the Monetary Policy Committee (MPC) would have more room to concentrate on achieving its other policy objectives of currency stability and economic growth. It however added: "All indications are that the MPC will maintain its current monetary policy stance at its November meeting. However, there is a slight possibility of an increase in the cash reserve requirement (CRR) on all public sector deposits from 50 per cent to 75 per cent. "The consensus however, supports maintaining the status quo while the following are factors that would influence the outcome of the meeting: treat of fiscal overdrive; banking system liquidity and high powered money and currency weakness.*(This Day Live)*

Following its consolidation in mature markets, the British banking group, Barclays, has turned its sight on emerging markets with Nigeria as a major target. THISDAY learnt that a team from Barclays will be arriving Nigeria soon to open up and continue discussions with a number of Nigerian banks the British banks may be keen on acquiring. According to findings, the local banks it has set its sight on include Union Bank of Nigeria Plc due to legacy issues. Barclays used to own Union Bank until the Indigenisation Decree of 1970 forced it to leave the country and relinquish its stake in the bank. However, THISDAY learnt that owing to the challenges Union Bank has encountered in recent years which led to the intervention by the Central Bank of Nigeria (CBN) and the Asset Management Corporation of Nigeria (AMCON) in 2009 and 2010, respectively, Barclays might not be that interested in investing in Union Bank despite their history together. Nevertheless, industry sources said other banks in which Barclays might make a play include Guaranty Trust Bank Plc (GTBank) because of the Nigerian bank's track record. GTBank has maintained a relatively clean track record and has grown organically to become one of Nigeria's largest banks. Its listing on the London Stock Exchange (LSE) means that the bank has been subjected to much more rigorous scrutiny by authorities in the United Kingdom than its peers in the Nigerian market. Its foreign listing also saw it become one of the first banks in the country to switch to International Financial Reporting Standards (IFRS) and all these, said an industry analyst, have made it the darling of foreign investors trying to enter the Nigerian market.

THISDAY learnt that Barclays might also be interested in Enterprise Bank Limited. But when contacted on the development, the Managing Director, AMCON, Mr. Mustapha Chike-Obi, whose institution owns 100 per cent of Enterprise Bank, said: "I don't know for now if Barclays is one of them. But I know about 22 firms have expressed interest in the bank. "The process is being handled by the financial advisers and they will let us know at the appropriate time." The Chief Executive Officer, Barclays, Antony Jenkins recently said the bank would cautiously work to strengthen its operations in Nigeria. He had explained: "We have a representative office there (Nigeria). We do some business in Nigeria and we are going to grow that business and I think quite cautiously over time, and then we will see what opportunities present themselves. "Obviously in the medium term, we would like to have a bigger presence there but we are not going to make some big inorganic play which would be very expensive. "We have a unique footprint from the African continent and so bringing our corporate customers to Africa is going to be a very important strategic focus for us and that's the unique advantage of Barclays because we have got a global footprint and we have got the presence."*(This Day Live)*

The nation's total debt now stands at N8.32tn ($53.42bn), the Debt Management Office has said. The latest statistics released by the DMO on its website on Monday showed that as of September 30, 2013, the total debt comprised the external debts of the Federal Government and the state governments as well as the domestic debt component of the Federal Government. This means that the data did not include the domestic debt component of the 36 states of the federation and the Federal Capital Territory Administration. A breakdown of the debts showed that the external debts of both the Federal and state governments stood at N1.28tn ($8.26bn) as of September 30. Much of the debts, however, were incurred by the Federal Government from domestic sources as these contributed N7.03tn ($4.15bn) to the total debt stock. A further breakdown of the domestic component of the total debt stock showed that the Federal Government Bonds contributed N4.22tn or 59.93 per cent of the domestic debt. The Nigerian Treasury Bills accounted for N2.48tn or 35.31 per cent of the domestic debt component. Treasury Bonds, on the other hand, accounted for N334.56bn or 4.76 per cent of the domestic debt of the Federal Government. As of June 2011, the total debt of the country stood at $37bn. In terms of instruments, the FGN Bonds accounted for N4.03tn or 58.87 per cent of the Federal Government's domestic debt stock then.

The Nigerian Treasury Bills accounted for N2.48tn or 36.25 per cent of the domestic debt component. On the other hand, Treasury Bills accounted for N334.56bn or 4.88 per cent of the total domestic debt owed by the Federal Government. The Director-General of the DMO, Dr. Abraham Nwankwo, had recently said that compared to the level of foreign debt, the Federal Government had over-borrowed from domestic sources. While unfolding the nation's Middle Term Debt Management Strategy, which was approved by the Executive Council of Nigeria, Nwankwo said there was an urgent need to rebalance the structure of the nation's debt because the interest rate payable on domestic debt was too high. He said the ratio of the Federal Government's domestic debt stood at 88 per cent while that of the foreign debt stood at 12 per cent. Nwankwo said the appropriate ratio should be 60 per cent for domestic debt and 40 per cent for foreign debt, adding that the newly approved Medium Term Debt Management Strategy would seek to achieve this ratio. One of the ways of doing this is through the establishment of a sinking fund for retiring local debts that get matured. The second way is by borrowing more from foreign sources. Nwankwo said, "The main objective of the Medium Term Debts is to develop a strategy that would meet the financing needs of the government at a minimum cost, maintain risk at a prudent level and support the development of the market." *(Punch)*

The Central Bank of Nigeria (CBN) has designated First Bank of Nigeria Limited, Guaranty Trust Bank Plc (GTBank), Zenith Bank Plc, United Bank for Africa Plc (UBA), Access Bank Plc, Skye Bank Plc, Ecobank Nigeria and Diamond Bank Plc as "too big to fail", owing to the fact that their failure could pose a systemic risk to the banking industry and the larger economy. The eight banks alone account for 75 per cent of the banking sector in terms of earnings, profitability assets, customer deposits and branch networks. Owing to their size and importance, THISDAY learnt that the CBN has adopted a more robust regulatory regime to monitor and scrutinise the eight banks, in order to ensure that they are healthy. In furtherance of the objective, the central bank has asked the eight banks to increase their capital base in order to give them a buffer against internal and exogenous shocks. The Deputy Governor (Operations), CBN, Mr. Tunde Lemo, who confirmed the development, described the financial institutions as systemically important because of their size. Lemo pointed out that any bank that accounts for five per cent of the banking system is systemically important. "What that means is that we have to take a closer look at them. It doesn't mean that they are weak, it is just that we have to focus more attention on them because, God forbid, if something happens to any of them, it may affect the entire system," Lemo said. When quizzed on the capital base that the respective banks are expected to have, the CBN deputy governor said: "It is not that they were asked to raise their capital base, it is just that when an institution is designated as systemically important, it is required to have more capital." For Zenith Bank, its recently released results for nine months ending September 30, 2013 showed that its profit after tax stood at N64 billion with loans and advances of N1.1 trillion. The bank also reported gross earnings of N255 billion at the end of September 2013, up by 11 per cent from the N229 billion recorded in the corresponding period in 2012.

Zenith Bank's total market capitalisation on the Nigerian Stock Exchange (NSE) stood at N675.024 billion yesterday. Also, GTBank's profit after tax stood at N69.24 billion at the end of September 2013, as against N63.734 billion earned in the same period in 2012. GTBank's total assets also stood at N1.875 trillion, compared to the N1.73 trillion as at December 2012. Its share price on the NSE closed at N25.99 per share yesterday, giving it a market capitalisation of N764.916 billion. In the same vein, UBA's unaudited results for the nine months ending September 30, 2013 also revealed that its profit after tax climbed to N37.37 billion. With a market capitalisation of N257.255 billion on the NSE, its share price closed at N7.80 per share. For Access Bank, its recently released unaudited nine-month results showed gross earnings of N154 billion at the end of September 2013. Its profit before tax also stood at N35 billion. Access Bank's market capitalisation on the NSE was N213.269 billion yesterday, while its shares closed at N9.32 per share. Skye Bank Plc's gross earnings rose to N102 billion at the end of September 2013, while its profit after tax stood at N11.650 billion. Diamond Bank also posted a profit before tax of N25.6 billion, while its total assets stood at N1.377 trillion at the end of September 2013. First Bank of Nigeria Limited is yet to release its third quarter results because of its holding company structure.*(This Day Live)*

Nigeria's external reserves continued its downswing as it dropped to $44.997 billion yesterday; its lowest value since January 2013. Data compiled from the Central Bank of Nigeria (CBN) showed that the last time the forex reserves, which are derived mainly from the proceeds of crude oil earnings, was around its current value was on January 17 this year, when it stood at $44.931 billion. According to financial market analysts, the dwindling performance of the external reserves could be attributed to the increased usage of the reserves to support the naira. The CBN offered $300 million at the Retail Dutch Auction System (RDAS) yesterday, whereas the total amount sold was $299 million. In addition, the federal government revenues have continued to face significant pressure due to the decline in oil production as a result of the combined effects of oil theft and pipeline shutdown due to the burgeoning illegal trade. The CBN Governor, Mallam Sanusi Lamido Sanusi, stated recently that a significant per cent of the country's revenue was being lost, "either the pipelines are being vandalised or oil leakages and the revenues are affected." Sanusi added: "We are a country that spends foreign exchange on things we should not spend foreign exchange on. We are one of the world's largest producers of crude oil, but we are one of the biggest importers of petroleum products. We have a population of 170 million people, we have all the resources, and yet we import rice from Asia. We import tomato paste from China. We spend our foreign exchange to import what we produce," he added. The BGL Securities in a recent report had also identified oil theft, pipeline vandalism and technical hitches as the albatross to Nigeria's foreign reserve build up as well as the Excess Crude Account (ECA)/Sovereign Wealth Funds (SWF) savings. This it pointed out may affect fiscal sustainability. The report stated: "The country is currently experiencing the worst oil production disruptions in four years with output falling to pre-amnesty programme levels. "The disruption in oil production explains the reason why the increasing global crude oil price to five-month high of $111 per barrel has not had the expected impact on government revenue, its savings and accretion to the foreign reserves." *(This Day Live)*

Nigeria's state-backed bank tasked with absorbing lenders' bad debts, AMCON, reported a 2012 loss of 822.9 billion naira after taxes on Wednesday, three years after it was formed in the aftermath of a financial crisis. It was a substantial improvement on the after-tax loss of 2.37 trillion naira that the Asset Management Company of Nigeria posted as of December 2011. But the loss was still equivalent to around a sixth of the annual budget of Africa's second-biggest economy. AMCON, which expects to conclude by mid-2014 the re-privatisation of three banks nationalised after a 2009 financial crisis, said in its financial statement that the lenders had a combined worth of about 100 billion naira, representing about 5.7 percent of its assets. The bank was set up to absorb bad debts left over from a financial crisis that nearly bankrupted nine lenders until the central bank spent about $4 billion to bail them out. It said it purchased about 10,000 loans representing about 45 percent of its 2.85 trillion naira worth of total assets. AMCON said it had restructured half of its portfolio of bad loans and that about half of those restructured assets were performing. It said it had collateral for the non-performing ones. The bank said it had 300-400 billion naira of its assets in real estate, and about 200 billion in equity of both listed and unlisted companies. AMCON has said it will retire 2 trillion naira worth of bonds to cut its liabilities by 35 percent and repay bondholders in December 2013 with cash and treasury bills. The bank is seeking prospective investors to buy 100 percent of Enterprise Bank, the first of the three nationalised lenders to be put up for sale. *(Reuters)*

Nigeria consumer inflation fell to a fresh 5-year low of 7.8 percent in October, the statistics bureau said on Wednesday, driven by falling food prices as harvesting begins in Africa's most populous nation. The figure was down slightly from 8 percent in September. Food inflation fell to 9.2 percent last month, down marginally from 9.4 percent in the previous month, the National Bureau of Statistics (NBS) said. "Food prices continued to trend lower for the third consecutive month as a result of the harvest season that traditionally begins in July of the year," it said. "The harvest has weighed on prices in the bread and cereals, meat, fish, and dairy classes." Lower inflation for several months now has added to pressure on the central bank to slash rates for the first time in two years and loosen tight liquidity conditions. The bank's Monetary Policy Committee (MPC) will meet next week to determine rates. The bank expects inflation to remain below its single-digit target throughout 2014, but it is unlikely to loosen its stance. Central bank governor Lamido Sanusi said last month that the central bank had lowered its inflation target as prices hover at 5-year lows to a range of 6-9 percent, from the current target of keeping it under 10 percent. *(Reuters)*

Nigeria's banks are facing a profit squeeze this year as a result of new measures to help the country's economy that are also partly designed to get them to lend more to domestic businesses and consumers. The banking sector, which was bailed out in a 2009 financial crisis, has been making bumper profits by mopping up government deposits and using the cash to buy high-yielding treasury bonds. As a result, the banks have had little incentive to lend to Nigeria's real economy. But new reserve requirements from the central bank in the summer may change all this. They have already put pressure on bank earnings. Some banks are looking at lending for power projects and advisory work on energy deals to try to compensate. The financial sector in Africa's second biggest economy is growing fast, as banks tap into GDP growth of 7 percent. The sector accounts for 40 percent of the local stock market. Total banking assets have almost doubled in two years to 21 trillion naira ($132.1 billion) as at December, 2012. But bank lending is mainly to government or multinationals rather than to domestic businesses or retail customers. Nigeria, Africa's most populous country, with more than 160 million people, has a housing shortage of some 17 million units. But housing finance is limited. There are only 20,000 mortgages in the country in 2013, according to Ministry of Finance data. This is partly because banks have been making easy money by paying 1-2 percent interest for holding government deposits and using the cash to buy government bonds yielding around 14 or 15 percent. Banks' holdings of government deposits were about 10 percent of total deposits and 25-30 percent of total loans before the new rules came in, according to central bank data. The central bank's action was mainly aimed at bolstering the naira and dampening inflation. But central bank governor Lamido Sanusi said at the time he wanted to remove a perverse incentive whereby banks could profit by lending the government its own money. The new measures raised the cash reserve requirement for banks holding government money to 50 percent from 12 percent, which means they have to hold half of those deposits with the central bank. Since then, nine-month profits are down for five banks that have released results and the trend is expected to continue into the fourth quarter. "The directive by the central bank ... will continue to have a negative impact on banks' ability to create earning assets," said George Bodo, banking analyst at Ecobank, adding that he expected fourth quarter bank earnings to decline by 10 percent.

Unity Bank, where government funds are more than a third of its deposits, reported a 73 percent fall in third quarter profit year-on-year. Diamond Bank said last week that the reserve requirement hike would negatively affect the industry. It expects to only meet the low end of its profit forecast of 30-35 billion naira. Last year's profit was 27.5 billion naira. "We grew all the indicators on the balance sheet but did not generate income in the same proportion," Francis Ikenga, head of strategy for Fidelity Bank told Reuters, attributing a 16 percent profit fall to the tighter liquidity. The stock market index of Nigeria's top-10 banks has priced in lower profits, shedding 2.5 percent in the last two weeks, but is still 17.5 percent up on the year. The IMF has warned in a note on Nigeria in October that the increased cash reserve requirements imposed additional costs on banks, which would be passed on to the economy. So far, though, there are signs banks are looking at new avenues for lending to compensate for the profit pain. A number have been advising oil and gas deals in Nigeria, Africa's top oil producer, with several asset sales by oil majors to local buyers in the works. Some are also lining up to finance power projects after Nigeria sold its power plants in a $2.5 billion privatisation in September. United Bank for Africa, with operations in 19 African countries, has spent $700 million in financing power assets this year and plans to put $2 billion into power projects in the next three years. Fidelity, Access Bank and GT Bank have raised $1 billion in total in Eurobonds for the power sector and oil and gas lending. First Bank, Nigeria's biggest bank by total assets, is to buy ICB's West African banking assets to diversify earnings. And retail customers are on the radar. First Bank, which accounts for around a tenth of Nigeria's total banking assets, said in first-half results that 10 percent of its 2.1 trillion naira ($13.2 billion) loan book was to consumers. Ecobank's Bodo says the next phase will be consumer lending. "Nigerian banks will have to start consumer lending. Their current lending model is not sustainable at all," he said *(Reuters)*

Nigeria used $1 billion of its oil savings to supplement government spending in October after revenues for the previous month fell short of its budget forecast, the accountant general said on Friday. Africa's biggest oil and gas producer shares its revenues among three tiers of government each month - federal, state and local - and tops the disbursal up with a withdrawal from its windfall oil savings if there is a shortfall. Government revenues reached 539.55 billion naira in September, up slightly from 525.62 billion naira in August but short of the forecast 623.77 billion, due to oil supply outages, Jonah Otunla said. Oil revenues from Africa's biggest producer, which account for around 80 percent of total government revenue, have been hit by persistent oil theft and pipeline outages this year. The total revenue distributable to the government for October was 568.41 billion naira, plus the $1 billion from the excess crude account, Otunla said. The Excess Crude Account, where the government holds its oil savings, stood at around $4.3 billion prior to the latest withdrawal, down from $9 billion in December last year. Africa's second-biggest economy is becoming increasingly attractive to portfolio investors, but they worry about the government's tendency to squander its oil windfall. Nigeria still has a relatively low debt-to-GDP ratio of around 20 percent, compared with around 50 percent for fellow West African commodities exporter Ghana. *(Reuters)*

Tanzania

Corporate News

No Corporate News this week

Economic News

OVERALL tax collection is likely to fall below the targets for 2013/2014 fiscal year projections, the International Monetary Fund (IMF) has said. The shortfall, IMF said, is likely to require sizable adjustments to the 2013/14 plans in the coming mid-year review to align expenditure with resources. IMF Head of Mission to Dar es Salaam, Mr. Paolo Mauro, said in a statement that the government has reaffirmed its commitment to agreed fiscal deficit target of five per cent of GDP. "For the current fiscal year (July 2013 - June 2014), tax revenues are likely to fall short of initial projections," Mr. Mauro said after the mission completed its work last week. IMF suggested that to sustain economic growth and to stem fiscal pressures during the current and next fiscal year, priorities include mobilising additional revenues by reducing and simplifying tax exemptions and bringing sustainability in the power sector. Fortnight ago, the National Assembly was told that the government missed revenue collection target by 513bn/- in the first quarter of the current financial year, equivalent to 14.3 per cent. Furthermore, government plans in the 2013/14 financial year have been thrown into disarray after it spent more than what was allocated in the recurrent votes. According to the Budget Committee the government collected 85.7 per cent or 3.085tri/-, in the first four months of 2013/14. The collection ceiling was 3.598tri/-. Tax revenue collection fell short by 14.6 per cent. Instead of raising 2.492tri/-, the government managed to bag in only 2.082tri/-. The IMF in its mission said the key medium term policy challenges include fostering continued strong growth through productive infrastructure investment, while preserving priority social spending and maintaining debt sustainability. Others are enhancing the institutional framework to ensure that possible future revenues from newly discovered natural gas deposits benefit all citizens; and improving the business climate. "Discussions will continue in the coming weeks; the next IMF Executive Board meeting on Tanzania is tentatively planned in early 2014," Mr. Mauro said. On other hand, the mission said the economy has continued to perform well, growing by 7.0 per cent in the first half of this year. "The economic outlook is promising, with growth projected to continue at a similar pace for the full year," the IMF said adding "overall inflation fell to 6.1 per cent in September with core inflation (excluding food and fuel prices) at 5.8 percent." The mission met with the Minister for Finance and Economic Affairs, Dr William Mgimwa, BoT Governor, Prof. Benno Ndulu, and other senior government officials, parliamentarians, the private sector and civil society, and development partners. *(Daily News)*

THE introduction of Enterprises Growth Market (EGM) on the Dar es Salaam Stock Exchange (DSE) has come timely because small scale investments hold the key in creation of jobs and prosperity of the economy. The beauty of EGM is that it poises to unlock financial constraints that small Hbiutss: i6n9esses are facing given the fact that 69 per cent of them have no easy access to finance. The UK Secretary of State, International Development, Ms Justine Greening, said they are not only concerned with financing big business in Tanzania but also small enterprises. "The EGM is an incredibly exciting initiative for providing much needed finance for small and growing companies," Ms Greening said during her visit to Dar es Salaam. According to Wikipedia, the London's Alternative Investment Market (AIM) launched in 1995 has raised almost 24 billion pounds and has helped more than 3,000 small-medium-sized companies raise equity to support their growth.

Basically, EGM is a sub-market of DSE that allows small companies to float shares with a more flexible regulatory system than that applicable to the DSE's Main Investment Market (MIM). EGM for the starting-up or refinancing firms does not mean that companies listed or return of investment or its contribution to the economy are trivial. The DSE Chief Executive Officer, Mr. Moremi Marwa, said the beauty of EGM is that it's not that riskier as many investors might think as listed companies are heavily regulated to ensure matters related to good corporate governance are well managed."ÉIt is a requirement that these companies must have the Nominated Adviser (Nomad) at all times both before and after admission to the Exchange," Mr. Marwa told 'Business Standard' in an interview. In the run up to admission, the Nomad will: assess whether the company is appropriate for the market, secondly explain to the company the EGM rules and ensure that directors and anchor shareholders are aware of their responsibilities and obligations. Also, thirdly Nomad coordinates the work of other professionals for instance accountants, lawyers, PR, and so on, who are all involved in preparing the company for public issuance and admission into the Exchange. "Thereafter," the DSE Chief said, "the Nomad will give ongoing advice and guidance on the EGM continuous listing obligation rules". However, the beauty of alternative market listed firms may graduate and be admitted into the Main Investment Market (MIM). "This will happen when the company listed into the EGM has met the listing or admission criteria for the MIM," Mr. Marwa said adding "these include three years history of smooth operations and profitability." Other criteria are the amount of capital issued to the public reaches 500m/-, number of shares issued to the public at a minimum of 25 per cent or one- million shares, at least 1,000 shareholders, among others.

On the other hand, there is possibility of the company in the MIM to opt or may be required into re-listing to the EGM once it fails to meet the continuous listing obligation of the MIM as required by rules, but still it meets the requirements to be admitted into the EGM segment. Mr. Marwa said: "other markets, as is in the DSE, that do have or do not have the two - tier market system have the ways and means to ensure observation of continuous listing obligation by listed companies. "Upon failure to comply, the Exchange has various mechanisms and approaches that it can put into use for the purpose of protecting investors' interest." Among those mechanism are that the Exchange may decide to either put the company into the default board of the DSE or suspend the firm from being listed or may delist the company. "These disciplinary approaches may be used in either the MIM or the EGM," the DSE Chief said. The challenge now is to bring small businesses on EGM board. The Financial Sector Deeping Trust, Technical Director, Mr. Sosthenes Kewe, said the journey of bringing at least 10 per cent of the country's three million has begun. "The challenge now is to bring at least 10 per cent to the EGM and image its impact to the GDP," Mr. Kewe said. The establishment of the EGM is a result of recommendations of a study conducted by the CMSA on the appropriate capital markets structure for Tanzania in its efforts to develop and strengthen the capital markets.

The EGM is expected to create vibrancy of the capital markets and facilitate implementation of national policies aimed at economically empowering Tanzanians. It estimated that SMEs are contributing between 30 and 35 per cent of the country's GDP and employing between 20 and 30 per cent of the labour force-thus ranked the second employer, after agriculture. The fact is the advantages of alternative investments lie primarily in the possibility of achieving a profit ratio higher than that normally found in traditional investments. More often than not, according to wisegeek.com, alternative investment carries a high degree of risk and is frequently encountered in the fields of new or emerging technologies. But economists believe that the higher the risk the higher the returns, as most of millionaires and billionaires are risk takers and not risk averse. Why? Because the lure of potentially quick and high returns leads many an investor to take a roll of the dice and engage in a quick and high return speculative plunge.*(Daily News)*

Tanzania will open its capital markets to east African investors next month as part of reforms aimed at fully relaxing government controls in the economy by 2015, a senior central bank official said on Tuesday. Joseph Massawe, director of economic research and policy at the Bank of Tanzania, said the opening of Tanzania's tightly controlled capital account would result in significant capital flows into the country."We plan to liberalise the capital account by removing restrictions to free flow of capital within east Africa by December this year," he told Reuters in an interview. "By 2015, we expect to remove almost all restrictions on the capital account for investors even from beyond east Africa. We are now making amendments to our financial regulations to ease those restrictions." Massawe said the move was part of Tanzania's commitment under the East African Community (EAC) trade bloc, which plans to introduce a common market with free movement of capital. Currently, only Tanzanian investors are allowed to invest in Treasury bills and bonds and trade shares on the Dar es Salaam Stock Exchange. "The liberalisation of the capital account will open the door to foreigners and bring big capital into Tanzania," Massawe said. "Tanzanians will also be given an opportunity to invest outside the country. The five EAC partner states want to develop their capital markets through regional integration. Uganda, Kenya and Rwanda have fully opened up their capital markets, while Tanzania and Burundi are yet to do so.

Massawe said Tanzania would take cautious steps to ease its tight grip on capital account transactions to minimise risks. "Short-term capital is very volatile, therefore it is very important to proceed carefully to avoid any negative consequences in opening up the capital account," he said. Tanzania issues Treasury bills every fortnight, with tenors ranging from 35 days to one year. Its bond yield curve extends to 15 years.

The country's total outstanding domestic debt was 6,100 billion shillings ($3.8 billion) at the end of August 2013, according to the Bank of Tanzania, with government bonds representing 70 percent of the debt stock. Commercial banks and other investors in east Africa are likely to be attracted by the higher yields in Tanzania relative to its neighbours, analysts said. At an auction last week, the yield on Tanzania's one-year paper was 14.97 percent. Yields for similar instruments in Kenya and Uganda are around 11 percent and 14 percent respectively. However, low liquidity could be a deterrent for investors beyond east Africa. "There's quite a lot of interest in Tanzania from investors who typically have exposure to east Africa or to Africa, but the critical issue is going to be liquidity," said Phumelele Mbiyo, Standard Bank's head of macroeconomic research for east Africa. "There's very little trading that takes place in the secondary market largely because investors don't have any need to trade actively." The government securities market is currently dominated by pension funds and commercial banks who tend to hold securities until maturity.*(Reuters)*

Cotton production is likely to drop to 235, 825 tonnes from the high 355,000 tonnes last season due to due to fall in prices, the Tanzania Cotton Board has announced. The said prices have fallen from 1,100/- per kilogrammes paid to farmers in 2011/12 season to 660/- in the 2012/13 season. The farmers also did not get the input support that they accessed in the last season through contract farming. Speaking in an exclusive interview with The Guardian in Dar es Salaam recently, Tanzania Cotton Board Acting Director Gabriel Mwalo described the drop as steep, well below the 2011/12 season's output of more than 255,000 tonnes. Mwalo said many farmers have been demoralised by the low prices paid in the 2012/13 season. "In 2012/13 cotton season, the prices were 660/- per kg compared to 1,100/- per kg in 2011/12. This drop greatly discouraged some of the cotton farmers, with some deciding to abandon the crop," he said. He added: "The fall in prices was not the only problem. Last season farmers also experienced the problem of contract farming. Most of them failed to get the help channeled through contract farming such as fertiliser. That also affected production." He said despite the bottlenecks, TCB aimed to get about 250,000 tonnes this season. The board also aims at ensuring that more farmers access contract farming through which they will get suitable seeds to increase production. "We have declared cotton de-linted seeds as the only variety that will raise their production and bring back the other farmers who abandoned the crop.

"The seed will be sold for those on contract farming at a subsidized price of 1,200/- per kilo instead of 1600/-," he said. The TCB Boss also advised the government to allow cotton farmers in the country to use genetically modified seeds so as to increase their yields. He said TCB has witnessed the GMOs being applied in cotton farming in West African countries, increasing yields and quality of their produce. "We went to Senegal and other countries in West Africa and were thrilled to learn that GMOs have enhanced production and the quality of the product. Since the GMOs add value to the crop, the government should allow their use here," he said. He insisted: "Kenya, our neighbour, is now moving to use the GMOs because they see the importance. So why not us?" he asked. Speaking recently in Dar es Salaam at a workshop themed "Climate, Food, and Trade: Developing Coherent Policies and Programmes, Lucas Saronga, Acting Ambassador of Tanzania to the United Nations and other international organisations in Geneva, allayed farmers' fear of GMOs, saying that they are certified and approved as safe for use. Economic and Social Research Foundation (ESRF) Executive Director Dr Hoseana Lunogelo urged the government to conduct awareness campaigns on the use of genetically modified crops which apart from being better yield producers are drought resistant, a necessary trait given the ongoing global climate changes. *(IPP Media)*

Local investors bought heavily into Tanzania's first-ever auction of 15-year bonds on Wednesday, with more bids than paper, the central bank said on Thursday. Bids totalled 36.048 billion shillings for the 15 billion shillings worth of bonds on offer. The sale comes one month before Tanzania plans to open its capital markets to investors across east Africa as part of plans aimed at relaxing government controls in the economy. "The government's new 15-year Treasury bond was very successful. It was over-subscribed and the yield was at very good levels," Hamisi Mwakibete, head of trading at Commercial Bank of Africa Tanzania said. The central bank accepted bids worth 15 billion shillings at a yield of 16.6492 percent. The 15-year security carried a 13.5 percent coupon rate. It said the bond offer was a continuation of efforts to "lengthen the maturity profile of domestic debt, develop the country's financial markets, raise funds for long-term development projects." The government hopes to widen the scope of investors in the market, increase competition and lower the cost of borrowing by relaxing its tight capital transaction rules. Amount offered 15.0 bn Total tendered 36.048 bn Successful bids 15.0 bn Weighted average price for successful bids 82.7666 Weighted average yield to maturity 16.6492 Redemption date 14/11/2028. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

No Corporate News this week

Economic News

ZAMBIA's rising external debt, which currently stands at US$3.2 billion, is still sustainable, but if not checked, could erode investor confidence in the country's economy, analysts observe. University of Zambia lecturer and economist Chrispin Mphuka said there is need for the country to slow down on borrowing especially that Zambia is now accessing high interest loans on non-concessional terms. "Zambia still needs to borrow money to enhance various developments but there is need to control the rate at which we are borrowing. There is a danger if we allow this debt to keep rising as it might affect investment inflow," Dr Mphuka said in an interview recently. He said national growth depends on the level of investments flowing into the economy and this also on the economic climate prevailing in the country at a particular time. Dr Mphuka said investor confidence in the economy is imperative as it spurs national growth. "If an economy is growing, it cannot affect investment coming into the country. With a sustainable external debt stock, we still can attract foreign direct investment," he said. Dr Mphuka, however, said Zambia risks to fall back into the debt trap of the early 1990's if no adequate measures are sought to check the rising external debt stock. In a separate interview, a business and investment analyst Cuthbert Malindi said the rising debt stock could disadvantage Zambia to be labeled as a risk investment destination. "Investors or lenders may find it difficult to invest or do business in a country they perceive to be a risk investment destination. Also, a country with a high debt portfolio cannot carry out development projects as resources would mostly be channeled to debt servicing," he said. He said while borrowing cannot be avoided there is, however, need to demonstrate discipline and initiate debt control systems to ensure that borrowing is kept within sustainable levels. *(Daily Mail)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

FBC BANK has secured a new US$10 million line of credit from a US bank with view of supporting local industry, the group chief executive, Mr. John Mushayavanhu, has said. The line of credit will be extended over a 10-year tenure and carries an interest rate of 7 percent per annum. This is one of the longest lines of credit obtained by a local bank since dollarisation in 2009. "That is the kind of money we need and we are expecting disbursements early in the new year," said Mr. Mushayavanhu. Lack of long-term loans caused by transitory deposits has made it difficult for industry to obtain long-term credit for retooling and working capital. With Zimbabwe's debt nearing US$11 billion, this has raised the country's risk profile and made it difficult for companies to source offshore finance. As such, local banks have been finding it hard to mobilise long-term lines of credit due to the country's perceived high risk profile. This, in turn, resulted in banks charging high interest rates. "In (participating in) our small way, we will make a difference. We need to recapacitate our manufacturing sector. It has outdated machinery and the short nature of lines of credit local banks are obtaining are not good enough to boost capacity," he said. The lines of credit that most banks are getting range between one and two years. This has made the cost of borrowing credit expensive, despite the ever growing appetite for credit. Early this year, FBCH obtained a US$40 million line of credit from the Africa Export-Import Bank. The bank also secured another US$5 million from its US- based shareholders. This year, two US-based companies bought close to 12 percent shareholding in FBC Holdings in separate transactions. Consilium Investment Management bought about 4 percent of the banking group's total issued share capital while a Mauritian-based private equity firm ShoreCap II Limited through its United States-based fund managers Equator Capital Planners, acquired an 8 percent shareholding. *(Herald)*

GIANT food processing Nestlé Zimbabwe has invested $20 million in plant and machinery over the last three years as the company seeks to grow regional exports. Speaking at the company's open day last Friday, Nestlé Zimbabwe managing director Kumbirai Katsande said the company has plans to grow exports to Malawi and Zambia in the short to medium term. The development comes at a time when most companies in the manufacturing sector, mainly with local shareholding, have been struggling to remain afloat due to capital constraints. "Since 2010, Nestlé Zimbabwe has invested close to $20 million in the refurbishment and upgrading of the cereals and milo plants and equipment to increase production capacities, efficiencies and introduction of new products," Katsande said. "Our export market is looking good and we are seeing opportunities in Malawi." The company, according to Katsande, is also importing 2000 dairy cows for large-scale commercial farmers and 2 000 dairy cows for small-scale farmers under a $14 million dairy empowerment scheme launched in December 2011. The scheme is expected to run for the next five years. Early this year, Nestlé announced plans to source 500 heifers in the second half of the year as part of its dairy revival scheme. Local farmers, Katsande said, earn nearly $120 million every year from the sale of milk. Speaking at the same function, Industry and Commerce minister Mike Bimha said the plant upgrade was expected to create more jobs at a time when most companies have been downsizing due to declining output. Capacity utilisation for the manufacturing sector this year slipped to 39% from 44% in 2012. Experts say the country's manufacturing sector is generally uncompetitive due to undercapitalisation and use of antiquated technology. Nestlé's output for the first quarter of 2013 was 10% up on the milk category and 20% for the cereals, coffee and beverage categories. "The upgrade of the plant will see more people being employed, there reduce the country's unemployment levels. Main areas in which employment will be created include the production line, sales and distribution and marketing," Bimha said. *(NewsDay)*

ZIMBABWE Stock Exchange-listed Meikles Limited is looking at three and possibly four gold mining companies with a view of getting into partnership with or taking over their assets, a company official has said. Meikles Limited went into a mining joint venture with a Mauritius-based company Afghan Africa Holdings Limited in which Meikles owns 51 percent while AAHL owns 49 percent. The Afghan company is expected to invest up to US$500 million as the group spreads its operations into mining. In an interview with the Herald Business, Meikles executive director Mr. Mark Wood said the company is looking at securing partnerships, with the first mining deal with a local mining company expected to be sealed next week. "We are close to sealing a mining deal with a local mining company as we hope to develop the local mining industry. AAHL would offer vast technical support and a strong financial backing which is a fundamental part in reviving the mining industry," he said. "We are currently looking at three or four gold mining companies with a view of getting into partnerships, as we are set to spread out tentacles in the mining business," he said. He said the new company would be called Meikles Centar Mining Limited which will be mining gold, lithium, chrome and tungsten. Mr. Wood added that they have completed all the regulatory requirements, with all the projects scheduled to start early next month.

"The company is going to carry out prospective activities in Zimbabwe and we would be looking at mining companies that are on the verge of closing down or the those that are experiencing production deficits. "We have since concluded our negotiations with the Zimbabwe Investment Authority as well as the Competition and Tariff Commission, and we are happy to announce that we received all the necessary clearance to start our operations." he said. Mr. Wood said a lot of money would be injected and each project would be funded individually and new capital financial injection would be introduced as required. "We need to come up with structures that accommodate such kind of investments and massive employment is coming up once we start our operations," Mr. Wood said. Mr. Wood said the country has a lot of struggling mines while some are still operating on a care and maintenance basis and the coming in of the partnership deal is expected to revive the industry. Meikles Limited wanted to venture into diamond mining through the acquisition of Rio Tinto (UK)'s 78- percent stake in Murowa Diamonds, but that has been reversed after Rio Tinto decided to stop the deal. Mr. Wood said they would be concluding a deal with a local mining company next week but could not divulge the name of the company. He said details would be revealed once the deal is sealed. *(Herald)*

LOCAL fuel retailer Redan Petroleum plans to sell 60 percent stake to Puma Energy, but the deal might face regulatory hurdles as the proposed shareholding structure would exceed the foreign shareholding threshold provided for in the country's indigenisation laws. Puma Energy, with operations in 33 countries, including neighbouring Zambia and Botswana, is a joint venture between Trafigura, one of the world's commodities trading companies and Sanagol, an Angolan state-owned firm on a 55-45 percent shareholding basis. If the transaction sails through, Puma Energy would pay between US$20-US$24 million for the shareholding, according to an independent evaluation done by a local advisory firm. "We are under pressure and we certainly need a partner (who can bring more life into the business)," Redan managing director and co-founder Mr Tafadzwa Chigumbu said. "We want to give them a controlling stake, 60 percent of the business and I think that will really help the company." Mr Chigumbu said the Reserve Bank of Zimbabwe was now processing their Foreign Exchange Control application. The company was also seeking to be exempted from indigenisation shareholding thresholds. The empowerment law prohibits foreigners operating in the country to own more than 49 percent. However, the Government has indicated that it can relax the terms depending on the transaction as the country is in need of significant foreign direct investment. Last week, Herald Business reported there was a scramble for investment in Zimbabwe's fuel industry as foreigners, some of whom once had operations in the country.

Zimbabwean companies are in desperate need of capital as most of them are showing weak balance sheets. Redan, suffering interrupted fuel supplies due to funding constraints, requires at least US$20 million "but it is always a moving target", Mr Chikumbu said. The company, then co-owned by Mr Chigumbu and Mr Nigel Earle, started fuel imports in 2004. Mr Earle sold his 50 percent shareholding to Mr Chigumbu in 2010 for US$8 million. Since then, Redan has been pursuing various recapitalisation avenues including listing on the Zimbabwe Stock Exchange. Investec of South Africa and Chinese oil company Sinopec also made offers for significant shareholding in the company. Redan sells an average 18 million litres of fuel per month and employs 600 workers. It operates 67 service stations countrywide, most of them franchises while the group owns 17. Puma Energy is a vertically integrated midstream and downstream oil company focusing mainly on emerging markets. The company has grown rapidly since its inception in 1997. It was formed as a specialist oil storage and distribution network for central America. Its business model proved so successful that it was soon extended to other territories. Since 2000, the company has experienced an uninterrupted period of remarkable growth. It has diversified into new product areas and entered new markets. The company owns substantial storage capacity in strategic locations. It is building scale downstream through an active acquisitions programme.*(Herald)*

ZIMBABWE Stock Exchange-listed brick maker Willdale is reportedly contemplating leasing out its Tenerife factory to an unnamed Chinese firm in a development will see the firm virtually surrender production at the Mount Hampden site. According to sources, the company is planning to lease out the factory for five years as the company mulls suspending production due to mounting competition in the brick making industry. The company has recently been weighed down by competition amid choking funding challenges. Willdale management could not be reached for comment as the firm is under cautionary statement. Current output at Willdale stands at around 17,5 million bricks a year while maximum capacity is between 40 million and 50 million bricks. The firm needs US$8 million to return to viability. About US$5 million is required for construction of an all-weather drying facility to reduce the time for drying green bricks in 45 hours from 21 days while US$1 million is needed for working capital. An additional US$2 million was being sought for the acquisition of heavy machinery as Willdale currently has to pay contractors twice the rate of South African contractors to hire equipment. A recent visit by the brick making firm's directors is said to have revealed glaring inefficiencies in the firm's manufacturing processes compared to similar producers in South Africa. The company could only produce 20 000 bricks an hour from a TN90 machine while manufacturers in South Africa made twice as many in the same period with half the staff. Consulting chief executive officer Mr Clifford Mushambadzi was recently quoted in the media as saying no maintenance or upgrades had taken place at the factory in the last five years. The cost inefficiencies mean 1 000 bricks produced at Willdale cost over US$100 while the same volume costs US$60 in South with the firms' raw brick to burnt bricks at 23 percent against 12 percent. *(Herald)*

NATIONAL Foods Holdings will invest $30 million in upgrading its flour mills to boost revenue as the company battles imports that have eaten into its market share, a company official has said. In a four–month to October 31 trading update after the company's annual general meeting on Tuesday, group chief executive Jeremy Brooke said internal resources would be used for the investment. Turnover was up 6,2% compared to the prior year. "We are going to invest over $30 million in flour mills in the next two years," Brooke said. Group's income for the year ended 30 June 2013 grew 26% to $296 million with volumes rising 21%. Overall profit before tax at $17,2 million was 61% higher than the previous year. Brooke said profitability was below budget primarily due to the expensive wheat pipeline installed and the influx of cheap imports resulting in capacity utilisation at its mills falling to 44%. However, the company has eight months' stock of raw materials and stockfeeds orders, which stands it in good stead. Natfoods' stockfeed business posted volume growth of 38% on prior year to 167 000 metric tonnes, driven by improved sales of beef and poultry feeds. Maize volumes were 10% down due to increased competition. The contribution of the fast–moving consumer goods unit remained flat, despite recently launched new rice varieties. Brooke urged government to enforce duty protection on imports to protect local companies. "The impact of imports means that we don't run the factories as well as we should. It is very destructive to us and also to the country," he said. National Foods is an associate company of Innscor Africa. Innscor holds 39,35% of the company's issued share capital, while South Africa's Tiger Brands has nearly 39%. *(NewsDay)*

ZIMBABWE'S largest beverage manufacturer Delta's revenue for the half-year to 30 September grew five percent to $315.5 million, underpinned by a similar growth in volumes, reflecting a depressed market. The brewer, a local unit of the London- headquartered SABMiller, said volumes were up four percent over the same period last year, largely driven by recovery in sorghum beer. The segment sales increased by nine percent buoyed by high demand in the new product line, Chibuku Super. Income was up 24 percent to $76 million. "We are selling everything we can produce at the moment and we are scrambling for investment for another plant to boost production," finance director, Max Valela told an analyst briefing on Wednesday. Chief executive, Pearson Gowero said the group will commission a new plant for the sorghum beer line around March, 2014. Sales in its cash cow lager beers remained depressed, slowing 10 percent because prices have remained high following an increase in excise duty at the beginning of the year. Revenue was four percent lower at $164 million. Government increased excise duty of clear beer from 40 percent to 45 percent in the 2013 national budget. "We are lobbying the government to lower excise duty to drive lager growth," Valela said. Sparkling beverages volumes were steady, recording an eight percent growth margin, while income was also up by a similar margin to $110 million. Growth in maheu volumes was 57 percent on the prior year, while revenue from the segment was 59 percent higher at $7 million. Operating income was 10 percent higher while operating margins improved to 23 percent driven by cost efficiency. Total current liabilities stood at $118.8 million, similar to 2012 although short-term debt was lower at $15.7 million compared to $18.6 million. *(New Zimbabwe)*

ZIMBABWE Stock Exchange-listed Delta Beverages is going to construct a $8 million line for its Chibuku Super brand as the company looks set to maintain its dominance on the local market. The plant is scheduled to be commissioned next year in April. In an interview yesterday, Delta's chief executive Mr. Pearson Gowero said the company was in the process of coming up with initiatives to boost volumes to meet the demand of the Chibuku Super brand on the local market. "We have already purchased a production line for Chibuku Super brand because we have received enormous response from the market. As we speak the line is being shipped into the country and some construction work is underway at our Chitungwiza plant," he said. He also said they are in the process of replacing old fermentation vessels with new ones as the company wants to continue increasing capacity utilisation. "Delta Beverages Southerton Lagers brewery is currently in the process of replacing old fermentation vessels with new ones. "Enormous aluminium tanks used to ferment beer and the latest addition of fermentation vessels at the Southerton brewery will significantly increase the brewery's production capacity," he said. He said Delta has since 2009 been on a recapitalisation drive, adding that the new machinery and technology will significantly improve production and eliminate the current intermittent shortages of some products. "We are currently installing the latest technology on all our manufacturing plants in the country, and through this we hope to maintain our market dominance," he added. Last year the beverages manufacturing company said it had spent $2,5 million on the fermentation vessels. The replacement of old fermentation vessels was set to boost the output of beer by an additional 52 000 hectolitres per month with annual output projected to rise by a considerable 640 000 hectolitres. According to Delta the vessels are being sourced from Holvrieka Ido, a Netherlands-based company recognised as the world's largest tank manufacturer. These new tanks are specifically engineered to operate in a manner that minimises disruption to the environment as they are fully automated. *(Bulawayo24)*

MWANA Africa is expecting a profit of US$3,5 million in 2014 after it revised its earnings from an initial loss forecast of US$14,5 million on the strength of its subsidiary Bindura Nickel Corporation's new mining plan, a report by Edison Investment Research shows. "Edison has adjusted its forecasts for financial year 2014 to reflect the faster-than-expected adoption of Trojan's revised, high grade mine plan. In combination with reduced central costs, this has resulted in a forecast net profit for FY14 of US$3,5 million, compared to a prior assumption of a loss of US$14,5 million". More importantly, Edison said the new high grade mining plan significantly alleviates the group's funding requirement for Mwana's Zimbabwe subsidiary, Bindura Nickel Corporation. BNC' financing risk has diminished after the nickel miner's revised mining plan for phase two of the restart of its Trojan Mine reduced production cost and jolted cash flows. According to Edison Investment Research, the new mining plan targeting high grade reserves reduced funding requirements from the initial US$22 million to US$5 million. "The improved operational and financial performance at Trojan means the funding requirement at BNC has fallen from an estimated US$22 million to US$5 million currently."

The US$5 million requirement will be funded through working capital facilities. Mwana's second quarter operations were characterised by above forecast results at Freda-Rebecca and a faster-than-expected transition to the new Trojan mine plan. Freda Rebecca output continued on a strong upward trend, with tonnes milled being the highest since the September 2011 quarter, aided by material from the promoter open pit. BNC's Trojan Mine recorded a similarly encouraging performance in quarter 2 of 2013, reporting record nickel in concentrate since production began in 1968 in both August and September. This reflects a very rapid transition to the revised mining plan. The main challenges faced by Trojan during the quarter related to equipment avail- ability, which was lower than required owing to the restricted availability of working capital. In the short term, the adoption of the revised mine plan (described in a competent person's review conducted by SRK Consulting as realistic and achievable), higher profits and cash flows that are arising there from, have allowed BNC to reduce its funding requirement for Trojan. The second phase of the restart of Trojan appeared threatened by lack of capital after successful reopening of the first phase since operations were suspended and the assets put on care and maintenance due to macro-economic instability in 2008. *(Herald)*

TELECOMS giant Econet Wireless has signed a deal with US-based network solutions firm Sandvine to help the telecoms firm offer services such as roaming notifications, bill shock prevention, family plans and data bundle options. In a statement accompanying its financial results released last month, the company said it plans to extend its offering to other services as its "voice revenues are slowing down". According to the deal, Sandvine is therefore set to enable services for both prepaid and post-paid subscribers linked to Econet's network. The American solutions firm is exhibiting at the on-going AfricaCom (12-14 November) underway in Cape Town, South Africa. With a subscriber base of over 8.5 million in Zimbabwe, Econet remains by far the biggest telecommunications company in the country retaining a blue-chip status on the local bourse. "Sandvine's technical accuracy … gives us confidence that as our network and subscriber adoption continues to grow, so too will our service offerings," Econet Wireless' general manager Products and Services, Leon de Fleuriot said Tuesday.

Adding his company is "committed to maintaining its leadership position in Zimbabwe" by rolling out new Internet and mobile data services that meet the growing demand across the country. Econet has had to deal with growing competition from Telecel Zimbabwe currently ranked second and rolling out promotions that have rocked prices on the market. The other competitor is state-owned Netone that seems struggling to catch up with the dynamic industry. A week ago Econet raised eyebrows after its chief executive officer Douglas Mboweni was quoted in the media as admitting for the first time in a decade that sanctions imposed by the West were hurting business. *(New Zimbabwe)*

ZIMBABWE Stock Exchange-listed Meikles Limited has completed the $9 million extensive refurbishment of its prime hospitality unit, Meikles Hotel, as the diversified concern repositions the brand. Refurbishment works at the five-star hotel in central Harare began in April last year. Speaking at the official re-opening of the North Wing on Tuesday, Meikles Hospitality managing director Karl Snater said the project was designed to allow the hotel to retain its reputation for building on a solid foundation of experience and tradition while utilising innovation, imagination and creativity to give guests an experience unmatched in this market. "This project has cost about $9 million and has brought an exciting new look to the hotel. One which reinforces its sense of tradition and century-old experience, but which brings with it a feel of 21st century expressionism and a state-of-the-art offering to the world's discerning travellers," Snater said. The refurbishment comes at a time tourism players are renewing the tourism product that had been neglected during the country's economic crisis prior to 2009. Snater said the scope of works for the project included the upgrading of 132 rooms and suites, expanded Club Lounge facilities on the 11th Floor and larger and more modern suites and bathrooms.

It also included new elevators, new air conditioning plants not only for the North Wing, but also for the South Wing, refashioning of banqueting rooms and public areas, a brand new La Fontaine kitchen and new laundry and bakery equipment. "We have expanded and improved our club lounge offering and facilities ensuring that we have the finest facilities to offer for the discerning business and holiday travellers. Our new Presidential Suite which measures 194 square metres is arguably one of the top suites on the continent," Snater said. Speaking at the same event, Deputy Minister of Tourism and Hospitality Industry Walter Kanhanga said the hospitality industry should emulate what has been done by Meikles to work towards an overall national product that was ready and able to meet the expectations of the travellers of the 21st century. "We, in Zimbabwe, have come to expect only the best of Meikles Hotel and with the new developments that have taken place, we will most certainly not be disappointed. We are all hopeful of a continued growth in the number of travellers arriving to stay in Zimbabwe, whether on holiday or on business," Kanhanga said. He said this sector was the most competitive industry in Zimbabwe and it must compete not only with other countries in this region, but with tourist destinations all over the world. *(News Day)*

Economic News

GOVERNMENT and the China Export and Import Bank yesterday signed a US$319 million loan agreement for the expansion of Kariba South hydro power project. Finance Minister Patrick Chinamasa signed on behalf of the Government, while China Exim Bank vice president Mr. Zhu Hongjie represented the bank. "Under this arrangement, the bank will provide funding amounting to US$319,5 million — representing 90 percent of the total project cost — while Government, through the Zimbabwe Power Company will finance the 10 percent balance amounting to US$35.4 million," Minister Chinamasa said. The project is expected to add 300 megawatts to the national grid, a development set to ease power outages. Zimbabwe's electricity generation capacity is about 1 200MW against a peak demand of over 2 200MW. "As you are aware, Mr. vice president (Mr. Zhu), the whole Sadc region is currently facing energy shortages. For Zimbabwe, this has hamstrung efforts to revive our under-performing economy. "You will, therefore, agree with me, Mr. vice president that energy is a key enabler in any economy. Without reliable energy supplies, our economic turnaround efforts will not bear fruit," said Minister Chinamasa. The loan would be used for such services as engineering, procurement of equipment and actual construction to be done by the winning bidder, a Chinese firm called Sino-Hydro.

The firm has an option of sub-constructing building of the two units that would add 300 megawatts to the national grid. Speaking through an interpreter, Mr. Zhu said the signing of the loan agreement signified a major breakthrough in addressing power shortages in the country.

"Sino-Hydro is one of the top 500 companies in China. "It's a very competitive and strong company in China. It is also a good quality client of China Exim Bank. "We strongly believe that this company will be able to complete the project on time and with good quality. We also hope that it will accelerate its construction to ensure that this project will be completed as early as possible to bring benefit to your people," Mr. Zhu said. Zimbabwe Power Company, a subsidiary of Zesa Holdings, last year signed the agreement for the project with Sino-Hydro, an engineering, procurement and construction company. But a debt of over US$25 million owed to China Exim Bank by the Industrial Development Corporation and Farmers World Holdings stalled conclusion of the funding agreement as the two firms were supposed to clear the debt first before new fun-ding. It is understood the debt was settled recently.*(Herald)*

A New diamond miner, Rera Diamonds, said on Saturday that it is set to commence exploration for the precious mineral in Chimanimani, Manicaland Province. Government has in the last few years licensed over six companies including Mbada Diamonds, Anjin and Marange Resources to mine the precious mineral in Manicaland Province. Rera Diamonds said it was yet to start operations in the area pending the finalisation and approval of an Environmental Impact Assessment. The Environmental Management Act requires that impact assessments be conducted to make known the effect that a project will have on the environment before commencement of activities such as mining. "Alstopia Mining Limited trading as Rera Diamonds is a diamond mining company that is involved in the extraction, processing and sorting of diamonds." "The company intends to explore for diamonds in the Chimanimani district of Manicaland Province," the miner said in a statement. Rera said it had engaged the services of the Scientific and Industrial Research and Development Centre to conduct the environmental impact study for the project. Sirdc is a specialised Government institution with various departments such as the Metallurgical Research Institute which is involved in mining-related activities. The ownership structure of Rera Diamonds could not immediately be established. But Government has made it mandatory that it owns at least 51 percent of all diamond mining operations in the country. The diamond sector is expected to play a pivotal role in Zimbabwe's economic revival efforts. *(Herald)*

GLOBAL platinum supplies are expected to rise 1,6 percent this year to 5,74 million ounces, aided by higher output from Zimbabwe, UK-based refiner Johnson Matthey said. Local platinum firms Zimplats, Unki Platinum, Mimosa Mining Co are expected to produce 400 000ounces of the precious metal this year, up 18 percent from a year earlier, Johnson Matthey said in its 2013, Platinum 2013 Interim Review yesterday. "Supplies of platinum will rise by 1,6 percent to 5,74 million ounces, with higher output from Zimbabwe accounting for most of the gains," John and Matthey report said. Rhodium output may rise 14 percent to 33 000 ounces. The report said the increase in Zimbabwe's platinum output was largely due to the ramp-up at an expansion project Zimplats. The project will add 90 000 ounces of platinum production capacity, taking Zimplats' annual total to 270 000 ounces by 2015, the report added. "You have certainly got some expansion still kicking in," Mr Peter Duncan, general manager for market research at Johnson Matthey, told journalists during a presentation in Johannesburg. He said once existing projects have reached full ramp-up, "it's going to take another big chunk of capital investment." Zimbabwe is the world's third largest platinum producer after South Africa and Russia, and has second known reserves after South Africa. Meanwhile, the global deficit in the platinum market is forecast to increase this year to 605 000oz, from 340 000oz last year. Platinum supplies from South Africa are forecast to rise by less than 1 percent to reach 4,12 million ounces next year. Production losses due to one-off factors such as strikes and safety stoppages totalled around 100 000oz in the first half. Further strikes in the final quarter of 2013 could eliminate any increase in South African supplies. Autocatalyst demand will fall by 2 percent to 3,13 million ounces, reflecting weakness in the world's two largest markets for diesel cars, Europe and India. There will also be some additional thrifting by those carmakers still using platinum in gasoline catalysts. However, the use of platinum in heavy-duty applications will rise, with a greater number of diesel trucks meeting strict Euro VI limits. Gross demand for platinum in jewellery will slip by 1,4 percent to 2,74 million ounces. Purchases by Chinese jewellery makers will ease slightly this year after a very strong 2012, but higher demand is expected in Europe, North America and India. *(Herald)*

Across Zimbabwe, dozens of factories lie idle with peeling paint, rusting machines and broken roofs in once bustling industrial districts, symbols of the huge economic challenge facing President Robert Mugabe and his ZANU-PF party. On the surface, things look rosy after Mugabe's landslide election victory in July: growth forecasts are looking more positive as agriculture recovers, inflation has been tamed and the stock market is starting to buzz again after some listless post-election trading. But look behind the headlines and the landlocked southern African nation's manufacturing heartlands, which accounted for a quarter of the economy a generation ago, are now wastelands - and some fear the decay is permanent. From Harare in the north to the second city of Bulawayo in the south, companies are working at a third of capacity, down from 55 percent a year ago, according to the Confederation of Zimbabwe Industries (CZI). "Businesses are collapsing, and the economy will need a real big push-start to get going again," said an accountant winding down tube-making firm BMA Fasteners and Tube and Pipe in Harare. He declined to be named for professional reasons. "At this rate, it's frightening to think what the future holds," the 42-year-old said, scratching his head. "I don't think it is an exaggeration to say it might just be hell." Although they are careful not to blame politics, industry bosses say business confidence has fallen since the 89-year-old Mugabe was declared the overwhelming victor in the July 31 election, which the opposition MDC rejected as rigged. New finance minister Patrick Chinamasa expects the economy to grow 6.1 percent in 2014 from 3.4 percent this year but that will make no dent in unemployment estimated at over 80 percent. Zimbabwe's economy shrank by 45 percent during a decade-long crisis blamed on ZANU-PF, but bounced back in 2009 after Mugabe was forced to share power with arch rival Morgan Tsvangirai after violent and disputed elections the previous year. The July election put paid to that coalition, and with it what some critics saw as the MDC's moderating influence on Mugabe and ZANU-PF nationalism.

In its most blatant form, that nationalism was manifest in Mugabe's "indigenization" push, under which foreign-owned firms have been forced to sell majority stakes to local blacks. However, with the economy so desperate for capital - some estimates put domestic credit demand at $12 billion, more than double total bank deposits - Mugabe may be forced to soften his anti-foreigner stance. "We are likely to see a more pragmatic approach by the politicians," said Grant Flanagan of Amigo Partners, which manages a Zimbabwe-focused investment fund, noting some faint signs of a softening of policy. Most notably, in his new cabinet, Mugabe swapped combative indigenization minister Saviour Kasukuwere for a mild-mannered technocrat who has already suggested the government is open to discussion about the extent and timing of black ownership. However, there are no details and when asked by Reuters about indigenization, another member of the government, Industry and Commerce minister Mike Bimha, declined to discuss something he said was outside his remit. Without a decent period of clarity and consistency, investors are unlikely to be writing any cheques. "ZANU-PF must realize they are in trouble over the economy," independent economic commentator John Robertson said. "Investors, particularly in mining, where they have an opportunity, will want to see whether there really is any softening. If there is, then definitely the economy stands some chance."

Even then, turning the ship round will be difficult. The African Development Bank estimates that fixing the infrastructure needs $14 billion, a sum that in reality can only be met by the World Bank and IMF, which stopped lending to Harare in 1999 because of unpaid debts. Private investors will then have to address a manufacturing vacuum filled by cheap imports, mostly from China. Nowhere is the evidence more glaring than at David Whitehead, a large textile firm that used to employ 2,500 people in Chegutu, 100 km (60 miles) southwest of Harare, but which collapsed two years ago and stands empty today. A handful of people are contracted to maintain machinery. Most of the time, only a couple of guards are on patrol. Elsewhere, the factory sector built during the years of isolation imposed on white-minority Rhodesia has lost makers of everything from shoes to medicines, carpets to building materials and chemicals to food. In 1986 manufacturing contributed 26 percent of GDP. Today it is just over 2 percent. The industrial graveyard includes Ziscosteel, once the largest integrated steel works in the region, which shut in 2008 due to what analysts said was gross mismanagement and a failure by the state-owned firm to upgrade its equipment. The government has been struggling to revive it with a number of foreign firms, including lately Essar from India. "There is a long way to go and the starting point for our companies is retooling. There is no other way. There is idealism, and then there is reality," says economist Prosper Chitambara, a leading private economic consultant.

The Harare tube firm, which used to employ 300 people, says it was a victim of a range of factors - price controls, foreign currency problems, power cuts, and then cheaper imports from India and China. "Everything that could go wrong went wrong," said the accountant in charge of its burial rites. For ZANU-PF, the absence of the MDC as a coalition partner means it has no-one to blame and nowhere to hide. After the July election, it launched a Zimbabwe Agenda for Sustainable Social Economic Transformation, although the document was culled from the black empowerment parts of its manifesto, leading many to see it as more of the same from a party well-known for its empty economic blueprints. However, aides say Mugabe himself is taking greater interest in the economy in a bid to rebuild a legacy tarnished by the hardships and hyperinflation of the last 13 years. A glimmer of hope lies in tobacco farming, where state and private support for small-scale farmers is expected to push production to 200,000 tonnes from 45,000 in 2008, the pit of a slump blamed on Mugabe's seizures of white commercial farms. Many also see huge potential in mining and diamonds if the government can assuage concerns over forced sales of stakes to locals. "We have to wait and see," said the security guard manning the entrance to the David Whitehead factory in Chegutu, echoing a refrain heard in boardrooms from Harare to Johannesburg, London and New York. *(Reuters)*

Disclosures Appendix

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