SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change			YTD % Change	
Country	Index	13-Jan-17	20-Jan-17	Local	USD	31-Dec-16	Local	USD
Botswana	DCI	9407.54	9342.48	-0.69%	-0.84%	9700.71	-3.69%	-3.55%
Egypt	CASE 30	13223.00	12806.77	-3.15%	-3.48%	12344.00	3.75%	0.00%
Ghana	GSE Comp Index	1735.67	1759.27	1.36%	-0.13%	1689.09	4.15%	2.87%
Ivory Coast	BRVM Composite	278.05	281.32	1.18%	1.68%	292.17	-3.71%	-2.60%
Kenya	NSE 20	2971.10	2913.84	-1.93%	-1.90%	3186.21	-8.55%	-8.88%
Malawi	Malawi All Share	13488.57	13352.09	-1.01%	-1.63%	13320.51	0.24%	-1.34%
Mauritius	SEMDEX	1819.68	1843.54	1.31%	1.62%	1,808.37	1.94%	2.31%
	SEM 10	347.48	352.01	1.30%	1.61%	345.04	2.02%	2.38%
Namibia	Overall Index	1108.94	1093.52	-1.39%	-1.41%	1068.59	2.33%	2.73%
Nigeria	Nigeria All Share	26325.93	26223.54	-0.39%	-0.49%	26,874.62	-2.42%	-5.39%
Swaziland	All Share	381.18	381.18	0.00%	-0.02%	380.34	0.22%	0.61%
Tanzania	TSI	3550.11	3550.11	0.00%	-1.48%	3677.82	-3.47%	-6.74%
Zambia	LUSE All Share	4075.15	4044.93	-0.74%	0.21%	4158.51	-2.73%	-3.55%
Zimbabwe	Industrial Index	146.21	145.06	-0.79%	-0.79%	145.60	-0.37%	-0.37%
	Mining Index	58.51	54.56	-6.75%	-6.75%	58.51	-6.75%	-6.75%

CURRENCIES

Currency	13-Jan-17 Close	20-Jan-17 Close	WTD % Change	YTD % Change
BWP	10.50	10.51	0.15	0.15
EGP	18.78	18.84	0.34	-3.61
GHS	4.22	4.29	1.49	-1.23
CFA	617.68	614.63	-0.49	1.15
KES	101.99	101.96	-0.03	-0.37
MWK	717.92	722.40	0.62	-1.57
MUR	34.58	34.48	-0.30	0.35
NAD	13.59	13.60	0.02	0.38
NGN	312.22	312.55	0.11	-3.04
SZL	13.59	13.60	0.02	0.38
TZS	2,163.45	2,196.06	1.51	-3.38
ZMW	9.98	9.89	-0.95	-0.84

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's consumer inflation increased to 3 percent year-on-year in December from 2.9 percent in November, data from the statistics office showed on Monday. Prices rose 0.1 percent month-on-month in December. *(Reuters)*

Botswana has awarded a 1 billion pula ($95 million) contract to a joint venture between Italian companies Itinera and Cimolai to build a bridge in the remote Okavango Delta, a major tourist draw renowned for its wildlife. The project, which will be fully funded by the government and involves the construction of a 1.1 km long road bridge and pedestrian walkways, is expected to be complete in July 2019. It will replace a pontoon service across a section of the Delta. "An environment impact assessment was done since the Okavango Delta area is a UNESCO World Heritage Site. We will make sure construction will not disturb the environment," Elias Magosi, Permanent Secretary in the Ministry of Transport and Communications, told a media briefing. At certain times of the year, the Okavango Delta is home to some of the greatest concentrations of African wildlife, and development has generally been kept to a minimum there. It floods during Botswana's winter dry season, making it a magnet to herds of elephants and other animals. *(Reuters)*

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Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt's $12 billion three-year loan programme from the International Monetary Fund carries an interest rate of 1.5 to 1.75 percent, Finance Minister Amr El Garhy said on Sunday. He said at a news conference that each tranche of the loan would be repaid within 10 years of disbursement with a 4.5 year grace period. The IMF approved the loan, which is linked to an ambitious economic reform programme, and paid Egypt the first $2.75 billion installment in November, but the full terms of the deal have yet to be published. *(Reuters)*

Yields on Egypt's three-month and nine-month treasury bills rose at an auction on Sunday, central bank data showed. Yields on the 91-day bill increased to an average of 19.017 percent from 18.889 percent at the previous auction. Yields on the 266-day bill rose to 20.191 percent from 19.858 percent at a similar auction. *(Reuters)*

Egypt is on track to receive the second tranche of a $12 billion three-year loan from the International Monetary Fund pending a visit in the end of February to review progress on its economic reform program, the Fund said on Wednesday. The IMF originally approved the loan, intended to jumpstart an economy battered by years of turmoil that has driven away investors and tourists, key sources of hard currency, in November when it released the first $2.75 billion instalment. "Although (economic indicators) for December have not been published yet, early indications are that the benchmarks for the next tranche of the loan are likely to be met," IMF Mission Chief for Egypt Chris Jarvis said at a news conference. The deal came into effect days after the central bank took the dramatic step of letting the pound float freely in currency markets. But the details of the agreement and the government's reform timetable were not immediately released in full, prompting questions from economists about how the markets were expected to track the government's progress. Egypt will scrap its remaining caps on transfers and deposits of foreign currency by the end of June and overhaul its oil sector, the IMF staff report from November, released on Wednesday, showed. Some of the toughest measures, including floating the currency and introducing a value-added tax, have already been implemented. Egypt's pound has more than halved in value against the dollar since the float, trading at almost 19 pounds to the dollar on Wednesday. "The exchange rate is more depreciated than we expected given the fundamentals," Jarvis said.

The program sets out a raft of other measures including an end to energy subsidies, reforms to public enterprises and an overhaul of monetary policy that Egypt will make over the next three years to restore economic stability and long-term growth. "The restoration of macroeconomic stability will allow Egypt to put the economic turbulence of the post-revolution period behind it," the IMF said in its report.
A worsening dollar shortage crippled imports, while the government faced a ballooning public debt, partly due to huge subsidy costs and poor tax collection. According to the 72-page report, the government has pledged to maintain a flexible exchange rate, intervening only occasionally to prevent excessive short-term volatility. It has also promised to scrap by June a $50,000 cap on non-priority imports and a $100,000 cap on individuals' transfers abroad while rebuilding its dwindling foreign reserves. Instead of managing the exchange rate, the central bank will target prices, with inflation forecast to reach 19 percent in the current fiscal year due to the currency flotation, subsidy cuts and the introduction of VAT. The plan envisages inflation falling to 7 percent by the end of the program, with the central bank tightening monetary policy using interest rates and other tools. Jarvis said the Fund expects inflation to begin dropping sharply by the second quarter of this year. But planned austerity measures carry enormous political risks for President Abdel Fattah al-Sisi, who promised to restore stability and prosperity when he seized power in mid-2013. While no protests have materialized, inflation has soared to over 20 percent and ordinary people say they are finding it harder to make ends meet.

In its report, the IMF acknowledged the risk that the government could cave in to political pressure to slow down painful changes. "The risks to the program mainly arise from the difficulties inherent in implementing a strong and wide-ranging reform program," the IMF said. "Failure to tighten monetary policy sufficiently could lead to exchange rate and inflationary pressures and loss of reserves. Structural reforms are vulnerable to opposition by vested interests. There is a risk that regional conflicts could intensify and domestic security conditions deteriorate."The deal also commits Egypt to longer-term structural reforms and new insolvency, industrial licensing and other laws aimed at cutting government bureaucracy and encouraging private-sector investment. Among the boldest moves is a plan to reform the oil sector in general and state oil firm EGPC in particular.

Egypt will develop that plan by the end of March. EGPC will also repay nearly $3.6 billion of arrears to international oil firms and seek not to accumulate new arrears. On the fiscal front, the government has promised to eliminate gasoline and diesel subsidies in 2018/19 and will publish quarterly reports on inflation and monetary policy as well as financial stability to give investors more visibility. "We believe that the policies described ... are adequate to achieve the objectives of our program over the medium term," reads the government's letter of intent published with the IMF staff report. The government's measures are expected to reduce its debt from about 95 percent of GDP in 2015/16 to about 86 percent by 2018/19 and 78 percent in 2020/21, the report suggests. GDP growth is expected to remain stable at about 4 percent this fiscal year as high interest rates, government austerity and inflation dampen business. Growth is seen rising to 5-6 percent in the medium term, the report says. The IMF's $12 billion loan is part of a wider financing package for Egypt, which is estimated to need $35 billion over three years. The IMF said the program was fully financed for the first year but additional financing was needed for the next two years. It confirmed that China, the United Arab Emirates, Germany, Britain, France and Japan had all contributed in various forms. Saudi Arabia, once among Egypt's closest backers, was not named, however. Differences over regional politics have soured relations between the two countries in recent months, culminating in the suspension of Saudi oil aid to Egypt last year. *(Reuters)*

Egypt's Suez Canal revenues fell to $5.005 billion in 2016 from $5.175 billion the previous year, Reuters calculations showed on Thursday. A government website published earlier on Thursday data showing the revenues reached $414.4 million for the month of December. *(Reuters)*

Egypt will fix its customs dollar exchange rate and adjust it on a monthly basis to help importers better cope with pricing of their products after the central bank floated its currency in November. The Finance Ministry fixed the customs exchange rate at 18.5 pounds per dollar until the end of February and said it will review the rate each month, state news agency MENA reported late on Monday. But importers seemed unimpressed with the move, saying on Tuesday the new fixed price, which is close to the dollar price at the banks, falls short of their expectations. "They are taking the average rate at the banks and the dollar may weaken during that month. We were expecting the rate to be at 10 pounds per dollar," said Ahmed Shiha, head of the importers division at the Cairo Chamber of Commerce. Egypt abandoned its peg of 8.8 Egyptian pounds to the U.S. dollar on Nov. 3, floating the currency in a bold move that has since seen it roughly halve in value. The move helped it secure a $12-billion loan program from the International Monetary Fund. Hany Farahat, an economist at CI Capital, said: "This does not contradict the flotation of the pound. It just helps importers have some kind of visibility on the rate of the dollar they should use in their pricing. "The fact that it is going to be changed every month based on a monthly average maintains the flexibility element. I don't see it in opposition of the flotation mechanism." Thousands of importers have been caught out by the float, facing ballooning dollar debts after they had opened dollar credit-lines with banks. They also face difficulty in pricing their imported goods in Egyptian pounds and have called for the government to fix its customs dollar exchange rate to provide more clarity. *(Reuters)*

Egyptian Prime Minister Sherif Ismail said on Thursday he expected parliament to approve nominations for ministers in a cabinet reshuffle by the end of the month, state news agency MENA reported. The previous cabinet reshuffle took place last March, when President Abdel Fattah al-Sisi named 10 new ministers, including for the finance and investment portfolios. Ismail said they had not yet finalised which ministries would be changed or the list of nominations, which he said would be completed next week before it was submitted to parliament, MENA reported. He added that some ministries may be merged but did not specify which ones, the agency added.
Egypt is pushing ahead with painful economic reforms after securing a $12 billion loan programme with the International Monetary Fund in November. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana plans to issue 17.4 billion cedis' ($4.1 billion) worth of domestic instruments for government finances and debt restructuring in the first three months of this year, the central bank said on Monday. The papers will include a fresh five-year cedi bond this month worth 600 million cedis to support the budget, and a three-year 700 million cedi bond to be issued in February, the bank said in a statement. The two bonds will be issued through book-building transactions, and settlement will be on the last Monday of each month. In all, about 15.5 billion cedis will be used to roll over expected maturities. "... Government may consider accepting a reasonable amount above the target to build buffers which would be used to reduce borrowing at the short end of the yield curve," it said. The West African nation this month inaugurated former opposition leader Nana Akufo-Addo as president. The major commodities exporter is halfway through a three-year financial aid programme with the International Monetary Fund to stabilise its economy, which is dogged by high public debt, budget deficits and inflation. *(Reuters)*

On the Ghana Stock Exchange (GSE,) the stock market fell in terms of total volumes and values in the second day of trading for this week as total shares traded declined by 35.02% from week open level. Further, the value of shares fell by 14.65%. The broader market returns [i.e. CI] which measures the average returns on the market inched up by 1.69 points owing largely to gains recorded on CAL and GCB shares. Although the market is barely two weeks into the New Year, earnings report and strong fundamentals will be major drivers for the performance of equities on the Accra bourse in 2017. Listed companies that record impressive bottom-lines will be an attractive option especially for retail investors on the stock exchange. GN Analysts anticipate better market performance in 2017 compared to 2016. Top 7 equities to look out for in terms of capital gains in the short term are FML, GOIL, EGH, UNIL, SIC, SOGEGH and ETI. Equities like UTB and TOTAL could see a turnaround of the company's share performance if the fundamentals improve in 2017. Trading activity on the bourse ended with 2 gainers [CAL & GCB] yesterday. UTB topped trading chart in terms of volume as 64,900 shares worth GHS 1,947.00 changed hands. Returns on the Composite and Financial Stock Index pegged at 2.67% and 4.47% respectively. Trading activity on the Ghana Alternative Market (GAX) was hushed as no shares changed hands yesterday. HORDS currently lead record capital gains on the GAX, appreciating by 25% from 2016 year open. The Cedi LOST marginally to all the major trading currencies yesterday. The local currency exchanged at a mid-rate of GHS 4.2306 to the USD, GHS 5.2413 to the GBP and GHS 4.5338 to the EURO. The GCFM Cedi index, a measure of the holistic performance of the Cedi on the inter-bank market now records a year-to-date depreciation of 1.19% *(Ghana Web)*

The Chamber of Petroleum Consumers (COPEC) has blamed the continuous fall of the cedi against the dollar for the recent price hikes of fuel at the pumps. According to COPEC, the situation has resulted in speculations leading to an increase of about 4 to 10 percent in fuel prices. Fuel prices at the pumps saw an increase yesterday after an initial increase last week. Speaking to Citi Business News, the Executive Secretary of COPEC, Duncan Amoah called for an immediate review of some of the petroleum taxes to cushion the ordinary Ghanaian. "Primarily, what is accounting for all of these seems to be the Cedi depreciating further against the dollar; and in the industry, speculation is that, it is going to hit about 4.5 before the end of the month [January]," he explained. Mr. Amoah insisted that there is the need to review some of the taxes to bring some relief to Ghanaians. "Today as we speak, the petroleum tax alone is driving all of us to the point we are seeing ourselves in… the taxes that we have been complaining about like I indicated; the national petroleum tax initially, was around 33 pesewas per litre, but today it has shot up to almost 54-55 pesewas per litre," he said. Checks by Citi Business News indicated that, the price of a litre of petrol went up between 8 and 11 percent, while the same quantity for a litre of diesel is up between 9 and 11 percent. A litre of petrol at some major Oil Marketing Companies (OMCs), is now selling between GHc 4 and GHc 4.15.

These hikes have attracted some agitation from consumers who say the increment is too high. Some commercial drivers have also begun adjusting their fares following the increase in fuel prices. *(Ghana Web)*

Foreign Direct Investment (FDI) has seen a consistent drop in five years, by 65.85percent, since peaking at US$6.3billion in 2011, while the value of registered local businesses has, encouragingly, been on the rise. According to data from the Ghana Investment Promotion Centre (GIPC), between 2011 and 2015, the value of FDI has dropped from US$6.3billion to US$2.3billion, worsening to US$1.9billion in the first three quarters of 2016. Local investment, on the other hand, has increased by a whopping 1,033.2percent from US$829.5million in 2013 to US$9.4billion in 2015. Explaining the FDI drop to the B&FT, Mawuena Trebarh, CEO of the GIPC, said FDI inflows on a global scale have struggled to recover since the global economic and financial crisis of 2008. "This trend is, therefore, not specific to Ghana and it is not isolated from the global economy," she said, adding that the GIPC, itself, has become careful and is focusing on quality investments and not merely shoring up the numbers. "If we can demonstrate that this investment can create a certain number of jobs and will be able to transfer this kind of technology, then we will push that agenda and make recommendations for incentives, because we can prove that within a certain time frame, it is not just tax revenue, but ancillary jobs, that will be created," she said. "It is important to note that Ghana, today, is significantly different from what Ghana was two decades ago, and that is why our legislation has had to change to meet the requirement of the new economic era in which we find ourselves. We must promote investments that will create development, which include jobs and new technologies. If we do not look at investment promotion in that context, then we will look at hard numbers and we can't tie in the development requirements," she added.

Two sectors the GIPC has strategically attracted investments in are manufacturing and tourism, Mawuena Trebarh explained. Some major investments attracted included Ciments De L'Afrique Ghana, a cement plant at Tema valued at US$75million and expected to create 1,200 jobs; and Wangkang Ghana Ceramics Limited, a ceramics floor and wall tiles manufacturing company at Eshiem in Sekondi-Takoradi, valued at US$93.6million, with about 2,000 jobs to be created. Twyford Ceramics Co. Ltd is also in with US$77.26million investment, to manufacture ceramic floor tiles at Aboadze in the Western Region, and to create an expected 1,700 jobs. The GIPC also sees the entry of Perennial Ghana Development Limited (Shangri La), as a strategic one. The US$506million investment is a development of a mix use facility, with a 5-star hotel, serviced luxury apartments, offices, and a retail mall in Accra, expected to create about 15,312 jobs. Another worthy FDI the GIPC mentions is the US$59.45million Hilton Garden Inn at Airport City, by Independent Properties Limited, expected to create 414 jobs. "Looking at what is required to build a strong tourism investment promotion initiative, if we do not have appropriate hospitality facilities it will be difficult to attract investors," Mawuena Trebarh said. "Tourism is a big opportunity area for us and a huge place to create jobs." According to the UNCTAD Investment Report, West Africa's FDI inflows have been dwindling, from a high of US$16.8billion in 2012, to a low of US$9.9billion in 2015. Globally, according to the same report, FDI has seen a consistent decline from US$1.5trillion in 2011 to US$1.3trillion in 2014, before rising marginally to US$1.8trillion in 2015. *(Ghana Web)*

Kenya

Corporate News

Safaricom's market valuation now outstrips the combined capitalisation of the next nine largest companies at the NSE, meaning the telecoms operator accounts for 40 per cent of the bourse's total investor wealth. The telecoms firm's market valuation of Sh719 billion is Sh29 billion more than the combined market caps of EABL, Equity Bank, KCB, BAT Kenya, Standard Chartered, Cooperative Bank,Bamburi Cement, Barclays Kenya and KenGen. Previously its value was equal to the next top four. Safaricom has been the best performing NSE top 10 counters over the past one year, with a share price gain of 10.5 per cent. BAT follows with a 6.4 per cent gain, while the other eight counters have shed between 13 and 37 per cent over the period. The difference in performance of the two most commonly used indices at the NSE reflects the oversized impact of Safaricom's large market cap. The NSE All Share Index, which is market cap-weighted — hence Safaricom carries more weight here — has significantly outperformed the price-weighted NSE 20 share index over the past year, recording a softer decline of 12.7 per cent versus 24 per cent for the 20 share. "Before putting money into the market, an investor needs to look at all the indices to get a balanced view. Given its higher weighting on the NSE All share index, Safaricom will influence this index more than it will the 20 share index," said Sterling Capital head of research Eric Munywoki. EABL remains the second largest listed firm with a market cap of Sh170 billion, with no other firm hitting the Sh100 billion mark. Equity Bank is valued at Sh97 billion while BAT Kenya has overtaken KCB into fourth with a valuation of Sh85 billion compared to the bank's Sh81.3 billion. StanChart (Sh61.8 billion), Co-operative Bank (Sh59.2 billion), Bamburi (Sh56.3 billion), Barclays (Sh44.3 billion) and KenGen (Sh35.3 billion) complete the top 10. Top 10 firms account for 78 per cent of the market's total capitalisation, which now stands at Sh1.79 trillion, as well as a similar share of traded turnover. Analysts say that this skewed distribution does not help the market grow, with institutional investors being forced to look at a small pool of counters that they can trade sufficient volumes. The NSE has not been helped by the lack of a regular pipeline of big listings, which would expand the pool of large firms and also bring new investors into the market. "If you take a look at the equities market as it is at the moment, trading activity is skewed; about 10 counters account for more than 80 per cent of trading volumes and market capitalisation out of 66 listings. *(Nation)*

Airtel Kenya's announcement of the second staff retrenchment within one year has raised questions on the firm's ability to mount a challenge on market leader Safaricom. The telecommunications firm on Friday sent home 100 of its staff, in what it termed a "strategic organisational restructuring to improve efficiency across function." The latest redundancy adds to the 60 others that the telco let go in January 2016. Airtel, which is ranked as Kenya's second-biggest mobile operator by subscriber numbers after Safaricom, has in the past stated that it has not made "a single dollar in profit" since its parent company, India's Bharti Airtel, took over Zain in 2010. "Airtel Kenya is undertaking strategic organisational restructuring to improve efficiency across functions with an aim to enhance customer experience," Airtel Kenya said in a statement. "This initiative will impact some roles that will be merged or become redundant." Affected staff were sent on one month paid leave, a redundancy letter seen by the Business Dailyindicated. They will receive their salaries and allowances up to February 13, accrued annual leave days, one month's notice pay, an ex-gratia equivalent of a month's salary and severance pay equivalent to 15 days for every year served.

Industry data from the Communications Authority of Kenya shows that as of June, Airtel had a market share of 16.6 per cent with 6.5 million subscribers on its network. This marked a decline of 200,000 customers in three months. Safaricom ranked top with a 65.2 per cent market share as its customers in the period grew 3.1 per cent to 25.9 million. READ: Airtel loses 0.5m subscribers in SIM cards switch-off. Bharti Airtel has struggled to crack the African market, forcing the firm to divest from some loss-making countries such as Burkina Faso and Sierra Leone. Such divestments and sale of tower assets saw the firm, in the half-year to September, reduce the losses from African operation to $91 million compared to $170 million during a similar period in 2015. Airtel Kenya's management has been aggressively been pushing to have Safaricom declared dominant. The firm had even threatened to exit the country if regulations are not passed to check Safaricom's dominance. "We have been trying for over five years and have not made one dollar in profit. Airtel is likely to exit Kenya if the market structure is not addressed in terms of dominance," chief executive Adil El Youssefi said in September 2015. *(Nation)*

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Uchumi Supermarkets has begun testing a new franchising model ahead of a roll-out later in the year that is expected to offer private and mostly small supermarkets the opportunity to trade under its brand name as it seeks to spring back to profitability. The new business model, if successful, is likely to trigger a chain of reactions by other giant retailers, according to analysts, as it will lead to a scramble for the majority low-end shoppers who mainly depend on the largely informal retail industry. At least two stores running under the brand name Uchumi Xpress are already in operation, with more set to be rolled out. One is located in the middle of Nairobi's Mwiki estate in Kasarani, where it is competing for shoppers with local shops. The Nation found curious shoppers streaming in, signalling interesting times ahead. Uchumi chief executive Julius Kipng'etich is, however, tight-lipped about these developments. "We haven't rolled out the franchises yet. We will be ready to talk about this in a couple of weeks so it would be too early to shout about it. At the moment we are setting up and testing the systems," he said. The franchise model in which a big brand allows smaller players to use its name in a particular market in return for royalties has been in operation in other sectors such as manufacturing, hospitality and transport with mixed results but is yet to be tried in the mainstream retail industry. Nakumatt supermarkets, thought to target middle-class and high-end shoppers, prefers malls while Tuskys, Naivas and Uchumi, which target middle-tier shoppers, set up stores in areas with high traffic such as shopping centres or near bus terminuses. The low-end market, which has for a long time been snubbed by the four retail giants but is increasingly becoming lucrative, is currently the playground of low-end tier retailers such as EastMatt, QuickMart, CleanShelf, GreenMart, Mulleys, Mathias and KassMart.

These retailers have been on an opening spree of stores in the estates and low-income neighbourhoods, bringing goods and services closer to the people and denying the giant retailers traffic. It is this under-exploited "kadogo economy" that Uchumi is targeting by taking on kiosks and convenience stores but without overhead costs. Tuskys had also announced that it would go the franchise way but its chief executive Daniel Githua was non-committal about it when asked about these new developments. "No comment. Let us leave our friends to continue with their plan," he said referring to Uchumi. Tuskys' proposed franchise model is almost similar to Uchumi's but on top of that, it has signed a deal with Vivo Energy Kenya, which will enable it to open 75 convenience stores at Shell-branded petrol stations, a move once completed will make it the largest retail chain in the country. Currently, family-owned Nakumatt is ahead of the pack, with 63 stores followed by Tuskys with 58. Naivas closes the top three with 39 stores. Nakumatt, which is currently testing a dedicated store concept at the Westgate Mall, said they have no immediate plans of going the franchise route. "We are focusing our energies on enhancing our operating efficiencies and guaranteeing a world-class customer experience. For this reason, we shall be maintaining our expansion programme with several stores set to be opened in Nairobi and hopefully several more in upcountry towns," managing director Atul Shah said. Analysts, however, are sceptical of the franchise model, as Kenya's retail industry is not yet mature enough. "The franchise model works when you have perfected the standard model. The reason it hasn't worked so well in Kenya is that we like cutting corners," says Bitange Ndemo, an associate professor at the University of Nairobi's Business School. He adds, "I am not saying that they will fail but they would have to adhere to standards which would be difficult."

The government owns a 14.67 per cent stake in the loss-making retailer and is the second biggest shareholder behind tier-three lender Jamii Bora, which controls 14.90 per cent of the once dominant retail chain until a rapid expansion plan left it on its knees in 2006 with a debt of over Sh3 billion. Since then the one-time retail giant has been trying to make a turnaround. It did so briefly after 2011 when it resumed trading on the Nairobi Securities Exchange only to fall back into the red four years later in 2015 after it fell back on paying its creditors. Saddled with a debt load of Sh3.6 billion, the listed retailer in June last year survived a suit by its creditors, who wanted it liquidated in order to recover their debts. It is yet to announce its full-year 2016 financial results after postponing the announcement twice, citing problems with getting proper financial information from its closed Uganda and Tanzania operations. It is searching for an investor to inject up to Sh5 billion in exchange for a controlling stake but has only managed a Sh500 million government bailout given at the end of last month by the Treasury. *(Nation)*

British explorer Tullow Oil on Tuesday announced more finds at the Erut-1 well in Turkana basin, in what is set to lift the country's estimates of the black gold from 750 million barrels. "We are on track with our 1 billion+ barrels of oil target," the firm said in a statement, citing ongoing exploration works. The latest find involved drilling vertically through 25 metres of rock reservoir holding oil, which is similar to 25 metres of net oil pay. Tullow, however, declined to disclose the amount of barrels struck. "We cannot yet extrapolate exactly how much oil that is but it's very encouraging," the explorer said in response to queries from theBusiness Daily. Tullow struck Kenya's first oil in Turkana's Lokichar basin in 2012 and followed it with a string of other finds that have put the country on the path to becoming an oil producer. The company is set to start churning 2,000 barrels of crude oil daily for early small-scale exports in June as part of Kenyan government's plan to test the global market. The explorer last April announced another find that elevated Kenya's recoverable reserves by 25 per cent from 600 million barrels to 750 million barrels. The latest wet well, Erut-1, was a virgin exploration field (wildcat well) without previous record for oil reserves. It was drilled 1.3 kilometres with the overall oil column for the field considered to be 100 to 125 metres, according to Tullow.

"This discovery is very significant and shows us that oil has migrated to the very northern part of the South Lokichar basin "the Northern Triangle" which has been underexplored thus far," the firm said. "The key message here is that finding oil this far north substantially reduces the risk when drilling other wells nearby. The fact that we have found oil here makes it much more likely we will find even more oil in the area as we explore and appraise." Tullow operates oil block 13T, in which Erut-1 well is located, and block 10BB with a 50 per cent shareholding together with partners Africa Oil (25 per cent) and Maersk Oil (25 per cent). "The next well will be drilled at Amosing- an appraisal well. We will look at the data from the Erut-1 well and assess where to drill next in the Northern part of the basin." The company said that it will not farm-down its stake in Kenya after it recently offloaded 21.57 per cent of its exploration interests in Uganda's exploration blocks to French major Total for Sh92.7 billion ($900 million). *(Business Daily)*

Economic News

The Kenyan shilling was stable against the dollar on Monday but traders expected an uptick in demand from oil and retail goods importers that could put the local currency under depreciation pressure. At 0707 GMT, commercial banks quoted the shilling at 103.95/104.05 to the dollar, same level as Friday's. *(Reuters)*

Kenya's Energy Regulatory Commission (ERC) set on Saturday the following maximum retail prices for diesel, petrol and kerosene for the month to Feb. 14. Kenya has set an upper limit on prices of petrol, diesel and kerosene since 2010 and lists the prices for various areas of the country at mid-month which remain valid for a month. *(Reuters)*

Tea prices at the Mombasa auction kicked off 2017 on a high note, nearly touching a one-year record during last week's auction. A market report by the East African Tea Traders Association (EATTA) indicates that a kilogramme of made tea fetched Sh268 on average in Tuesday's trading compared with Sh260 in an earlier sale. The volume traded last week though dropped by 667,483 tonnes in one of the largest volume declines in recent months as dry weather persisted. "The average price increased to Sh268 when compared to last week's Sh260," says EATTA chief executive Edward Mudibo. In a similar period last year, the highest price at the auction was Sh273 per kilo of made tea. Out of 140,405 packages (9,165,784 kilos) available for sale, 117,231 (7,636,285 kilos) were sold with 16.50 per cent going unsold. The impressive performance gives farmers hope of earning a good bonus at the end of the financial year, if the trend continues. The weatherman reported that the dry spell will persist to April. Drought normally cuts production and raises competition for tea and prices at the auction. Kenya Tea Development Authority (KTDA) had warned of low earnings this financial year. Tea farmers affiliated to KTDA earned a record Sh84 billion in the last financial year helped by a stable exchange rate and high pricing of the commodity in the world market. It was the second successive year of improved earnings. The income was Sh21 billion more than the previous year when KTDA recorded sales of Sh63 billion. The 2016 record earnings placed Kenya at position one globally in terms of payment to farmers, having paid the growers an average of Sh50 per kilogramme. It was followed by Sri-Lanka at Sh48. In the 2015 ranking, Sri-Lanka was placed top having paid its farmers Sh49 per kilo compared to Kenya's Sh41, placing the country in position two. Kenya is the leading exporter of the commodity in the world, selling 95 per cent of its tea in the global market. Kenya is exploring new markets and expanding the existing ones such as China, which has potential to buy more of the local tea. *(Nation)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya's economic growth rate will slow in 2017, from about 6 percent last year, due to sluggish credit growth and as investors take a wait-and-see attitude before a presidential election in August, a senior IMF official said on Monday. Armando Morales, the International Monetary Fund's representative in Kenya, said growth is likely to remain within the 5-6 percent range of the past five years, despite the slowdown. "We expect a deceleration of growth for several reasons, but I think the most important reason we are considering is the potential impact of the interest rate cap on credit growth," he told Reuters in an interview. The government capped commercial lending rates at 400 basis points above the central bank's lending rate last September, hurting already stressed private sector credit growth. After September, banks' lending grew by just 5 percent year-on-year, down from 17.8 percent in December 2015. Stricter supervision of banks by the central bank and the closure of two mid-sized lenders had cut credit growth before the rate cap came in. The IMF's 2017 economic growth forecast for the East African nation will be released later this month after its board meets to review a $1.5 billion precautionary arrangement that was agreed in 2015 and is set to run until March 2018. President Uhuru Kenyatta is seeking a second and final term of office in an election on Aug. 8. He is expected to face off with his main rival, Raila Odinga. A disputed election result in 2007 led to violence that killed around 1,250 people. Odinga challenged the outcome of the 2013 election but the result was upheld by the country's Supreme Court. Morales said investment delays due to concerns over the election were to be expected, but that the government's investments in infrastructure, including roads and railways, would support demand and economic growth. "We believe it is going to be a reasonable deceleration; it is not like the economy will lose momentum. It is only that there are other factors at play," he said. *(Reuters)*

Kenya lags behind the region in creating inclusive economic growth despite years of robust wealth creation. New data from the World Economic Forum (WEF) released at the opening of this year's global meeting in Davos yesterday indicates that Kenya's wealth creation over the past decade has left a majority of the citizens behind. Kenya is ranked 65th out of 109 on the inclusive growth and development index (IDI), a new measure for growth championed by the WEF to provide a more accurate picture of economic development than Gross Domestic Product (GDP) growth. "This new global index conveys a more integrated sense of the relative state of economic development – and recent performance – than conventional rankings based on GDP per capita alone," explained the WEF in part. In addition to GDP per capita, the IDI ranks economies along measures of growth, inclusion and inter-generational equity, and compares this with previous measures. "Some countries score significantly better on the IDI than on the basis of GDP per capita, suggesting they have done a relatively good job of making their growth processes more inclusive," explains the report in part. These countries range from low income to high-income countries and include countries like Cambodia, the Czech Republic, New Zealand, South Korea, and Vietnam. On the flip side, other countries including South Africa, Mexico, Nigeria, Brazil, Japan and the United States are reported to traditionally have high GDP per capita rankings but lower IDI rankings indicating economic growth without social inclusion.

Best performer ALSO READ: How deep is China's love for Africa? At an average growth rate of 5.9 per cent over the past seven years, Kenya has stood out as one of the best performing economies in the region even as other economies battle commodity slumps and currency devaluations. Kenyans have however questioned the country's economic growth as benefiting only a small proportion of the economy while the rest remain stagnant. The new ranking has Tanzania leading the East African region in translating the benefits of economic growth into social inclusive followed by Uganda, Kenya and Rwanda. Despite Kenya's advances in free primary and secondary education, inclusive growth is held back by unemployment that has remained at 40 per cent and has further seen its performance in providing sustainable development to all decline by 4 per cent in the past five years. In addition to this, Kenyan businesses are yet to reap the dividends from the country's relatively developed financial system with majority of them remaining confined to the informal sector. "Kenya has comparatively low labour productivity and GDP per capita as well as a high dependency ration and wealth inequality has worsened considerably over the years," WEF report reads in part. *(Standard Media)*

Kenya's current-account deficit will stabilize after shrinking last year as the currency strengthens, exports increase, tourism improves and remittances climb, central bank Governor Patrick Njoroge said. The gap probably narrowed to 5.2 percent of gross domestic product in 2016 from 10.4 percent 1 1/2 years earlier, he said in an interview Thursday in Davos, Switzerland. The bank will continue to intervene to slow the shilling's depreciation and appreciation, trying to smooth volatility. "The current account has closed quite well and the prognosis is that it will remain at that level in the future," Njoroge said. Kenya's shilling has weakened 1.4 percent against the dollar so far this year. It's depreciated in response to the strengthening U.S. dollar amid higher rates and the expectation of faster growth there, as well as local concerns that the Kenyan current account gap could widen. Rising oil prices and imports of capital goods have led to expectations of a bigger deficit in the broadest measure of trade in goods and services. "The U.S. dollar is the one that has been driving the general movement," Njoroge said. "We cannot intervene against the dollar indefinitely. Not even the Bank of England can do that. It is important to understand that 'Kenya vs the U.S. dollar' is a non starter."Kenya's foreign-exchange reserves currently stand at $6.94 billion, according to central bank data. "The issue is not reserves," Njoroge said. "We don't have the firepower of the U.S. We will continue to intervene to slow the appreciation or depreciation, whichever, as we've done before." Kenya's growth rate in 2017 is expected to be around the same as last year, though the government's introduction of interest-rate caps in August may curb the expansion, Njoroge said. The central bank's forecast is for gross domestic product to increase about 6 percent this year, he said. "Our view is that caps could slow GDP growth, but we still have to see the data and isolate this from the trend," Njoroge said. Kenyan President Uhuru Kenyatta in August imposed a 400 basis-point ceiling on rates to stimulate lending. Growth in loans to the private sector slowed to 4.5 percent in October, compared with 19.5 percent a year earlier, according to the latest central bank data. The measures haven't been in place long enough to establish whether they're working or not, Njoroge said. "We have been monitoring and we have not got conclusive evidence," he said. "The sense is that lending has been curtailed to some sectors that were getting loans at much higher rates. In that sense, it is still not conclusive because banks are trying to accelerate their SME lending. We need to look at the data carefully." Kenyatta's decision to impose the caps fulfilled an election pledge in 2013 to reduce the cost of credit for borrowers as his party targets an acceleration in the country's growth rate to 10 percent. The president is seeking a second term in elections scheduled for Aug. 8. The caps are "not something that will last for ever" and Kenya "won't abandon" free-market rates, Njoroge said. *(Bloomberg)*

Rising prices for Kenyan tea and coffee exports will help offset the impact from a drought that has been hurting the East African nation's agriculture after poor rains late last year, according to officials and traders. The average price of coffee rose 30 percent in the fourth quarter of last year from a year earlier, driving up total earnings by 69 percent in the period. The average tea price has risen 10 percent this year compared to a year ago. Farming accounts for more than a quarter of the East African nation's annual economic output of $62 billion. Coffee and tea exports are a major source of foreign exchange earnings. Richard Lesiyampe, the principal secretary in the Agriculture Ministry, said farmers have been hurt by inadequate rainfall during the usual October to December "short rains". "Because of the depressed rainfall, definitely we are going to have a challenge on all our crops including the cash crops. The short rains failed us," he told Reuters. But he said improving coffee and tea prices at the locally held auctions help offset impact. The Nairobi Coffee Exchange reported a 30 percent jump in average coffee prices year-on-year to $228.64 per 50 kg bag in the three months to end-December and said the trend continued. "We have seen an upsurge," said Daniel Mbithi, the chief executive of the exchange, attributing the rise to high quality beans and depressed output from Brazil and other rivals. The value of coffee sold at the exchange in the last quarter of 2016 rose 69 percent to $25.70 million from a year before. International buyers often use Kenya's high quality arabica beans to mix with lower quality produce from other growers. At the tea auction held in the port of Mombasa, the average price per kg jumped 10 percent to $2.85 this week, compared with the same period last year, said Edward Mudibo, the managing director of the East Africa Tea Trade Association. "There has been a little bit of enhanced demand in key consuming countries, Egypt, Pakistan and even the UK," he said. Tea exports from Kenya, which is the world's biggest exporter of black tea, generated income worth 125.25 billion shillings ($1.21 billion) in 2015. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's consumer inflation quickened to 20.0 percent year-on-year in December from 19.9 percent in November, official data showed on Thursday. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Africa's richest man, Aliko Dangote has embarked on the establishment of multi-million dollar vehicle assembly plant project in Lagos to reduce costs on importation of trucks needed for the distribution of commodities produced locally by the his brand. Indeed, Dangote is partnering a leading Chinese Company, National Heavy Duty Truck Group Company Limited, SINOTRUCK to produce several thousand of trucks used mainly for haulage business from its newly promoted assembly plant at Ikeja, Lagos. The decision to go into the truck assembly plant project was informed by the need to conserve forex in view of the current economic recession that is facing the country. The deal, worth $100 million which is expected to have an assembly plant that will produce 10,000 trucks per year was signed in May 2014 in China, making it the eighth of Shandong, China (SINOTRUK), to be built abroad. According to the deal agreement, the plant is 60 per cent owned by Dangote Group, trading under Dangote Industries Limited, leaving SINOTRUK with the remaining 40% equity stake. Consequently, Dangote Agro Sacks Limited, which occupied the Oba-Akran Ogba premises of the former Nigerian Textile Mills, until recently, has been relocated closer to the group's major operational hubs, particularly the cement plants in Obajana, Kogi State and Ibeshe, Ogun State. The assembly plant is expected to generate employment for an estimated 3,000 workers, when fully operational. Nigeria remains one of the most important markets for SINOTRUK, with Dangote Group operates the largest truck fleet in Africa with over 10, 000 trucks using them for the distribution of its products, like cement, sugar, flour and pasta, among others, even in its plants across the continent. Chief Corporate Communication Officer of Dangote Group, Anthony Chiejina confirmed that the project has taken off and that when fully operational, the nation would be spared the nation of huge amount of forex spent in the importation of the heavy duty vehicles.

According to him, there will be room for the expansion of the project in years to come as it meets the national truck demand, it would explore exportation to neighbouring countries to generate foreign exchange for the nation. Chiejina said the Group President, Aliko Dangote has always believed that the current economic challenges when approached positively will make Nigeria stronger at the end of the day, pointing out that "Alhaji Aliko still be lives that Nigeria is one of the best places in the world to do business" The automobile assembly plant is also coming ahead of another landmark project, a $17 billion, 650,000 barrels per day capacity Dangote Refinery, petrochemical and fertilizer plants located in Lagos expected, to begin operations in the next two years and creating over 300,000 direct and indirect jobs by first quarter of 2019, which would require a lot of long trucks for product distribution. It would be recalled that in preparation of completion of the refinery project, some 100 trainee engineers have been sent on training abroad to handle sensitive aspects of the multi-billion Dollar investment in petroleum products and petrochemical plant. In 2014, according to reports, Dangote Group imported 12,000 trucks from China. That year alone, and despite shrinking domestic and overseas demand, Sinotruk still secured orders for 176,000 vehicles, up by 9.94% from the previous year. Of this, SINOTRUCK sold 34,000 abroad, contributing to almost 20% of its total sales volume and making it the largest exporter of heavy trucks in China for 10 consecutive years. According to China Daily, a leading Tabloid in China, SINATRUCK revenue from overseas sales amounted to 9 billion yuan ($1.45 billion), accounting for about 13% of the total. *(Guardian)*

Africa's richest man Aliko Dangote has partnered with China's heavy duty truck group Sinotruck to set up a $100 million plant to assemble trucks and cars in Nigeria for local use and export, the executive director of Dangote group said. The joint venture, which is 65 percent owned by Dangote and 35 percent by Sinotruck will assemble components and knocked down parts imported from Sinotruck to the Nigerian plant. It aims to meet an expected increased demand for transport in the country as the government focuses on boosting agriculture and farmers need to move goods across the vast country. The first set of trucks will be rolled out next week, Edwin Devakumar, told Reuters in an interview in Lagos. The plant has the capacity to assemble 16 trucks a day and will export to West Africa, he said, adding the facility would expand into vehicle manufacturing. "[The Dangote Group] has a fleet size of 12,000 trucks ... and are large users. One of the biggest challenges in the market today is logistics because we do not have a proper transport network," he said. Last March Dangote bid for a majority stake in Peugeot Automobile Nigeria. The results of the sale have not yet been released. Turning to Dangote's other interests, Devakumar said Dangote was on track to launch its $17 billion oil refinery plant with the first crude for processing going into the plant in October 2019. It will handle 650,000 barrels per day.

The company will scale down operations in its flour milling, sugar refinery and tomato processing businesses however, due to dollar shortages to fund the import of raw materials, he said. Nigeria is grappling with dollar shortages brought on by low prices for oil, its mainstay, and which have hammered its currency and shrunk its foreign reserves, triggering its first recession in 25-years. "Where the foreign exchange is not available we are cutting down our operations," he said. "For example we had a vegetable oil refinery we have shut it down, we had a tomato based processing plant we have shut it down." Dangote's cement business was continuing as its main raw material - limestone - could be sourced at home, he said. He added the firm commissioned a new cement plant in Sierra Leone last week and expected a plant in Congo to begin production this year. *(Reuters)*

The Nigerian Stock Exchange (NSE) has approved the application of Portland Paints and Products Nigeria (PPPN)Plc to raise additional capital from existing shareholders via a right issue. The company had last September applied to the NSE that it would issue 600 million ordinary shares of 50 kobo each at N3.30 per share on the basis of three new shares for every two shares already held to shareholders. However, the NSE has approved the application at an issuing price of N1.70 instead of the N3.30 initially proposed by the company. With the new price, PPPN will be raising about N1.020 billion from the right issue. The Chairman of PPPN, Mr. Larry Ettah last year gave indication of the right issue when he told the shareholders at the company's s annual general meeting that it would raise additional capital in pursuit of its plan to improve returns and address the high leverage position of the company and other business expansion plans. "We will apply the planned rights proceeds to minimise the debt exposure risks of our business as well as carry out targeted expansion in our operations. The business will focus on its growth brands as well as make the necessary investment in marketing to improve its brands' awareness and visibility," Ettah said. According to him, the company commenced a process of restructuring the business focusing on internal efficiencies and reviewing our route to market model in a bid to ensure that we build a sustainable future for the business." He had assured that despite the challenges and risks posed by the business environment, the company, whose flagship brand is Sandtex, would continue to consolidate on the restructuring and seek growth opportunities to deliver returns to the shareholders. He disclosed that the company would focus on innovation and seek opportunities to introduce new products into its array of brands as it pursues increased profitability. PPPN recorded 159 percent growth profit after tax in 2014 to N148 million, from N57.3 million in 2013. However, the company did not pay dividend because it was conserving funds to finance its expansion and business re-engineering process. Meanwhile, the equity market declined further yesterday with the NSE All-Share Index declining by 0.17 per cent to close at 26,201.60. *(This Day)*

Ecobank Nigeria has unveiled an agency banking outlet at Mowe Ofada, Ogun state. This, the bank explained was in line with its determination to convert Airtel franchise locations to agent banking locations. Members of the public can now carry out their financial transactions such as Cash-in; Cash-out; transfers to Ecobank and other banks, bill payments and rapid transfer for inflow cash-out and domestic transfers in the outlet, the bank stated. "Ecobank Agency Banking service is aimed at offering affordable access to financial services to promote and deepen financial inclusion in the Nigeria economy," it added in a statement. According to Head, Consumer Distribution, Ecobank Nigeria, Tunde Kuponiyi, agency banking was a part of the bank's distribution strategy to take banking service to the door-step of the customer, adding that, it offers greater convenience and accessible financial services in a cost effective and secure manner "Banking services provided by the agents banking locations include opening Ecobank Quick Account, cash withdrawal and deposit into Ecobank accounts; funds transfers into any bank account in Nigeria, bills payment (utilities, cable subscription, etc), mobile phone airtime top up amongst other services. "Some of Ecobank agent partners already offering this service in Lagos as Buymore Supermarket chain (in Agungi-Lekki, Kilo Surulere, Ikeja GRA), Kenzo Retail Supermarket chain (in Lekki, Festac and Apapa) and Save-a-Lot Supermarket in Egbeda, among others," the bank stated. *(This Day)*

First Bank of Nigeria Limited said it had been on a journey of strength and dynamism committed to providing the best financial solutions to promote convenience and support the lifestyles of its customers. To this end, the bank said through the years, it had demonstrated an understanding of its customers' modern lives, wants, and needs as part of its drive to become the trusted partner providing bespoke and accessible banking offerings to its teeming customers. It explained in a statement: "One of many of such banking offerings by FirstBank is the money transfer services available nationwide, which provide for customers an alternative transaction channel that is safe, convenient and a flexible means of funds transfer all year round.

These services are also available at weekends as well as on public holidays from some dedicated branches. "With Western Union, customers can conveniently receive money from abroad and send money from Nigeria to over 200 countries and territories Worldwide and recipients can receive funds straight to their accounts. With the outbound Western Union Service, Customers can now send funds directly to bank accounts outside Nigeria with the new Account Payment Network (APN) recently added to the Western Union Service. "Another money transfer service provided by FirstBank for its customers is MoneyGram. With this service, users can now receive money from loved ones abroad or send to them from Nigeria. FirstBank is the leading agent bank for MoneyGram in Nigeria and has been recognised for its increased transaction volume among other agent locations. "The bank also offers the RIA money transfer service with which customers can receive money from loved ones abroad directly into their accounts in Naira. RIA money transfer service also offers the option of cash pick up at over 750 FirstBank branches nationwide. With TransFast, users can initiate money transfer online which can be received directly into FirstBank accounts here in Nigeria. Now isn't this just convenient?" *(This Day)*

Economic News

The value of foreign portfolio investments (FBI) in the Nigerian equities market fell by 51.4 per cent between January and November 2016 following the tight foreign control policies of the Central Bank of Nigeria (CBN). Data from the Nigerian Stock Exchange (NSE) released last week showed that foreign portfolio investments (FBIs) between January and November 2016 stood at N473.5 billion, down from N973.7 billion in the same period of 2015. Although the capital market has remained attractive due to low prices of stocks, foreign investors, who used to dominate, have stayed away as a result of currency, liquidity and reinvestment risks. Speaking on the impact of the foreign exchange (FX) challenge on the market, the Chief Executive Officer of the NSE, Oscar Onyema said after peaking at 31,071.25 in June 2016, an increase of 8.48 per cent over the 2015 closing value, the NSE All Share Index (NSE ASI) began to retreat to negative territory as total foreign inflow dropped 45 per cent between June (N42.46 billion) and July (N23.43 billion) due to loss of confidence in the implementation of an announced free floating FX regime, weak corporate performance and second consecutive quarter of negative economic growth in the period resulting in the economy entering into a recession. Commenting on the low level of FPIs, analysts at Afrinvest said the currency controls which led to the protracted crunch in the Nigerian FX market throughout 2016 continues to prevail in the current operations of the fx market. "Thus, the persistent confidence deficit amongst foreign investors in returning to the Nigerian market due to currency, liquidity and reinvestment risks will remain a drag on capital inflows, performance of corporates and capital market performance," they said.

The analysts said that the disinterest by foreign investors in keying into opportunities in the Nigerian market is also evident in the performance of the Futures market which was introduced by the CBN in 2016 as a medium by which foreign investors can hedge against currency risks. "Despite the attractive prices of the contracts on offer, percentage of total subscription stood at 31.9 per cent as at January 12th 2017 whilst none of the contracts on the calendar have been fully subscribed as investors remain wary of an overhanging liquidity risk at time of exit," they said. Meanwhile, Onyema has expressed high optimism that 2017 would be a better year for the Nigerian economy and the capital market. According to him, Nigeria is expected to recover from its recession in 2017 with a modest gross deposit product (GDP) growth forecast of 0.6 per cent driven by vigour of fiscal policy implementation, with a keen focus on articulation of desired goals, lower rates of disruptions to oil infrastructure from resolution of the Niger Delta conflict, thereby increasing FX inflows, crude oil prices remaining above the federal government's benchmark of $42.5 per cent and positive impact of the war against corruption manifested in ease of doing business improvement among others. The NSE boss said notwithstanding the forgoing, the Nigerian capital market will have to do a better job at promoting its unique value proposition to both global and domestic investors. *(This Day)*

Annual inflation in Nigeria rose in December to 18.55 percent, the National Bureau of Statistics said on Friday, its highest in more than 11 years and the eleventh straight monthly rise. The rise from 18.48 percent in November was driven by surges in housing, water and electricity, while a separate food index also rose to 17.39 percent from 17.19 percent in November, the statistics office. Galloping inflation comes as Africa's largest economy grapples with its first recession in 25 years, largely caused by the fall in global oil prices since 2014.

Crude oil sales account for 70 percent of government revenue. President Muhammadu Buhari last month presented a record 7.298 trillion naira ($23.97 billion) budget for 2017 aimed at stimulating growth and pulling the economy out of recession, but economists have questioned whether those targets are achievable. The soaring cost of living in Nigeria, where the United Nations estimates that 70 percent of the population live on a dollar a day, has prompted widespread anger at Buhari's handling of the economy. *(Reuters)*

The International Monetary Fund on Monday said that Nigeria would recover from economic recession this year, projecting that the country's economy would grow by 0.8 per cent. In its latest World Economic Outlook released on Monday, the IMF said that Nigeria's Gross Domestic Product would grow by 0.8 per cent this year and 2.3 per cent in 2018. The Fund cited increased crude oil production due to security improvement as the reason for the forecast. The projections for this year and the next represent 0.2 per cent and 0.7 per cent improvement from what the IMF had projected for Nigeria in its October 2016 World Economic Outlook. "Nigeria's forecasts were also revised up, primarily reflecting higher oil production due to security improvements," it stated. The forecast, though 0.2 per cent lower, corroborates the 1.0 per cent growth forecast for Nigeria's economy in 2017 by the World Bank in its World Economic Report released last week. While the IMF retained its forecast of 3.2 per cent growth for the global economy in 2017, it, however, raised its forecast for advance countries to 1.9 per cent from 1.8 per cent. It downgraded its growth forecast for Emerging Market and Developing Economies and sub-Saharan economies, respectively to 4.5 per cent from 4.6 per cent, and 2.8 per cent from 2.7 per cent. The IMF said, "Global growth for 2016 is now estimated at 3.1 per cent, in line with the October 2016 forecast." *(Punch)*

The country's external reserves have hit $26.968bn, nearing the $27bn mark, the latest statistics posted on the Central Bank of Nigeria website have shown. The reserves rose to $26.968bn on January 13 from $26.765bn on January 11, having hit $26.658bn and $26.552bn on January and 10 and January 11, respectively. Between December 30, 2016 and January 12, 2017, the foreign exchange reserves rose from $25.8bn to $26.8bn, indicating an accretion of $1bn in two weeks, the CBN data showed. The foreign exchange reserves have been rising significantly in recent weeks following the gradual increase in crude oil price and production output. Experts said the slowdown in foreign exchange allocation to forex markets by the CBN might have contributed to the reserves accretion. Within the space of three days, the reserves rose by $300m from $26.2bn on January 6 to $26.5bn on January 9. The foreign exchange reserves had hit $26.0bn on January 3, 2017, up from $25.8bn on December 30, 2017, the CBN statistics revealed. The reserves ended last year with $25.84bn on December 30, 2016. The foreign exchange reserves had risen to over four-month high of $25.7bn on December 28, up from $25.4bn on December 23. However, currency and economic experts are not sure if the current accretion in the external reserves' is sustainable amid a falling naira and acute shortage of dollar in the foreign exchange markets and the economy. The CBN had spent $4bn from the nation's external reserves to defend the local currency in the last 12 months, despite the staggering fall in the value of the naira against the United States dollar and other major foreign currencies last year. The controversial defence of the naira by the CBN has come under severe criticism from economists, who believe that the forces of demand and supply should be allowed to determine the exchange rate of the naira, at least to a considerable level. The country's reserves had recorded $23.89bn low on October 19. The reserves dropped by 15.9 per cent between 2015 and 2016. *(Punch)*

Despite the impact of recession on the Nigerian economy, the total funds under the Contributory Pension Scheme rose to N6.02tn at the end of November 2016. This was disclosed in the update on the assets under management obtained by our correspondent from the National Pension Commission on Wednesday. According to the commission, the funds rose from N4.6tn at the end of the 2014 financial period to N5.3tn in 2015. The Director-General, PenCom, Mrs. Chinelo Anohu-Amazu, said the funds were being well managed, adding that no fraud had been recorded under the scheme. She explained that the Pension Reform Act, 2004, which was the governing legislation of the CPS, was repealed and re-enacted in July 2014. She said the new law re-enacted the copious provisions of the repealed 2004 Act, which included the establishment of the CPS as well as PenCom as the sole regulator and supervisor of pension matters in the country. "Among other significant revisions, the PRA 2014 introduced some innovations in the pension system, instituted a stiffer regime of sanctions and penalties for infringements, ensured the upward review of the minimum rate of pension contribution in order to enhance the value of pension pay-outs, and expanded the coverage of private sector employees under the CPS," Anohu-Amazu said. The Chairman, Pension Fund Operators Association of Nigeria, Mr. Eguarehide Longe, said the pension funds were active in different investment portfolios.

According to him, the bulk of the funds is invested in government bonds, which the government has invested some in infrastructure. Ideally, he explained that money that had been borrowed for reasonably long-term should be used for reasonable long-term assets and not to fund recurrent expenditure. *(Punch)*

Vice-President Yemi Osinbajo has the government cannot simply allow the naira to float, but admitted that the Central Bank of Nigeria (CBN) has confidence in floating the local currency. Speaking at the World Economic Forum (WEF) in Davos, Switzerland yesterday, Osinbajo said the government is in talks with the CBN to fully implement the "free-float" foreign exchange policy, but it cannot put a time on the "logical conclusion" of the talks. "It is difficult to give a timing about currency movements as you can imagine, but what it is really is that what is the policy that is going to lead to that?" Osinbajo, according to The Cable, asked. "We already have a foreign exchange policy. Now, that policy, that is the point I have been making all along, that stabilising that policy, ensuring that it works fully, is really what we are trying to get to, in our interactions with the central bank, which of course is independent. "We are trying to get them to see that you need to implement this policy fully. central bank of course has its own constraints; we have to be careful. "We simply can't allow the currency to float; we have to look at all of the market conditions and all of that. But really, the point we are making is that we must create the environment which will help the central bank as well. "That will come from an increasing supply of dollars from oil exportation. Once we have more dollars, central bank obviously has more confidence in floating the currency." Osinbajo also said the government would launch its economic turnaround plan in February 2017, which would span another four years. "We would formally launch the four-year economic recovery approved plan in mid-February," he said. "We've already written it out, many parts of it…we are discussing, but it would be formally launched as a document in the middle of February. "But our 2017 budget is actually based on the economic recovery approved plan. We had strategic implementation plan, which we started with in 2016. The economic recovery approved plan is actually a development of the strategic implementation plan." Osinbajo also disclosed that the federal government would tap into Nigeria's huge pension fund to finance infrastructure in the country.

A statement by his Senior Special Assistant on Media and Publicity, Mr. Laolu Akande, said the vice president made the disclosure at the WEF. He noted that the President Muhammedu Buhari administration was "committed to investing more in infrastructure," than in previous times. Osinbajo disclosed that the government was working on how to tap into Nigeria's huge pension fund to finance infrastructure in the country. To do this, he stated that "we have to first derisk" such financing models for infrastructure." Osinbajo also declared that investment in people, in their skills and in youths would transform the African continent. The vice president said empowerment of Nigerians was at the heart of the Social Investment Programmes of the Buhari administration. He said the programme also had a social welfare component to help the people survive as they were being empowered. Akande said the vice president participated and spoke in several events yesterday including a packed international Business Interaction Group of investors focused exclusively on Nigeria. He also spoke at a panel of Building Africa, joined by Rwandan President Paul Kagame, and televised live by the CNBC Africa. Asked to mention what kind of radical ideas that could advance the African continent, Osinbajo gave the example of the federal government's Social Investment Programme where he said, for the first time half a trillion naira was being budgeted by the federal government for Social Investment Programmes.

"It is about investment in people, in their skills, in youths, that we have a N500 billion allocation in our budget last year and proposed for this year also," he explained. Referring to N-Power scheme's training component for young graduates, and non graduates in artesanal and industrial middle-level skills, the vice president said it was an investment in education and educating large numbers of people in a short time. "It is a radical thing to make that kind of serious investment in education," he added. He also referred to the planned N100,000 supporting grants to students of higher institutions in Science, Technology, Engineering and Maths, (STEM). An active engagement with, and encouraging the private sector, he said, was also of a great deal, referring to the example of the 650,000bpd refinery project of the Dangote Group, which is going to be the largest single-line refinery in the world. He said the Buhari administration was very confident about the recovery of the Nigerian economy, Osinbajo said: "It is not difficult to get out of where we are if we understand why we are where we are." He reminded his audience that the Nigerian economy remained indisputably the biggest in terms of size of the economy.

Speaking at the Business Interaction Group attended by several international and local investors and business interests, and hosted by the Nigerian delegation, the vice president said that the newly developed Economic Recovery Growth Plan of the Buhari administration had been specifically designed to take the country out of recession and in the long term, continue to grow the economy. *(This Day)*

Nigeria has raised 214.95 billion naira ($704.18 mln) in local currency bonds at its first auction this year, with the debts sold at yields below galloping inflation, the Debt Management Office said on Thursday. Though yields were higher than at its last auction in December, the debt office said it received subscription of 235.05 billion naira for the bonds at the auction held on Wednesday. Annual inflation in Nigeria climbed to a more than 11-year high of 18.55 percent in December, its eleventh straight monthly rise. The trend was worsened by dollar shortages, which have crippled the import-dependent economy and triggered its first recession in 25 years. The government is also facing funding challenges brought on by the low price of oil. It expects the budget deficit to widen to 2.36 trillion naira this year as it tries to spend its way of out of the recession. More than half of the deficit will be funded through local borrowings, the government has said. The debt office on Thursday said it raised a 105.10 billion naira bond maturing in 2036 at 16.99 percent compared with 16.43 percent at its last sale. It issued a 2026 bond to fetch 74.90 billion naira at 16.99 percent as against 16.24 percent last month and sold the 2021 note for 34.95 billion naira at 16.89 percent compared with 15.99 percent in December, the debt office said. Nigerian government issues local currency bonds every month to raise funds to support its spending plan, which also goes to help the banking system manage liquidity. *(Reuters)*

Nigeria needs to close the gap between the official and black market rates for the naira against the dollar "very soon", Vice President Yemi Osinbajo said on Tuesday. "The gap between the official and parallel market... it isn't helpful," he told reporters at the World Economic Forum in Davos. "If you look at economic recovery and growth plan it is the expectation that this is a conversation we are having with central bank." *(Reuters)*

THE nation's contentious power sector lost an estimated N10,331,000,000 in eight days, between Saturday, January 7 and Saturday, January 14, 2017, due to gas and water constraints, daily operational report of the Nigerian Electricity System Operation obtained by Vanguard stated. Also, power generation within the eight days under review lost 1,119 megawatts, MW. The highest financial loss of N1,578 billion was recorded on Thursday, January 7, while power generation lost 83 MW same day, as average power sent out was 3,632MW as against 3,714MW sent out a day before. The sum of N1,571 billion was lost on Sunday, January 8, while generation lost 118MW, as power sent out was 3,514MW, as against 3,632MW. Average power sent out On January 14, 2017, average power sent out was 2924MW as power generation lost 19MW. The power sector lost an estimated N1,385,000, 000. Friday, January 13, witnessed a power sector loss of N1,358,000, 000, while generation lost 165MW. An estimated sum of N1,356 billion was reported lost on January 12, while generation reduced by 139MW, as power sent out was 2,779MW, as against 2,918MW sent out a day before. Within the period under review, the nation lost an estimated N1,106 billion on January 11, at a time generation lost 228MW. Power sent out stood at 2,918MW, down from 3,146MW previously recorded. The power sector lost an estimated N985 million on January 10, while power generation lost 159MW, due to the fact that power sent out stood at N3,146MW, as against 3,305MW previously recorded. The least loss recorded within the period under review was an estimated N992 million on January 9, at a time power generation lost 209MW.

Average power sent was 3,305, as against 3,514MW sent out the previous day. Of the gas powered generation companies, Gbarain, Geregu NIPP and Sapele NIPP were shut down for maintenance works on their fire hydrant. For the hydro powered generation companies, Kainji G/S 1G5 was also shut down for maintenance, while Shiroro was said to have reported water constraints. Water constraints There was no grid constraint. Power was not sent out to nine gas powered generation companies. These include, Gbarain, Rivers IPP, Trans Amadi, ASCO, and A.E.S. Others are Olorunsogo IPP, Ibom, Alaoji NIPP, Ihovbor and Afam IV – V. Also, within the period under review, Kainji G/S 1G5 was shut down for maintenance, Ihovbor NIPP GT2 was shut down due to gas leakage from the gas pipeline. Afam VI GT13 was also shut down to replace the dirty air intake filter. Partial collapse occurred on January 12 2017, At 08:41Hrs, System frequency dropped from 51.00Hz to 43.00Hz. Lagos, Osogbo, Jebba, Kainji and Shiroro lost supply while other areas survived. The following plants lost turbine functionality as at 0600 am January 13th 2017: Okpai (GT11 – Out due to flame monitor problem. ST18 – Out due to hydraulic valve problem) and Olorunsogo I (GT2 – Out since partial collapse of 10/01/2017.)*(Vanguard)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

The Federal Government's efforts to secure funds from international lenders to help haul the country out of recession have stalled because it has not submitted the required economic reform plans, according to one of the banks and sources close to the matter. The Federal Government has been in loan talks with the World Bank for a year. It had told the lender it would present its proposed reforms to make the economy more resilient and attractive to investment by the end of December, according to Western diplomats and a Nigerian official who declined to be named as they are not authorised to speak publicly, Reuters reported. But this has not happened and as a result of the delay, which the government has not explained, the Washington-based bank has not been able to consider a loan yet, according to the sources. The Minister of Finance, Mrs. Kemi Adeosun, and the World Bank declined to comment, Reuters reported. The Director of Press, Ministry of Finance, Mr. Salis Nai-nna, said he could not comment immediately on the matter when our correspondent contacted him on Tuesday night. He asked our correspondent to put the questions into writing and that comments would be available today (Wednesday).
The Director-General, Debt Management Office, Dr. Abraham Nwankwo, did not pick calls or respond to a text message sent to his mobile telephone line. Similarly, the President, African Development Bank, Dr. Akinwumi Adesina, toldReuters on the sidelines of the World Economic Forum in Davos, Switzerland on Tuesday that the AfDB was holding back the second tranche of $1bn loan for Nigeria because the country had yet to submit its economic recovery plan to the lender. "We are waiting for the economic policy recovery programme and the policy framework for that," Adesina said, without specifying when the AfDB had expected to receive the reform plans.

The Federal Government is seeking to borrow $4bn in total from the World Bank and other foreign institutions, and $1bn through Eurobonds to plug a yawning budget deficit and fund badly needed infrastructure projects. The country, which relies on oil revenue for most of its income, has been hit hard by the sharp fall in crude prices since 2014 and is struggling to drag itself out of its first recession in 25 years.
It is unclear why the government has not submitted reform plans to the international lenders. The funding deadlock could throw into doubt badly needed infrastructure projects planned for this year, including new roads and improvements to power infrastructure. The failure to secure the funds, and to present a reform programme, could also deter some investors from Nigeria's planned $1bn Eurobonds sale in March. A financial source said the government was working with a consultancy firm on putting together a package of proposed reforms. The source, who declined to be named as the matter is confidential, did not elaborate. The Federal Government needs money to help plug a budget deficit of N2.2tn ($7bn) for 2016 and to help fund a record budget of N7.3tn for 2017, which is aimed at stimulating the economy.
It has been holding talks with various institutions and China over the last year to borrow funds but apart from a $1bn loan from the AfDB, at a rate of 1.2 per cent, nothing has been made public. The AfDB paid out an initial $600m in November but is awaiting the economic reform proposals before it disburses the rest of the money.

It is unclear how much money Nigeria is seeking from the World Bank, or whether the lender was pushing for any specific economic reforms from the government. The diplomatic sources, however, said the bank wanted to see how Nigeria planned to lower its dependence on oil revenues and boost investment, which has been hit by a high official exchange rate for the naira currency. The Central Bank of Nigeria, backed by President Muhammadu Buhari, has kept the naira rate to the dollar at 40 per cent above the unofficial or parallel market rate, which has dried up dollar supplies on official channels. The policy has also made investors reluctant to commit to new projects as they expect the central bank will have to devalue the naira eventually as oil production has been hit by an insurgency in the Niger Delta oil hub.
The central bank has also imposed hard currency curbs, making impossible the import of almost 700 goods, which has forced dozens of plants to close running out of spare parts. Adesina told Reuters on Tuesday that the currency rate problem needed to be addressed by the government in its reform programme, which he said the AfDB was coordinating with the World Bank. "We are being clear that the quantitative restriction in terms of access to FX is what's creating huge gap between parallel market rates and official rates," he added. *(Punch)*

Nigeria's foreign exchange (forex) reserves have increased to $27.223 billion as at January 16, 2017, according to latest figures on the Central Bank of Nigeria's (CBN) website. The growth in the reserves, derived majorly from the proceeds of crude oil sales represented an increase by $1.380 billion or 5.3 per cent in the last 17 days, compared with the $25.843 billion that it was as at December 30, 2015. It was also indicative that the drop in militancy in the Niger Delta and rising oil exports led to the accretion in the forex reserves. Oil prices settled up on Monday, as Saudi Arabia's commitments to reducing production offset a report forecasting U.S. output would again rise this year. Benchmark Brent crude oil LCOc1 was up 41 cents a barrel, or 0.7 percent, at $55.86 and U.S. West Texas Intermediate crude rose 27 cents, or 0.5 percent, to $52.64 a barrel, on Monday. With the oil market entering 2017 with prices above $50 per barrel, analysts are optimistic about high prices this year. Meanwhile, Vice President Yemi Osinbajo tuesday said the country needs to close the gap between the official and black market rates for the naira against the dollar "very soon", as Africa's largest economy grapples with inflation and the risks of devaluation. "The gap between the official and parallel market isn't helpful," Reuters quoted Osinbajo to have told reporters at the World Economic Forum in Davos. "If you look at the economic recovery and growth plan, it is the expectation that this is a conversation we are having with central bank." The naira's official rate, controlled by the government is currently at N305 to the dollar since it was devalued in June. But that is still 40 percent stronger than rates on the parallel market, about N497 to the dollar, a gap that is discouraging investment from overseas and leaving Nigeria starved of foreign currency.

The official and black market naira foreign exchange rates will be "unified" this year, but there is no time frame for when it could happen, said Osinbajo. Financial institutions, among others, have argued that Nigeria must allow its currency to float freely to solve its foreign exchange woes, a measure which has met opposition from President Muhammadu Buhari. Nigeria's lack of dollars has been exacerbated by a crunch in oil production, caused by militant attacks on facilities in the crude oil-rich regions in the South-east Delta region, and low global prices for oil, on which the government depends for 70 percent of its revenues. "The current output is 1.7-1.8 million barrels per day and it could improve very quickly as soon as we sort out things in the Delta," Osinbajo said. In an effort to end militant attacks and remain "actively engaged", Osinbajo travelled to the Niger Delta region for talks with militants earlier this week. Additionally, Nigeria aims to sell Eurobonds worth $1 billion in March, said Osinbajo, rather than February as originally hoped, which could help refill the government's coffers. Budget The increase in provision for non-debt recurrent expenditure in the 2017 budget is driven mainly by changes in the personnel and overhead cost outlays, a senior official in the Budget Office told THISDAY in Abuja on Tuesday. In the 2016 estimates, non-debt recurrent expenditure was put at N2,646,389,236, 196, while capital expenditure was N1,587,598,122,03; but in spite of the federal government's fiscal responsibility measures and the discovery of thousands of ghost workers, the provision for non-debt recurrent expenditure jumped up to N2,949,139,301,963, a difference of N302, 750,065,767. At the interactive session with the House of Representatives Joint Committee on Medium Term Expenditure Framework (MTEF) on Monday, the Minister of Finance, Mrs. Kemi Adeosun, told the lawmakers that the federal government had made capital releases to the tune of N831billion to date, more than 52%. The 2017 provision for capital expenditure is N2, 078,941,770,803, about 31% of the entire proposed Appropriation Bill. The source, who spoke with THISDAY in confidence, added that in a bid to drive down cost of governance, the federal government decided during the preparation of the 2016 Budget that a 6.5% across-the-board reduction in the 2015 budget personnel cost estimate per MDAs should be applied to arrive at the 2016 provisional budget estimates. "While this was adopted with the hope that the full implementation of the IPPIS and other policies of the administration would help make some savings, the outcome was not as intended," he explained. He said this was largely due to inadequate budgeting provision for IPPIS implementation in the 2016 Budget; prompting the Office of the Accountant General of the Federation (IPPIS Department) in the course of the year to report that several MDAs had exhausted their respective 2016 Budget personnel cost provisions as early as the third quarter.

He also pointed out that the Presidential Initiative on Continuous Audit (PICA) also submitted claims of salary shortfalls for non-IPPIS MDAs, saying, "These partly necessitated the government's virement request in respect of personnel cost." Since then, the source stated, several MDAs had continued to forward claims of unpaid personnel costs including promotion arrears, new recruitment and annual increments. He added: ''So, in preparing the 2017 personnel cost proposal, verifiable salary shortfalls as reported by the Accountant General's Office were consequently taken into consideration, a situation which resulted in the increase in 2017 Personnel Cost compared to the 2016 estimates.'' It was also gathered that the further depreciation of the naira against the US dollar pushed up the salary (and Overhead costs) of Foreign Service Personnel particularly those of the foreign affairs ministry, immigration, and also military budgets.

THISDAY further gathered that just as it was with personnel cost, the overhead cost outlay was similarly reduced across board in the course of preparing the 2016 Budget. However, within the fiscal year, several MDAs reported unpaid utility bills such as electricity, water, cleaning services, among others, a development which reportedly grounded activities in the affected MDAs. ''Learning from that experience, the

MDAs were cautioned, while preparing the 2017 Budget, against allocating scarce resources to frivolous expenditures like foreign travels and training, overseas board meetings, colour-printing, and conference souvenirs. The savings from these exclusions were to be applied to areas of need'', our source explained. It was also learnt that some essential costs, which were omitted from some MDAs' provisions in 2016 were considered in the 2017 proposal; especially in the Civil Defence Corps and National Youth Service Corps, because of their peculiar mandates. Other variables responsible for the increase in the 2017 provisions include increase in electricity tariffs, fuel price hike, exchange rate and inflation, all of which have direct effect on increase in MDAs' overhead costs. On capital costs estimates, the source explained that government's determination to achieve inclusive economic growth by stimulating the economy meant an upward trend in spending on key infrastructure such as power, transport, roads, rail, air transport, and housing, as well as in social infrastructure investments. He added: ''Also importantly, the need for security provisions arising from insurgency, militancy and security threats in various parts of the country, as well as effort to achieve food security, largely contributed to the increase in this area.'' *(This Day)*

Tanzania

Corporate News

AFRICAN gold producer Acacia Mining has held talks with Endeavour Mining about a merger that could create a £3bn Africa-focused gold miner. London-listed Acacia, which is majority owned by Canada's Barrick Gold, said the two companies had held preliminary discussions that "may or may not result in agreement of a transaction". Toronto-listed Endeavour, which has gold mines in west Africa, also confirmed that discussions had taken place. It would be a good deal for both parties and a good deal for London because it brings another sizeable gold business Jonathan Guy, Numis A combination of the two companies would meld Acacia's assets in Tanzania with Endeavour's mines in Côte d'Ivoire, Burkina Faso, Mali and Ghana. It could also create a company with more money to focus on exploration in Africa, at a time when gold supply is set to peak by the end of the decade. Acacia has been exploring in Burkina Faso's Houndé belt, where Endeavour is currently building a project. It would also result in a gold company with over 1m ounces of annual production, Mr. Guy said. "It would be a good deal for both parties and a good deal for London because it brings another sizeable gold business." After dropping from a peak of over $1,800 in 2011 to just above $1,000 in late 2015, gold prices have since rebounded to $1,197 a troy ounce, boosting shares in gold miners that have spent years trying to reduce their debts and cut costs. Shares in Acacia have risen by 151 per cent over the past year, giving the company a market capitalisation of £1.72bn as of January 12.

In March Endeavour bought True Gold Mining for C$240m, giving it access to a mine in Burkina Faso. Its shares have risen by 220 per cent over the past year, for a market cap of C$2.132bn. The merger could give the combined company greater scope for exploration at a time when gold miners have been focused on expanding their existing assets. Barrick Gold has said it does not expect its total gold production to expand in the next four years, leading many to forecast a supply shortage by the end of the decade. Brad Gordon, chief executive of Acacia, told the Financial Times in November the company had developed an exploration pipeline with over 60 targets in Africa and was still looking to acquire more assets on the continent. "You're seeing production profiles falling off a cliff in a few years— and that's why strategically we've swum against the tide," he said. But Mr Gordon noted that the window for exploration was shrinking as other junior mining companies started to get access to capital. Last year Endeavour said it wanted to spend $35 to $40m annually on exploration over five years, targeting discovery of 10m to 15m ounces of gold. *(Daily News)*

THREE local listed companies have emerged to be the top mover of shares at the Dar es Salaam Stock Exchange (DSE) last week after commanding almost 100 per cent of the business. According to the DSE weekly report, Tanzania Breweries Limited (TBL) led by 98.3 per cent followed by TCC and NMB by 0.7 per cent and 0.6 per cent respectively. Share dropped to 500,000 from 2.8 million shares traded in the week before. Similarly, the equity market closed the week with a total market turnover declining to 5.5bn/- from 13.2bn/- of the preceding period. The total market capitalization increased by almost 500bn/- to 19.12tri/-, which is equivalent to 2.5 per cent rise compared to 18. 65tri/-. Domestic market capitalisation remained at 7.5tri/- as it was in the previous period. On cross listed companies, the best performer during the week under review were the Kenya Airways 8.33 per cent, followed by East African Breweries 6.86 per cent and Acacia Mining 3.51 per cent. Worst performer during the week was Jubilee Holdings 0.10 per cent. The DSE all share index increased by 53 points due to price appreciation of various companies listed at the bourse. The Tanzania Share Index remained at an average of 3,550/- week by week. The industrial and allied sector index remained at an average of 4,508/- on weekly basis while the banking sector index was on same level at an average of 2,644/-. Also, the service sector index remained at an average of 3,158/-.*(Daily News)*

Economic News

The Bank of Tanzania (BoT) auction summary shows that the instrument attracted bids worth 370.44bn/- in the auction held last week compared to 137bn/- offered to the market although at the end 273.98bn/- became the successful amount. The positive performance is a sign of the easing tight liquidity in the market that hit capital and money markets in the recent days. Most investors reduced investment on long term, particularly bonds to fulfill year end periods to fulfill social and quarterly tax obligations. However, the situation did not affect treasury bills that continued to attract massive bids. Yield rates declined slightly across all tenures, but did not affect investors' appetite on the treasury bills. Major investors in the one year treasury bills are commercial banks, pension funds, insurance companies and some micro-finance institutions. The two tenures 364 and 182 days contributed 98 per cent of the total bids during the trading session. The 364 and 182 days offer attracted bids worth 239.31bn/- and 128.58bn/-respectively against 85bn/-and 50bn/- offered to the market for bidding. Yield rates for the 364 and 182 days offer were 15.78 per cent and 14.53 per cent from 15.79 per cent and 14.54 per cent of the previous session held two weeks ago. The yield rates for the 91 and 35 days tenure were 7.14 per cent and 6.81 per cent in the 24 months treasury note. The highest and lowest bid/100 for the 364 and 182 days offers were 86.65/ 84.74 and 93.40/ 91.76 respectively while for the 91 and 35 days tenor had 98.25/ 96.63 and 99.36/ 99.35. The minimum successful price/100 for the 364, 182 and 91 days offer were 86.28, 93.07, 98.25 and 99.35 respectively. The weighed average price for successful bid for the 364 tenure was 86.40, the 182 days offer was 93.24, 91 days offer was 98.25 and 99.35 for the 35 days offer. *(Daily News)*

Tanzania is seeking a loan of $200 million from the World Bank for debt-ridden state power supplier TANESCO, the country's energy ministry said on Monday, two weeks after the president refused to allow the utility to hike prices to cover costs. President John Magufuli wants cheap electricity to drive industrialization, but the World Bank is likely to insist the loss-making utility increases prices so it can cover the cost of producing power and begin much-needed reforms. Any struggle to secure that loan would underline the constraints faced by Magufuli, who is nicknamed "The Bulldozer", as he tries to push through an ambitious economic reform agenda 14 months after he arrived in office. The Tanzania Electric Supply Company (TANESCO) has debts of$363 million, the ministry said in a statement, up from $250 million at the end of 2015. "As part of efforts to reduce TANESCO's arrears ... and improve its operations, the World Bank has held talks with the government through the Ministry of Energy and Minerals for a $200 million loan," the ministry said in a statement. It also said there was no agreement at this point with the World Bank to raise tariffs in return for the loan. The World Bank was not immediately available for comment. Tanzania's energy regulator approved on Dec. 31 a tariff hike of 8.53 percent, less than half of what the utility said it needed to cover the losses. But the next day, Magufuli sacked the head of the state electricity company, saying the price hike would stymie his plans to ramp up industrial output. Decades of mismanagement and political meddling means the utility sells electricity below cost. It also struggles to cope with transmission leaks and power theft. Despite reserves of over 57 trillion cubic feet (tcf) of natural gas, Tanzania faces chronic power shortages due its reliance on hydro-power dams in a drought-prone region for about a third of it's 1,570 MW of installed capacity . TANESCO has to resort to costly fuel oil or diesel plants to fill the shortfall during dry spells and many of its arrears are due to the costs of private power and fuel suppliers. Most oil plants are being shut or converted to use natural gas. Tanzania aims to add about 2,000 MW in gas-fired generation by 2018. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Zambia

Corporate News

Konkola Copper Mines (KCM), owned by global conglomerate Vedanta Resources PLC, will pay the first tranche of the $100 million it owes the Zambian government by the end of the month, the country's investment firm said on Tuesday. The claim relates to outstanding payments under a 2013 copper price participation settlement agreement between KCM and Zambia Consolidated Copper Mines Investments Holdings (ZCCM-IH). In December, a British court ruled against Vedanta and in favour of the Zambian government, ordering the miner to pay the southern African nation $103 million by Jan. 13, 2017. According to the new agreement reached between the two parties, KCM will pay ZCCM-IH $20 million on Jan. 30, $22 million at the end of February, and monthly installments of $255,000 thereafter. *(Reuters)*

Economic News

The European Union (EU) has given Zambia about $69 million to expand electricity supply in the continent's second biggest copper producer, which faces a power deficit that has hit mining and agriculture. In a statement, the EU said the grant would fund projects to provide access to reliable and affordable electricity to at least 63,000 households and small businesses. The southern African nation is struggling to maintain power supplies as a severe drought has caused levels to drop in the Kariba Dam which generates much of the nation's electricity. The economy grew just over 3 percent last year, partly due to power shortages. *(Reuters)*

Zimbabwe

Corporate News

THE United States government has removed ZimRe Holdings Limited (ZHL) from its sanctions list, a development that would see the group trading freely, expanding its operations and competing on an even playing field across the markets. ZHL was removed from the sanctions list on Thursday, having been blacklisted since July 25, 2008. The US Department of the Treasury's Office of Foreign Assets Control (Ofac) placed ZHL alongside 16 entities and an individual, arguing that their support for President Robert Mugabe's regime contributed to the undermining of democratic processes and institutions. Ofac is a division within the US Department of Treasury responsible for implementing and enforcing economic sanctions on individuals and companies perceived to be acting contrary to the interests of the US government. Commenting on the development, ZHL chief executive officer, Stanley Kudenga said this was a very significant milestone for the group, which heralds a new chapter for the expansive and diversified investment group. "ZimRe appreciates Ofac's quick action and deletion of ZimRe from Ofac's list of Specially Designated Nationals. This is a positive start to 2017, and ZimRe looks forward to continuing to grow its business in 2017 and beyond," he said in a statement Friday. "It means that we have to re-strategise from a number of perspectives in view of this key development. It also means that we will be able to expand our operations, trade freely and compete on an even playing field in both the domestic and regional markets." The group said, in a statement, that sanctions have had a negative impact on its ability to trade freely on international and regional markets.

This is because the sanctions not only applied to ZHL as an entity, but to all other organisations associated with or where ZHL had an interest, it said. "The group's assets, including cash, were blocked. Cash remittances were intercepted without notice and never reached ZHL or the intended business partners," it said. ZHL said its entities, particularly those operating in the regional markets, faced stigmatisation and lost business. "The sanctions resulted in loss of prestige, goodwill and market confidence with dire consequences on financial performance." "Competitors took advantage of the listing to de-campaign ZimRe operations, resulting in loss of market share. Baobab Re lost market share from being the dominant and leading reinsurer in the domestic market," it said. Last year, Ofac removed sanctions on ZB Financial Holdings, Infrastructure Development Bank of Zimbabwe, Zimbabwe Fertiliser Company and Chemplex Corporation. In its financial results for the half year ended June 30, 2016, ZHL saw its operating profit growing by 63% to $2,54 million from $1,55m in the same period in 2015. Profit-after-tax from continuing operations was $1,25m in 2016, up 45% from the same period in 2015 due to a decline in operating and administrative expenses. *(News Day)*

Beverage giant Delta Corporation on Monday reported a 10 percent decline in revenue in the quarter to December 31 on depressed demand and reduced production. Delta, with a capitalisation of $1,145 billion, is the Zimbabwe Stock Exchange's biggest stock, accounting for over a quarter of the bourse's total market capitalisation. The firm is an economic bellwether and its lukewarm performance over the festive season reflects Zimbabwe's struggling economy, which the government said had registered a 0.6 percent growth in 2016. In the nine months to December, revenue was down 9 percent compared to last year. Quarterly lager beer volumes were down one percent on the prior year and eight percent lower over the comparable nine month period. Sparkling beverages volumes were down 11 percent for the quarter and six percent below prior year for the nine months to December. In a trading update on Monday, Delta said this category was adversely impacted by increased imports from neighbouring countries. Sorghum beer volumes decreased by four percent for the quarter but were up two percent for the nine months. The decline in the quarter reflects the disruption to production due to water cuts affecting the Chibuku Super plants in Chitungwiza and Bulawayo, Delta said. The new Chibuku Super plant in Kwekwe was commissioned in December whilst the Masvingo one is expected to start production in February. *(The Source)*

TRI-LISTED coal miner, Hwange Colliery Company Limited (HCCL), has lurched into a crisis following the shock suspension of operations by a Portuguese firm, Mota- Engil, at its open cast mine due to a payment dispute, the Financial Gazette's Companies & Markets (C&M) can report. The country's oldest coal miner, which is listed on the Zimbabwe Stock Exchange and also has pockets of shares on the Johannesburg and London stock markets, had for the past three years relied on the Portuguese firm for output but has failed to pay an accumulated debt amounting to US$50 million. This forced Mota- Engil, which signed a five year mining contract in 2014, to suspend operations at HCCL's Chaba open cast mine, a situation which is likely to worsen the embattled HCCL's situation. The development is the latest blow to befall Hwange, following turbulent years during which the company has staggered from one crisis to another, including working capital constraints and the stubbornly high debt in excess of US$160 million. Under the terms of the five year contract worth US$260 million, Mota-Engil has been mining 200 000 tonnes of coal a month from Chaba. Hwange used to be the largest coal miner in the country but has come under pressure from new producers such as Makomo Resources, Coal Brick and Chilota Colliery, which have chipped off its market share. Now, the coal miner is struggling to extract 100 000 tonnes of coal a month. Its production levels have nose-dived to about 36 000 tonnes of coal a month. HCCL's managing director, Thomas Makore, declined to comment on the issue. "We are in a closed period and cannot disclose issues that affect the share price," said Makore. The development comes at a time when HCCL management has been seeking board approval to give Mota Engil more contract mining operations at its concessions in a bid to turn its fortunes around because the move would have allowed the colliery to meet a target of 350 000 tonnes a month. Government is the largest shareholder in HCCL controlling a 37 percent stake in the company, while multi-millionaire British tycoon, Nicholas van Hoogstraten, who is the second largest shareholder, holds 30 percent shareholding.

The National Social Security Authority has a 5,87 percent shareholding while Mittal Steel Africa Investments controls a 9,76 percent stake. In 2015, HCCL acquired mining equipment from India and Belarus under a government-facilitated deal in a bid to improve production output. These included 10 dump trucks, five front-end loaders and two wheel dozers from Belaz of Belarus while two excavators, two water bowsers, three front-end loaders, three bulldozers, three drill rigs, a motor grader and one tyre handler were supplied by Indian firm, BEML. But HCCL has been battling to turn around its fortunes largely due to recurrent breakdowns of some of the machines acquired from BEML under a US$13,3 million vendor financed transaction facilitated by the Export-Import Bank (Eximbank) of India. The other batch of equipment worth about US$18,2 million from Belaz was financed by a PTA Bank loan facility. Expectations were that production would increase to 450 000 tonnes per month from 150 000 tonnes per month once HCCL started utilising the equipment. However, soon after receiving the machines, it emerged some of the equipment under the deal had faults, denting efforts by the coal giant to maximise on production. In its financial results for the six months to June 30, 2016, HCCL narrowed its loss by 36 percent to US$28 million from US$44 million during the comparable period the previous year. Revenue fell by 30 percent to US$24,5 million as total sales registered a 15 percent decline to 585 689 tonnes due to working capital constraints. Administrative costs during the half year period under review went down by 79 percent to US$7,5 million driven by cost containment measures. *(Financial Gazette)*

Zimbabwe's largest mobile telephony company Econet Wireless plans to raise $130 million from shareholders to pay foreign loans it is struggling to settle due to a severe dollar crunch, it said on Tuesday. Econet said in a statement that to avoid defaulting on external obligations, it had decided to raise money via a rights issue, adding that foreign currency shortages made it difficult for the company and its subsidiaries to pay foreign loans. *(Reuters)*

Listed beverage producer, Delta Beverages, is currently operating at between 40% and 60% of its capacity due to a decline in demand for its In emailed responses to NewsDay, company secretary, Alex Makamure said the company has recorded significant declines in its volumes and subsequently revenue performance since 2013 as a result of the imploding economy. "This is in line with the general downturn of the economy. As an example, our lager beer volume for the half year to September 2016 was 36% down on same period in 2013; soft drinks are down 18%. The volume trends reflect the current capacity utilisation of 40 to 60%," he said. "We employ about 4 200 permanent and 600 contract — total 4 800 employees. This is down from around 5 500 in 2013." Makamure said the company's strategy for this year is to survive the bad patch and remain connected to their consumers. On venturing into new projects this year, he said there are no specific new projects and the company will focus on normal replacements. The company has been reporting losses due to a decline in consumer spending, which has been affected by the limited access to cash, a poor agricultural season and the generally weak macro-economic performance. Its revenue for the half year ended September 2016 declined by 8% to $246,6 million on prior year as most of its segments recorded lower volumes on the back of depressed consumer spending. Lager beer volume was down 11% on prior year as demand shifted to traditional beer and other cheaper alcohol offerings while volumes for sparkling beverages dropped by 3%. However, sorghum beer volumes increased by 6% on prior year, while contributing 60% to total revenue. Operating income was down 9% to $39,4 million and earnings before interest, tax depreciation and amortisation was 8% lower at $54,9 million, reflecting lower revenues. *(News Day)*

Economic News

Zimbabwe's consumer prices declined 0.93 percent year-on-year in December, after contracting 1.09 percent in November, data from the national statistics agency showed on Monday. On a month-on-month basis, prices were up 0.06 percent after a 0.02 rise previously, Zimstats said. *(Reuters)*

Zimbabwe's raw milk production increased by 14 percent to 65.3 million litres in the full year to December from 57.5 million litres last year. The sector is slowly recovering after plumbing to depths of 34 million litres recorded in 2009 after disturbances on the farms wrought by President Robert Mugabe's controversial land reforms, as well as a lengthy economic crisis. But production is still some way off the peak of 262 million litres reached in 1990, when the national dairy herd had more than 100,000 cows. According to the latest figures from the Ministry of Agriculture's dairy services department, monthly production averaged five million litres last year up from four million litres in 2015. Intake by processors between January and December was 58.7 million litres compared to 50.4 million litres over the same period in 2015 while retailed milk was 6.5 million . The industry has a production target of 100 million litres annually by 2019, while the country's milk requirement is estimated at 120 million litres. The dairy industry is operating at about 45 percent capacity, with an estimated 223 registered dairy operators and a dairy herd of about 26,000 cows. *(The Source)*

Zimbabwe's tax agency ZIMRA said on Thursday it failed to meet its 2016 revenue target by 4 percent, as the economy stalled and weak global commodity prices hit mineral royalties. The southern African nation's economy stagnated last year while its budget deficit exploded, putting political pressure on long-serving President Robert Mugabe's government. ZIMRA chairman Willia Bonyongwe said in a statement the agency collected $3.46 billion in taxes between January and December 2016 compared to a target of $3.61 billion. "The failure to surpass revenue targets in 2016 is largely due to the prevailing harsh economic conditions," Bonyongwe said. She did not give the agency's revenue target for 2017 but said the tax authority would automate its revenue collection operations and deploy other measures to improve revenue. Bonyongwe said mining companies paid $63 million in mineral royalties, far below the ZIMRA target of $110 million and blamed weaker mineral commodity prices for below par collections. Zimbabwe holds the largest reserves of platinum deposits after South Africa and mining, mostly gold, platinum and nickel, generate more than half of the country's export revenue. Individuals and Zimbabwean companies owed the tax agency $2.7 billion at the end of December compared to $2 billion at the start of 2016, Bonyongwe said, adding that this was because most people were not meeting their tax obligations. Zimbabwean businesses say they are struggling with a lack of cheap capital and shortages of foreign currency which have made it hard to pay for imports and external obligations. *(Reuters)*

Sales for new vehicles were down 7% in 2016 to 3 393 units attributed to an increase in imported second-hand vehicles, a report on the sector has shown. In 2015, sales of new vehicles were 3 633. Toyota was the dominant brand for 2016, having an 8% growth to 728 vehicles sold six more than the prior year. Toyota Zimbabwe reported a 21,5% market share by the end of the year, followed by Nissan Clover Leaf Motors at 18,4%. In an overall view, Nissan models experienced a 10,7% decline to 626 vehicles sold during the year under review, from 751 recorded in 2015. Sales for Volkswagen vehicles grew to 56 from 15 cars sold in 2015. CFAO Motors Zimbabwe managing director, Marius Prinsloo told NewsDay the boost in sales was due to them experiencing a full financial year in selling Volkswagen vehicles. **"The main reason** for that is that there was a change in distributors, so we took over the brand in 2015. So we had just taken over the brand and did not have a full year of trading," he said. "We had to organise the brand within our business. So in 2016, we were now established and managed to grow our sales." The Volkswagen models, which sold were the Polo, Polo Cross and Jetta. However, in terms of volumes, Datsun had the biggest sales, with 126 vehicles in the year under review from 48 recorded in 2015, a movement of 181,1%.

"The tender business contributed to that increase and nothing else. You get your normal sales, where customers buy one or two vehicles, but occasionally, you get a tender, where maybe it is government or corporate who order, for example, 50 or more vehicles," Nissan Clover Leaf Motors managing director, Stanford Sibanda said. Movement of the Datsun brand, owned by global automobile manufacturer, Nissan, was due to sales of the Datsun Go by local distributor Nissan Clover Leaf Motors. Nissan Clover Motors introduced the car to the local market in mid-2015. Land Rover dominated luxury vehicle space with 60 down from 93 vehicles in 2015. *(Reuters)*

ZIMBABWE has promised to amend its investment laws in order to attract more Chinese investment, Finance and Economic Development Minister Patrick Chinamasa has said. But to do that, the prospective investors must first point out areas they think are restrictive to Chinese money coming into Zimbabwe, he said. Responding to questions by Chinese journalists early this week, Minister Chinamasa said Government was committed to improving its legislation to attract more foreign direct investment from the Asian country and other parts of the world. "Please tell us the concerns that the Chinese investors have, the clarifications they need on our investment legislation so that we sit down and agree," said Minister Chinamasa. "It's the investors who must know what they what, it's the investors again who know what their constraints are in our investment climate," he said. He added Government was cognisant of the fears potential investors may have and the need to protect their money. In line with this, Cabinet was willing to relax the legislation and any other impediments to investment in the country. While the country is implementing its Look East Policy, Minister Chinamasa indicated any amendments to legislation would also help other potential investors from across the globe.

"These are issues we can discuss in Cabinet any time, we can consult with the highest authority and agree. "But what we need to say is whatever we agree with the Chinese investors will also apply to everybody. So the ball is squarely in the court of would-be-Chinese investors. "They are investors, they look after their interests. "So let them identify and clarify to us what those concerns are and we make sure we do our best to address those concerns," he said. The country has in the past decade seen dwindling foreign direct investment, with investors citing unfriendly business conditions which also saw the country receive unfavourable global rankings. But, Government, through the Office of the President launched Rapid Results Approach to ease of doing business to jump-start major change efforts in the implementation of various policies, programmes and projects that promote the investment climate. To date, the approach has registered successes such as reducing the application period for construction permits from 448 days to 120 days while property registration now takes 11 days from 36. Time taken to pay taxes was reduced from 242 hours to 160 hours. The ultimate goal is to boost the country's global rankings and attract foreign direct investment. According to the World Bank, Zimbabwe ranks number 161 out of 190 economies on the ease of doing business. *(Herald)*

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