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	14-Feb-14	21-Feb-14	Local	USD	Local	USD
Botswana	DCI	9,347.63	9,232.55	-1.23%	-0.85%	1.98%	-0.43%
Egypt	CASE 30	7,590.71	7,840.68	3.29%	3.29%	15.60%	15.09%
Ghana	GSE Comp Index	2,430.43	2,439.20	0.36%	0.54%	13.71%	7.48%
Ivory Coast	BRVM Composite	244.58	243.40	-0.48%	0.22%	4.90%	4.62%
Kenya	NSE 20	4837.47	4836.25	-0.03%	0.19%	-1.84%	-1.33%
Malawi	Malawi All Share	12,661.60	12,661.60	0.00%	0.19%	1.04%	-0.11%
Mauritius	SEMDEX	2,088.29	2,085.39	-0.14%	0.40%	-0.49%	-0.47%
	SEM 7	402.06	402.81	0.19%	0.72%	-0.21%	-0.18%
Namibia	Overall Index	1,019.00	1,028.00	0.88%	0.78%	3.11%	-2.07%
Nigeria	Nigeria All Share	38,767.29	38,535.64	-0.60%	-0.92%	-6.76%	-8.99%
Swaziland	All Share	294.27	294.27	0.00%	-0.10%	3.01%	-2.17%
Tanzania	TSI	2,891.14	2,918.80	0.96%	0.52%	2.65%	0.35%
Tunisia	TunIndex	4,645.46	4,687.92	0.91%	1.52%	7.00%	11.15%
Zambia	LUSE All Share	5,364.09	5,297.19	-1.25%	-2.85%	-0.96%	-4.93%
Zimbabwe	Industrial Index	188.99	190.71	0.91%	0.91%	-5.65%	-5.65%
	Mining Index	33.61	33.61	0.00%	0.00%	-26.60%	-26.60%

CURRENCIES

Cur-rency	14-Feb-14 Close	21-Feb-14 Close	WTD % Change	YTD % Change
BWP	8.89	8.86	- 0.38	2.42
EGP	6.94	6.94	0.00	0.44
GHS	1.87	2.50	- 0.18	5.79
CFA	481.29	477.92	- 0.70	0.27
KES	84.83	84.65	- 0.22	- 0.51
MWK	418.16	417.37	- 0.19	1.16
MUR	29.17	29.01	- 0.53	- 0.02
NAD	11.03	11.04	0.10	5.29
NGN	162.91	163.44	0.32	2.45
SZL	11.03	163.44	0.10	5.29
TZS	1,585.40	1,592.36	0.44	2.29
TND	1.59	1.58	- 0.59	- 3.73
ZMW	5.63	5.73	1.65	4.17

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana consumer inflation accelerated to 4.4 percent year-on-year in January, from 4.1 percent in December, the statistics office said on Friday. On a month-on-month basis, prices rose by 0.9 percent in January, from 0.3 percent the previous month. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Egypt

Corporate News

EFG Hermes, one of the largest investment banks in the Middle East, is seeking to expand its assets under management in Egypt by 25 percent this year, a senior executive said on Tuesday. Nabil Moussa, head of asset management for EFG in Egypt, told reporters that of the $3 billion in assets the bank manages in the region, $1.9 billion is under management in Egypt, while the rest is managed from Dubai. Moussa said the return on their equity funds in Egypt was between 25 and 30 percent last year, compared with 45 percent in 2012. But he said the company was "cautiously optimistic" that political stability was taking root in Egypt, saying the firm would increase its investments. *(Egypt.com)*

Economic News

Egypt's army chief, Field Marshal Abdel Fattah al-Sisi, won vast popularity by crushing the Muslim Brotherhood, but even a man seen by his followers as invincible may be unable to fix the mess in the politically sensitive energy sector. Sisi, who toppled Islamist leader Mohamed Mursi in July and promised to bring calm to Egypt, is expected soon to stage a triumphal run for the presidency in elections due within months. His first big challenge is likely to be power cuts and fuel shortages - the same issues that plagued Mursi and helped spur mass protests that enabled the army to oust him. "Sisi is still very popular, but he realises that Egyptians can go to Tahrir Square tomorrow if his administration is seen as not being as efficient as promised," said Justin Dargin, a Middle East energy expert at the University of Oxford. Cairo's Tahrir was the hub of protests that ended three decades of one-man rule by President Hosni Mubarak in 2011. To many Egyptians, Sisi is all-powerful, but industry experts, foreign oil and gas companies and Western diplomats doubt he can take bold steps to tackle Egypt's energy nightmare. Successive governments have failed to develop a sound strategy to tap major natural gas reserves even as an exploding population boosted demand for the fuel. Egyptian gas exports began in the mid-2000s, but more than halved from 2008 to 2012. They have now slowed to a trickle, contributing to a global decline in liquefied natural gas (LNG) supplies. Production from maturing gas fields is declining. The government forecast this month that consumption will outstrip output for the first time in the fiscal years starting in July. The army-installed government is in a bind. Gulf Arab donors have propped it up with aid that includes $4 billion in oil products from Saudi Arabia, Kuwait and the United Arab Emirates, but their diesel is not compatible with Egypt's gas-based power plants and big factories.

Qatar bailed out Egypt with extra gas during Mursi's rule, but his ouster badly soured ties with Cairo. Like its predecessor, the interim government has failed to secure a means of importing LNG directly, so Egypt has nowhere to turn for gas. A tender for a floating LNG import terminal has been pending since October. Even if it was in place, experts say nothing can match the favourable swap deal Qatar gave Egypt last year. "We have enough installed capacity but the problem is with fuel," said Aktham Abouelela, spokesman for the Electricity Ministry. "It is not good for power plants to run on diesel." Egypt's energy troubles are rooted in fuel subsidies that cost the government $15 billion a year, a fifth of the state budget. The money keeps pump prices well below market values, giving Egyptians no incentive to curb their consumption. The subsidies, in place since the era of socialist President Gamal Abdel Nasser five decades ago, drains foreign currency that could instead be used to pay off debts to foreign energy companies and improve payment terms to encourage investment. Ask any Egyptian minister about the subsidies, and he will say they must be reformed. But fuel, along with food, is a powder keg issue in the most populous Arab state. In 1977, a cut in bread subsidies ignited riots against President Anwar Sadat. People power has helped topple two presidents since 2011. Like others, Sisi may take stop-gap measures to get through the hot summer months, when demand for fuel soars - although outages are now occurring even in winter. Fearful of public anger over blackouts, the government will probably reduce gas feedstock to energy-intensive cement and steel factories. "The situation is one of duress, of survival," said Dargin, predicting Sisi will maintain the costly status quo even if it means breaking international commitments. Companies forced to cut output in periods of peak electricity use in recent years will "have to consider if it's even profitable to stay in Egypt for the long term", he said. Industry experts also predict that Sisi will keep breaking contracts with foreign companies such as BG and diverting gas promised for export to satisfy domestic demand. BG's problems in

Egypt have affected its LNG unit so much that it issued a profit warning last month. Blaming political turmoil in Egypt, BG cut production forecasts for the year and served "force majeure" notices to affected buyers and lenders.

Since the beginning of this year, Egypt has been diverting the maximum amount of natural gas produced by BG and its Malaysian partner Petronas based on pipeline capacity constraints, said Martijn Murphy of Wood Mackenzie. "The government priority will be on guaranteeing power generation, which accounts for the bulk of supply, so it will try and minimise shortfalls to this sector," said Murphy. "Industry is likely to bear the brunt of supply shortages." Companies will not press ahead with new development unless they get guarantees on future export volumes. Egyptians expect miracles from Sisi. Foreign companies will look for signs he is willing to reform the energy sector. The stakes are high. If Egypt can't persuade companies to exploit its gas reserves, it will be forced to spend more hard currency on energy imports, creating the same dilemma it faces with wheat. Egypt is the world's biggest importer of wheat because inefficiency and corruption undermine farming along the Nile. Oil Minister Sherif Ismail hopes Egypt can satisfy its ever-growing energy demand from own resources, but acknowledges the government will have to resort to imports.

Until Egypt deals with issues obstructing gas output by foreign firms, it "will have to cover all its energy needs with imports, either gas or crude oil", he told Reuters last week. Doing so while keeping prices artificially low domestically will doom attempts to improve Egypt's finances. Although foreign reserves have been boosted by Gulf aid, they are only half pre-2011 levels, limiting the government's scope to buy fuel. Energy imports would also send a discouraging signal to foreign companies, which are becoming increasingly reconciled to the prospect of LNG exports halting entirely this summer, said Peter Hutton, an analyst with RBC Capital Markets in London. He said Egypt was locked in a vicious circle given its inability to import LNG. "If you can't get gas in, some tough choices will have to be made. The easiest is not to export." *(Reuters)*

Egypt's central bank said on Tuesday it would allocate 10 billion Egyptian pounds ($1.44 billion) for low-cost housing projects, one of the demands in protests that led to the ouster of autocratic President Hosni Mubarak in 2011. Better living conditions, an end to official corruption and more democratic rights figured prominently in those protests. About half of Egypt's 85 million people live under the poverty line, many in slums with no access to clean water or sewage. Mubarak's ouster drove the state into a deeper economic and political crisis. Last July, the army ousted Islamist President Mohamed Mursi, who was elected in 2012, after protests against his rule that failed to enact economic reforms. The three-year turmoil led to a sharp fall in foreign reserves and currency value. The central bank said its investment in low-cost housing should have a positive effect on the state's economic growth and social development. The money will be deposited to banks for 20 years at a low interest rate to lend it to citizens who qualify to buy houses at a yearly interest rate of 7-8 percent. Inflation is currently running over 11 percent. *(Reuters)*

Egypt's hope of importing liquefied natural gas to stave off an energy crunch this summer may fall through after a Norwegian firm pulled out of a deal to install an LNG import terminal, sources with knowledge of talks between Cairo and the company said. If it fails to secure a means of importing LNG, Egypt would have no place to turn for fuel supplies as already painful shortages are set to become more acute with the approach of summer. The latest setback came when Hoegh LNG, which was recently awarded the contract to provide a floating terminal, rejected the commercial terms offered by state-run gas company EGAS, the sources said. The tender process to find a company to provide the terminal began around 18 months ago, well before the army toppled Islamist President Mohamed Mursi last July. Hoegh LNG's chief concern was the lack of financial guarantees to underpin project costs, the sources said. The cash-strapped government's financial troubles have forced Cairo to delay payment of debts to foreign oil companies. "[Hoegh LNG] won the tender, but the conditions offered by the counterparts in terms of commercial and financial guarantees were not good enough," one source said. Even so, the Norwegian shipper may yet clinch the deal, because the two sides are still in talks, the sources said. "There is a process which has to be completed. Hoegh LNG are in that process," a Hoegh LNG spokesman said. Egypt's energy ministry said the process to award a terminal provider was ongoing and declined to give further details.

Terminal providers say Egypt could have a terminal in place to receive LNG within six months of a contract award. At the latest count, around six floating import terminals, or Floating Storage and Regasification Units (FSRUs), were available globally. Hoegh LNG owns two, and U.S. company Excelerate Energy, which was a rival bidder, has four, the sources say. Officials in the military-backed interim government installed after Mursi's ouster blame his administration for failing to secure a floating terminal last year. But Egypt's energy troubles predate Mursi. They are rooted in fuel subsidies that cost the government $15 billion a year, a fifth of the state budget, and which encourage consumption. The subsidies also drain foreign currency reserves that could be used to pay off $6 billion in debts to foreign energy companies and improve payment terms to encourage investment. It is unclear whether the government has approached any rival companies, including Excelerate, to replace Hoegh. Oil Minister Sherif Ismail told Reuters on Feb. 9 that the government was "very close to closing the bid for the FSRU". But he indicated that it might be too late for the terminal to be of use in importing badly needed gas supplies for the summer. "It is our prime concern and intention to solve this problem for Egypt, if not for this year by 100 percent, then at least for the years yet to come," he said. Ismail said Egypt would need to import an additional $1 billion worth of petroleum products to meet energy needs for the summer, on top of securing significant gas supplies. With the latest setback, however, those additional gas supplies may be out of Egypt's reach for now. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The cost of borrowing over a three year period for government through the issuance of bonds has gone up substantially. The three year bond sold by the Bank of Ghana yesterday saw government pay 23 percent as interest. This is highest interest paid to investors in recent times. The last time government went onto the bond market to borrow over a similar period, it paid about 19 percent. However, some analysts say recent developments in the economy and policy rate hike contributed to investors asking for higher interest for their funds. The development would have serious implications for long term borrowing for private businesses, since the yield on three year bond often serves as the benchmark for borrowing in the country. This should mean that some banks might not borrow to you below 23 percent over a three year period going forward. The Bank of Ghana had wanted to raise 402 million Ghana cedis for the three year bond, it however received 465 million cedis worth of bids from investors. *(Ghana Web)*

The Bank of Ghana (BoG) has indicated it will inject hundreds of millions of United States dollars into the economy this week. The central bank wants to clear a backlog of arrears of dollar requests made by commercial banks in the country. The move, which is intended among other things to augment its earlier directive in a bid to save the troubling local currency, will be an addition to the weekly injection of about US$80 million into the economy to save the cedi from further depreciation. Graphic Business reports that the demand for greenback by the commercial banks to replenish the vaults is estimated at more than a billion dollars. According to reliable central bank sources, the foreign currency demand of commercial banks will be generated from other sources other than the country's international reserves, which stood at $5.6 billion (3.1 months of imports) as of the end of 2013 compared with $5.3 billion (3 months of imports) at the end of 2012. Commercial banks in the country have had their dollar request from the central bank outstanding since December 2013, creating a shortage of the greenback paper in Ghana. This delay and other global factors have caused a faster depreciation of the cedi since end-December 2013. At the end of January 2014, the cedi had depreciated by 7.8 per cent against the US dollar compared to 0.2 per cent in January 2013. Presently, the United States dollar, which used to sell on the local foreign exchange market for GH¢2.20 before Christmas (2013), is now selling at GH¢2.60, while the British pound, which used to be sold at about GH¢3, is now selling at GH¢4.20. The same goes for the euro and CFA, with the euro now selling at GH¢3.50, while the CFA is going for GH¢4.80. In a related development the Managing Director of Zenith Bank Ghana Limited, Mr. Daniel Asiedu, has disclosed that commercial banks are currently struggling to meet payment orders from their customers in foreign currencies for transactions the customers made abroad.

That, he said, followed the shortage of hard foreign currencies, especially the US dollar, the British pound and the euro, in the system over the past few months. Speaking to Maxwell Akalaare Adombila, he added that the situation had compelled the banks, which often act on behalf of their customers in such transactions, to hold on to those payment orders while denying most importers and other business concerns the opportunity to meet their individual financial obligations with foreign partners. "In the last few months, we have discovered that supply of foreign currencies, especially the dollar, to support our transactions has been a little bit tough, and naturally, if it is tough that way, it means that we are unable to support the orders that our customers have made," Mr. Asiedu told the paper on February 14. He said most banks, including his outfit, currently have some foreign currency transaction requests from customers that are yet to be met, mainly as a result of the shortage in the system. Mr. Asiedu, whose Zenith Bank handles dozens of such, transactions on weekly basis, admitted that the development had impacted negatively on the various banks and the sector in general (since it was impossible for the banks to meet the orders of customers). "What is happening generally is that we have customers' cedis that we are holding and we need dollars to pay for transactions on their behalf but we are not getting the dollars. Customers and businesses are also defaulting on some payments that are due because we cannot get dollars, and our lines, which we use to make the payments abroad, are also full and we can't make new transactions again," Mr. Asiedu explained. Some spare parts dealers the paper spoke to at Abossey Okai in Accra also echoed similar sentiments, with some explaining that the development had delayed the importation of their consignments into the country. "As I speak to you now, I have some orders with one of the banks that are yet to be met and what they keep telling me is that they don't have the dollars," a source said while pleading for anonymity.

The disclosure by Mr. Asiedu that banks are not able to meet their dollar transaction requests comes in the wake of new directives from the Bank of Ghana (BoG) that all transactions in foreign currencies be done through the banking system. Mr. Asiedu, who doubles as the Treasurer of the umbrella body of commercial banks in the country, the Ghana Association of Bankers (GAB), said such directives were in the ultimate interest of the economy and the business community in particular. "We must all support the BoG to get this economy on track and I believe that all the measures that the bank is trying to put in place are measures that will help all of us. If we try to understand each policy that they are coming out with and we break it down, we will all realise that it is to our advantage. As bankers, it looks tough now but ultimately, it is good for us," he said. That notwithstanding, Mr. Asiedu said the Central Bank needed to institute measures that would help move foreign currencies, especially the dollar, from persons and institutions that are needlessly holding them into the system where they will be used judiciously. "I think that there should now be measures that will ensure that the dollar moves away from the hands where it is not needed into where it is needed. What is happening is that people who no longer have confidence in the cedis tend to change their cedis into dollars and save in dollars when in actual fact the person does not need to save in dollars. I think that should be discouraged," he said. The Head of Research at Standard Chartered Bank, Razia Khan, said: "the cedi weakness poses additional risks to inflation, even if growth is judged to be relatively subdued." "While rate tightening on its own is probably not going to be sufficient to single- handedly restore stability to the Foreign Exchange market - it would nonetheless be an important complement to other efforts by the authorities to raise the attractiveness of cedi-denominated assets," she said.*(Ghana Web)*

Kenya

Corporate News

Kenya Electricity Generating Company Limited (KenGen) has drilled the biggest well in Africa with an estimated power output of 30 megawatts. Speaking after touring the OL Karia power station in Naivasha, company chief executive Albert Mugo said the electrical power equivalent of the steam and salt in water (brine) component was estimated at 24.7 MW and 5.4 MW respectively. "Thus, the total power output of the well is estimated to be above 30MW if steam and brine components are both utilised for electrical power generation," said Mr Mugo. He said the discharge testing brought good news for the company in terms of reducing the drilling cost with previous wells sunk at Ol Karia domes averaging 5MW. Mr Mugo said the well was one of three to be connected to the Ol Karia V power plant. He said it was among the 80 contracted wells adding that this was in line with the company's projection of adding to the national grid 844MW of electricity being the minimum target for the power generating company. The KenGen boss said the previous highest registered power output was 18MW terming the latest a "milestone." "It augurs well with our targets of increasing geothermal output as well as reducing the cost of piping and drilling," said Mr Mugo. *(Daily Nation)*

Kenya's second-largest mortgage lender, Housing Finance Ltd, said on Wednesday full-year pretax profit jumped 63 percent, driven by dramatic growth in its non-interest income on the back of rising property sales. Pretax profit for the year shot up to 1.48 billion shillingsin 2013, Managing Director Frank Ireri said, spurred by an almost five-fold increase in non-interest income to 1.3 billion shillings. "We are optimistic, expecting our balance sheet to grow by 30 percent this year," Ireri told an investor briefing. Housing Finance revived in 2012 its housing development arm to tap a fast-growing middle class in east Africa's biggest economy. Kenya faces a huge annual housing deficit, with some independent studies putting the demand at 160,000 units per year, against a supply of 30,000 units. In November, Housing Finance said it had secured approval to issue a 20 billion shilling corporate bond to fund expansion. *(Reuters)*

Kenya's Mumias Sugar reported on Thursday a narrower loss in the six months ended December as it increased revenues and cut costs. It said illegal imports of cane as well as poaching by rival millers had hit business, but it expected further improvements in the second half of its financial year. The country's biggest grower and miller of sugar narrowed its pretax loss to 104.8 million shillings, from 1.58 billion shillings in the six months ended December 2012. Net revenues increased 31 percent to 7.1 billion shillings, after a 29 percent rise on sugar sold to 88,851 tonnes, and despite a small drop in sugar prices. "Cane availability is still a major challenge as a result of lower area under cane, declining yield per hectare and cane poaching by other millers who have not developed their own cane," Mumias Sugar said. Mumias announced its results before the local bourse opened. Kenya's sugar industry regulator forecasts the country's raw sugar output will grow 17 percent to 700,000 tonnes in 2014, helped by an improved supply of cane and higher factory capacity. Mumias said costs fell by almost a third to 1.5 billion shillings and its loss per share narrowed to 0.05 shillings from 0.72 a year earlier. The company said performance was also hurt by illegal imports as well as cheaper imports from Common Market for Eastern and Southern Africa (COMESA) trade bloc. "The company looks forward to better performance in the second half of the year despite challenges as supply of sugarcane is expected to improve due to adequate rainfall during the period under review," it said. . *(Reuters)*

Kenyan book publisher Longhorn reported a 78 percent jump in pretax profit for the six months ended in December, driven by the company's expansion into regional markets to supply school textbooks. Pretax profit was 43.1 million shillings. The company said the introduction of value-added tax (VAT) on books in Kenya in September had marked a major setback, but that business had continued to grow nonetheless. Longhorn said it had won government contracts to supply school textbooks in Malawi, Rwanda, Tanzania and Uganda. Its directors did not recommend payment of an interim dividend from the half-year results. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

Kenya is seeking $400 million to $500 million in loans to pay for the construction of a new fuel pipeline from the port of Mombasa, east Africa's trade gateway, to the capital. Tender documents by the Kenya Pipeline Company (KPC) seen by Reuters on Monday said that the bigger pipeline would replace an older one and was designed to help meet demand for petroleum products in the region. KPC said the project would be financed through the company's internally generated funds and an external borrowing limited to between $400 million and $500 million. Details of the total cost of the entire project were not immediately available. "The key objective of this project is to replace the existing Line 1 with a suited pipeline size to meet the projected demand of petroleum products in Kenya and the Eastern Africa Region up to year 2044," the company said. KPC has said the existing pipeline linking Mombasa to Nairobi that has outlived its 30-year lifespan and is prone to ruptures. Many of the products from east Africa's only refinery in Mombasa have to be trucked to countries in the region, which is slow and unreliable owing to the breakdown of trucks and damaged roads. The existing pipeline runs from Mombasa to Nairobi and then on to the town of Nakuru in the west before splitting with forks to the towns of Eldoret and Kisumu. Kenya and Uganda also hope to revive plans to extend the pipeline past Eldoret to Uganda's capital Kampala, a distance of about 350 kilometres. *(Reuters)*

The Kenyan shilling firmed on Tuesday and traders said they expected it to gain more ground on foreign investor appetite for a government bond sale this week and dollar inflows from tea exporters. At 0735 GMT, commercial banks quoted the shilling at 86.15/35 to the dollar, 0.1 percent up on Monday's close of 86.30/40. Kenya's central bank will auction on Wednesday a 15-year Treasury bond worth up to 10 billion shillings. Shilling strength "could be on the back of the bond that is being auctioned and expected inflows from foreign participants," a senior trader at one commercial bank said. "Again we see some tea money coming through, and on the demand side there is very little activity." The shilling, which has gained 0.4 percent against the dollar this year, is expected to trade in the 86.00-86.80 range in coming days, traders said. *(Reuters)*

Kenya will invest Sh6.38 billion for a three per cent share in the proposed oil refinery in Western Uganda. Energy Principal Secretary Joseph Njoroge said the government is awaiting details of the $2.5 billion (Sh213 billion) refinery plans before a final decision is taken. It is understood that Rwanda may have paid for its share of equity following an invitation last September by Uganda to all EAC members. The refinery will be developed on a public-private partnership basis, where the East Africa countries will hold 40 per cent shares while the private sector takes 60 per cent. "The Government of Uganda has invited both Kenya and Rwanda to buy small shares in the refinery. The offer is about three per cent, which will have no effect on our other plans," said Mr Njoroge on telephone. Under the Lapsset Corridor Project, Kenya plans to set up two refineries, at the Lamu port and in Isiolo. The latter could, however, be affected by Uganda's decision to set up its own plant given that it was proposed to supply Eastern Africa market. Uganda plans to develop a refinery with an input capacity of 60,000 barrels per day (bpd), starting with a capacity of 30,000 barrels per day by 2018, which will be enhanced to 60,000 barrels per day before 2020. The first phase will supply oil to Uganda, Rwanda and Burundi with the second expected to produce enough for the whole of the Eastern Africa market. "We have asked for the feasibility study and economic details for assessment and then decision making," Mr Njoroge said.

Uganda, which is acquiring 29 square kilometres of land for the refinery, has hired US energy investment firm, Taylor DeJongh as transaction advisor charged with sourcing for the lead investor and financing. UK energy firm, Foster Wheeler Energy Ltd conducted a feasibility study, which recommended that a refinery was a more commercially viable option with a net present value of $3.2 billion at a 10 per cent discount rate, and an internal rate of return of 33 per cent. Following confirmation of commercial oil reserves in 2006, Uganda initiated a national oil and gas policy in 2008 to address the entire spectrum of exploration, development, production and valuable utilisation of the country's resources. The Ministry of Energy and Mineral Development later formulated a refinery development programme to guide the set up of a refinery. The programme is in line with the East African regional refineries development strategy that was adopted by EAC partner-states in 2008. *(Daily Nation)*

The budget for next year will seek to reduce the burden of wage bill and boost growth economic growth. This will be achieved by cutting lengthy purchase process to enhance absorption of development funds. A Budget Policy Statement released on Tuesday outlines how the government intends to reduce the threat posed huge wage bill while promoting faster implementation of infrastructure projects. Some civil servants will be sent home in an effort to reduce recurrent budget that experts have warned is likely to starve projects of funds if not contained. "The government will institute measures to contain the public wage bill, and increase needed resources for development funding. These would include payroll cleansing, staff rationalisation, identification and trimming off of excess personnel," the statement says. It says a wage adjustment for parastatals will be in line with a Cabinet directive of a reform taskforce that reduced their numbers by merging some and abolishing others. "The current wage bill to GDP ratio of 11.7 per cent is deemed too high and may become unsustainable if not contained. It is expected that recruitment for county governments is likely to worsen the wage bill to GDP ratio," Institute of Public Policy for Research Analysis, a government policy think tank. *(Daily Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

Mauritius-based conglomerate Rogers' first-half pretax profit fell 78 percent to 354.9 million rupees compared with a year ago, the company said on Friday. Rogers, which also has interests in the Indian Ocean island's financial, property and aviation sectors, posted a profit of 1.6 billion rupees in the corresponding year-ago period, buoyed by 1.3 billion rupees in exceptional items. The company said it expects all sectors that it has invested in, with the exception of real estate and agribusiness, to improve for the year ending June. Earnings per share before exceptional items rose to 8.79 rupees in the six months to December from 7.15 rupees a year earlier. Rogers stock closed at 194.50 rupees, up from 194 rupees on Thursday before the results were released. *(Reuters)*

Mauritius Commercial Bank's (MCB) first-half pretax profit rose 12.4 percent to 2.99 billion rupees, helped by rising fees and commissions, the bank said on Friday. MCB, the biggest bank by market value in east Africa and the Indian Ocean region, said it expected its full-year results to be higher than those of the same period last year, despite subdued economic growth in Mauritius. Net fee and commission income grew by 9.3 percent to 1.34 billion rupees, supported by a jump in revenues linked to regional trade financing, loan facilities and cards related activities, the bank said in a statement. Earnings per share rose to 10.32 rupees from 9.40 rupees a year ago. Shares in MCB closed higher to 212.50 rupees from 212 rupees before the results were released. *(Reuters)*

Mauritian clothing maker Ciel Textiles reported a 28 percent rise in first-half pretax profit after an improved performance from its knitwear business, and said it had satisfactory orders for the current quarter. The supplier of woven, knitwear and fine knits to Britain's Marks & Spencer and Next and Spain's Zara posted earnings of 330.91 million rupees for the six months to December 31. "Our order books for the next quarter are satisfactory despite challenging market conditions," the firm said in a statement dated Friday. Ciel Textiles, which is listed on the island's secondary Development and Enterprise Market, said its earnings per share rose to 2.50 rupees from 1.84 rupees a year earlier. *(Reuters)*

Hotels group New Mauritius Hotels (NMH) reported a 6.3 percent rise in first half pretax profit on Monday due to higher occupancy rates and forecast a better second quarter. The group, which owns nine hotels in Mauritius, one in the Seychelles and another in Morocco, posted a pretax profit of 570.55 million rupees, pointing to a turnaround in the Indian Ocean island's tourism sector. Last year, it reported a 29 percent fall in full-year pretax profit, hit by fewer arrivals from Europe. However, the increase in air seat capacity brought by Air Mauritius on the China route and by Emirates airline with a daily Airbus A380 flight from Dubai would boost visitor arrivals in the second quarter, the group said in a statement. Revenue increased by 3.1 percent to 2.56 billion rupees. Earnings per share rose to 3.18 rupees from 2.92 rupees in the same period a year ago. Shares in the hotel group, among the country's most traded stocks, closed 0.3 percent higher at 83.25 rupees. The NMH results were released after the market close. *(Reuters)*

Economic News

Mauritius' finance ministry on Friday renewed its criticism of the central bank, whose governor wants to raise interest rates and has criticised the government's borrowing policies. The Indian Ocean island state's monetary policy committee held the repo rate at 4.65 percent earlier this month, but its members were divided on the decision, with some saying a rise in the rate could undermine economic recovery. Rundheersing Bheenick, the governor of the central bank, has said raising the rate would protect the Indian Ocean island from turbulence that has hit other emerging markets and would address the low level of savings in a nation that promotes itself as an offshore banking centre. He has blamed the government's foreign borrowing for pumping too much money into the banking system. But the finance ministry on Friday blamed the excess liquidity on sluggish demand for private sector credit, frequent purchases of foreign currencies by the central bank to build up its hard currency reserves and constant signalling by the central bank that it wants a tighter monetary policy stance.

"Excess liquidity should not be allowed to stand in the way of development imperatives," it said in a statement. The ministry said it would tweak its borrowing strategy to help deal with the excess liquidity. It gave no details. Mauritius has been trying to reduce its reliance on tourism, sugar and textiles and now has growing businesses in offshore banking, outsourcing, luxury real estate and medical tourism. *(Reuters)*

Mauritius sold 5-year Treasury bonds at a weighted average yield of 5.83 percent on Wednesday, up from 5.70 percent at the last auction in December, the central bank said. The Bank of Mauritius sold all the 1.6 billion rupees worth of debt on offer. It received bids worth 2.926 billion rupees with yield ranging from 6.25 percent to 5.50 percent. The coupon rate was 4.30 percent. *(Reuters)*

Nigeria

Corporate News

Guinness Nigeria Plc (GUINNESS), the West African nation's second-largest brewer, said first-half profit declined 22 percent as sustained weakness in consumer spending caused a slump in beer sales. Net income fell to 5 billion naira ($30.7 million) in the six months through December, compared with 6.42 billion naira a year earlier, the local unit of London-based Diageo Plc (DGE) said today in a statement on the Nigerian Stock Exchange website. Revenue declined 13 percent to 52.8 billion naira. Disposable income "continues to be challenged" by an increase in gasoline prices two years ago, Guinness Nigeria Chief Executive Officer Seni Adetu said on a conference call today. While the beer market in Africa's most populous country showed some recovery in the second quarter, government spending in order to secure votes ahead of elections next year hasn't been as strong as expected, impacting sales, he said. Parent company Diageo, the world's biggest distiller, said Jan. 30 a slowdown in emerging markets including China and Nigeria weighed on first-half sales growth. The brewer joins companies from Unilever NV to Remy Cointreau SA that are seeing a slowdown in previously fast-growing regions due to fluctuating currencies, economic turmoil and government crackdowns. Guinness Nigeria's share price fell 4.7 percent to 192 naira at the close of trading today in Lagos, the lowest level since April 2011. The stock has dropped 19 percent this year, compared with a 5.7 percent decline on the Nigerian Stock Exchange All-Share Index. *(Bloomberg)*

Nigerian energy firm Oando said on Tuesday is shareholders had approved plans to raise 250 billion naira through a combination of rights issues, bonds and global depository receipts. Of that, 50 billion would be in a rights issue, the company said in a filing through the Nigeria stock exchange. The oil and gas company said the extra ordinary general meeting of its shareholders also agreed to increase its share capital base to 7.5 billion naira, from 5 billion naira previously. Its shares were up 3.7 percent to 21 naira per share by 1324 GMT. Last month Oando announced plans to raise 250 billion naira to fund a $1.79 billion acquisition of a ConocoPhillips Nigerian oil field, causing Oando's shares to fall sharply. The company, which is also listed in Toronto and Johannesburg, has been struggling to raise the capital needed to close the deal. Oando has paid a $450 million deposit for the acquisition and has a balance of about $1.23 billion to pay, it has said. *(Reuters)*

Nigerian Stock Exchange Wednesday lifted the full suspension placed on shares of Cadbury Nigeria Plc, following the conclusion of the company's capital reduction exercise. Cadbury had embarked on the reduction of its capital base by about N12 billion under a plan that was approved by the shareholders last year. The exercise was expected to result in the cancellation of two of every five ordinary shares held by investors. But in order to comply with the requirements of the court sanctioned reduction approval, Cadbury requested the NSE to place the shares on full suspension. As a result, the stock has been on suspension since January 8, 2014. However, the suspension was lifted yesterday following the full compliance with the exercise and the issuance of the certificate of decrease in capital by the Corporate Affairs Commission (CAC). The company informed the NSE that all actions required to make the capital reduction effective had been completed with the successful filing of the court sanction with the CAC. According the Cadbury, by achieving the effective date, the authorised share capital of the company is now reduced by 1,252,172,198 shares from 4,000,000,000 shares to 2,747,827,724 shares while the issued share capital of the Company is also reduced by 1,252,172,198 shares from 3,130,374,238 shares to 1,878,202,040 shares. Cadbury said the post capital reduction price per share is N90.78.

Based on the above information, the NSE said "the suspension placed on the company's share price has been lifted effective today, February 19, 2014." United Kingdom-based Cadbury Schweppes Overseas Limited (CSOL), the majority core investor in Cadbury Nigeria, holds 74.99 per cent equity stake in Cadbury Nigeria. Under the capital reduction plan, Cadbury Nigeria will returned excess capital of N 11.9 billion to its shareholders by cancelling two out of every five ordinary shares currently held by the shareholders. This eventually reduce the share capital account by an amount equivalent to the par value of the cancelled shares and share premium accounts by about N11.27 billion. Also, each shareholder will receive returned capital per cancelled share at N9.50 per share. Although some Nigerian minority shareholders had kicked against the capital reduction, the board of the company said the exercise was necessitated by current cash position of the company in relation to its operations and the need to optimise return on capital. According to the board, it had assessed the company's current financial position including liquidity and amounts due to creditors as well as possible capital investments and near-term growth opportunities and came to the conclusion that the company has more capital than it required now or in the near future. *(This Day)*

Barely one week after paying an interim dividend, PZ Cussons Nigeria Plc on Wednesday recommended a special dividend of N1.30 per share for the shareholders. In a notification to the Nigerian Stock Exchange (NSE), the company said its board of directors at its recent meeting resolved to recommend a special dividend of N1.30, to be paid from the general reserve of the company. However, the payment will be made after the shareholders have passed the necessary resolution at an extra-ordinary general meeting to be held in Lagos March 13. The dividend would be paid on March 17, 2014. Shares in the conglomerate rose 4.9 per cent to close at N37.26 per share following investors' postive reaction to the special dividend announcement. PZ Cussons, for the first time, declared an interim dividend of about 20 kobo last month after posting 4.7 per cent in revenue for the half year ended November 30, 2013, rising from N31 billion in 2012 to N32.46 billion in 2013. Profit before tax rose 53 per cent to N3.1 billon from N2 billion, while profit after tax went up by same margin, rising from N1.515 billion to N2.317 billion.

The company had explained that the recommendation of the interim dividend was response to request by shareholders in that regard. Also, it was gathered that the payment of interim dividend aligns with the practice of other companies in the industry where PZ Cussons operate and its United Kingdom (UK) parent company. Assessing the performance half year results of PZ Cussons, analysts at Cordros Capital Limited, an investment banking firm, had said the company recorded a revenue growth of 15.45 per cent quarter-on-quarter. They said considering the strong competition in the Nigerian fast moving consumer goods (FCMG) space as well as challenges facing the Northern sphere of the company's business in recent time, they believe this growth is commendable and could be linked to increased demand for its products.*(This Day)*

Oando Energy Resources' says it has raised all funds necessary to conclude the acquisition of ConocoPhillips Nigerian assets. It also says in a statement that there is not an ongoing $330 million sale of its drilling subsidiary, Oando Energy Services (OES). "We wish to explicitly state that OER has successfully acquired all funds required to complete the acquisition, and is awaiting the consent of the minister of the Federal Ministry of Petroleum," OER said in the statement, as "OES has not been put up for sale and remains a wholly-owned Oando plc subsidiary." With a growing demand as a result of the divestment of substantial resource bases to indigenous companies, OES remains a viable business with great future potential, according to OER. Toronto-listed Oando Energy Resources Inc. (OER), a company focused on oil and gas exploration and production in Nigeria, is the upstream business of Oando plc, the holder of 94.6 percent of the common shares of the company.*(Business Day)*

Economic News

Nigeria's external reserves continued its downswing in 2014 as it dropped to $41.907 billion at the weekend. THISDAY checks showed that the current value of the forex reserves represents a decline by four per cent or $1.598 billion, compared to the $43.505 billion it stood at the beginning of the year. The Central Bank of Nigeria (CBN) has been using the reserves to support the nation's currency and this has been identified as one of the factors responsible for the deterioration of the reserves. Deputy Governor, CBN, Dr. Sarah Alade at the weekend reiterated the central bank's resolve to continue to defend the naira. According to her, the central bank is committed to exchange rate stability. The central bank did intervene in the interbank market last week in order to stabilise the beleaguered currency. The naira maintained its value of N155.75 to a dollar at the regulated Retail Dutch Auction System as the regulator supplied a total of $800 million last week. However, at the Bureau De Change (BDC) segment, it dipped by N2 to close at N170.50, just as it closed at N162.33 to a dollar at the interbank market. CBN Governor, Mallam Sanusi Lamido Sanusi last week said that his biggest headache is the threat to the exchange rate at a time when oil prices are in excess of $110 per barrel and when the country has current account surplus. "The central bank is not looking for a strong naira. We are not looking for a weak naira, we are simply looking for a stable naira. In a normal world, I should be resisting an appreciation of the currency today and not fighting depreciation. "We are having a problem that is entirely home-grown. People are literally taking crude oil physically; refining and taking it out in vessels and not paying for it, plus all other leakages in the system," he declared.

But the Financial Derivatives Company Limited (FDC) noted in its latest economic bulletin that there has been increased currency pressure since the removal of the limit on dollar sales to BDCs. "A depreciating naira and depleting external reserves will have a negative impact on the non-food basket," it stated. It also argued that if the federal government implements the new import duty and levy increase from 20 per cent to 70 per cent on cars and light commercial vehicles, there would likely be a spike of approximately 30 per cent on urban transportation costs. Furthermore, it argued that there would be inflationary pressure next month as a result of the impact of the new automotive policy tariffs and 50 per cent hike in gas prices. "The CBN governor has already expressed concerns on the depleting external reserves and has reiterated his determination to defend the naira. However, if the depletion in external reserves continues, an adjustment in exchange rate becomes inevitable. "The question on everyone's lips is when and by how much the currency will depreciate especially at a time when the parallel market rate has appreciated from N176/$ to N170/$ and the interbank exchange rate has moved in the opposite direction to N167/$," it noted. *(This Day)*

Nigeria's central bank offered to sell $600 million at its twice-weekly forex auction on Monday, its highest offer in two years, to shore up the value of the ailing naira currency, dealers said. The figure compared with $400 million at the previous auctions. The central bank offered $700 million at a currency auction in September 2011. The central bank has been battling to support the naira currency which has lost 2.4 percent this year, pressured by a surge in dollar demand from offshore investors selling assets amid a wider emerging market pullback. The naira fell to a record low against the dollar last week of 167. Nigeria and other emerging and frontier markets have been hammered by a widespread sell-off after the U.S. Federal Reserve began to reduce its stimulus, which had kept global markets flush with cash. The currency, stocks and bonds were hit last week. "Nigeria has low external financing needs, but persistent capital flight has led to strains," Jason Tuvey, economist at London-based Capital Economics wrote in a note to clients. "This has forced the authorities to run down forex reserves to protect the value of the currency." The central bank has pledged to continue to defend the naira and curb inflation but its interventions are depleting foreign currency reserves. Foreign exchange reserves in Africa's second biggest economy fell to $41.9 billion by February 13, down 10 percent from the same period a year ago, central bank data showed on Monday. At the interbank, the naira eased only slightly by 0.25 percent to 162.60 against the U.S. currency on Monday, after two oil firms sold a combined $64 million, helping further boost dollar liquidity. *(Reuters)*

The Nigerian insurance industry is growing on the average 40 per cent from less than three per cent in the last three years on the back of reforms by the National Insurance Commission (NAICOM), according to the commissioner for insurance, Mr Fola Daniel. Daniel who spoke at a media chat in Lagos said the industry has the capacity to grow between 200 and 400 per cent if compulsory insurance and the 'no premium no cover' policy among other reforms are strictly adhered to. Specifically, he mentioned that the commission initiated the Market Development and Restructuring Initiative (MDRI) in 2009 to among others, enforce compulsory insurances and eradicate fake insurances in the country. This initiative, according to Daniel, has been vigorously pursued by the Commission across the six geo-political zones of the country. He attributed the positive developments in the industry to a series of new reforms embarked upon by NAICOM lately. These reforms, according to him, include the introduction of risk-based supervision, migration to International Financial Reporting Standard (IFRS) from the Nigerian Generally Accepted Accounting Principles (NGAAP), and market conduct reforms. Others include claims settlement reforms, and financial inclusion amongst others, all geared towards developing the industry and improving the general perception about insurance. He said the reforms are in line with the Federal Government's vision 2020:20 of deepening insurance penetration to become the insurance industry of choice among the emerging markets in terms of capacity, safety, transparency and efficiency. "Nigeria is much likely to attain a sustained economic growth and development if it can adapt its insurance industry with innovative ways that will bring on board the generality of the country's population," he said.

He added: "the Nigerian insurance sector has great potentials for massive growth. You will agree with me that the population size of the country, if adequately harnessed, gives an added advantage to the insurance industry to further develop its market. "This is what we intend to achieve with the various initiatives incepted by the Commission in recent times. We will definitely appreciate the unflinching support and cooperation of all of you in this drive." In order to ensure adequate understanding and build capacity amongst the stakeholders, the NAICOM is conducting a series of workshops and seminars for all stakeholders. On the vexed issue of delayed or non-payment of claims, he said the Commission commenced the implementation of section 50 (1) of the Insurance Act 2003 on January 1st 2013 to put a stop to it, and that the effort is paying off. Daniel specifically said that in 2012 a total of N1.2 billion claims were settled by insurers with the intervention of NAICOM. The figure according to him increased to N2.2 billion in 2013. "Having also recognised the urgent need to develop the retail insurance market which has remained grossly untapped considering the vast population of the country, it became imperative for the Commission to incorporate micro-insurance and takaful as important vehicles for achieving greater insurance penetration in the country," he said. NAICOM recently released the Takaful Guidelines and the micro-insurance Guidelines to the market, which is now ready for implementation. Equally it's set up an industry steering committee for micro-insurance under the Chairmanship of the director-general of the Nigeria Insurers Association (NIA), Mr. O. S. Thomas. *(This Day)*

Nigeria's President Goodluck Jonathan has suspended central bank governor Lamido Sanusi, presidency spokesman Reuben Abati said on Thursday. Sanusi, who was due to end his term in June, had been an increasingly outspoken critic of Jonathan's government and its record on tackling endemic corruption. *(Reuters)*

Nigerian president Goodluck Jonathan named the managing director of Zenith Bank Godwin Emefiele as the next central bank governor, the chairman of the Senate committee on finance told Reuters by telephone. Jonathan suspended current central bank head Lamido Sanusi on Thursday, putting deputy governor Sarah Alade in charge in the interim. Senator Ahmed Makarfi confirmed that Emefiele's nomination had been sent to the Senate for approval to take office when Sanusi's term would have expired in June. He said the president had a prerogative to suspend the central bank governor using his executive powers, and that the Senate would only need to approve a full removal. *(Reuters)*

Nigeria's finance minister said on Thursday that a change of leadership at the central bank would not affect economic policy in Africa's second biggest economy, after central bank governor Lamido Sanusi was suspended. "Macro-economic stability and a tight fiscal stance ... will continue to be maintained," a statement from the office of Ngozi Okonjo-Iweala said. "The government will continue on policies which will help the naira (currency) to stabilise." She expressed confidence in interim bank governor Sarah Alade, who will see out Sanusi's term until it ends in June. *(Reuters)*

Nigeria's state-owned rescue bank AMCON said on Thursday that 18 bidders had submitted offers for the sale of its 100 percent stake in nationalised lender Enterprise Bank. Asset Management Company of Nigeria (AMCON) CEO Mustapha Chike-Obi told Reuters foreign and local investors were in the mix of bidders. He hoped to conclude the deal by the end of May. AMCON was set up in 2010 to help resolve a banking crisis in Nigeria, triggered by reckless lending and a stock market collapse in 2008, prompting the central bank to spend $4 billion rescuing nine lenders from near bankruptcy. AMCON issued 4 trillion naira worth of bonds in 2011 to recapitalise the banks and soak up their bad-debts. Chike-Obi said the "bad bank" retired 1.699 trillion naira worth of bonds in December 2013 with 3.8 trillion naira held by the central bank. He said AMCON would retire the remaining 800 billion naira worth of bonds in October from its own cash flows. Chike-Obi said he would seek advisers for share sale in another nationalised lender Mainstreet Bank within the next seven days and that AMCON planned to complete that deal by the end of September. "We received 24 expressions of interest ... of which 18 have submitted non-binding offers," Chike-Obi said. Citi and Nigeria's investment firm Vetiva Capital are advising on the sale of Enterprise Bank. Chike-Obi said he would seek for new advisers for Mainstreet Bank. *(Reuters)*

Tanzania

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

Zambia

Corporate News

No Corporate News this week

Economic News

Schneider Electric, a French energy management firm, plans to invest in the country's energy and mining sectors in view of favourable business environment. The company is also considering investing in the social investment in the rural areas in partnership electricity supply company, Zesco, to ensure skills training for Zambians. Schneider Electric partner projects division exports director Sello Moima said in a statement obtained by the Daily Mail from the Mining Weekly website on Friday that the with the gross domestic product growing steadily, Zambia is one of the most attractive investment destinations in Africa. *(Daily Mail)*

Zambia's Lusaka Stock Exchange said it will consider buying a stake in Zamace Ltd., the sole agricultural commodities bourse in Africa's largest copper producer, as the markets talk about areas of cooperation. "These are the details that will come from the various discussions," Brian Tembo, chief executive officer at the Lusaka Stock Exchange, said today in an interview in the capital. "We are not restricting ourselves to anything." The equities exchange, known as the LuSE, and Zamace plan to sign a preliminary agreement this year that will seek to exploit synergies between the two markets, said Tembo, who was executive director at Zamace before taking up his current position. The LuSE has systems in place that may benefit Zamace, including a trading platform and share depository, Jacob Mwale, Zamace's acting executive director, said by phone. Zamace, a 15-member bourse set-up in 2007, provided a trading platform for crops such as wheat, soybeans and sunflowers as well as cement and fertilizer until it suspended operations in mid-2011. Zambia is southern Africa's biggest corn producer after South Africa and Malawi. The two bourses have been in talks since 2011, Tembo said in an interview in October, when he said the companies may start merger negotiations. *(Bloomberg)*

The Bank of Zambia called an emergency meeting with lenders to probe a drop in the nation's currency to a record against the dollar, two weeks after Ghana limited foreign-currency sales to halt a slide in the cedi. "The central bank just called a treasurers' meeting to try to understand the dynamics" affecting the kwacha, Mwewa Kyamulanda, a currency trader with Investrust Bank Plc, said by mobile phone from Lusaka, the capital, yesterday. The currency of Africa's biggest copper producer slid as much as 1 percent to 5.78 per dollar, its lowest level since Bloomberg began compiling records in 1994. It was trading 0.6 percent weaker at 5.76 as of 6:03 p.m. yesterday. The kwacha has declined 3.2 percent this month, the continent's worst performer after the Gambian dalasi. Yields on Zambia's $750 million of Eurobonds rose four basis points, or 0.04 percentage point, to 8.24 percent, matching a record high. A falling currency increases the risk of higher inflation in Zambia, which imports items from oil to breakfast cereal. It also makes repayments on external borrowings more expensive. Ghana's central bank announced limits on dollar use as well as withdrawals and transfers on Feb. 5 in a bid to halt a decline in the cedi, Africa's worst performing currency this year. Emmanuel Pamu, financial markets director at the Bank of Zambia, declined to comment when contacted by phone before the meeting and three subsequent calls to his mobile were unanswered.

"There seems to be a view that the kwacha has been overvalued quite a bit and this is a correction," Kyamulanda said. The meeting was with heads of treasuries and Investrust was among those invited to the meeting, which happen "from time to time," according to Kyamulanda, who said he wasn't allowed to attend on behalf of his manager and declined further comment. "Zambians use the value of the kwacha as a direct barometer of how well the country/economy is faring," Chris Becker, a market strategist at ETM Analytics in Johannesburg, said in an e-mailed note yesterday. Countries including Zambia and Nigeria may follow Ghana's clampdown on foreign-exchange trading, which may cause investors to withdraw dollars, curbing supply of the greenback, Becker said in a separate note before today's meeting. Zambia banned the use of dollars in domestic transactions in 2012. Nigeria has enough reserves to keep defending the naira, Central Bank of Nigeria Deputy Governor Sarah Alade said Feb. 14. The cedi has weakened 6.9 percent this year and the naira 2.3 percent. "The risk is that these governments and central banks respond with their own soft currency and capital controls to prevent an outflow," Becker said. For the kwacha, "further downside is on the cards, and interest rate risks are tilted strongly to the upside," he said. *(Bloomberg)*

Zimbabwe

Corporate News

ARISTON Holdings says there has been significant uplift in output on all farms with a lot more potential going forward as the group's rehabilitation programme begins to pay off.Giving an update of operations at the group's annual general meeting on Friday, chief executive Mr Paul Spear said there had been significant growth in operations since the recapitalisation in 2011. Revenue since the US$8 million injection had grown 16 percent to US17,1 million while there had been an increase in consumables and bearer biological assets to 1 088 percent at the end of its financial year in 2013. Mr Spear said the growth in revenue for the current financial year is expected to be much higher. Capital expenditure had grown 416 percent to US$3,23 million from US$627 000 in 2011. "We were aggressive on the capex but we are slowing down in the year ahead." Debt had risen 7 165 percent in the two year period but equity had also gone up 9 573 percent. With all this in the mix, Mr Spear said there had been significant improvement in the operations. Prospects for another good tea season with much production and improved quality are expected. Made tea volumes are currently 55 percent above prior year and 20 percent above budget. Mr Spear said the Macadamia fruit was very encouraging and increased yield and quality were also expected. The group had restructured its trading division Favco with restructuring 90 percent complete. "The new structure now revolves around the marketing of produce from the farms," said Mr Spear adding that integration with the farms was now at 60 percent *(Herald)*

ALLIED Bank is considering recapitalising through a placement of shares to potential investors, failure of which it will downgrade its banking license to a deposit taking micro-finance institution."The bank will flight a public notice inviting investors willing to inject fresh capital into the bank for some shares and this should be done in the next few weeks," a source familiar with the development said on Friday. "If that fails to bear positive results, the bank will downgrade its banking license to deposit taking micro finance." Allied Bank chairman Mr Farai Mutamangira could not be reached for comment yesterday while chief executive Mr Steven Gwasira did not return a call seeking comment. The Reserve Bank of Zimbabwe gave the financial institutions up to December 2020 to be compliant with the set minimum capital requirements but should submit their plans on how they intend to do so by June this year. Commercial banks and building societies will be required to have minimum capital of US$100 million.

Deposit taking micro finance institutions will be required to have a minimum capital of US$20 million. Central bank acting governor Dr Charity Dhliwayo recently advised struggling banks to downgrade and obtain deposit taking micro-finance licences. Capital Bank, which is owned by the National Social Security Authority is since surrendered it merchant banking license and is seeking a deposit micro finance licence. Local banks, particularly those owned by indigenous Zimbabwe have been struggling to raise capital due to the prevailing liquidity constraints. *(Herald)*

INDIAN state-owned Bharat Heavy Electricals Limited and Shandong of China are among companies that have expressed interest in partnering RioZim Limited in setting up 250 megawatt plants at its vast coal fields of Gokwe in the Midlands province. The short-term strategy envisages the construction of a number of smaller power plants over the next 10 years, RioZim said in a statement last week. It said its energy division Rio Energy, was in the process of bringing in technical and financial partners. " . . . three best-in-class developers have registered their intent to develop at least one 250MW plant over the next four years. These include EPC Contractors, Shandong, GEDI and BHEL, who are submitting quotes on the construction of a 250MW plant. These firms have excellent track records in power development, having developed between them in excess of 10 gigawatts of capacity around the globe," RioZim said. RioZim has engaged an Indian consulting firm WAPCOS to update the bankable feasibility study to ensure potential investors are provided with reliable data on the resource.

RioZim added it has so far spent US$10 million in exploratory work since 1989 when the Government ceded a coal grant to Sengwa Colliery, a company owned by RioZim and Rio Tinto plc. "There have been major milestones since then. During these years the owners have spent over US$10 million exploring the resource to ensure that the full value is identified. As a result, significant progress was made in order to determine the resource size and extent of power generating opportunities. This has included a bankable feasibility study done with national power of the UK," said RioZim. However, the ultimate success of the project had been constrained by lack of customers ready and able to pay for power supply at reasonable cost. Secondly, there had been a dearth of sponsor companies and utilities able to partner the project. In addition, access to project finance is limited under current market conditions, which require an investment of US$400 million even for a relatively small 250MW power plant. Another challenge relates to sourcing the debt portion of the full capital investment on favourable terms. Under the current market conditions debt finance is expensive and unavailable. Meanwhile RioZim said it is helping Sable Chemicals on pre-feasibility study to set up a coal gasification plant with the aim of supplying coal to the proposed Sable's coal gasification plant.

"A Memorandum of Understanding was signed in February 2012 between Sable Chemical Industries Limited and RioZim on the establishment of a joint venture. Sable will focus on the coal gasification based ammonia or urea plant and downstream capacity enhancement projects, while RioZim will focus on becoming the supplier of coal to the project," RioZim said. Sable Chemicals chief executive Mr Jack Murehwa recently told our sister paper, Sunday News the projects would cost US$600 million. About three million tonnes of coal would be required annually to run the coal gasification plant. Sable is the sole manufacturer of ammonium used in the production of AN fertiliser. It is planning to decommission the electrolysis plant it is operating and start importing ammonia on an interim basis to allow the commissioning of the coal gasification plant. *(Herald)*

ZIMBABWE Stock Exchange-listed branded wine and spirits manufacturer African Distillers Limited (Afdis) posted a $1,3 million profit for the half-year ended December 31, 2013 up from the same period last year due to increases in revenue during the period under review. In December 2012, the company said after-tax profit stood at $1 million. Afdis's revenue was up 11% to $18,4 million from $16,5 million during the period under review. "Higher revenue growth was due to favourable sales mix which impacted positively on trading margins, thereby, resulting in an increased of 2%. "Local product portfolio continues to grow enhancing revenues and margins," the company said in a statement. Earnings Before Interest Depreciation Taxes and Amortisation and operating income increased by 30% and 33% to settle at $2,2 million and $2 million respectively. Earnings per share increased by 27% to 1,38 cents. Afdis said in a statement localisation of ciders was at advanced stage with machinery having been ordered and production was expected to start in the next financial year. The company will buy the machine from Germany which has a capacity to produce 27 000 bottles of ciders — Hunters and Savanna per hour locally. Afdis would be using the $5 million that it received through the rights issue that was approved by shareholders in December last year to carry out its investments this year, the company said. The company said it will strengthen its brand portfolio and intensify investments into the business.

"The company is targeting sales growth and increased profitability into the future through cost effectiveness and improved production efficiencies and capabilities," the company said. *(News Day)*

MEIKLES Limited is set to expand its footprint into the mining sector after it announced that it had concluded a chrome opportunity and had identified its first gold project. Well placed sources say Meikles through its partnership with Centar Mining will be involved in the export of chrome in a structure where they will pre-fund chrome miners, including small scale to produce the mineral. "Meikles won't be involved in the mining of the resource but will fund miners to produce chrome for export." The source also said the group was also on the verge of concluding a transaction in the gold mining sector with a medium sized mine in Bulawayo. Executive director Mark Wood could neither confirm nor deny when the Herald Business sought his comment yesterday, insisting that the group will issue a statement on February 26. "I can neither confirm nor deny but will only give you full details after the board meeting on February 26," said Mr. Wood. In its trading update for the nine months to December, Meikles said it had progressed with its involvement in the mining sector. "We are working very closely with our partner, Centar, and have a vision to become a significant player in the mining sector." In terms of hotel operations, Victoria Falls hotel had enjoyed good occupancy rates post the hosting of the UNWTO and the hotel, jointly managed with African Sun, has benefited substantially. The Average Daily Rate has improved by 17 percent and revenue per available room has gone up by 12 percent for the period ended 31 December 2013 when compared to the same period in 2012. The Meikles Hotel achieved a 2 percent growth in its ADR and Revpar compared to the same period in 2012. At Tanganda, the group said plantation development has progressed well with 351 hectares being put under new crops in the last nine months. Thus, as at December 31, 2013 the hectarage under coffee, avocados and macadamia was 229ha, 318ha and 62 ha respectively. The target remains for the company to have 300ha, 500ha and 750ha under coffee, avocados and macadamia by March 2015.

The group said it had instituted legal action against both the RBZ and Ministry of Finance in an effort to recover its +US$70 million debt from the central bank. The funds initially at US$40,5 million before accruing interest were a deposit held by the central bank under Meikles foreign currency account. Trading in its retail operations has been subdued as consumer demand has been receding. According to the group, trading in the supermarkets has been subdued in the nine months of the current financial year, particularly in groceries. TM Supermarkets turnover was 1 percent above that of the comparative period in 2012. However, the group said in spite of the challenges being faced by the economy, TM is continuing with its branch refurbishment programme and the opening of new stores. As previously reported, the funds for this programme are in place. Meikles Mega Market had been well received by customers since its opening in December 2013 with the daily turnover reflecting a satisfactory trend. "Consumers have found favour with this new model due to its value offering." Accordingly there are plans to roll out MMM in the key cities of Zimbabwe progressively by the third quarter of the next financial year. **(Herald)**

SOUTH African firm Vasari Global's bid to acquire Cairns Holdings is back on track after the parties agreed on a valuation following disputes over the purchase price. Sources said it was now more certain the South African company would take over Cairns after the deal appeared to hit a brick wall while the other initial suitors were put on alert. They, however, could not disclose the agreed purchase amount. The bidders for the central bank's stake were local companies Dairibord Holdings and Judah Holdings Limited and South African firms Vasari Global and Eastern Trading Company Limited, but the judicial manager settled for Vasari. Vasari Global had allegedly expressed reservations over the purchase price the Reserve Bank of Zimbabwe had quoted for its 67 percent shareholding in the delisted company. The argument was that huge fresh capital injection was required to bolster the firm's operations, purchase new equipment, pay debts and clear outstanding obligations to workers. As such, the parties to the deal had to enter a fresh round of talks to iron out points of divergence, but judicial manager Mr Reggie Saruchera had kept the other suitors in the wings when there appeared to be little progress with Vasari. "There has been a lot of progress on the deal. It is highly likely that Vasari is coming on board, the chances have gone up. They have now reached an agreement with the shareholder and the judicial manager may soon be considering convening a scheme meeting (at High Court)," a source said.

The scheme meeting at the High Court would ensure a binding agreement among stakeholders including shareholders, creditors and employees on the terms of the deal. Vasari argued that it would not accept the RBZ's desired price, which the investor believed was too high for a firm that was making losses and had a negative capital. But the RBZ insisted that the price was justified considering Cairns' brand equity and its potential to quickly turnaround its fortunes once the company was fully recapitalised. The company has since returned to profitability after exponentially ramping up production capacity from a record low of 10 percent in 2010 to just above 35 percent now. This follows acquisition of new equipment by the former Zimbabwe Stock Exchange-listed firm after it accessed funding under the Distressed Industries and Marginalised Areas Fund to buy equipment for snacks and canning business. The investment proposal by Vasari follows the approval by the majority of shareholders and creditors of the company in June of the judicial manager's proposal for a scheme of arrangement that would bring in the new investor last year. Cairns is a fast moving consumer goods manufacturer with particular interest in vegetables, snacks, chips, groceries and beverages. The brands are household name in Zimbabwe. *(Herald)*

NMB Bank Limited is looking to raise about US$5 million from investors such as pension funds to provide loans for Small and Medium Enterprise companies that have the capacity to pay back the money, an official in the bank confirmed last week. The money will be an addition to the US$4 million which the bank managed to raise during the floatation of the first tranche of its two-year US$50 million mortgage-backed Small to Medium Enterprises bond issue which opened during the last quarter of 2013. The bond is being issued in US$10 million tranches. In an interview with The Herald Business, NMB Bank Executive Director (Treasury) Mr Felix Mangozho said in the first quarter of 2014 the bank has lined up investor funds that will provide the capital for small and medium companies that have the capacity to pay back the loans. "For this quarter we have lined up investors to raise another US$5 million. "We are currently, and will continuously monitor the operating environment to ensure that the targeted clients are viable and that they are able to repay the money," Mr Mangozho said. He said the bank has a list of companies and clients that are likely to benefit from the arrangement. Mr Mangozho added that as and when the bank identifies deserving enterprises, they will approach investors to raise more funding so that the SME sector gets the required support to boost its economic development potential. "At the moment, a list has been drawn and once our sanctioning committee is satisfied with the candidates, then the investors will be approached to raise the funding.

"The general trading environment has been challenging but we hope to allocate more funds to the bonds. "The Proparco Line of Credit for US$10 million is a good sign that the First World is beginning to view our country in favourable light and that many more doors may open for our economy." Mr Mangozho added that the US$5 million earmarked will only benefit small and medium enterprises. The bank is keen to help SME via this bond but bigger businesses are catered for under different structures. He said as a pre-condition for lending by NMB Bank, borrowers should show commitment to their projects and businesses by providing collateral in the form of property which will be ceded to the trustee in terms of the Trust Deed. The first US$10 million tranche opened in October and closed in early December. This year, the bank's managing director Mr Benefit Washaya said the institution intends to raise US$50 million in the long run for Small to Medium Enterprises but the facility is drawn down on an "in-need basis". He said in the last quarter, after a careful analysis of the trading environment they identified a number of qualifying small businesses and raised about US$4 million for them. *(Herald)*

DELTA Corp is spending close to US$12 million on the expansion of its Chibuku Super plant in Chitungwiza, with annual production expected to triple to 1,8 million hectoliters. The plant will be completed by April this year, Delta Beverages manufacturing executive Mr. Brian Karemba said yesterday. And the company will ramp up production to full capacity of 33 000 bottles per hour by June after adding the 25 000 bottle/hour line. The line purchased in Germany will be commissioned in April while production will be raised to full capacity in June. The expansion involves the construction of a new brewer house and the installation of a second integrated packaging machine. Civil works and installation of some components of the plant are underway and some key components have been installed. "We are in the mid-stream in terms of the project. We realised that the current capacity was inadequate and we had to create additional capacity," said Mr. Karemba. The Chitungwiza plant is currently supplying Chibuku Super in Harare, Mutare, Chitungwiza, Bulawayo and Rusape. But with additional output, the company is hoping to supply most parts of the country. "We would like to saturate the current market and then expand." Delta launched the carbonated traditional brand, Chibuku Super in March last year after investing US$6,5 million and the product has been well received by the customers. In its trading update, Delta said sorghum beer volumes were up 18 percent in the quarter ended December 2013 and 12 percent up in nine months, "indicating a strong consumer acceptance for the category driven by the success of Chibuku Super". Lager beer volumes were down 25 percent versus prior year for the quarter and 15 percent for the nine months. Soft drinks or sparkling beverage volumes were also down 6 percent for the quarter and up 2 percent for the nine months. Alternative beverages (mainly Maheu) was up 23 percent for the quarter and 42 percent for the nine months.

The new project will see a 73 percent increase in staff complement to 140 and production will be undertaken by four shifts. Overall, the business will see some transfers of staff from other parts of the business. "This investment comes with considerable positive effects upstream in the value chain. As the overall Chibuku volume is set to grow, demand for key production and packaging raw materials is expected to rise. Sorghum malt is one key raw material whose demand will grow meaning a direct increase in sorghum hectarage," said Delta. As such, the Delta contract farming programme is also expected to reach more small holder farmers while capacitating current farmers to improve their hectarage. With the current demand of 1 200 tonnes of maize per week, the corn demand is also set to grow. Mr. Karemba said water and electricity remained the major drags on operations as they were not reliable. "Even though we have back-up power; it is expensive to maintain while the boreholes sunk at the site do not have the capacity to fulfil the requirements." *(Herald)*

CHEMCO Holdings plans to delist from the Zimbabwe Stock Exchange (ZSE) this year as it seeks shareholder approval for the transaction due to limited retail and institutional investor interest in Chemco shares, the company said in a statement. Chemco said in its circular to shareholders yesterday it was seeking approval at an extraordinary general meeting scheduled for next month. Shareholders were expected to approve the TSL Limited (Chemco's parent company) acquisition of minority shares through a share swap under which TSL would exchange a single TSL share for every 1,88 Chemco shares with the view to delist the company shares from the ZSE. The company said it was delisting because it has a small market capitalisation and the compliance and cost requirements of the ZSE were becoming onerous to the company. "Trade in Chemco shares remains suspended on the Zimbabwe Stock Exchange. Plans for the delisting of Chemco are at an advanced stage and the whole exercise should be completed by April 2014," the company said. Chemco was suspended from the ZSE in 2012. The company posted a comprehensive loss of $380 479 for the year ended October 2013 compared to a $1,1 million loss same period last year. The company said it recorded a 27% increase in revenue to $4,4 million from $3,5 million during the same period last year. The company said the benefits of the restructuring exercise continued to filter through with the operating loss dropping 83% from the previous year. Chemco's subsidiary Agricura posted an improved revenue performance during the period under review compared to a loss in the previous period. "The improvement in revenue performance in the second half of the financial year has continued into the second quarter of 2014 for Agricura. "The company's brands remain strong in the market and the distribution network will be improved in 2014 to cover the country's major agricultural regions," the company said. *(News Day)*

AFRASIA Zimbabwe Holdings says its US$5 million rights issue was fully subscribed as the financial group continues with fundraising efforts to fund growth and meet regulatory requirements. This will help ease a liquidity crunch that forced its banking unit AfrAsia Bank Zimbabwe to cap intermittent cash withdrawal at US$300 in a bid to manage cash shortage. The banking unit, which had US$7,94 million capital as at September 2013 against expected capital of US$25 million in by December last month, was among troubled banking institutions that were put under the surveillance of the Reserve Bank of Zimbabwe. The rights issue launched as part of a phased capital raising plan to bolster the group's balance sheet and capital position received shareholders' approval at an Extraordinary General Meeting held in November last year. "Shareholders of AfrAsia Zimbabwe Holdings Limited (AZHL) fully subscribed to the group's recent US$5million rights offer as AZHL continues with its efforts to raise capital to fund growth and comply with regulatory requirements," the group said in a statement released yesterday. The first phase of this plan was to raise US$20 million split into a rights issue of US$5 million and a private placement of shares to raise US$15 million. The rights issue closed on the December 31 2013. AfrAsia Bank Limited followed its rights and still remains the significant shareholder in the group.

AfrAsia said the private placement is still underway and it is expected to close soon, after which the group will provide a further updater on the final shareholding structure. "The successful subscription of the rights issue is a testimony of the bright prospects of where we are going as a group. "We are progressing well in our capital raising efforts and grateful for the continued support in the business by our shareholders," said group chief executive Mrs. Lynn Mukonoweshuro said The group said it was glad that the liquidity situation is normalising and it is monitoring its branches daily to ensure that they are adequately funded to meet clients' needs. AfrAsia Bank Limited clients have also not been able to access their cash on some automated teller machines with the group attributing the problems to a systems upgrade programme. The group said its major shareholder; AfrAsia Holdings Mauritius has increased liquidity support to the bank recently, which the group said amounted to about US$25 million when it held its extraordinary general meeting late last year. AfrAsia Bank, which has its eyes on, ultimately, raising a total of US$100 million, stands in good stead of getting significant liquidity supported from its deep pocketed Mauritian shareholders. "The Group is in the book building phase to broaden the prospects of strengthening its financial position by offering potential investors preference shares. "Investor response has been extremely positive. The exercise will be soon completed and we will announce the results accordingly," AfrAsia Bank Limited managing director Mr. James Benoit said. The financial services group recently rebranded from AfrAsia Kingdom Holdings to AfrAsia Zimbabwe Holdings Limited with AfrAsia Bank Limited as the major shareholder. The group's banking and asset management subsidiaries have been re-branded to AfrAsia Bank Zimbabwe and AfrAsia Capital Management Limited respectively while MicroKing Finance has retained its name for strategic reasons. *(Herald)*

ZIMBABWE Stock Exchange-listed cable manufacturer Cafca has projected a 30% increase in profit and a 20% decline in turnover for the half year to March this year as the company is no longer exporting its products. Speaking at the company's annual general meeting in Harare yesterday, Cafca managing director Rob Webster said the operating environment was now difficult. "The drop in turnover is because we are not exporting as much. We believe we will be up from last year as we eliminated all our borrowings last week. We hope to improve sales and stock holding," Webster said. He said Cafca entered into a barter deal with Zesa last year and that had helped the company as it had been recycling copper from Zesa in exchange for aluminimum as the move had a financial benefit for the company. Webster said it cost $8 000 to buy a tonne of copper while it cost $3 000 to buy a tonne for aluminimum. "We have not been buying copper for the past six months as we are recycling copper. We have another year to go on recycled copper," he said. Last year, the company's borrowings increased to $1,7 million to fund the copper barter deal with power company ZETDC which resulted in a 76% increase in finance charges to $157 455. Webster said if the copper ran out the company would start importing copper from Zambia. For the full year ending September 2013, Cafca recorded a 15% decline in after-tax profit to $1,4 million compared to the same period last year dragged by depressed margins on exports caused by stiff competition from cheap imports. Operating profit declined by 13% to $2 million from $2,4 million during the same period in 2012.*(News Day)*

NATIONAL Foods says production at its Bulawayo factory is now at 68 percent of capacity compared to 38 percent two years ago, due to higher demand for stock feed, although imports remain a threat to viability. The southern part of the country has endured prolonged dry periods for several years, forcing farmers to rely on stock feed. National Foods executive director Nathaniel Nyathi told The Source that demand had improved, but because of higher operational costs, local products will be more expensive compared to imports. "We are operating at around 68 percent, from about 38 percent two years ago," he said. The Bulawayo plant has a capacity to produce 20 tonnes of stock feed per hour, but latest technology could improve its efficiency and lower costs, Nyathi said. "We want to advance our know-how, we are failing because of lack of technology," he said. Last year the company said it will invest $30 million in upgrading its flour mills to boost revenue as the company battles cheap imports that have eaten into its market share.*(New Zimbabwe)*

Economic News

CHENGETEDZAI Depository Company has started opening accounts with stock brokers and custodians for the Central Securities Depository as it makes final preparations to launch the platform, Securities and Exchange Commission of Zimbabwe chief executive, Mr Tafadzwa Chinamo has said. In an interview, Mr Chinamo said tests done on the system had proved satisfactory. "A lot of ground has been covered, the system has been tested and I believe we are getting there, if there is anything that needs tweaking, it is very minor, we have started opening accounts with custodians and brokers which is a positive move," he said. The CSD will operate using the custodian model as opposed to the retail model. Under the custodian model, investors will have a choice of either going directly through a custodian for the purchase of shares, through a broker or through Chengetedzai, which is also now a custodian. Chengetedzai Chief executive Mr Campbell Musiwa said the country's first CSD was ready and awaiting the final regulatory approval. Mr Musiwa said there were two environments towards the launch of the CSD; test and live. "They have done all the testing and have now gone live on a partial basis. We are taking a cautious approach, using other countries that have swallowed more than they can chew as case studies." He added that the system involves a manual process where data will be captured. "KYC is a physical process so it has to be done manually and this can also be more of a security feature. "Mr Musiwa said some of the charges which formed part of the negotiation process have been dropped entirely. It's an ongoing process and we continue to have protracted discussions. When the CSD is up and running, certain costs embedded in the transaction costs will fall away."

However, brokers have raised concern over the custodian model questioning how efficient the system will be if the client places an order via a custodian. Most brokers said that their roles under the new system were not clear. "There are issues to do with settlement; questions on who carries the liability particularly in the event that a deal is not settled. Brokers also need to know whether contribution to the guarantee fund will fall away since they will no longer handle cash or scrip," said one broker. Other issues which have been raised are around the capacity of the custodians to handle clients directly and whether Chengetedzai itself should be a custodian and if they have the right expertise. The general line of thinking was that it would be difficult to trade scrip for a client whose account status you do not have knowledge of. "This would entail calling the custodian first and getting details; which in itself is a long process." They said it was not clear on whether brokers open accounts before the custodian or after the custodian and on the issue of who carries the liability. "There are a lot of grey areas, which need to be cleared. They keep calling for meetings where they seem not to be keen to answer questions from brokers. "We need them to come up with a process that is acceptable to both brokers and custodians. A system which will make the market efficient and not concentrate risk on one party," said another broker. *(Herald)*

Zimbabwe's consumer inflation quickened to 0.41 percent year-on-year in January from 0.33 percent in December after an increase in the prices of food and non-alcoholic beverages, the national statistics agency said on Friday. On a month-on-month basis, prices rose by 0.14 percent in January after easing by 0.08 percent the previous month. *(Reuters)*

The European Union last week availed a US$4,1 million grant to Zimbabwe that will go towards improving trade performance and development of the private sector in the country under the Trade and Private Sector Development Project. The project funding will run for a period of two and-a-half years beginning this month under the supervision of the International Trade Centre. Addressing delegates during the official launch of TPSDP in Harare last week, EU head of delegation to Zimbabwe Ambassador Aldo Dell'Ariccia said the project recognises the need to enhance trade relations while supporting the private sector which is critical to the country's development. "The EU is convinced that the enhancement of the trade relations and the support to the private sector in particular the small and medium enterprises are essential for job creation, poverty reduction and contribution to the overall development of the country." "This project is therefore framed on what have been the guidelines of our co-operation with Zimbabwe in this field which is really to support the private sector in the country to have the best possible access to the European market and take the best possible advantage from the economic partnership agreement that permits Zimbabwean exporters to access the European market without quota and without taxes," he said.

Ambassador Dell'Ariccia said TPSDP is perfectly framing the national policy that they have been working on together with the Ministry of Industry and Commerce and other stakeholders in designing so that a boost in the exports of Zimbabwe to EU and an improvement in the returns from these is realised. The has been a lull of Zimbabwean exports to European Union countries due in part to the illegal sanctions imposed on the country by the EU, United States and their allies. Industry and Commerce Minister Mike Bimha commended the gesture by the EU which he said would help Zimbabwe in capacitating the private sector in order to meaningfully contribute to revival of the economy which has been on a downfall but slowly recovering. "The project comes as we seek to capacitate the private sector and Government's efforts to revive the economy while also strengthening capacity of all economic players in the implementation of the Interim Economic Partnership Agreement (iEPA) which we signed with the EU in August of 2009," he said. The iEPA is a caretaker agreement that meant to take care of trade relations between the two parties while negotiations towards the full EPA continue, and under the regime the country now enjoys duty free and quota free market access to the EU for commodities that include tobacco and horticultural products. Minister Bimha said the funding is also intended to capacitate business organisations that are critical to the growth of the economy that include Zimtrade, the Confederation of Zimbabwe Industries, Zimbabwe National Chamber of Commerce and the Standards Association of Zimbabwe. He added that apart from TPSDP there is likely going to be a further US$7,1 million in the pipeline that includes about US$1,3 million meant to support the implementation of the Economic Partnership Agreement and another US$5,8 million from the Regional Fund to support regional integration and development. **(Herald)**

ZIMBABWE is planning to establish a provisional diamond exchange by the end of the first half of this year, Mines and Mining Development Minister Walter Chidhakwa has said. Addressing the media yesterday on the minerals beneficiation conference scheduled for Victoria Falls next week Minister Chidhakwa said Government was presently gathering expertise. "After two or three more auctions we should be able to do an auction in Zimbabwe around June or July. But that depends on the experience we would have put together,' he said. "I was talking to the (Mines and Mining Development) secretary saying why should we go to other exchanges. "Surely the same buyers who are going to Dubai can be invited to come to a makeshift Zimbabwe diamonds exchange. Let's use the expertise out there so that we also have a diamond exchange in Zimbabwe," the minister said. Zimbabwe extracts diamonds from Marange (Manicaland) and Murowa (Midlands) and is believed to have the capacity to supply up to 25 percent of gems traded on global markets annually. Part of the expertise gathering process would see Zimbabwe marketing some of its diamonds on other global exchanges that include Dubai in UAE and Shanghai in China. Minister Chidhakwa said the ultimate desire was to cut, polish and auction a significant portion of the country's gems locally. The country has been marketing its diamonds on the Antwerp Diamond Centre, a public private exchange in Belgium. Finance Minister Patrick Chinamasa recently said diamonds from Marange will now be sold in China and the EAE as Government seeks to maximise revenue from the precious stone. Zimbabwe fetched US$10,5 million from the sale of around 300 000 carats of gems on the Antwerp diamond market in December last year.

Government is set to reveal details of the proceeds from the last diamond sale in Antwerp on Saturday. Minister Chidhakwa also said in a bid to promote local beneficiation of diamonds, Government had slashed the licence fees for companies in cutting and polishing from US$100 000 for a one licence to US$20 000 for a 10-year licence. He said Government was not in the business of making money through exorbitant licence fees, but of creating industries. The minister said renewal of licences on an annual basis was a potential breeding platform for corruption. The minister also said Government would resolve issues around the 50 percent discount value loss cutting and polishing companies may incur if they decide to re-sell their gems to the Minerals Marketing Corporation of Zimbabwe. The beneficiation conference to be held in Victoria Falls from February 27 to February 28, 2014 will bring together people from Government, the mining industry, financiers and other stakeholders to explore opportunities in the mining sector. The objective of the conference is in line with the Zimbabwe Agenda for Sustainable Socio-Economic Transformation, Government's medium term economic blueprint 2014 -18, goal of maximising mining sector contribution to economic development through value addition and beneficiation. *(Herald)*

Zimbabwe has shortlisted two firms to build a new platinum refinery and is looking to resolve a dispute with miners over a 15 percent levy imposed on unrefined exports of the metal last month, the mines minister said on Tuesday. The southern African country has the world's largest platinum reserves after South Africa and President Robert Mugabe last year gave miners two years to establish a refinery. Walter Chidhakwa, the mines minister, told reporters nine companies had submitted refinery plans and two had been shortlisted. The government would conduct due diligence soon. Anglo American Platinum and Impala Platinum Holdings, the world's two largest platinum producers, have mines in Zimbabwe, shipping platinum matte to South Africa for refining. The Zimbabwe Chamber of Mines last month said the local mining industry broadly supports a government proposal to build a new platinum refinery by 2016 as part of efforts to make the mining sector a key driver of economic growth.

Platinum output in Zimbabwe rose to an all-time record of 430,000 ounces in 2013, up from 340,000 the previous year. The industry is nearing the 500,000 ounces of annual output needed to make a refinery viable. Chidhakwa has previously estimated the cost of the refinery and associated 600-megawatt power plant at $3.2 billion. On Tuesday Chidhakwa said the government was in discussions with platinum miners who say a 15 percent tax imposed last month on unrefined platinum had increased the effective rate on royalties to 25 percent and made mining expensive. "We will continue to discuss with the minister of finance and the industry to ensure that our platinum mines do not sink," he said. Meanwhile Zimbabwe plans to auction its Marange diamonds in Dubai next month and in Shangai between April and May, according to Chidhakwa. Six mines are currently selling Marange diamonds in Antwerp, the second such sale since the European Union last year lifted sanctions on the state-owned Zimbabwe Mining Development Corporation, which owns shares in the six companies. *(Reuters)*

EUROPEAN Investment Bank (EIB) officials are due to visit Zimbabwe on a mission to explore funding opportunities for the private sector, an official has said. The EIB suspended lending to the Zimbabwean Government over a decade ago due to a long-term debt which remains unpaid. According to figures in the 2014 National Budget, the country owes the European regional bank in excess of US$300 million. The EIB has been in the country on two missions in the past and is due for a third one soon, according to the European Union's ambassador to Zimbabwe Aldo Dell'Ariccia. "The EIB has demonstrated its interest in working in Zimbabwe with the private sector. We already have had two missions and the third one will come soon (with a mission) to see which projects can benefit from credit from the EIB," the EU ambassador said. "Its budget line only permits to have projects with the private sector." EIB officials last visited Zimbabwe in January 2013 to assess funding opportunities. The EU ambassador said investment by the bank would help ease working capital and liquidity constraints which local industry is battling with. The local industry requires over US$2 billion in the short-term to bridge funding gaps which have crippled capacity utilisation and resulted in the temporary closure of some firms. Business leaders from Zimbabwe recently visited the EU to petition the 28-member block to lift sanctions imposed on Zimbabwe over a decade ago. The embargo has tainted Zimbabwe's image as an investment destination and is estimated to have cost the economy over US$42 billion. The EU ambassador said it was not because of the sanctions that the EIB was not lending to the Zimbabwean Government but because of the debt. "The EIB has with Zimbabwe a level of arrears which is above the thresholds that permits it to have credit with the Government of Zimbabwe. It is not the measures (sanctions) blocking the EIB loans, it's the debt that Zimbabwe has with the bank," he said. In addition to the EIB, Zimbabwe also has outstanding debts with the World Bank, International Monetary Fund, African Development Bank among others. The total owed to multilateral institution is estimated at US$2,49 billion as at the end of last year. *(Herald)*

Disclosures Appendix

This Publication is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Securities Africa Limited, or its subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction. Neither this Publication nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law and any persons into whose possession this Publication comes should inform themselves about, and observe, any such restrictions.

The information contained in this Publication or on which this Publication is based has been derived from sources believed to be reliable and accurate however no representation or warranty, express or implied, is made as to the fairness, completeness, accuracy, timeliness or otherwise of the information or opinions contained in this Publication and no reliance should be placed on such information or opinions. The information contained in this Publication has not been independently verified by Securities Africa Limited. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted as to or in relation to the fairness, completeness, accuracy or timeliness or otherwise of this Publication or as to the reasonableness of any assumption contained, nor for errors of fact or omission or for any opinion expressed in this Publication.

Past performance should not be taken as an indication of future performance, and no representation of any kind is made as to future performance. The information, opinions and estimates contained in this Publication are provided as at the date of this Publication and are subject to change without notice. Distribution of this Publication does not constitute a representation, express or implied, by Securities Africa Limited, or its advisers, affiliates, officials, directors, employees or representatives (the "Parties") that the information contained in the Publication will be updated at any time after the date of the Publication. The Parties expressly do not undertake to advise you of any information coming to any or all of their attention.

Any opinions expressed in this Publication may differ or be contrary to opinions expressed by other business areas or groups of Securities Africa Limited as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results.

All projections and forecasts in this Publication are illustrative only. The actual results may be materially affected by changes in economic or other circumstances, which cannot be foreseen. No representation or warranty is made by any of the Parties as to the achievability or reasonableness of any projection or forecast contained in this Publication.

This publication is provided to you for information purposes only on the understanding that Securities Africa Limited is not acting in a fiduciary capacity. It does not address specific investment objectives or financial situations, and any investments discussed may not be suitable for all investors. Prospective investors must make their own examination and evaluation of the merits and risks involved in the securities set out in this Publication including any legal, taxation, financial and other consequences of investment and should not treat the contents as advice relating to legal, taxation or other matters. This report is not to be relied upon in the substitution of independent judgment with respect to any investment decision. Investors should consider this Publication as only a single factor in making their investment decision, and as such, the Publication should not be viewed as identifying all risks, direct or indirect, that may be associated with any investment decision.

Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk.

Securities Africa Limited conducts designated investment business only with eligible counterparties and professional clients. To the extent permitted by law and regulation, Securities Africa Limited accepts no liability whatsoever for any loss howsoever arising, directly or indirectly, from any use of this Publication or its contents or otherwise arising in connection with that. This Publication is not intended for distribution to retail clients.

By receiving this Publication, the recipient agrees to keep confidential the information contained in this Publication together with any additional information made available following further inquiries. None of the material, nor its content, nor any copy of it, may be altered in any way, disclosed, published, reproduced or distributed to any other party, in whole or in part, at any time, without the prior written permission of Securities Africa Limited.

Nothing in this Publication constitutes or forms part of, and should not be construed as, an offer for sale or subscription of, or solicitation of any offer to buy, sell or subscribe for, the securities of the Company, nor should it or any part of, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Securities Africa Limited and/or its associates and/or any of their respective clients may have acted upon the information or opinions in this Publication prior to your receipt of it. Securities Africa Limited and/or its associates may provide investment banking services to the Company and in that capacity may have received confidential information relevant to the securities mentioned in this Publication which is not known to the researchers who have compiled this Publication.

Securities Africa Limited and/or its associates and/or their officers, directors, employees or representatives may from time to time purchase, subscribe for, add to, dispose of or have positions or options in or warrants in or rights to or interests in the securities of the Company or any of its associated companies mentioned in this Publication (or may have done so before publication of this Publication) or may make a market or act as principal or agent in any transactions in such securities.

This report may not have been distributed to all recipients at the same time. This report is issued only for the information of and may only be distributed to professional investors (or, in the case of the United States, major US institutional investors as defined in Rule 15a-6 of the US Securities Exchange Act of 1934) and dealers in securities and must not be copied, published or reproduced or redistributed (in whole or in part) by any recipient for any purpose.

English law governs the issue, publication and terms of this Publication and any disputes arising in relation to any of them will be subject to the exclusive jurisdiction of the English courts.

By accepting this Publication, you agree to be bound by the foregoing limitations. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Securities Africa Limited.

SECURITIES AFRICA®