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

Country	Index	16-Aug-13	23-Aug-13	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	8,465.50	8,424.29	-0.49%	11.15%	12.17%	13.68%
Egypt	CASE 30	5,334.55	5,424.63	1.69%	17.15%	-0.69%	-0.64%
Ghana	GSE Comp Index	1,972.10	1,976.33	0.21%	7.44%	64.73%	61.68%
Ivory Coast	BRVM Composite	206.54	205.99	-0.27%	-7.27%	23.66%	15.20%
Kenya	NSE 20	4842.60	4821.50	-0.44%	3.86%	16.66%	21.00%
Malawi	Malawi All Share	7,836.80	8,287.17	5.75%	25.18%	37.76%	65.22%
Mauritius	SEMDEX	1,888.50	1,921.74	1.76%	-0.83%	10.95%	11.13%
	SEM 7	370.70	376.51	1.57%	-1.02%	11.63%	11.81%
Namibia	Overall Index	956.40	951.00	-0.56%	20.41%	-3.58%	-0.63%
Nigeria	Nigeria All Share	36,986.90	36,577.28	-1.11%	1.54%	30.27%	30.10%
Swaziland	All Share	284.32	284.32	0.00%	21.71%	-0.47%	2.87%
Tanzania	TSI	1,943.53	1,945.50	0.10%	2.23%	30.95%	33.50%
Tunisia	TunIndex	4,567.06	4,614.78	1.04%	3.49%	0.76%	-3.12%
Zambia	LUSE All Share	4,661.15	4,740.64	1.71%	12.27%	27.26%	35.07%
Zimbabwe	Industrial Index	188.00	183.90	-2.18%	-2.18%	20.67%	20.67%
	Mining Index	48.10	48.14	0.08%	0.08%	-26.07%	-26.07%

CURRENCIES

Cur-rency	16-Aug-13 Close	23-Aug-13 Close	WTD % Change	YTD % Change
BWP	8.43	8.59	1.91	12.31
EGP	6.97	6.97	- 0.03	15.12
GHS	1.87	2.13	2.53	12.00
CFA	494.36	491.89	- 0.50	- 0.70
KES	86.08	86.34	0.30	0.87
MWK	316.83	319.38	0.80	- 0.51
MUR	29.72	29.61	- 0.37	- 3.07
NAD	9.96	10.33	3.79	21.95
NGN	160.48	160.21	- 0.17	2.63
SZL	9.96	160.21	3.79	22.21
TZS	1,577.93	1,581.98	0.26	0.44
TND	1.65	1.64	- 0.91	5.55
ZMW	5.39	5.38	- 0.31	3.68

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's headline consumer inflation slowed to 5.7 percent year-on-year in July from 5.8 percent in June, data from the statistics agency showed. On a month-on-month basis CPI was steady at 0.2 percent in July from June. *(Reuters)*

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt's political crisis has dealt a blow to any hopes for a quick economic recovery, but aid from its Gulf allies is likely to prevent a financial collapse. Clashes between followers of deposed Islamist President Mohamed Mursi and security forces have caused the deaths of at least 830 people since Wednesday, the worst political bloodletting to rock Egypt in recent history. When the army-backed government took over after the ousting of Mursi last month, it hoped to repair the business environment and attract money back to Egypt by improving security, removing logistical bottlenecks and pumping in new funds. That in turn could reduce social tensions by starting to create jobs and raise living standards. The latest violence may have doomed such hopes for some months at least. If the conflict continues to worsen, the economy could slow further from the anaemic 2.2 percent growth in the first quarter of this year - a rate already much too low to cut unemployment, officially estimated at around 13 percent. "If you see widespread terrorism and bombs, you won't get a recovery in tourism or domestic investment, and capital flight may continue," said Simon Kitchen, a strategist with investment bank EFG Hermes. But after Mursi was deposed, Saudi Arabia, Kuwait and the United Arab Emirates promised Egypt a total of $12 billion in loans, grants and fuel shipments. Of that, $5 billion has already arrived - an unusually fast delivery of aid commitments, showing the importance the Gulf attaches to stabilising Egypt. That means a balance of payments crisis or a collapse of government finances - which had seemed possible during Mursi's administration - do not appear to be on the cards. Late on Monday, Saudi Arabian Foreign Minister Prince Saud al-Faisal signalled that the world's top crude oil exporter was ready to provide more billions if necessary. "To those who have declared they are stopping aid to Egypt or are waving such a threat, the Arab and Muslim nations are wealthy with their people and resources and will not shy away from offering a helping hand to Egypt," he told state news agency SPA in Jeddah.

Much depends on whether the struggle between the army and the Islamists develops into a protracted armed conflict. Even if it does not, the latest violence is likely to have harmed the economy for some months. Tourism may not recover before next year at the earliest. In 2010 Egypt attracted 14.7 million visitors, according to the Organisation for Economic Co-operation and Development; in the wake of the 2011 revolution, the number fell to 9.5 million that year before partially recovering to 11.2 million in 2012. The tourism sector directly accounts for about 7 percent of Egypt's GDP, according to its State Information Service. In response to the latest violence, European travel agents are again suspending trips to Egypt, while the United States has warned citizens against travelling to the nation. After closing facilities in Egypt for several days, major foreign investors such as General Motors, German chemicals firm BASF and Swedish home appliance maker Electrolux have fully or partially reopened for business this week. They are likely to stay open, barring another big outbreak of violence. But even a low level of political unrest or tension in coming months could hurt the Egyptian economy at the margins, by making foreign buyers of its exports more cautious. Efforts to put Egypt's catastrophically weak state finances on a sustainable footing may be another casualty. The army-backed government has inherited a budget deficit that since January has been running at around $3.2 billion a month, equivalent to almost half of state spending. The cabinet expects to be in power only until early next year, when it is to be replaced after planned elections, so it lacks a popular mandate to take big steps to cut the budget deficit. Locked in a struggle with the Brotherhood, it is even less likely to push politically sensitive economic reforms. "If the violence continues, the government will be even less politically armed to go out and control the budget deficit by reducing subsidies," said John Sfakianakis, investment strategist at Saudi investment firm MASIC.

Being unable to fix the finances may not matter so much, however, if Egypt can draw on the resources of the Gulf's wealthy oil exporters, most of which view crushing the Muslim Brotherhood as a geopolitical priority, since they see the group as a long-term threat to their monarchies. Egypt's foreign reserves totalled $14.9 billion at the end of June, before any of the Gulf aid announced in July arrived. Excluding inflows of aid, they had been falling by around $1-2 billion every month, so the aid may cover Egypt's external deficits into early 2014. By

itself, the Gulf aid announced so far only covers a few months of Egypt's state budget deficit, but confidence created by the aid should help the government finance the rest of the deficit with borrowing. Yields at government Treasury bill auctions fell after Mursi was deposed; they spiked up during last week's violence, but are still a couple of percentage points or more below their peaks under Mursi. Most importantly, as Prince Saud indicated, Egypt can count on additional billions from the Gulf if its political turmoil causes fresh capital outflows or delays the transition back to civilian rule. This should more than offset any potential loss to Egypt if the European Union or the United States cut back their economic and military assistance to Cairo in protest at the killings. The EU and international financial bodies last year promised Egypt 5 billion euros ($6.7 billion) of grants and loans over several years, but little of that money has actually arrived and much has been blocked because Cairo failed to meet conditions for democratic reform. Washington has provided $1.3 billion of military aid and just $250 million of economic aid annually. Qatar, which had good ties with the Muslim Brotherhood, spent about 4 percent of its GDP helping Egypt before Mursi's downfall. Back-of-the-envelope calculations suggest Cairo could receive a further $40 billion, in addition to the money pledged last month, if Saudi Arabia, the UAE and Kuwait were to match prior Qatari levels now Mursi has gone.

The Saudi government's budget surplus in 2012 alone was $103 billion. Even so, such massive dependence mortgages Egypt's future; much of the aid is in the form of loans, which must ultimately be repaid. But for now, it gives Cairo room to manoeuvre. The government's economic planning team said on Monday that it would work to provide financing for the budget and import essential commodities by attracting more foreign investment, especially from Arabs. It promised to speed up implementation of public-private partnerships, especially to build roads, sanitation and hospitals, and give priority to investment projects that affect the daily life of citizens. Cash from the Gulf may make some of these projects possible. The resilience of Egypt's stock market shows how the Gulf aid has kept hopes for the economy alive. The market is down about 4 percent since last week's violence, but it is still up 21 percent from its low in June. The gap between the official and black market exchange rates of the Egyptian pound against the dollar, which almost disappeared in the initial weeks after Mursi was deposed, has widened since last week but remains under 2 percent. It reached 7 percent or more under Mursi. " *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

The cost structure at AngloGold Ashanti's flagship Ghana gold mine, Obuasi, is unsustainable and the company is looking to make cuts to counter rising costs and falling production, CEO Srinivasan Venkatakrishnan said on Monday. "Obuasi is currently making losses at the operating level," Venkatakrishnan said via email. "We are looking across the business at reducing costs and improving productivity by investing capital." *(Reuters)*

Economic News

Cocoa purchases declared to Ghana's Cocobod industry regulator reached 44,957 tonnes by August 8 since the start of the light crop harvest in early July, up 28 percent on the previous year, Cocobod data showed on Wednesday. Total purchases for the week, the fifth in the 11-week season, dropped to 1,287 tonnes from a revised 2,027 tonnes in the week before. Ghana, the world's second largest cocoa grower after Ivory Coast, expects to produce around 90,000 tonnes of the beans from the July-September light crop, which is usually discounted to local processing companies. *(Reuters)*

Ghana's cedi may depreciate a further 10 percent from a record low against the dollar by year-end as inflation accelerates and a weaker gold price reduces foreign exchange inflows, according to Societe Generale SA. The currency of Africa's second-biggest bullion producer will probably fall to 2.4 per dollar before the start of 2014, Souheir Asba, a London-based emerging markets strategist at SocGen, said in an e-mailed response to questions. The cedi has lost 11 percent against the dollar this year to trade at 2.15 per dollar as of 4 p.m. in Accra yesterday, the continent's worst performer after the rand and Namibia's dollar, which is pegged to the South African currency. The gold price has slid 18 percent this year, which may cost Ghana $2.6 billion in lost foreign exchange for 2013, made up of $2 billion in revenue and $600 million in mining-related foreign direct investments, Asba said. Inflation accelerated to 11.8 percent in July, from a revised 11.6 percent in June, after the government completed the scrapping of fuel subsidies. The Bank of Ghana is targeting an inflation rate of 9 percent for the end of December and an 8.9 percent average for 2013. "The slowdown in U.S. dollar inflows is expected to cause a U.S. dollar shortage in the Ghanaian market, which will definitely put the cedi under further pressure," she said on Aug. 20. "Following the total removal of the subsidies, we see inflation accelerating even higher to breach the central bank target."The government expects the cedi to stabilize as foreign exchange reserves increase following the receipt of proceeds from the sale of international bonds, Kwabena Oku-Afari, director of the real-sector division of the Finance Ministry and a member of the economic policy coordinating committee, said by phone from Accra on Aug. 21. Ghana's foreign exchange reserves rose to $5.6 billion as of Aug. 20 from $4.9 billion a month earlier, according to the central bank. The world's second-biggest cocoa producer raised $750 million of 10-year debt at a yield of 7.875 percent on July 25, part of which will be used to pay off domestic debt. Yields on the notes were unchanged at 8.27 percent yesterday for a 27 basis-point, or 0.27 percentage-point, increase this month. Rates on dollar-denominated bonds for African countries have increased seven basis points this month to an average 6.85 percent, according to JPMorgan Chase & Co. indexes. "Even though inflation is rising after fuel subsidies were scrapped, we don't foresee significant impact on the exchange rate, given the growth in foreign reserves," Oku-Afari said.

Last year, 11 out of 12 gold mining companies switched 20 percent to 100 percent of their dollar revenue for cedis with the central bank, according to the government. This means that "even though falling gold prices is adverse to the balance of payments position, it will not significantly affect the gross international reserves," he said. Food inflation may slow as the harvesting season starts, while the bond sale will bolster foreign exchange reserves, helping to stabilize the cedi, Yaw Adu-Koranteng, a research analyst at NDK Financial Services Ltd. in Accra, said by phone yesterday. The cedi will probably weaken to 2.2 per dollar by year-end amid higher imports before the festive season, he said. Proceeds from the bond sale will do little to help the currency amid sustained demand for dollars, according to SocGen's Asba. Gold rose 0.5 percent to $1,373.10 an ounce as of 5 p.m. in London yesterday. SocGen predicts that the bullion price will fall to as low as $1,150 an ounce by 2014. Ghana's gold export earnings declined 16 percent to $2.7 billion in the first half from a year earlier, the central bank

said July 31. The precious metal was the nation's biggest export in 2012 at $5.6 billion. Ghana's central bank will probably reduce dollar sales to banks and companies to keep bolstering reserves, said Asba. "This will subsequently cause the cedi to depreciate at a higher pace," she said.*(Bloomberg)*

The Bank of Ghana accepted 102 million cedis worth of bids for its debut seven-year bond at an average yield of 17.5 percent in a heavily oversubscribed issue on Thursday, the head of treasury said. The West African nation received total bids of 270 million cedis for the 100 million cedis worth of bonds on offer, which are being issued to benchmark subsequent bonds and manage debts more effectively, Adams Nyinaku told Reuters. "It was well oversubscribed with total bids at 270.167 million cedis," he said adding that the buyers demanded yields ranging between 12 percent and 26 percent. Nyinaku said total bids from offshore were around 130 million cedis but none was accepted. "They were a bit expensive," he said. Analysts said Thursday's yield was below market expectations of an average yield of at least 20 percent. Ghana has issued a series of three-year bonds this year mainly to roll-over maturing debts and to finance infrastructure projects. *(Reuters)*

Kenya

Corporate News

Passenger traffic is back to normal at Kenya Airways after a fire at Nairobi airport caused havoc for passengers and dented revenues, Chief Executive Titus Naikuni said on Monday. The blaze in the early hours of August 7 destroyed the international arrivals building, forcing east Africa's fourth-busiest airport to close temporarily. Pointed white tents dotted around the airport now act as temporary lounges. Naikuni last Monday said Kenya Airways had by then lost about $4 million (2 million pounds) from lost revenue as many flights were cancelled at the Jomo Kenyatta International Airport. "I'm pleased to let you know we are already back to where we were in terms of passenger numbers," Naikuni told reporters at Terminal 2, where a whiff of charcoal continues to permeate the air. Kenya Airways shares are down 5.9 percent at just under 9 shillings per share since the blaze broke out. On Monday they were up 0.6 percent at 9 shillings. Naikuni said Kenya Airways carried about 11,900 passengers on Saturday, slightly above the average number of travellers it handles every day, and on Sunday it pushed above that figure. "Yesterday, we carried 12,960 passenger, which could be a record for us, so we have recovered," Naikuni said, adding that the carrier has not worked out the total loss of revenue from the fire. Nduva Muli, Principal Secretary at the Ministry of Transport and Infrastructure, said Kenya is converting the airport's new multi-storey car park into an international arrivals lounge. Authorities are also conducting structural damage tests on the gutted international arrivals lounge before restoration work can start, Muli added. *(Reuters)*

Internet service provider AccessKenya on Wednesday posted a 84 percent rise in first-half pretax profit due to lower financing costs and said it expects a similar growth rate in the future. Access Kenya, which is being bought by Nippon Telegraph and Telephone Corp's Dimension Data for $36 million, said financing costs fell 55 percent in the first six months of the year compared to the same period in 2012 as lending rates have fallen. "Operating conditions remain competitive, but the group is expected to continue growing at a rate similar to that of H1 2013," the company said in a statement. Profits rose to 161 million shillings on revenue up 6.3 percent to 1 billion shillings. Earnings per share increased 64 percent to 0.51 shillings per share. Dimension Data offers data and networking services across 51 countries. Earlier this month, AccessKenya shareholders and Kenya's Competition Authority approved Dimension Data's buyout. *(Reuters)*

East African Breweries (EABL's) share price continued its trajectory of consistent decline ahead of the expected release of the beer maker's annual results on Friday. EABL' share closed at Sh305, a 13 per cent drop from Sh349, the July 30 price when the firm issued a profit warning. A profit warning is a regulatory requirement that is issued when a company expects its earnings to drop by at least 25 per cent of the level reported in the previous reporting period. "EABL was amongst the top movers today, with foreign investors providing most of the demand and local investors providing supply (553,000 shares). ''The brewer continued to witness a bear run easing 2.9 per cent to Sh305," said a market report by Standard Investment Bank. The EABL stock has been on a gradual decline as investors factored in the impact of the profit warning, which signals a drop in the company's generous dividends payout over the years. "Based on our valuation, the company's full-year dividend will probably fall to about Sh7.75 per share compared with Sh8.75 a year earlier," said a market report by Old Mutual Securities. EABL said that it was expecting profitability to decrease by at least 25 per cent due to high cost of finance on the loan it took from its parent company, Diageo, to re-purchase its stake from south African brewer SABMiller. "This is principally due to the borrowings of Sh19.5 billion taken in November 2011 to enable EABL purchase a 20 per cent shareholding in Kenya Breweries Limited from SAB Miller Africa B.V, making KBL a wholly-owned subsidiary of EABL," said a statement by EABL when it issued the profit warning. A coverage note on the brewer by Old Mutual Securities says that a sign that the brewer is feeling the effects of the loan was the 40 per cent drop in interim dividends to Sh1.50 from Sh2.50 declared on the half-year profits. The share price has taken a nosedive since the profit warning and the last time the stock went on a similar sustained decline was in September 2011. Johnson Nderi, head of research at Suntra Investment Bank, said that the rapid decline is catalysed by the uncertainty on the extent to which the brewer's profits have declined *(Business Daily)*

Safaricom has set its eyes on the Sh17.2 billion rental market by unveiling a rent collection and payment service using mobile phone. The

service dubbed 'Lipa Kodi na MPesa' is likely to eat into direct bank payments of rental charges by tenants. The customers will pay Sh6 for transactions of up to Sh5,000 in the graduated scheme that will see those paying rent of between Sh50,000 and Sh70,000 charged a transaction fee of Sh220. "Lipa Kodi (Kiswahili for pay your rent fees) is designed to offer convenience and cost-efficiency to tenants, landlords and housing agents by providing them with a safe and reliable rent payment and collection mode," said Safaricom's general manager for financial services, Betty Mwangi-Thuo. The company plans to recruit into the new service estate agents, diaspora landlords, local authority and private landlords in the next financial year. Mwangi-Thuo said the move is part of the mobile firm's plan to broaden financial services through the mobile phone. Kenya's rental market is valued at an estimated Sh17.2 billion, which is 21 per cent of the total value of the real estate market in the country. There are about 6.5 million rental households in the country, according to 2009 population census. Statistics from the World Bank indicate that the average rent paid in urban centres is Sh5,89. Mobile money transfer services continue to grow. Currently, customers pay electricity bills through the phone. Last year 18 per cent of Safaricom's income came from money transfer services.*(Daily Nation)*

Earnings at Kenya's NIC Bank rose 15 percent in the first half as lower interest rates cut its costs of borrowing more than they hurt the bank's own interest income. NIC Bank, which also operates in Tanzania and Uganda, said it made a first-half pretax profit of 2.6 billion shillings ($29.8 million). Eric Musau, an analyst at Standard Investment Bank, said the mid-tier bank benefited from having to pay less interest to its depositors, many of whom are corporate clients that command high rates on their deposits, and for its own market borrowings. "Lending rates in the economy have come down and that is good for smaller banks which hold large expensive deposits," Musau said. Official lending rates in Kenya have come down since inflation fell and the central bank began a cycle of monetary easing in mid-2012, which has more than halved key interest rates to the current 8.5 percent. NIC said net interest income rose 36 percent to 3.4 billion shillings due to a 30 percent fall in the amount it paid out as interest to depositors to 2.1 billion shillings, despite a fall in the amount of loan advances. The lender's total interest income dropped by just 4 percent to 5.6 billion shillings. Earnings per share rose to 3.44 shillings from 2.93 shillings previously, NIC Bank said in a statement. The bank declared an interim dividend of 0.25 shillings per share. Its share price had gained 0.9 percent to 57.50 shillings each by 1022 GMT. "As long as the cost of lending doesn't go up we expect the bank to perform well in the second half," Musau said.*(Reuters)*

Full-year pretax profit at East African Breweries fell more than a quarter as expected as higher costs for energy and distribution outweighed increased revenues. The brewer, controlled by Britain's Diageo Plc, on Friday posted profit for the year to the end of June of 11.11 billion shillings on revenue up 6 percent to 59.06 billion shillings. The cost of sales rose 10 percent to 31.56 billion shillings, blamed by Tracey Barnes, EABL's Group Finance Director, on higher distribution and energy costs and depreciation. The brewer, which also operates in Tanzania and Uganda, warned in July its profit would drop by more than a quarter due to higher financing costs from an acquisition. Barnes said revenue growth had slowed due to softer market conditions in Uganda and Tanzania. The brewer's basic earnings per share dropped to 8.83 shillings from 13.46 in the year ended June 2012. *(Reuters)*

Standard Chartered Kenya posted a flat pretax profit of 6.5 billion shillings in the first half from the same period last year, it said on Thursday. The bank, which is a unit of Standard Chartered Plc, said non performing loans grew to 3.8 billion shillings during the period from 2 billion shillings *(Reuters)*

Kenyan oil marketer KenolKobil swung into a first-half profit from a big loss in the same period last year after it slashed costs while foreign exchange losses narrowed. The firm, which was the subject of a failed takeover bid from Switzerland's Puma Energy earlier in the year, said it was bullish about its performance in the second half of the year. KenolKobil on Thursday posted a pretax profit of 199 million shillings against a loss of 5.68 billion shillings. Operating expenses fell by 37 percent through various cost-cutting measures, the company that has operations across the region said in a statement. "The group is optimistic that the outlook is good for achieving improved profitability during the second half," the firm said, adding that the challenges it faced last year and early this year would be resolved. KenolKobil had blamed volatile international oil prices and foreign exchange rates, high inflation and high lending rates for a loss of 9 billion shillings in 2012. This included a 4.2 billion shilling foreign exchange loss. The exchange loss dwindled to 158 million shillings in the first half

but the company said this was still a risk. *(Reuters)*

Economic News

The government has announced plans to introduce a new currency in two years' time in line with the Constitution. Secretary to the Cabinet Francis Kimemia said on Saturday that the Executive had already approved the plans, and that "the symbols to appear on the currency, colours and sizes will be unveiled to the public soon." "The money will be in notes of Sh50, Sh100, Sh200, Sh500 and Sh1,000. Withdrawing of current notes in 2015 will be done in phases," Mr Kimemia said on his official Twitter account. At the moment, bank notes and coins in circulation carry images of founding President Jomo Kenyatta and his successor, Mr Daniel arap Moi, except for the Sh40 coin that carries the image of former President Mwai Kibaki. Mr Kimemia said designs will reflect the spirit of the Constitution and the country's development goals as enshrined in Vision 2030. The supreme law bars use of portraits or images of individuals in currency features. Dominant Kenyan physical features, flora and fauna, and key economic activities such as agriculture, tourism and manufacturing are expected to replace the current presidential portraits. Early this year, the Central Bank said the new images and design were picked from many proposals which were sent by wananchi after a call to Kenyans to give ideas. "We are finalising the details of the new-look notes but we cannot exactly say when we'll start rolling out the new currency. That will happen when tenders for new notes and coins are issued," said Mr Samson Burgei, head of communication at CBK. *(Daily Nation)*

Kenya is headed to become the first oil exporter in East Africa, moving in less than five years from being a have-not nation to the regional leader in cutting reliance on energy suppliers such as Royal Dutch Shell Plc. After Tullow Oil Plc (TLW) discovered oil last year, Kenya is set to start shipments in 2016, overtaking neighboring Uganda, where Tullow found crude more than seven years ago. The U.K. explorer plans to start pumping in Kenya as soon as next year, Chief Operating Officer Paul McDade said in an interview. Kenya's deposits may top 10 billion barrels, according to the company, more than three times the U.K.'s remaining reserves. Exports will underpin Kenya's shilling currency and are being pushed by a government that wants a lead on Uganda and Democratic Republic of Congo, whose East African resources in recent years attracted explorers such as China's Cnooc Ltd. (883) and France's Total SA. (FP)Most oil companies traditionally had focused on the African powerhouses of Nigeria and Angola to the west, and Libya and Egypt on the Mediterranean. Oil will allow Kenya to "diversify export earnings and act as a catalyst for infrastructural spending, especially on the transport network," Phumulele Mbiyo, regional head of macroeconomic research at Nairobi-based CfC Stanbic Bank Ltd., a unit of Standard Bank Group Ltd., said in an interview. "The shilling is expected to benefit from inflows of foreign exchange and reduced spending on fuel imports." Kenya imports all its fuel, almost 80,000 barrels of oil a day at a cost of more than $8 million a day, according to U.S. government data. It relies on exports such as coffee and tea to support the balance of trade in a $37 billion economy, East Africa's largest.

Tullow estimates it's found more than 300 million barrels of oil equivalent resources after making three discoveries in Kenya's South Lokichar Basin. In February, Twiga became the first well in Kenya to produce oil at a commercially viable rate and has the potential produce 5,000 barrels a day. Vivo Energy, a Shell joint venture with Vitol Group, as well as Total and KenolKobil Ltd. are the biggest suppliers of crude and petroleum products to the nation. Kenya Petroleum Refineries Ltd., the nation's sole refinery, half-owned by Essar Energy Plc (ESSR), only refined crude from Abu Dhabi last year. The discoveries have been made in the remote and underdeveloped Turkana region in the northwestern part of Kenya's Rift Valley. Shipments will initially be made by truck or train for refining in Mombasa or exports. Once more fields are discovered and developed a pipeline can be built. Kenya oil exports are "a very bullish idea, because Turkana is one of the least developed parts of Kenya," Clare Allenson, an analyst at Eurasia Group, said in a phone interview. "This is definitely worth watching to see how" it will progress. Tullow and partner Africa Oil Corp. (AOI) plan to spend at least a year exploring for further deposits. They have two drilling rigs in Kenya and expect to secure one more later this year. The Kenyan government wants things to go faster. "They are not drilling enough wells," Kenyan Petroleum Commissioner Martin Heya said in phone interview from Nairobi. "Uganda drilled a long time ago, but it's possible that we can produce earlier than anybody else. We shall be happy." Tullow is facing delays in Uganda, where the government and

oil companies are negotiating the terms of production after 1.7 billion barrels of oil were discovered. Oil from landlocked Uganda will eventually be exported through Kenya.

Ugandan President Yoweri Museveni's government has delayed the $10 billion investment planned by Tullow and its partners, Total and Cnooc, to tap the Lake Albert fields. The sides need to agree on the size of a local refinery and an export pipeline, which is likely to cross Kenya in 2018. "Uganda missed the boat and Kenya will become the oil-sector hub," John Small, the chief executive officer of the Eastern Africa Association, said in an interview. "It only makes real commercial sense to cooperate and have linked pipeline network" in the region. In Kenya, Tullow and Africa Oil still have to submit their field development plan to the Kenyan government. Eventually, a pipeline will be built from the fields to a terminal on the Indian Ocean coast, McDade said. "For the Kenyan economy it's going to be a major step forward," Africa Oil Chief Executive Officer Keith Hill said in a phone interview. "Once the export pipeline is completed they will have a significant influx of capital coming in from oil export revenues." *(Bloomberg)*

Kenya signed deals worth $5 billion with China on Monday to construct a railway line and an energy project, deepening ties with the Asian country keen to expand investment in Africa. The cash would be spent on energy projects, a standard gauge railway linking the port of Mombasa in east Africa's biggest economy to its border town of Malaba, meant to provide faster access from Kenya's port to markets in the region, the presidency's media service said in a statement on Monday. The rest would be used to improve wildlife protection, in a country where well armed criminal gangs have killed elephants for tusks and rhinos for their horns that are often shipped mainly to China for use in ornaments and medicines. It was not specified whether the cash was a loan or grant, or whether this was all new money or part of a previously negotiated but unannounced package. The deals were agreed in Beijing after talks by Kenya's new President Uhuru Kenyatta and President Xi Jinping. Kenyatta is on a state visit to China scheduled from Sunday to Friday. During his first visit to Africa in March, Xi pledged to help the continent develop, responding to concerns that China is only interested in shipping out the continent's raw materials. China is already key player in Kenya, constructing capital-intensive flagship projects, mostly roads. Kenyatta's visit follows a promise he made during the presidential election campaigns preceding the March 4 vote. He vowed to work closely with China following comments by United States, Britain and some European officials who said they would limit contacts with Kenyatta should he win owing to his indictment for crimes against humanity at The Hague. Kenyatta and his deputy William Ruto both face trial at the International Criminal Court for helping orchestrate the bloodshed that followed the disputed 2007 election. They both deny the accusations, and pledged to clear their names. On Monday, Xi said China supports Kenya's quest for industrialization and plans to host a clearing house for the Chinese renminbi currency in Nairobi, as part of Kenya's plans to become an international financial hub. Kenyatta urged China to invest in Kenya's newly discovered oil sector, power generation, a technology city near the capital city and a new port in Lamu, north of Mombasa. The $25.5 billion Lamu project would link landlocked South Sudan and Ethiopia to the Indian Ocean port of Lamu by constructing a major highway, a railway and an oil pipeline. *(Reuters)*

Kenya's public debt hit 51.7 percent of national output in the year to June, official figures showed on Wednesday, up from 44.5 percent the previous year and raising questions about the likely yield required for future external borrowing. The National Treasury said Kenya's total public debt rose 16 percent to 1.89 trillion shillings in the fiscal year to June. The east African nation, which plans to spend 1.6 trillion shillings in the fiscal year that began on July 1, has in the past said it aims to reduce its ratio of debt to gross domestic product from around 45 percent in the medium term. In documents filed to the International Monetary Fund in April, the government put the net total debt to GDP ratio at around 44.5 percent at the end of 2011/12. The latest figure means that Kenya is likely to hit the 2 trillion shilling mark for its debt in the 2013/14 fiscal budget in which the government plans to plug a deficit of 329.7 billion shillings, or 7.9 percent of GDP, from both foreign and domestic sources. "The overall increase was attributed to a net increase in both domestic and external borrowing," the Treasury said in its latest Quarterly Economic Bulletin. "The increase is unsurprising given that the stabilisation in the public debt level in 2011/12 was largely achieved thanks to high inflation and strong recovery in the Kenyan shilling in late 2011 rather than through less accommodative fiscal policy," said Mark Bohlund, economist at IHS Global Insight. "It is still likely to aggravate concerns about longer-term public debt

sustainability and thus push up the required yield on a sovereign debt issue."

The Treasury said in June the gap would be filled by net foreign financing of 223 billion shillings and 106.7 billion net borrowing from the domestic market. The foreign financing is due to include a debut $1 billion Eurobond the east African economy plans to issue later this year. The rise in debt also comes at a time when the government is pushing hard to increase its revenue collection, after falling short of targets in 2012/13. The Treasury said total revenue collected during the period was 847.22 billion shillings, against a target of 915.28 billion shillings, up from 748.17 billion shillings in 2011/12. The government expects to raise revenues worth 1.027 trillion shillings in 2013/14. Earlier in the year, the government faced demands for higher public sector wages and a strike by thousands of government employed teachers demanding higher housing, medical and transport allowances, while other civil servants including the police are also clamouring for higher pay. The government met some of the teachers' pay demands but put the rest on hold. Bohlund said Kenya had favourable growth prospects after recent discoveries of oil and China's pledge to invest in the country's energy and infrastructure sectors. However, he said the country's high budget and current account deficits put it among emerging markets that had to offer high interest rates to attract foreign lenders. In July, Kenya's central bank held its main lending rate at 8.5 percent. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

Mauritius

Corporate News

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Economic News

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WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Wema Bank Plc (WEMABANK), the Nigerian lender which raised 40 billion naira ($247.4 million) for expansion across the country, said it's seeking an additional $200 million over the next two years to fund its loan book. "The sum of $100 million is planned to be raised in the first quarter of next year and the balance by 2015, when we would have improved on our return on equity," Chief Financial Officer Tunde Mabawonku said today in a telephone interview from Lagos, Nigeria's commercial capital. "We're looking at several options including bond, loan and debenture for funds." Wema Bank, which operates mainly in western Nigeria and the capital, Abuja, plans to seek regulatory approval for a national banking licence this year allowing it to operate in Nigeria's six regions, he said. The Central Bank of Nigeria changed licensing rules as part of reforms after a debt crisis in 2009 brought the banking industry to the verge of collapse. Lenders in Nigeria are either licensed as holding companies, operating local and international units, or as national and regional banks. The lender plans to open an additional 20 branches in Africa's second biggest economy to increase the number to 149, Mabawonku said. 'Our loan book is planned to increase by 20 percent this year and 60 percent in 2014,'' he said. *(Bloomberg)*

BREWERIES Plc have approved the company's 0.25kobo dividend for the 2012 financial year. The Chairman of the company, Otunba Michael Daramola, while addressing shareholders at the 36th yearly general meeting of the company held recently in Ilesa Osun State, explained that the payment of a final dividend of N815, 631,607 has also been approved for the period under review, which based on the number of ordinary shares in issue as at 31 March, 2013. Daramola hinted that the company is beginning to earn its place in the committee of brewers in Nigeria, despite stiff competition in the Nigeria beer market, which is getting fiercer as environmental and economic conditions affect the disposable income of the consumers. He attributed the current growth witnessed in the industry to its innovation, market share increase and exploration of new frontiers, saying while competition can be presumed to have grown to its peak elastically, the company's full potential is yet to fully emerge. "The company has continued to increase significantly in its market share and to achieve more, processes have been streamlined in order to drive real, profitable growth, while ensuring that we effectively meet the demands of both customers and consumers," he said. Daramola stressed that the company's strategy in the medium term is to sustain the regional strength of its market presence by maintaining cost leadership, enhance price stability, and drive excellence product quality and exceptional operational efficiencies.

While x-raying the significant appreciation of its shares, from its market capitalisation from June 1, 2012 to March 31, 2013, the Chairman said "Our share price grew from N5.7k in January 2012 to close at N16.02k by December 2012 with capital appreciation of 184.21 per cent." "Consequently, Post-Rights Issued Capital appreciation from June 10, 2012 to date stood at N21.21k thereby ending the financial period under review with a capital appreciation of 263.18 per cent," he said. He lamented that insecurity and inadequate infrastructural facilities have negatively hampered business growth and investment climate in Nigeria, saying it is a major factor threatening Nigeria's economy, with its negative effect on business operation and lifestyle of citizens and non-citizens. "The concern for government at all level remains the provision of infrastructure and basic amenities for development, but for policy somersaults at various stages of advancement," he said. The Chief Operating Officer, Mr. Carlos Alberto Velosa Gomes, said that the company was well positioned to deliver better dividends to the shareholders, adding that the company would also improve in the area of Corporate Social Responsibility. *(Guardian)*

SHAREHOLDERS of MRS Oil Nigeria Plc have approved a total dividend of N59.28 million, translating to a dividend payment of 23.34 kobo due to every shareholder of the company for the 2012 financial year. This amount of dividend paid was down from 70 kobo paid in the preceding year. They also commended the Board and Management of the company for the dividend declared despite the drop in profitability and the harsh operating environment plaguing the downstream sector of the petroleum industry. Shareholders who made the commendation at the company's 44th yearly general meeting in Lagos recently also expressed the need for the management to do everything within its powers to deliver better returns to customers. Speaking at the meeting, Sunny Nwosu, National Coordinator of Independent Shareholders Association of Nigeria (ISAN) urged the company to improve on its performance. "A company that produces

profit at the end of its financial year end, no matter how little the profit may be, this shows a good pointer for investment for investors", he said. He noted that this shows clearly the management is working to recover the company back to stability. He urged the government to deregulate the entire oil sector, noting that this will boost up the sector performance, as they will be able to give good returns on investment.

He pointed out that the company gave out bonus issue last in 2004, saying that the company has a good healthy reserve, which could afford to give a bonus issue. Adekunle Adedoyin a member of Lagos State Shareholders Association, who commended the performance, urged the company to ensure that it recovers its outstanding debt to enable it boost up the company working capital. He pointed out that the company should leverage on domestic gas business to boost its turnover and profitability. The company's turnover rose by 11.5 per cent to N79.7 billion from N71.5 billion in the previous year. Profit Before Tax went down from N1.4 billion in 2011 to N0.38 billion in 2012, while Profit After Tax also went down to N0.21 billion from N0.62 billion in 2011, reflecting a decrease of 66 per cent. The chairman of the company, Sayyu I. Dantata, assured shareholders that the company will not only leverage on the well placed growth strategies to unleash the great potentials of the company, but will reposition the company in line with Federal Government intended reforms in the industry in the next financial years. "We will re-strategise so that as a company, we can reap the associated maximum benefits for the shareholders", he said. *(Guardian)*

Flour Mills of Nigeria said on Monday its pretax profit for the first quarter fell 8.8 percent the same period last year to 4.69 billion naira. Gross earnings rose to 100.97 billion naira in the three months to June 30 from 70.7 billion naira a year earlier, the company said in a statement. Selling and distribution costs rose to 2.58 billion naira from 1.85 billion a year ago, eating into profits. *(Reuters)*

Guaranty Trust Bank Plc (GTBank) has announced a profit after tax of N49.01billion for the half year-ended June 30, 2013, indicating an increase by N3.46 billion or 7.59 per cent over the N45.55 billion reported in June 2012. The bank's audited financial results released to the Nigerian and London Stock Exchange (NSE) Tuesday showed that it recorded positive performance across all financial indices. Its gross earnings for the period stood at N124.20 billion, an increase of N10.68 billion from the N113.53 billion reported for the corresponding period in 2012. Also, its profit before tax in the period stood at N57.36billion, up from N53.64 billion recorded in June 2012. While the bank's total assets and contingents stood at of N2.5 trillion, its customer deposits at N1.25 trillion and Shareholders' Funds as at the end of June 2013, was N296.95 billion. However, GTBank's non-performing loans remained low at 3.41 per cent. As a result of this, its return on equity (ROE) and return on assets (ROA) closed at 33.78 per cent and 5.45 per cent respectively for period ended June, 2013. Consequently, the bank proposed an interim dividend payment of N7.36 billion to shareholders. This translates to N0.25 per ordinary share of 50 kobo each.
Commenting on the result, the Managing Director/Chief Executive Officer, GTBank, Mr. Segun Agbaje, attributed the bank's success during the period to the continued support of its customers, hard work and strong corporate governance standards. Agbaje stressed that a major objective for the bank this year was to add value to its stakeholders through excellent customer service delivery, innovative products and value adding services. "It is the bank's belief that success on these fronts would enable it deepen its share of market across all sectors and improve profitability, despite today's extremely challenging business environment, "he said. He also thanked the customers for their loyalty and staff for their continued hard work and dedication.

"Guaranty Trust Bank Plc has always been at the forefront of industry service innovations in markets where it operates, having successfully replicated its culture for excellence in its subsidiaries in Ghana, Gambia, Sierra Leone, Liberia, Cote d'Ivoire and the United Kingdom. "The bank also recently commenced the process of acquiring a 70 per cent stake in Fina Bank of Kenya to enable it extend its reach to East Africa. The acquisition, which is subject to customary regulatory approvals in Kenya, Nigeria, Rwanda and Uganda will see us expand our geographical footprint into three East African Countries; Kenya, Uganda and Rwanda," Agbaje added. The bank's recent service introduction were the GTBank social banking platform - a service offering, which allows people on social networks such as Facebook have banking relationships as well as perform basic banking transactions every day. *(This Day)*

Conoil Plc has said it recorded 255 per cent increase in profit after tax from N450.9 million in 2012 to N1.6 billion at as half year-ended

June 30, 2013. The company added the performance demonstrated its resilience to overcome the overwhelming challenges in the downstream oil sector. It declared a whopping N1.98 billion as profit before tax against N663.1 million recorded in the corresponding half-year period in 2012. Conoil said its revenue rose to N79.6 billion from N76.2 billion, while earnings per share (EPS) increased significantly from 65 kobo to 230 kobo. The company attributed this performance to the adoption of robust growth strategies, efficient management of resources and total elimination of waste in its operations. The company assured its shareholders of its optimism to sustain and grow the impressive performance in the remaining six months of the year. It also assured better returns for shareholders at the end of the current financial year. Revealing its edge, the company said it strengthened and repositioned its core businesses, with huge investments in retail network expansion, which involved building multi-million Naira mega stations across the country. In the statement issued to announce the result, the company emphasised: "For us, the downstream remains fundamentally attractive now, in the medium and long term. With our clarity of direction and focus, our company's long term success is assured." It added: "We will sustain our improved performance and realise our aspiration to become the leading petroleum products marketer and one of the most profitable quoted companies. We will continue to benchmark our company against best global standards and practices to ensure that the business is managed in the best interest of all stake holders." *(This Day)*

Nigeria's Access Bank said on Wednesday its half-year pretax profit fell to 26.1 billion naira, down 14 percent from the same period a year ago. Gross earnings also declined 5 percent to 104.1 billion naira during the six months to June 30, the top tier bank said in a filing through the Nigeria Stock Exchange. The lender proposed an interim dividend of 0.25 naira per share. *(Reuters)*

The difficult operating environment plaguing companies in the oil and gas sector shows no sign of abating as one of the players in the sector, Oando Plc, has announced a decrease in its half-year (Q2) profit. Oando's unaudited results for the half year-ended June 30, 2013, showed that it recorded a profit after tax of N4.3 billion as against N6.6 billion earned in 2012. Its profit before tax stood at N6.15 billion compared with N10.41 billion in 2012. Its turnover was N280.32 billion as against N350.6 billion in 2012. The company in a statement made available to newsmen said the decline in its Q2 numbers could be attributed to a reduction in downstream importation due to substantial unpaid outstanding subsidy obligations by the federal government. The company also stated it has reduced its total indebtedness by 18 per cent as it harnessed new capital raisings to reduce financial leverage and interest expenses. A review of the company's operational fundamentals showed that total debt reduced by N53 billion in the past 12 months from N289 billion to N236 billion. Oando had sought to raise N55 billion through a rights issue of 4.5 million ordinary shares at N12 per share between December 2012 and February 2013. Total subscription to the rights issue was however N62 billion, indicating an oversubscription of N8 billion or 14 per cent. The net proceeds from the rights issue were earmarked for part-repayment of a N60 billion syndicated loan used to fund the acquisition of upstream assets and swamp drilling rigs, part-financing of acquisition of upstream and midstream assets by Oando's upstream subsidiary, Oando Energy Resources (OER), and investment in working capital to support the increased level of business. Group Chief Executive of Oando, Mr. Wale Tinubu, said: "We remain steadfast in our commitment to developing the higher margin mid-upstream operations, which have performed creditably as opposed to our downstream where we have had to reduce our imports by over 30 per cent as a result of delays in the payment of our FGN guaranteed subsidy payments due, thus directly affecting our revenue and net profit. We, however, continue to explore efficiency plays to increase our margins and add value to the sector."*(This Day)*

Africa-focused oil firm Afren posted a 13 percent rise in first half output on Friday and said annual production was on track to meet its previous guidance of 40,000-47,000 barrels of oil equivalent a day. The company, which is also exploring for oil and gas in the Kurdistan region of Iraq, and whose main producing assets are in Nigeria, said pretax profit in the half fell to $260 million from $311 million a year ago. *(Reuters)*

Flour Mills of Nigeria Plc (FMN) has said it entered into a technical assistance agreement with Adecoagro, a leading South American agro-industrial company, listed on the New York Stock Exchange. The Group Managing Director of Flour Mills of Nigeria Plc, Mr. Paul Gbededo, in a statement said the technical assistance agreement was aimed at achieving maximum yield and sustaining profitability in its farm operations. Under the terms of the agreement, Adecoagro would assist FMN in the management and sustainable development of its Kaboji

Farm, one of the largest commercial farms in Nigeria, comprising 10,000 hectares near Kontagora, Niger State, dedicated mainly to the cultivation of maize and soybean. The agreement envisaged a mutually rewarding cooperation between the two companies with the purpose of increasing the historical crop yields, helping to provide sustainable agriculture, maximising returns on the farm, creating jobs and enhancing value for farmers. Gbededo said: "In furtherance of FMN Group's strategic focus and vertical integration of its agro-allied business in response to federal government's Agricultural Transformation Agenda, the group has invested in large scale commercial farming of different crops across the country including rice, sugar cane, maize, soybeans, cassava and palm plantation." The South American company, Adecoagro owns and operates over 278,000 hectares of high quality farmland and several industrial assets where it produces over 1.2 million tons of food commodities and renewable energy, including, corn, wheat, soybean, rice, cotton, milk, sugar, ethanol and electricity. *(This Day)*

Economic News

Nigeria's consumer inflation rose to 8.7 percent year-on-year in July, slightly higher than June's figure of 8.4 percent, bouyed largely by higher food prices as the country entered the harvesting season for staple crops, the statistics bureau said on Sunday. Food inflation increased to 10 percent, year-on-year, from 9.6 percent in June. *(Reuters)*

The World Bank and West African Institute for Financial and Economic Management (WAIFEM) have announced collaboration between them, which may result in measures that will help keep Nigeria's local and foreign debt within sustainable levels. The Debt Management Office (DMO) statistics reveal that the country currently owes local and international creditors a total of $50.91bn (about N7.93tn). As at June 2013, the nation's external debt stood at $6.92bn (about N1.08tn), while the domestic debt component stood at N6.85tn ($43.99bn).
The move, according to the two international bodies, is to ensure that the nation's debt burden does not rise to a level where it begins to impede the growth and development of the economy. Nigeria recorded a Government Debt-to-GDP ratio of 18.30 percent in 2012 and economists consider it ideal for governments to keep their debt-to-GDP ratios below 60 per cent. Director General, WAIFEM, Professor. Akpan Ekpo said recent evaluation of debt management practice in countries in the West African region and some sub-national entities using the Debt Management Performance Assessment (DeMPA) had indicated divergent results in meeting the criteria for sound public debt management practice in many functional areas. Speaking during the opening ceremony of a one-week WAIFEM, World Bank regional training on DeMPA tool for public auditors, Ekpo recalled that between 2007 and July 2013, both institutions jointly conducted 15 national, sub national DeMPA and reform plan missions in WAIFEM member countries, where Debit Performance Indicators (DPIs) of the 15 countries revealed that public debt management had the worst result. "It will give Nigeria's public auditors the opportunity to understand the World Bank debt assessment performance tool to advise our leaders to ensure that our debts are sustainable. This is the first time we are bringing more public auditors to understand debt management. This course has been offered before in other countries where Nigerians attend, and now it is here in Lagos where the World Bank funded more auditors than debt managers," he said.

Ekpo stated that the DeMPA tool developed by the World Bank had been designed to be user-friendly, which undertakes an assessment of the strengths and weaknesses in government debt management practices. According to him, the training programme was meant to develop the competencies of the participants in the application of the DeMPA tool as a catalyst to strengthen national and sub-national debt management. He said at the end of the course, the attendees would have acquired a thorough understanding of the scope and methodology of the DeMPA tool including the inter-linkages between the DPIs. "The participants will also be trained in the use of evidence-based information for assessing debt management and the associated scoring techniques," he added. He said considering the DeMPA missions in WAIFEM constituent countries, coupled with the growing demand by countries to build capacity of auditors in public debt management, the institute found it necessary to give more slots at this course to auditors in order to address the identified capacity gap. He therefore urged all participants to take advantage of this opportunity to build their capacity by participating actively in the proceedings of the course in order to internalise the DeMPA methodology and hands on exercises. Earlier, Debt Specialist, World Bank, Mrs. Lilia Razlog, said the partnership between the World Bank and WAIFEM was to further disseminate the knowledge of modern modalities of debt management practices and

performances at the federal government level maintaining that this knowledge would improve the audit performances in areas of debt management. "I understand many of you are coming from the audit entities, so we do hope this is going to help you in your activities which you are envisaging while auditing the investment activities," she added. She pointed out that the DeMPA tool, which is designed for accessing the debt management practices and institutions, was developed by the World Bank in consultation with international institutions in order to give the countries the opportunity to identify existing gaps in the area of debt management and promote necessary reforms. She said the methodology so far has been deployed in more than 60 developing and developed countries in the world. She pointed out that as a result of these activities, the DeMPA evaluation was followed by a series of reforms at the institutional and regulatory level in these countries. *(This Day)*

A NEW report released by United States of America's based research firm, Pyramid Research, has disclosed that Nigeria earned $9.3 billion (N1.5 trillion) from various telecommunications services and investments in 2012. The report, which projected more growth for the sector, identified massive growth and opportunities in the country, presenting a window to attract more Foreign Direct Investments (FDIs). According to the study, with a five-year projection into the country's telecommunications sector, stressed that the fast pace of growth and large population exceeding 170.1 million will continue to make Nigeria one of the most attractive markets in Africa and the Middle East. Indeed, the Nigeria's telecoms revolution, which clocks 12 years this month, can confidently boast of various investments to the tune of over $30 billion. The sector moved from a meager of about 400, 000 telephone lines in 2000 to over 120 million active and 181 million connected lines respectively as at June 2013. Interestingly, Pyramid Research, which has its headquarters in Massachusetts, USA, disclosed that the demand profile in the country for both voice and data service is high and by far, the largest in Africa. The report further disclosed that Nigeria finished 2012 with 112.8 million subscribers, ahead of Egypt's 95.5 million and South Africa's 71.8 million. Pyramid Research also identified sound regulatory regime engendered by the Nigerian Communications Commission (NCC), the industry regulator, as a key factor in fostering and sustaining the growth potential. According to the study, regulatory architecture is creating more level playing field with the regulator placing emphasis on quality of service by fining operators that fail to meet Key Performance Indicators (KPIs). It noted that after consultations with operators and stakeholders, the regulator also implemented a progressive lowering of interconnect rates while highlighting the significance of the introduction of mobile number portability, a native the study says, will pave the way for a more competitive market and benefit consumers by lowering tariffs.

The competitive landscape in the industry is putting pressure on operators to roll out new infrastructures to improve coverage and quality. "Operators are investing billions of dollars to improve their services and to reach the undeserved regions of the country. Industry is benefiting handsomely from these investments, with mobile revenues increasing at a rate of 4.5 per cent in local currency terms between 2012 and 2017," the study stated. Furthermore, the study showed that main opportunities exist in network expansion, improved quality of service and infrastructure development. "For operators, with mobile penetration at only 66.3 per cent in 2012, opportunities exist for operators to increase subscriber base by investing in improving and expanding their networks. "Mobile Number portability is presenting further opportunity to attract competitors' customer by offering better deals and quality of service. Opportunities also exist in the broadband segment, which is expected to see massive growth during the forecast period. According to the report, the industry remains attractive for telecoms vendors as operators continue to invest in their networks. For instance, Globacom alone signed agreements with Huawei and ZTE worth $1.25 billion. Etisalat secured $1.2 billion loan to fund network expansion in Nigeria, MTN secured about N470 billion among others. According to the USA based firm, the introduction of the Strategic Management Plan (SMP) by the NCC will likely mean there will be a number of areas for investments, such as last-mile access, especially as it relates to the planned government push and further telecoms service rollout in the rural areas. "For investors, with the NCC planning to release 30MHz of spectrum on the 2300MHz band to a new operator, opportunities exist for both local and foreign companies to invest in the new operator. Also focus on expanding the fibre-optic network under the proposed Information and Communication Technology policy, opportunities exist for investors, as huge investment will be needed to carry out the tasks proposed. *(Guardian)*

Following the upsurge in borrowings by the federal and state governments, the Asset Management Corporation of Nigeria (AMCON) and public agencies such as the Nigerian National Petroleum Corporation (NNPC), Nigeria's public debt to GDP ratio has moved to 35 per cent,

only 5 per cent short of the fiscal ceiling of 40 per cent, a report by FBN Capital has revealed. The Fiscal Responsibility Act 2007 sets a ceiling of 40 per cent for the public debt to GDP ratio as against a 60 per cent ceiling for the Eurozone. According to the report, the figure for the end of 2012 was just 18.3 per cent for federal government obligations. "Once we add the borrowings of state governments, AMCON and public agencies such as the NNPC, we arrive at a public debt burden of 35 per cent at the maximum. The ratio would look still more favourable with the new national accounts series, which we expect in early 2014. The Maastricht convergence criteria for the Eurozone set a ceiling of 60 per cent for gross government debt to GDP. With hindsight, it might appear too generous although compliance and enforcement have been generally weak (and negligible for the larger member states). In contrast to the exemplary ratio for Nigeria's debt stock, the mounting cost of debt service has become a concern for policymakers, "said FBN Capital.

The report also showed that interest payments on the federal government domestic debt have soared from N117 billion in 2007 to N543 billion in the 2013 budget. This, they stated, explained the small allocation for the early retirement of FGN bonds in the 2013 budget and the optimum mix of 60 to 40 for the FGN's domestic and external obligations in the Debt Management Office (DMO) new medium-term debt strategy. The added: "An additional priority in our view should be an effort to secure "value for money" on projects for which the FGN has borrowed. The debt stock may be low but we suspect that monies borrowed could have been better deployed." Experts at the Oxford Business Group (OBG) had recently said Nigeria's $1 billion Eurobond, which was recently heavily oversubscribed, underscored the bullishness of overseas investors in the country's sustained growth. Nigeria had on July 2 closed the book on two blocs of dollar-denominated bonds worth a combined $1 billion, with the offer being oversubscribed four times its face value. Of the two issues, the 10-year $500 million bond attracted bids of $2.26 billion, while the five-year instrument, also worth $500 million, drew bids of $1.77 billion. The initial yields were set at 6.375 per cent and 5.125 per cent on the 10- and five-year bonds, respectively. *(This Day)*

Deposit Money Banks (DMBs) seem to have stacked huge amount of funds at the Central Bank of Nigeria (CBN) as the latest figures showed that banks' reserves year-on-year increased to N2.417 trillion as at July 2013. The central bank's credit and money statistics for July obtained by THISDAY showed that the amount represented an increase by 33 per cent over the N1.811 trillion recorded in June 2013. Bank reserves are banks' deposits in accounts with the central bank as well as currencies in the bank's vault that are not to be lent out. However, the amount is expected to increase further in August in view of the recent decision by the Monetary Policy Committee (MPC) to raise the cash reserve requirement (CRR) for public sector funds to 50 per cent. The decision to raise the CRR for public sector deposits in banks had attracted reactions as it unsettled the market. The policy mandated banks to keep 50 per cent of public sector funds, which comprise deposits of all tiers of government as well as ministries, departments and agencies (MDAs) with the CBN. But the CRR for other bank customers remained at 12 per cent. Also, the CBN data showed that the currency-in-circulation climbed two per cent to N1.457 trillion year-on-year at the end of July, from N1.425 trillion as at June.

Furthermore, it revealed that credit to the private sector increased marginally to N15.796 trillion as at July as against the N15.692 trillion it attained at the end of June. Similarly, the Net Domestic Assets (NDA) reduced to N5.904 trillion in July, from N6.576 trillion as at June, just as the Net Foreign Assets (NFA) also declined to N8.908 trillion in the month under review, from N9.017 trillion the previous month. However, broad money (M2), which generally is made up of demand deposits at commercial banks and monies held in easily accessible accounts fell to N14.811 trillion as at July, compared to the N15.593 trillion it stood as at June. Also, the central bank's money and credit statistics showed that narrow money (M1), which includes all physical monies such as coins and currency along with demand deposits and other assets held by the central bank reduced to N6.523 trillion, from N6.940 trillion. The Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, had in a recent interview with THISDAY, expressed concern over the diminishing banking sector credit to the private sector in the last six years. She had revealed that domestic credit to the private sector as a percentage of the Gross Domestic Product (GDP) had declined consistently since 2007. She had said: "It (credit to private sector) went up a bit in 2008 and 2009, but has gone down precipitously since then. Credit to the private sector as a per cent of GDP in 2007 was 25.32 per cent; it went up in 2008 to 33.9 per cent; and in 2009, it rose again to 38.6 per cent. "But in 2010, it went down to 24.9 per cent; also in 2011, it went down to 21.1 per cent, while in 2012 is stood at 20.84 per cent. We really need to understand what is going on because credit has to flow to the private sector at affordable rates." *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria risks losing $185 billion within 10 years as higher taxes proposed by a new law will deter investment in the country's oil industry, an association of energy companies including Exxon Mobil Corp. (XOM) said. Nigerian oil production may slump by 25 percent from 2.4 million barrels a day if the Petroleum Industry Bill, or PIB, is implemented, Mark Ward, managing director of Exxon Mobil Corp.'s Nigerian unit, said in Lagos today. The loss of investment caused by the law would leave it insufficient to tackle decline rates at oilfields, said Ward, representing the Oil Producers Trade Section at a conference in the commercial capital. "The terms proposed increase royalties, increase taxes and lower allowances or incentives all at the same time," said Ward. Energy companies are "deeply concerned" as the new tax proposals will "create one of the world's harshest fiscal regimes." The new law is aimed at reforming the way Nigeria's oil and gas industry is regulated and funded, and seeks to increase the government's share of profit from oil pumped to at least 73 percent, from 61 percent currently, according to Petroleum Minister Diezani Alison-Madueke.

The Oil Producers Trade Section, or OPTS, includes Royal Dutch Shell Plc (RDSA), Chevron Corp. (CVX), Exxon Mobil, Total SA (FP) and Eni SpA. (ENI) The companies pump about 90 percent of Nigeria's oil through ventures with state-owned Nigerian National Petroleum Corp. Proposed increased taxes in the legislation would make exploration "uneconomical," they said in a joint presentation to lawmakers last month. The PIB may boost the government's share of oil profits to as much as 96 percent, Ward said. For gas projects, the PIB will increase the tax rate to 80 percent from 30 percent, "significantly reducing incentives for investments." Under the bill, rentals and penalties would be set by the petroleum minister, while the country's president would be able to award licenses without competitive bidding. Companies remain concerned that there's no guarantee of the sanctity of existing contracts, or of independent arbitration when disputes arise, Ward said. Africa's most populous nation, with more than 160 million people, relies on oil for as much as 95 percent of export earnings and 80 percent of government revenue. The West African nation produced 1.92 million barrels a day of oil in July, according to data compiled by Bloomberg.*(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

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Tanzania

Corporate News

CRDB Bank is effective this month accepting China Union Pay's cards, a move seeking to increase trade between Dar es Salaam and Beijing. This means that holders of China UnionPay cards can now access bank services through CRDB's Automated Teller Machines and Point of Sales. The card, the largest in terms of customers in Far East, is issued by Chinese Bankcard Association. Prime Minister Mizengo Pinda, officiating at the service launch in Dar es Salaam on Tuesday evening, lauded CRDB's innovation, saying that the population was poised to benefit from greater financial inclusion. "An edge in product innovation and provision of alternative banking channels to people will be the key differentiating factors, "the Premier said. Speaking during the launch, CRDB's Managing Director Charles Kimei said the listed bank starts accepting China UnionPay debit cards this month to all of its outlets in Tanzania and Burundi. "We want to make trading with Beijing easy and more effective... Tanzania can benefit from the industrial prowess and expertise that China has to offer," he said, adding that China UnionPay Service will add value to the bank's China Desk set up earlier this year to facilitate trade between the two countries. Trade relations between the two countries continue to blossom, with data showing that by late 2010, there were over 300 Chinese companies registered in Tanzania, with total registered capital of 468 million US dollars. Already, CRDB bank offers both Visa and MasterCard services through its TemboCard debit and credit cards which have seen greater adoption over the past few years. The second phase of adoption of the service will see the bank issuing China UnionPay-enabled cards similar to TemboCardVisa and TembocardMasterCard. China UnionPay International President Mr. Xu Luode, speaking at the ceremony, said the service will go a long way in creating better business relationships and further accentuate the Chinese trade relations with Africa in the coming years. "China is a friend of Africa and launching this service in Tanzania is a clear testimony that China and Africa have a bright future together," Mr. Luode said. It is documented that in 2011, the total trade volume between China and Tanzania stood at over 2.15 billion US dollars, of which China's export was 1.66billion US dollars and imports 488million US dollars--with economic pundits saying the numbers are likely to double in the next few years. *(Daily News)*

Swala Energy Ltd. (SWE). the Australian oil and gas exploration company, plans to list shares in its Tanzanian unit on the East African nation's stock exchange next quarter to fund seismic surveys and grow the business. Swala Oil and Gas (Tanzania) Ltd. is targeting an Oct. 1 debut on the Dar es Salaam Stock Exchange's Enterprise Growth Market, or EGM, Swala Energy Chief Executive Officer David Mestres Ridge said in an interview yesterday in the commercial capital. The company, in which Swala Energy owns a 65 percent stake, is preparing listing documents to be submitted to the Capital Markets & Securities Authority and plans to raise as much as $2 million, he said. "We need to raise equity to grow and we want to do that here so that we include Tanzanian investors in that growth," Ridge said. "Our target is Oct. 1, but it depends on how fast the process will be." Swala began a seismic survey in Tanzania's Kilosa basin, where it has an exploration license covering about 17,700 square kilometers (6,834 square miles). A similar inspection is planned next month in the Pangani region, where the company also owns a permit, according to its website. The East African nation estimates it has 41.7 trillion cubic feet of recoverable natural gas reserves. Swala's listing is being managed by Tanzania Securities Ltd., a Dar es Salaam-based brokerage, which expects to submit listing documents to the market regulator by the end of this week, CEO Joseph Uiso said in an interview. The Dar es Salaam Stock Exchange has 17 listed companies with a total market value of $8.87 billion, according to bourse data. Swala may become the first company to list on the EGM. The regulator has received two applications from domestic companies to list on the segment, which was started in December 2012 and offers less-stringent listing requirements than the main market to encourage start-up companies to raise capital. "We have not yet approved any of the submissions, but it's our hope that at least one product will start trading before the end of the year," said Charles Shirima, a spokesman for the regulator.*(Bloomberg)*

Economic News

No Economic News This Week

Zambia

Corporate News

THE Non-Ferrous Corporation Africa Mining Plc (NFCA) has contracted the Copperbelt Energy Corporation (CEC) Plc to construct power transmission lines on the Copperbelt at a cost of over US$2.8 million. The main objective of the US$2,830,000 power project is to supply additional electricity to the NFCA south east ore body project in Kalulushi. The south east ore body project involves mining and processing of the copper ore to concentrate stage, according to the NFCA environmental impact statement (EIS). The EIS says the project, which will be implemented in one year, is expected to create 30 and 20 jobs during construction and the operational phases, respectively. "CEC proposed to construct two 220KV overhead power transmission lines to be about 5.9 kilometres each, which will eventually connect to the South east ore body project. "The lines will be established by opening the existing transmission lines at a selected point and extending both ends of lines into the NFCA 220/11Kilovolt (kV) substation," it says. It says the project has been phased out in two components, which included the construction of the new NFCA 220/11KV substation and two 220KV single circuit transmission lines. The proposed power lines will traverse through 22 faming plots, five small holdings and two communities in the area. "Further, the proposed development will result in relocation of 40 agriculture field and 20 people who own physical structures," it says. *(Daily Mail)*

NATIONAL Breweries Plc will this year invest K132million (US$24 million) in building a high-tech opaque brewery in Lusaka. Company executive director, David Cason said the new brewery will be built at the same site where the old Lusaka brewery is currently situated on Sheki Sheki road in the Emmasdale area. This is according to a statement released by National Breweries corporate affairs manager Yuyo Kambikambi which was made available to the Times of Zambia in Lusaka yesterday. The new 2.1-metre hectolitre plant would see a complete overhaul of the old one that has stood the test of time having been built in the early 1960s. "The current Lusaka brewery has definitely stood the test of time and we at National Breweries Plc are very excited about the huge investment that we are making to modernise the brewery with the installation of high-tech machinery for enhanced efficiency and productivity," he said. Aside from upskilling the current staff, a few local highly technically-specialised individuals were expected to be employed before the completion of the plant which would, for the first time, house a staff canteen for all employees. "The new plant will be a highly automated one compared to the current plant and as such, a lot of training will be done for the existing employees and those that will be recruited," Mr. Cason said. Additional features that employees should look forward to are a brand new canteen, change room with lockers and a well-designed clinic. Last year in October, National Breweries unveiled a US$5 million worth PET plant in Kitwe that solely produces Chibuku Super. With the completion of the new Lusaka brewery, the company expects to better meet the needs of its loyal consumers who value the high quality of its brands. The project for the new Lusaka brewery is expected to be completed by end of June 2014. *(Times of Zambia)*

Economic News

THE Japanese government has pledged to increase rice production in Zambia and other African countries to 28 million tonnes by 2018 due to increased demand for the crop. Meanwhile, Japan has launched a new rice variety developed specifically for cultivation in Africa
Japanese ambassador to Zambia Akio Egawa said though Government is making efforts to promote rice production through the formulation of the national rice development strategy, Zambia's rice production is still low. Mr Egawa was speaking at the launch of the new rice for Africa (NERICA) at his residence last Friday. "There has been a rapid increase in demand for rice in Zambia, especially in the urban areas. Zambia's rice production still stands at about 40,000 tonnes per year against the estimated 60,000 tonnes demand. "The government of Japan announced its support to doubling rice production in sub-Saharan Africa. This means stepping up efforts to support rice production in Zambia and other African countries," he said. Mr Egawa said last year, the Japanese government and other stakeholders embarked on a food crop diversification support project which focuses on rice production. He said the programme has been implemented in six provinces of the country and has recorded a crop yield of three to four tonnes of paddy and NERICA rice exceeding Zambia's average production of 0.9 tonnes per hectare. He also said Japan will support crop diversification and agricultural production in peri-urban areas of Zambia, in line with

its commitment to empower farmers. On the introduction of the NERICA rice, Mr Egawa said the crop will play a significant role in promoting crop diversification in Zambia. "It is hoped that the rice will champion crop diversification in Zambia in the efforts to attain robust agriculture that will bring about economic development of Zambia," he said. *(Daily Mail)*

GOVERNMENT says it will not allow cartels and restrictive practices in the agricultural sector. Meanwhile, Government says it is still studying the proposed agriculture marketing bill to pave way for the implementation of the agriculture credit act. Minister of Agriculture and Livestock Robert Sichinga said Government has observed numerous practices in the sector saying cartels will not be allowed. "We will not accept cartels and restrictive practices as we have often seen done in this sector. It is necessary that any initiative be extended to all viable commodities, which can be stored. It should not be restricted to maize grain such as soya bean, sorghum, groundnuts, beans and rice among other crops," he said. Mr Sichinga was speaking at a stakeholder's dialogue on the implementation and development of the Zambian Warehouse Receipt System in Lusaka yesterday. He appealed to all stakeholders to dialogue with Government as it stands ready to review various initiatives and outcome of private sector deliberations. Commenting on the marketing bill, Mr Sichinga said the bill is still being studied to see how best Government can implement the agriculture credit act. He, however, said the process of reviewing agriculture related legislation, requires harmonisation among various pieces of legislation such as the Food Reserve Agency Act, Agriculture Credit Act, the proposed agriculture marketing bill and the national agriculture policy.

Mr Sichinga said the development and implementation of the Zambia warehouse receipt system needs to be looked at in the context of harmonised co-existence of the pieces of legislation. He said there is also need to harmonise all the development policy and pieces of legislation with the Patriotic Front manifesto as it is impacted by realities in agriculture sector. Mr Sichinga said Government is ready to support all possible initiatives such as the ware house receipt. He, however, said: "we may not always agree, neither do we want this restricted to the warehouse receipt system, it's our desire that tangible income benefits, should accrue to all our farmers. Speaking earlier, Zambia National Farmers Union (ZNFU) second vice president Graham Ray said warehouse receipt system plays a significant role in national economic development. He, however, said farmers are facing key challenges such as lack of access to credit, markets and access to fair prices which if addressed could propel the country become the food basket of the region. *(Daily Mail)*

ZAMBIA'S agricultural sector has developed steadily though faced with some challenges, says Japanese ambassador to Zambia Akio Egawa. Meanwhile, Mr. Egawa says there is need for Zambia to promote crop diversification to ensure further growth in the agriculture sector. Mr. Egawa was speaking in an interview in Lusaka recently. "Zambia has great potential in developing agriculture and I believe it has developed steadily. However, the sector has been faced with some challenges such as lack of proper irrigation," he said. He said though Zambia is endowed with abundant water resources, irrigation has not adequately been developed. He expressed happiness over efforts by Government and stakeholders to overcome challenges to promote agriculture development in the sector. On crop diversification, Mr. Egawa said there is too much concentration of maize production in Zambia. He said there is need for Government to put in more efforts to enhance crop diversification in the country. Mr. Egawa said Zambia and Japan have had a very good trade relationship as export commodities from the two countries have increased. He said trade between Zambia and Japan has increased to about US$150 million last year. He said Zambia's economy is growing at a faster rate as there is too much demand of automobile related products. "Our trade relation with Zambia is in good shape. Before export commodity from Zambia to Japan use to be copper, but now its cobalt. Large quantities of export from Japan are automobile related products," he said. Mr. Egawa is optimistic that trade between Zambia and Japan will further increase this year. *(Daily Mail)*

GOVERNMENT has revised the Sixth National Development Plan (SNDP) to now focus on inclusive growth, rural development and job creation. Finance Minister Alexander Chikwanda said the Patriotic Front's (PF) development agenda to revise and reflect on the SNDP policy focus was to enable Government align the national development planning process to the political cycle and allow the ruling party translate its manifesto into national development programmes. "Government has chosen the theme, People Centred Development, for the revised SNDP. This theme comes from the realisation that economic growth alone does not inherently contribute to improvements in human development and poverty reduction," Mr. Chikwanda said. Speaking at the National Stakeholders Meeting on the revised National

Development Plan 2013-2016, he said Government was proposing measures to direct development towards job creation, reducing rural urban divide by ensuring that development goods and services were equitably distributed. He said Government would give prominence to investing in capital projects and programmes in agriculture, accelerate infrastructure development and promote development in the energy sector. Government would also invest significantly in human resource development focusing on education and skills development, provision of quality health services and improve water and sanitation systems.

He said Government would in the plan period address bottlenecks that invariably inhibited smooth implementation of plans. He said these would include accelerating implementation of the decentralisation policy, putting in place an integrated planning and budgeting framework and undertaking reforms on public finance management and speedily implementing Government programmes, among other things."While every sector desires to be given primacy in the plan, Government can only implement fewer programmes at any one time given the limited resource envelope and the timeframe within which the plan can be implemented," Mr. Chikwanda said. Secretary to the Treasury Fredson Yamba said it was cardinal to have a structured planning system where activities could be undertaken timely and effectively contrary to the current development planning and budgeting processes that were not guided by documented procedures. He said Government had developed a draft integrated planning and budgeting policy that would facilitate the enactment of the Planning and Budgeting Bill that would give legal backing to planning processes saying this would strengthen the link between budgets and national development plans. Mr. Yamba assured that programmes and projects in the revised SNDP were subjected to project appraisal and evaluation to ascertain their worthiness in terms of economic and social returns.*(Lusaka Times)*

Zimbabwe

Corporate News

MEIKLES STORES says it will lay off 55 workers in Harare and Gweru as the retail giant continues making losses since the advent of dollarisation four years ago. But the process could run into problems as management and targeted retrenchees are differing on packages. Meikles Stores chief executive Ms Belinda Shapels confirmed the retrenchment saying the exercise was meant to save the business from collapse since it has been making losses. "By retrenching staff members we hope to save 300 jobs, and so far we have transferred some staff members to our sister companies – TM, Barbours and Greatermans," she said. However, workers at the companies have expressed concern over the proposed packages. "The package proposed by the management is an insult to the workers and the matter is now under the jurisdiction of the Retrenchment Board," said one of the employees. Negotiations lasted from July 4-20 and the parties reached a deadlock.
A letter seen by this newspaper indicates that the management is not prepared to budge from its position. "Please be advised that the management has not moved from their last position of the negotiations as per our discussion in our meeting held on July 20, 2013," read part of the letter. An official said the division has been posting losses since dollarisation and the executive decided to diversify in terms of business through downsizing the concept of department stores resulting in retrenchment of workers. "The division has posted losses since dollarisation and has total borrowings of US$25 million, which accumulated due to the accumulation of losses, low sales and high operating costs," said the official. "As a result of the decline in business, Meikles Harare has closed to rationalise business." One of the letters explaining the reasons for retrenchment read: "Gweru has been downsized from 2 500 square metres to 500 square metres. "It is critical that members of the staff are reduced to ensure the business can return to viability on a smaller operating base. "The department store concept is slowly being overtaken by events globally, hence our need to downsize by reducing trading space in our stores and trimming staff as well." *(Herald)*

MBCA Bank Limited posted a solid set of results for the six months to June 2013 as profit after tax went up to US$2,104 million from US$2,077 million during the same period last year.The performance was attributed to an improved operating income which went up 11 percent from US$10,7 million recorded in the prior year to US$11,9 million. Operating expenses also increased by 15,4 percent from US$7,9 million to US$9,1 million in the period under review. In a statement released last week, the bank said profits went up despite the limited activity in the economy and the implementation of the Memorandum of Understanding signed between banks and the central bank where interest rates, service and maintenance charges were reduced. The bank said the increase in operating expenses was mainly as a result of the increase in statutory deposit protection insurance and marketing expenses as the bank sought to increase its visibility to the targeted market segments. Loans and advances to customers increased by 10,5 percent to US$97,4 million in the period under review from US$88,1 million as at December 2012. The bank's total deposits grew marginally by 5,4 percent from US$140, 3 million in December 2012 to US$147, 9 million. Consequently, the loans to deposit ratio increased to 66 percent compared to 63 percent reported in December last year.
According to the bank, capital increased to US$29,8 million from US$27,7 million due to organic growth. Positive results in divisional performance of the bank also spurred the positive results. The corporate banking division contributed 44 percent towards the total revenue generated by the bank while retail banking and treasury divisions contributed 39 percent and 14 percent respectively. MBCA board chairman Mr Willard Zireva said consultations were still ongoing on the indigenisation process being spearheaded by the Government to ensure that an acceptable solution is reached. Going forward, he expressed optimism of an improved operating environment following the harmonised elections held on July 31. *(Herald)*

ABC HOLDINGS' board has appointed a sub-committee of independent directors to oversee evaluation of the business in order to appropriately advise minority shareholders on whether to sell or retain their shareholding. There are currently huge differences in the ABC Holdings family between Frankfurt Stock Exchange- listed majority shareholder ADC and minorities over the share price that the former has offered to buy out minorities. ADC is required in terms of the Botswana Stock Exchange rules, where ABC Holdings has its primary listing, to make a mandatory offer to buy out minorities after increasing its stake from 23 percent to over 50 percent. But differences have emerged between shareholders over the US60c per share ADC has offered minorities after raising its stake when it underwrote ABC Holdings' US$50

million rights issue last year. The minorities consider the offer too low. ABC Holdings group chief executive Mr. Douglas Munatsi said in an interview last week that the group would engage independent financial advisors to determine the value of the business in order to guide minority shareholders. "The board has appointed a sub-committee of independent directors who are actually overseeing that whole process so we will go to a party such as Deloittes, KPMG, Imara or ourselves because that is what we do in our investment business. "When that party gives an opinion to say 'we think the price is X', the independent committee of the board is going to advise the whole board. "We are not independent, we are not allowed in that sub-committee, there are also some shareholders who are not independent. "As a group or as a board we will then be advised to say this is what the advisors are saying, and this is what they recommend, that is what we will then take and make a decision. As a board we will then advise shareholders to say US60c is too low or too high and recommend that they sell or not," Mr. Munatsi said.

The ABC Holdings CEO was explaining measures employed to ensure minorities are fully informed on whether to accept the ADC offer or choose to retain their shareholding. Mr. Munatsi said minorities were not being forced to sell, but ADC was compelled to make the mandatory offer in terms of the mergers and acquisitions rules of the Botswana Stock Exchange when a shareholder raises its stake above 34,99 percent. While ABC's share reached a high of US97c on the Zimbabwe Stock Exchange after continuously posting good results since dollarisation, the price has since fallen to around US57c. Asked why the share has not kept creeping up, Mr. Munatsi said it was because of generally negative sentiment against financial stocks, which was characteristic of all banks in the economy. Minority shareholders will then choose either to sell or retain their shareholding in the group depending on how they value the business. ABC announced a phenomenal set of results for the half-year ended June 30, 2013 with the pan-African banking group's profitability largely driven by the substantial growth in retail banking. Group pre-tax profits grew to BWP169 million, 77 percent up on the BWP96 million achieved in the prior year comparative period. Attributable profit of BWP143 million was 157 percent higher than BWP56 million achieved in the same comparative period in 2012. Total income for the period increased by 47 percent to Botswana pula 701 million from BWP476 million with growth being recorded in all major income lines of the group's operations. The retail banking business provided the major impetus for the results. The vastly improved performance was essentially driven and bolstered by Banc-ABC Botswana, BancABC Zambia and BancABC Zimbabwe, which achieved critical mass in retail banking and hence the three operations posted good results. *(Herald)*

HWANGE Colliery Company Limited has acquired new equipment from China as the company targets to raise production, the company's spokesperson said yesterday. The coal mining company would receive the first batch of the mining equipment this week, spokesperson Mr. Burzil Dube said in an interview. Some 100-tonne trucks have already been cleared by regulatory authorities at the Beitbridge Border Post. The company recently paid part of the US$12 million to Sany Heavy Equipment Corporation for the mining equipment. "To be more precise, two dump (100-tonne) trucks will be at the mine within the next two days while the rest will be shipped in phases as we seek to ramp up our production capacity which has in the past been affected by ageing equipment. This in turn had a negative impact on the company's revenue base," said Mr. Dube. Some of the machinery ordered includes 10 dump trucks with capacity of between 55 and 100 tonnes, two excavators and a 55-tonne crane. The company is also in the process of acquiring other mining support equipment such as drills "so that it operates at full capacity to meet both domestic and foreign demand". Mining production at the mine had in the past few years been affected by equipment inefficiencies which the company said had a negative effect on payment of salaries. The company owes workers outstanding salaries and efforts are underway to "clear the backlog". The Zimbabwe Stock Exchange-listed company has an installed capacity of 400 000 tonnes per month but this has been reduced to more than half due equipment constraints. Hwange requires US$175 million to fully recapitalise. But due to prevailing liquidity challenges, the company has been unable to raise adequate working capital. In June this year, the management said the procurement of additional mining equipment from China North Industries Corporation and XCMG, totalling about US$22 million, was being executed and delivery was expected before the end of the year. The company remained weighed down by legacy debts accumulated in the last five years. *(Herald)*

TN Mart, a unit of Lifestyle Holdings, has embarked on a massive downsizing exercise after the retailer closed four outlets in Harare last month. Lifestyle Holdings majority shareholder Tawanda Nyambirai said the group had resolved to roll out "virtual marts", cutting down on its branch network, following Econet's takeover of TN Bank, now Steward Bank. Early this year, Zimbabwe's largest mobile phone operator

increased its stake in TN Bank Limited (TN Bank) to 97,96% following a cash and share swap deal. TN Grill and TN Mart, according to Nyambirai, currently has 10 TN Grill restaurants — nine in Harare and one in Marondera — and has plans to open new branches in Chivhu, Gweru, and Masvingo using internally-generated funds. "Before the disposal of TN Bank, TN Holdings Limited's business model revolved around TN Bank. TN Bank's own vision then was to have an expansive branch network where people live and where they work in order to deliver convenient banking services to its customers," Nyambirai said in an interview yesterday. "To make the branch network affordable, the network had to offer other products. That is where TN Mart came in. Here, the interest was not in the business of selling groceries. The interest was to deliver banking services in all malls that provided one-stop convenience, including groceries. "It was on this basis that the suburban TN Mart shops were set up at the former Rufaro Marketing sites. After selling TN Bank, our business model changed. The business model for TN Mart is not to set up many supermarkets.

The model is around a virtual mart and convenient shops that exist alongside TN Grill restaurants. The suburban TN Mart shops did not fit into this new business model. That is why we closed them down. The sites were not suitable for TN Grill restaurants either." In April this year, TN launched its virtual mart — where the retailer would deliver groceries worth at least $10 to its clientele's doorstep at no extra charge as competition in the country's retail sector intensifies. The company, according to its website, sells a wide range of consumer goods, mainly groceries with more than 3 000 lines on sale. TN Mart also has a credit facility which allows customers who have bought furniture from TN Harlequin Luxaire to buy groceries on a 30-day credit period. Sources close to the development, however, said TN Mart, one of the new entrants in the retail industry focusing on fast-moving consumer goods, closed branches in Glen Norah, Willowvale, Warren Park and Kuwadzana due to lukewarm market response. The sources said the company's Robert Mugabe and Fourth Street branch in Harare had remained operational albeit experiencing low business, blighting the group's prospects of rolling out more branches by year end. "The market has had a lukewarm response to the virtual mart business model. Since closing the TN Grill First Street branch at the start of the year, business has been tough for the group," said one source. "The company is facing challenges in paying salaries on time. Nearly 80 workers have been affected by these closures although the workers have been transferred to other branches amid indications that they may soon be jobless."*(News Day)*

ZIMBABWE Stock Exchange listed conglomerate Meikles Limited has said its new foreign-based mining partner, Centar Mining, is ready to invest up to $500 million as the group spreads its tentacles into mining. Addressing shareholders at the company's 76th annual general meeting, one of the company's directors, Mark Wood, said Meikles will have 51% shareholding in the new company while Centar mining will hold 49%. Shareholders approved the joint venture and establishment of Meikles Centar Mining Limited. "Before the elections they (Centar) sent us a partner with $500 million capital. "The partner came, but we didn't finalise anything as all things went into elections mode. "Now, we want to see who will be the next (mines) minister who we will have to talk to," Wood said. The partnership, according to Meikles, has already been approved by the Indigenisation ministry and the investment authority while it was yet to be approved by the Competition and Tariff Commission. "We took our potential investors to the Indigenisation ministry and they were happy with what we are trying to do," he said. The deal would see the company mining close to seven minerals in the country, including gold, tantalite and iron ore. Wood said the country has a lot of distressed gold mines, some of them under care and maintenance. According to the Chamber of Mines of Zimbabwe, the country's mining sector, now the mainstay of the economy, needs $5 billion to recapitalise. "We are looking at three or four gold mining companies with a view of getting into partnership with or taking over their assets," Wood said.

He added that the company wanted to venture into diamond mining through the acquisition of Rio Tinto (UK)'s 78% stake in Murowa Diamonds, but that has been reversed after Rio Tinto (UK) decided to stop the deal. He said the company was advised by the Indigenisation ministry to venture into mining and they sourced a technical partner, Centar. Centar is a mining company founded by Ian Hannam and Jan Kulczyk and supported by a number of prominent and highly experienced investors from Thailand, Indonesia, Poland, Kazakhstan and others. Meanwhile, Meikles' chairman John Moxon said the central bank was not broke and will be paying the company the $26 million that they are owed soon. "The RBZ will write a cheque in a day or so. The RBZ is not broke. That, in fact, is untrue. "Their results are audited by KPMG and BDO and the financials are signed on a going concern basis. They are not broke. "The ministry of Finance is standing behind the RBZ," Moxon said. *(News Day)*

ECONET Wireless has become the first local mobile phone operator to introduce fourth generation (4G) service, a high-speed mobile telephone technology that will result in faster data transmission speeds and call connectivity. Zimbabwe's biggest mobile telecoms company said its Long Term Evolution (4G) technology will go live this weekend in Victoria Falls ahead of the start of the 20th session of the United Nations World Tourism Organisation General Assembly. Econet Wireless chief executive Mr. Douglas Mboweni said the company was riding on its expansive infrastructure nationwide to roll out a host of overlay services based on customers' demands for more value added services. "This 4G Long Term Evolution service that we are bringing to our customers or the market is basically in response to our customers to say they need speed in terms of the way transactions happen," Mr. Mboweni said. He said this came after Econet first afforded its customers the opportunity to access a number of overlay services. The customers have become more demanding, compelling the firm to introduce more value added services. "We will not stop here to admire our handiwork. We will continue to move forward and certainly LTE (4G) service is basically a point in this journey, which we call a journey without a specific destination," said the Econet boss. Fourth generation technology means customers will be able to surf the net, send and receive e-mails, upload and download from the internet and make calls at speeds much faster than they have ever been able to in the past. Mr. Mboweni said customers have continuously been asking for overlay services that give them more access to financial, health and agriculture services while they sit in the comfort of their homes, even in the most remote areas.

The LTE technology will first be accessible by way of dongles bought from Econet and initially at specific locations that include Harare, Bulawayo and Victoria Falls international airports and major hotels in the country among others. The service will also be available in the central business districts of Harare, Bulawayo and UNWTO General Assembly host town of Victoria Falls. Mr. Mboweni would not reveal when the service will be rolled out to the rest of the country, but the company would target high traffic areas first. Zimbabwe's second biggest mobile phone company becomes only the seventh such network operator on the continent to roll out the latest fast speed and connectivity technology. Econet Wireless chief commercial and customer services officer Mr. Stanley Henning said 4G would bring customers faster internet connectivity and data transmission that is 10 times better than current speeds. "Next is 4G after 3G; it is all about speed; speed of access, download and upload in a blink. As such, 4G will bring customers that necessary speed." For data transmission purposes, Mr. Henning said, 4G will give mobile phone customers lightening fast speeds of up to 65 mega bits per second. *(Herald)*

FBC HOLDINGS after-tax profit for the half-year period to June 30, 2013 rose 20 percent to US$8,3 million driven by reinsurance, commercial banking and the building society. The group's earnings capacity continues to be buttressed by its diversity with all subsidiaries except the manufacturing business achieving results than the prior period. Total income was only marginally up at US$36,7 million largely weighed down by the mandatory reduction in interest margins and charges ordered by the central bank. However, despite the effect of the Reserve Bank of Zimbabwe's directive capping bank charges, fees and commissions income increased by 2 percent to US$11,5 million. Net interest income registered a modest 5 percent increase to US$9,9 million while contributing 27 percent to the group's total income, the same as last year's contribution. Basic earnings per share increased to US1,31c from US1,06c in the same period last year. FBC said that shareholders equity increasing by 31 percent to US$88 million. FBC said the contribution of gross profit on sales to total income decreased to 17 percent to US$6,3 million as the group's manufacturing offered discounts to improve stock turn. Total assets increased by 14 percent to US$451 million while the net asset value per share went up to US$13,10c from US12,5c in the comparative period last year. Total equity attributable to shareholders of the parent company increased by 31 percent mainly as a result of the disposal of treasury shares at a profit of US$2,6 million and acquisition of 40 percent stake in FBC Building Society from the National Social Security Authority. The cost to income ratio improved to 73 percent compared to the same period last year due to improved cost containment. Operating expenses rose by 2,8 percent to US$21,7 million. Loans and advances increased to US$211 million from US$191 while deposits and borrowings also increased from US$254 million to US$295 million during the half year. Group chief executive Mr. John Mushayavanhu said that there was good contribution from the reinsurance side, the commercial bank and the building society. "Our profitability came mainly from the banking side. Firstly, our building society is building houses, selling at a profit and giving mortgages. That was significant contribution to our profits. "On the banking side we increased the number of transactions by going to the lower end of the market introducing new products such as mobile banking so that people are able to transact in the comfort of their homes," Mr. Mushayavanhu said. He said reinsurance gross premium, had

maintained stead growth with claims experience remaining low because of the underwriting philosophy that the company only accepts only those risks that the company considers bankable. Against this solid performance FBC Holdings and the group's solid recapitalisation plan, a dividend US0,149 per share has been declared for the six month-interim period. FBC said it has received regulatory approval for its banking subsidiary to comply with the new minimum capital requirements by merging the bank and the building society. Commercial banks were required to have reached US$50 million minimum capital by June 2013, US$75 million by September 2013 and US$100 million by June 2014. *(Herald)*

Rainbow Tourism Group's growth strategy, which includes cost reduction and boosting of revenue, has begun paying dividends with the group achieving a 4 percent growth in revenue to US$13,2 million during the half-year to June 30, 2013. The growth in revenue was complemented by a reduction in operating costs by US$1,6 million resulting in exceptional Earnings Before Interest Depreciation Taxes and Amortisation margin of 12 percent. EBIDTA grew by a massive 982 percent to US$1,6 million from a meager US$152 000 due to cost reduction measures that were implemented from November last year that addressed core cost impact items which will see a sustained efficient system in future. As a result the group moved into the black posting, a profit after tax of US$105 000 from a loss position of US$3,2 million for the corresponding period. Apart from reducing costs the group's occupancy levels were up 10 percent from 39 percent during the prior year to 43 percent during the period under review. This was after Rainbow Towers Hotel recorded the highest occupancy of 76 percent in May while Bulawayo Rainbow Hotel had a record Zimbabwe International Trade Fair performance in May of US$600 000, representing a 30 percent increase from the same period last year. The group also recorded its highest revenue in any one month since dollarisation of US$2,9 million in July as Victoria Falls Rainbow Hotel revenues grew by 135 percent in the same month compared to the period during the prior year. A'Zambezi River Lodge revenues also grew by 74 percent in the same month resulting in the group's Victoria Falls properties revenues growing by 100 percent in the month of July compared to prior year. Revenue per available room was up 13 percent to US$36 during the period under review from US$32 in the prior period. Subsequently, the group's market share rose from 17 percent to 27 percent from 23 percent in 2012 against a fair share of 25 percent. The group also managed to achieve a reduction in interest expenses of 47 percent to US$851 000 from the same period last year after retiring most of its short-term loans.

Other short-term loans were restructured to long term leading to a reduction in average cost of borrowing to 11 percent. However, the group is targeting a reduction in the cost of borrowing to 7 percent by December. The group's total debt reduced by 14 percent from US$25,5 as at December 31, 2012 to US$21,1 million at June 30, 2013 while gearing for the same period came down from 69 percent to 57 percent. Looking ahead group chief executive, Mr. Tendai Madziwanyika said he was confident that RTG would be able to deliver on its intended profit target by December 2013. "We are optimistic of an improved operating environment conducive for tourism," he said. He added that the positive performance RTG is registering is only the awakening of the country's hospitality giant. RTG chairman Mr. John Chikura said they expect the improving occupancy trend to continue in the second half of the year. "Focus will remain on embedding the "I'M FRESH" service culture and intensifying sales and marketing efforts to grow revenues as well as the RTG brand. "In addition, continued success will come from enhancing the product, implementing further cost reduction measures, generation of free cash flows and prudent working capital management. "The group will seek to capitalise on the visibility and destination marketing opportunity presented by the hosting of the UNTWO General Assembly, a rare showcase for the country, to be held in August 2013 in Victoria Falls," he said. Meanwhile Mr. Madziwanyika said the group's refurbishment programme was progressing well. In terms of the group's flagship, the Rainbow Towers and Conference Centre he said the first 60 rooms were already complete and were released back in circulation with effect from July 31. The remainder of the project is expected to be completed by January 2014. With respect to the Beitbridge Hotel Project, he said construction of the hotel was now complete while funding for equipment, furniture and fittings has been secured and the remaining works will be completed in the third quarter. "The hotel is going to open on November 1, 2013 but the full impact to the group operations will be felt in 2014," he said. The group decided against declaring a dividend in view of the growth and further investments still required in the business.*(*

FBC HOLDINGS is negotiating for a US$10 million line of credit with an offshore investor to be repaid over 10 years, chief executive Mr. John Mushayavanhu has said. The line of credit is being facilitated by Shore Cape, an international investor which recently bought 7 percent stake of the group, Mr. Mushayavanhu said in an interview. "Shore Cape is actually assisting us in mobilising lines of credit from their

investment partners and, as we speak, we are talking to one of their partners who is prepared to give FBC Bank a line of credit of up to US$10 million over 10 years," he said. "This is a first for this country because, previously, the lines of credit we have been getting are lines that range from one year to two years, but for the first time, we are getting lenders who are prepared to lend money to this country for up to 10 years." Mr. Mushayavanhu said the cost of the money would be less that 5 percent per annum. Local banks have been finding it hard to mobilise long term lines of credit due to the country's perceived high risk profile. This in turn, resulted in banks charging high interests rates (ranging between 12 and 35 percent) to the borrowers. The prohibitive interest rates are undermining the recovery and growth of key sectors such as manufacturing and agriculture. Several local banks have also been reluctant to advance loans to corporates as a way of managing credit risks. The level of non-performing loans has been on an upward trend, from 1,8 percent in December 2009 to 13,78 percent in March 2013 with corporate being the largest defaulters. According to the Finance Ministry, total banking sector loans and advances increased by 5,56 percent from US$3,4 billion in January 2013 to US$3,59 billion in May Loans to individuals accounted for 22 percent of total banking sector loans as at May 31 2013, as most banks are offering salary-based loans. This was followed by services at 18 percent, manufacturing at 16 percent and agriculture at 15 percent. *(Herald)*

ZIMBABWE Stock Exchange-listed manufacturing concern Turnall Holdings has reported an after-tax loss of $111 875 for the six months to June compared with a profit of $874 118 recorded during the same period last year due to rising costs. The company's revenue of $18,9 million was 2% above last year's figures for the same period. The revenue, according to the financials, marginally rose due to a decline in exports. Selling and distribution expenses, however, increased to $514 794 from $45 821 due to price adjustments made to meet competition. The company announced that gross profit margin which stood at 23% was lower than the 30% achieved in 2012 mainly because of lower than plan pricing during the first quarter of 2013. The operating profit margin was, as a result, affected and at 7% against 16% for the same period last year. "The financial results for the period under review reflect two business approaches to dealing with an economic environment that to a large extent remained fluid. Pricing and margins during the first quarter of 2013 were aligned to the market in an effort to retain market share. With a high fixed cost structure and a lower than normal capacity utilisation, profit margins reduced significantly against a generally high cost of production," said company chairman Herbert Nkala. "Exports, despite a slowdown, represent another key growth area. The company has started supplying into Zambia and has a robust plan to enter into neighbouring markets in the coming months and supply a full range of products including the new roofing tiles." Capacity utilisation for the manufacturing sector last year plunged to 44% from 57% in 2011 due to several problems affecting local industry. The Confederation of Zimbabwe Industries says industry output is this year expected to further decline due to underfunding, stiff competition and high operating costs. "The post-election era should usher in positive economic growth and that in turn should see a growth in investment in infrastructure and housing. As a business, we believe that a growth trajectory for the economy will see us benefit in the areas of housing construction, water and sewer reticulation and an introduction of export incentives," said Nkala *(News Daily)*

Economic News

A SHARP decline in local cotton output is projected this year while concerns abound that crop funding by merchants for the next season may be lower than the previous year.It is understood that some cotton merchants may not provide financial support and inputs to farmers who failed to meet their contractual obligations this marketing season. About 98 percent of cotton is grown under contract schemes. The schemes were introduced when farmers were failing to access finance from the banks due to lack of collateral. Preliminary figures obtained from the Cotton Ginners' Association indicate cotton output could be as low as 145 000 tonnes, from the initial forecast of 250 000 tonnes. This would be 58 percent lower the 2011/12 production of 347 000 tonnes. The CGA said lower output was due to poor "grower viability" which resulted in poor harvests. It also estimated the industry could have lost about 30 000 tonnes through side marketing. "While most farmers were not in a position to achieve contracted volumes due to viability challenges, this does not take away the fact that substantial volumes were lost due to side marketing," said CGA, an association that represents cotton merchants. Last month, Olam, the country's third largest cotton company, said it would consider supporting farmers under its contract scheme depending on

recoveries. "It is too early to comment on what is likely to be but it is fair to say that the current season's intake and recovery statistics would naturally have a bearing on our planning for the next season," Olam Cotton managing director Mr Aranyak Sanya said then.

Cottco chairman Mr Albert Nhau said the cotton industry in Zimbabwe has suffered a significant reduction in crop size, due among other reasons to a shift to tobacco in certain areas and lower yields than expected. "Clearly and as a consequence, Cottco has not been spared from this phenomenon," said Mr Nhau last week. "The cotton buying season is just about to come to an end and we are in the process of reviewing our position as a basis of preparing for the forthcoming season." About 143 000 tonnes have already been delivered. The buying season ends on August 30. Zimbabwe Farmers' Union second vice president Mr Berean Mukwende acknowledged some merchants lost their crop due to side marketing, but most farmers failed to meet the contracted volumes due to bad weather experienced last season. "Most merchants failed to get their planned quotas due to side marketing and the size of the crop was also small but we urge them to support production next season," he said. Side marketing has remained one of the major threats to the viability of the industry. Normally, it is promoted by merchants who have invested less in production and are able to entice farmers by offering higher prices than gazetted ones.

The "theft" of the contracted crop has been done under the guise of "free cotton". According to the CGA, the Agricultural Marketing Authority charged with ensuring orderly marketing of the crop, had not done much to discourage the practice. It says AMA has chosen to ignore "any form of deterrent" penalties and continued issuing of tickets to offenders which are of no effect, which in the end has benefited the errant players are enjoying from theft of contracted cotton, let alone the payment. "Genuine financiers of cotton have been threatened by the regulator with loss of licence for reporting errant ginners to police. This is clearly a case of penalising the victim and promoting chaos in the sector by supporting and protecting errant merchants," says CGA. Last year, ginners halved funding from about USS$44 million to about US$22 million. AMA chief executive Rockie Mutenha declined to comment when contacted for a comment. *(Herald)*

THE Confederation of Zimbabwe Industries (CZI) has advised the soon-to-be formed government to put on hold a blanket approach on the indigenisation and empowerment regulations, adding that the policy required more clarity to stimulate economic growth. In its submissions made during a meeting convened by the Office of the President (OPC) on August 2, CZI said in the short-term, there would be need to craft an economic policy which seeks to attract more capital as the country's main economic sectors remain in doldrums due to underfunding. CZI said the new government should adopt proposals made by different sectors in 2010 to ensure that the empowerment policy catapults economic growth, which has slowed down in recent times. The meeting was chaired by an official from the Office of the President and Cabinet and was attended by CZI, other business organisation which include the Bankers' Association of Zimbabwe, Zimbabwe National Chamber of Commerce, Chamber of Mines of Zimbabwe. The meeting becomes the first following Zanu PF's landslide victory in the just-ended general elections. The party won a two-thirds majority in Parliament and may soon form the next government should the Constitutional Court dismiss a challenge on the outcome by outgoing Prime Minister Morgan Tsvangirai. CZI said the new government should also manage political risk linked to the outcome of the poll results. "(There is need for) better articulation of the indigenisation and economic policies taking into account recommendations of sectoral committes," the CZI said. "In particular, exceptions to the 51% rule for sectors requiring imported technology and capital not available in the country need to be highlighted. Unequivocal statement that the multicurrency system will be maintained for at least the full term of the government."

The indigenisation law compels foreign-owned companies to sell 51% to locals. Analysts say Zimbabwe has since 2009 attracted low foreign direct inflows due to lack of clarity on the empowerment policy as well as hassles in setting up a business. FDI rose to $400 million in 2012 from $65 million in 2009. In the medium-term, CZI said the government should engage in discussions and engage on the reintroduction of the local currency. Reserve Bank of Zimbabwe has already allayed fears of an immediate comeback of the local currency which became worthless in 2008. The government was also urged to restore confidence in financial markets that encourages savings by individuals and the informal sector and mobilising cheaper foreign lines of credit. CZI urged the government to resolve infrastructure constraints and facilitate private sector investment in infrastructure as well as mobilising long-term capital for expansion projects. Turning to the country's external debt, currently hovering around $10,7 billion, CZI said the new government should fully engage creditors to ensure that the country's creditworthiness improves. Zimbabwe's economy, according to Finance minister Tendai Biti, requires a $4 billion stimulus package to

quicken economic growth. Biti has already revised year end economic growth rate to 3,4% from the initially projected 5% to underperformance of key economic sectors. The manufacturing sector has been struggling to grow since 2009 due to liquidity challenges, antiquated equipment and failure to compete with other products from the region. Most companies in the sector have closed down and many people have been rendered jobless. The majority of the companies in the sector are operating at less than half of their capacity as they fail to attract more working capital both locally and internationally. *(News Day)*

Zimbabwe's consumer inflation slowed to 1.25 percent year-on-year in July from 1.87 percent in June, the national statistics agency said on Friday. On a month-on-month basis, inflation dropped to -0.38 percent from -0.13 percent in June. *(Reuters)*

The United States believes Zimbabwe's recent election was flawed and it doesn't plan to loosen sanctions against President Robert Mugabe's government until there are signs of change in the country, the State Department said on Monday, despite an endorsement of the vote by Southern African leaders. Mugabe, who has ruled Zimbabwe since independence from Britain in 1980, is set to be sworn in as president as early as this week, extending his 33-year rule of the country after winning the July 31 election. The 15-nation Southern African Development Community, which helped broker a power-sharing deal after disputed elections in Zimbabwe in 2008, backed Mugabe's re-election on Sunday. "The United States stands by our assessment that these elections, while relatively peaceful, did not represent a credible expression of the will of the Zimbabwean people due to serious flaws throughout the electoral process," said State Department spokeswoman Jen Psaki. "We have made clear to the government of Zimbabwe and the region that a change in U.S. sanctions policy will occur only in the context of credible, transparent and peaceful reforms that reflect the will of the Zimbabwean people." The opposition Movement for Democratic Change, led by Morgan Tsvangirai, on Friday dropped its court challenge to Mugabe's landslide win, saying it doubted it would get a fair hearing. The Zimbabwe Election Support Network said registration flaws may have disenfranchised up to a million people out of 6.4 million registered voters. The United States imposed sanctions on Mugabe in 2003. The sanctions, which ban more than 250 Zimbabwean individuals and companies from doing business with the United States, were extended in 2009. Mugabe has ruled Zimbabwe since it gained independence from Britain in 1980 and is Africa's oldest leader. Psaki said it was "feasible" that the U.S. could review sanctions toward Zimbabwe if conditions in the country improved, but for now they would remain. Soon after his nomination as Secretary of State, John Kerry wrote to Mugabe outlining the U.S. position on elections and the opportunities it provided for the country. The U.S. had said it was willing to roll back sanctions and expand trade and investment if elections were conducted in a free and credible environment. *(Reuters)*

Zimbabwe's year-on-year inflation rate for the month of July 2013 as measured by the all items Consumer Price Index stood at 1,25 percent shedding 0,62 percentage points on the June 2013 rate of 1,87 percent, the Zimbabwe National Statistics Agency has said.This means prices as measured by the index increased by an average of 1,25 percentage points between July 2012 and July 2013. "The year-on -year inflation rate is given by the percentage change in the index of the relevant month of the current year, compared with the index of the same month in the previous year," said ZimStat. "The year-on-year food and non-alcoholic beverages inflation prone to transitory shocks stood at 1,74 percent while the non-food inflation rate stood at 1 percent." The month-on-month inflation rate in July 2013 was -0,38 percent gaining shedding percentage points on the June's figure of -0,13 percent. Monthly food and beverages rate of inflation for July 2013 stood at -1,33 percent, shedding 0,81 percentage points on the June 2013 rate of -0,33 percent. Month-on-month non-food inflation stood at -0,004 percent shedding 1,11 percentage points on the June 2013 rate of 0, 03 percent. *(Herald)*

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