SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	16-Sep-16	23-Sep-16	WTD % Change Local	WTD % Change USD	31-Dec-15	YTD % Change Local	YTD % Change USD
Botswana	DCI	9635.48	9766.95	1.36%	4.05%	10602.32	-7.88%	-1.08%
Egypt	CASE 30	7979.25	7913.94	-0.82%	-0.83%	7006.01	12.96%	-0.66%
Ghana	GSE Comp Index	1784.97	1775.12	-0.55%	-0.96%	1994.00	-10.98%	-14.26%
Ivory Coast	BRVM Composite	290.37	285.35	-1.73%	-2.06%	303.93	-6.11%	-3.76%
Kenya	NSE 20	3206.12	3174.15	-1.00%	-0.98%	4040.75	-21.45%	-20.63%
Malawi	Malawi All Share	13489.92	13631.48	1.05%	1.14%	14562.53	-6.39%	-15.69%
Mauritius	SEMDEX	1795.60	1809.13	0.75%	0.36%	1,811.07	-0.11%	1.53%
	SEM 10	341.51	345.96	1.30%	0.91%	346.35	-0.11%	1.53%
Namibia	Overall Index	997.26	1037.25	4.01%	9.70%	865.49	19.85%	36.39%
Nigeria	Nigeria All Share	27858.48	28247.11	1.40%	1.18%	28,642.25	-1.38%	-38.02%
Swaziland	All Share	368.21	368.21	0.00%	5.47%	327.25	12.52%	28.05%
Tanzania	TSI	3886.95	3867.02	-0.51%	-0.34%	4478.13	-13.65%	-14.25%
Zambia	LUSE All Share	4341.27	4456.74	2.66%	3.06%	5734.68	-22.28%	-14.20%
Zimbabwe	Industrial Index	99.09	98.88	-0.21%	-0.21%	114.85	-13.91%	-13.91%
	Mining Index	25.65	25.64	-0.04%	-0.04%	23.70	8.19%	8.19%

CURRENCIES

Cur-rency	16-Sep-16 Close	23-Sep-16 Close	WTD % Change	YTD % Change
BWP	10.55	10.28	-2.58	7.38
EGP	8.88	8.88	0.01	-12.06
GHS	3.94	3.95	0.41	-3.69
CFA	583.63	585.60	0.34	2.51
KES	99.50	99.49	-0.01	1.03
MWK	714.64	713.97	-0.09	-9.93
MUR	34.00	34.13	0.39	1.64
NAD	14.27	13.53	-5.19	13.81
NGN	313.27	313.94	0.21	-37.16
SZL	14.27	13.53	-5.19	13.81
TZS	2,134.56	2,130.88	-0.17	-0.70
ZMW	9.95	9.91	-0.39	10.40

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Orange Egypt said on Thursday it has decided not to apply for a fourth-generation license offered by the Egyptian telecom regulator. "Orange Egypt for Telecommunications has decided not to apply for the license to offer 4G in light of the current terms and conditions," the company said in a statement via the stock exchange. Egypt gave companies that already operate in the country priority in obtaining 4G licenses but has said it will launch an international tender should any of them decline the offer. *(Reuters)*

Economic News

Egypt's agriculture ministry has formed a high level committee to try and resolve a trade standoff with Russia over agricultural commodities, the ministry said on Sunday. Russia said on Friday it would temporarily suspend imports of fruit and vegetables from Egypt starting Sept. 22. The Russian ban came shortly after Egyptian quarantine inspectors rejected a 60,000-tonne shipment of Russian wheat because it contained trace levels of the common grains fungus ergot, which Cairo recently banned. Egypt is the biggest buyer of Russian wheat and Russia is a top export market for Egyptian fruits. Moscow has a history of using threats and limiting imports in trade disputes, but Cairo's policy over the ergot fungus has created a headache for all of Egypt's wheat suppliers, who say guaranteeing zero ergot in shipments is impossible. Egypt said it will send a team to Russia at the end of September to discuss the trade standoff, just ahead of the start of its citrus export season. The ministry of agriculture's committee will also meet with the Russian ambassador in Cairo to discuss Russia's ban and to "avoid any obstacles" to solving the issue, the ministry said in a statement. *(Reuters)*

Egypt is making "very good progress" toward securing the additional financing required to seal a $12 billion loan accord with the International Monetary Fund, the lender's largest ever in the region, a senior government official said. "It shouldn't be a concern," Deputy Finance Minister Ahmed Kouchouk told reporters at a two-day Euromoney conference that began on Monday in Cairo. A sign-off from the IMF would release the first tranche of a three-year loan signed in August, which officials expect will attract aid and investment to an economy hampered by a foreign currency shortage. Egypt's international reserves of $16.6 billion are still around 50 percent below their pre-2011 levels when President Hosni Mubarak was ousted from power, while the pound has been trading on the black market at around a 30 percent discount to the official rate against the dollar. Part of the funding required by the IMF is coming from oil-rich Gulf Arab states, which have already pumped billions of dollars into the economy since the 2013 ouster of Islamist President Mohamed Mursi. It also plans to sell between $3 billion and $5 billion in international bonds. "Rates will be determined by the market, no decision has yet been made on the timing," Kouchouk said when asked later by Bloomberg on potential borrowing costs. Ahead of the IMF financing, the government introduced a value-added tax, raised electricity prices and sought other cost savings to shrink one of the Middle East's highest budget deficits. Economists say inflation, currently almost 16 percent, may reach 20 percent by the end of the year with the VAT. The new tax led the World Bank and the African Development Bank to release $1.5 billion of previously agreed loans. Egypt is also in talks with China for $4 billion in loans to fund sewage and renewable energy projects, International Cooperation Minister Sahar Nasr told reporters in Cairo. *(Bloomberg)*

Egyptian exports would rise by 10 percent if and when authorities devalue the pound, Trade and Industry Minister Tarek Kabil said on Tuesday. Pressure has been mounting on the central bank to devalue the currency as Egypt struggles to revive an economy hit by political unrest that has driven away tourists and foreign investors - both major sources of hard currency. The bank has been responding to the crisis by rationing dollars, giving priority to imports of essential goods and to exporters who need to import raw material for manufacturing. Its policy of keeping the pound artificially strong has seen foreign currency reserves tumble from $36 billion before a mass uprising in 2011 to around $16.5 billion in August. "If and when a devaluation happens it will help trade on both sides, limiting imports and boosting exports ... We expect it could boost exports by 10 percent," Kabil told a Euromoney conference. Egypt's trade deficit was 24.6 percent smaller in May compared with a year earlier, the statistics agency said last month. The trade deficit was 25.2 billion Egyptian pounds ($2.8 billion), down from 33.4 billion in the same month a year earlier. *(Reuters)*

Egypt expects to privatise two or three state-owned companies via listings on the stock exchange in the first year of a privatisation programme, the chief executive of government-owned NI Capital said on Monday. The programme will last for three to five years and will start with state-owned oil companies but will also include state-owned banks, said Ashraf El-Ghazaly. NI Capital is a government-owned, privately managed financial institution that is part the National Investment Bank. It acts as a consulting authority for the government and manages governmental investment funds. The state owns vast swathes of the economy, including three of its largest banks along with much of its oil industry and huge parts of its real estate. The economy has been struggling to recover since a popular uprising in 2011 drove foreign investors and tourists away. Years of political instability has hit growth in the Arab world's most populous state and halved its currency reserves. The last time state-owned companies were listed on the exchange was in 2005 when shares were floated in Telecom Egypt, the state's landline monopoly, and oil companies Sidi Kerir Petrochemicals and AMOC. *(Reuters)*

Egypt's trade deficit has narrowed by $7 billion since January, Trade and Industry Minister Tarek Kabil said on Tuesday, adding that exports could rise by 10 percent - helping close the trade gap even more - if authorities devalued the local currency. Pressure has been mounting on the central bank to devalue the currency as Egypt struggles to revive an economy hit by political unrest that has driven away tourists and foreign investors, two major sources of hard currency. The central bank has been responding to the crisis by rationing dollars, giving priority to imports of essential goods and to exporters who need to import raw material for manufacturing. Its policy of keeping the pound artificially strong has seen foreign currency reserves tumble to around $16.5 billion in August from $36 billion before a mass uprising in 2011. "If and when a devaluation happens it will help trade on both sides, limiting imports and boosting exports ... We expect it could boost exports by 10 percent," Kabil told a Euromoney conference. The central bank's rationing of dollars has also led to a sharp fall in imports. Kabil said Egypt's imports had decreased by $6 billion since January while exports had increased by $1 billion, narrowing the trade gap by $7 billion. For the January-June period the trade deficit came to about 173 billion Egyptian pounds ($19.5 billion), down 11.3 percent from the same period last year. *(Reuters)*

Egypt's current account deficit rose to $18.7 billion for the 2015-16 fiscal year that ended in June, from $12.1 billion last year, central bank data showed. Egypt's economy is struggling to recover after a mass uprising in 2011 drove away tourists and foreign investors, major sources of hard currency. The trade deficit for the financial year stood at $37.6 billion compared with a deficit of $39.1 billion last year. The improvement was "due partly to the decline in world oil prices, which had a bearing on Egyptian exports and imports," a central bank statement said. *(Reuters)*

Egypt's central bank kept its key interest rates unchanged at a monetary policy meeting on Thursday, confounding a unanimous forecast by analysts that it would hike borrowing costs to curb inflation. Egypt has been struggling to revive its economy since a 2011 revolution drove away tourists and foreign investors, its main sources of vital foreign currency. Its reserves have more than halved since, to around $16.5 billion in August. The government has been pushing through economic reforms including energy subsidy cuts and a value-added tax. Applied this month, the tax is expected to drive up inflation, which hit its highest level for almost eight years in August. All 12 contributors to a Reuters poll had said they expected the monetary policy committee (MPC) to raise rates on Sept. 22, with the forecast increases ranging from 50 basis points to 200. The central bank instead kept its overnight deposit rate at 11.75 percent and its overnight lending rate at 12.75 percent. "The current level of inflation and future upside risks are largely explained by transitory cost-push factors, while demand-side factors continue to pose downside risks to the inflation outlook," the central bank said in a statement. "Given the balance of risks, the MPC judges that the key CBE rates are currently appropriate." The central bank has already raised key policy rates by a total of 250 basis points this year but bankers say much more is needed to curb inflation, which jumped to 15.5 percent in August. President Abdel Fattah al-Sisi is under growing public pressure to stem the price rises and revive the flagging economy. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The average lending rate of banks has hit 33 percent as at the end of August this year, the highest since 2003, the latest central bank's macroeconomic and financial data has shown. This is a significant increase over the 28.2 percent average interest demanded by the banks in January this year. This means that businesses and consumers should expect a sharp spike in the Annual Percentage Rate of banks, which is the true interest rate banks charge borrowers on loans and advances as it reflects the true cost of borrowings and includes charges and commissions levied by the banks. Information available to the B&FT indicates that the interest rate of the banks has risen on the back of the deteriorating non-performing loans portfolio on banks books. The risk in lending in the country is thus seen as the reason behind banks decision to cut credit lines to consumers with the total advances in the banking sector dropping, albeit marginally, from GHC32.4 billion in June to GHC32.1 billion at the end of July this year when the central bank last assessed the credit conditions in the country. It has been strongly argued in the circles of the Association of Ghana Industries (AGI) - the umbrella organization of businesses in the country- that the high interest rate regime is one of the major factors behind the rising non-performing loans, and that the demands on borrowers by banks has created a cyclical situation that has compounded challenges in the business operating environment. Some observers have thus interpreted the high interest rate and rising non performing loans regime as well as reduction in advances as an indication that the economy has not been responding well to the policies underlying the fiscal and monetary policy framework and improved market expectations.

For the banks, however, the tightened credit condition is a preemptive measure to contain loses as the quantum of non-performing loans has impacted negatively of their solvency and profitability position. The increasing risks in providing consumer and business loans have also pushed the banks to prioritise investments in Treasury bills and other securities over interest income. According to a Bank of Ghana's recent report, the firm stance taken by financial institutions in granting loans to businesses and consumers has been exacerbated by lower expectations of banks regarding the economic environment, reduced access to market finance, increased cost of funds, and balance sheet constraints. Some analysts have, however, opined that the decision by the Bank of Ghana to keep its policy rate at 26 percent since July last year has also triggered an increase in the risk of banks incurring higher non-performing loans due to the potential for default among borrowers exposed to high interest rate regime. *(Ghana Web)*

The total cash float from the various mobile money platforms to the banks reached GHC703.64million in July this year, representing a 48.3 per cent jump from July last year. Head of Payment Systems Department at the Bank Of Ghana (BOG),Dr Settor Amediku disclosed this at the launch of a mobile banking service by Pan-African Saving and Loans, the microfinance wing of Ecobank Ghana. The mobile banking service, dubbed 'QUICK" mobile phone banking, offers customers the convenience of banking on their mobile phones. It is available on short code *777#, and allows customers to access their bank accounts on phone and do deposits and withdrawals, make payments, top-up airtime and access short-term loans among other things. Dr. Amediku commended the management of the Pan-African Savings and Loans for their innovation, saying it is in line with the objectives of the BOG to improve financial services and also reduce the use of cash for financial transactions. He said BOG set up the Payment System Department, and introduced the Dedicated Electronic Money Issuers (DEMI) Guidelines to boost financial inclusion through the use of digital technology in the form of mobile phones and other electronic platforms for cashless transactions. Dr**. Amediku noted that** mobile money is a major driver driver of the financial inclusion and cashless society agenda, with agents rising from 56,922 to 113,728 between July 2015 and July this year.

Indeed, just this month, mobile money companies and their partner banks started paying interests to customers on their mobile money balances; a move designed to further deepen financial inclusion and cashless financial transaction. Dr. Amediku therefore called on other financial institutions to seriously consider providing innovative financial services to help drive the cashless society agenda. Managing Director of Pan-African Savings and Loans, Emelia Atta-Fynn told Adom News the new "QUICK" service is to make life easier for existing and prospective customers, and to boost financial inclusion. Group Executive for Consumer Bank at Ecobank Ghana, Patrick Akinwuntun said the bank will spread agents across the country so customers can access them. He said the bank has put in place enough security measures to ensure that fraudsters do not abuse the system. "All the security features are ISO certified and have all been reviewed by the necessary regulators," he stated, adding "all accounts have identification numbers and PINs with personal registration details, which makes it difficult for any impersonation". *(Ghana Web)*

The Securities and Exchange Commission (SEC) has given indication some multinational companies have initiated processes to list on the Ghana Stock Exchange (GSE), from next year. It comes on the back of the passage of the Securities Industry Bill (SIB) by Parliament in July this year. Though the SEC is awaiting the Presidential assent for the Act to become effective, the Deputy Director General, Legal at SEC, Alexander Williams, tells Citi Business News he is highly confident of some multinationals listing next year. He spoke to Citi Business News at the sidelines of the launch of the IPO for TTL Capital's 'TTL Income Haven fund'. "We are looking forward to that in 2017. Infact there are some in the pipeline whose IPOs are being processed and their names will come up in due time," he stated. Mr. Williams added, "But I believe that in 2017, we are going to see a lot more people in terms of multinationals coming onto the capital market." The Director General of SEC, Adu Anane Antwi in July this year intensified lobbying to get multinationals to list on the GSE. His renewed calls followed a consideration by Nigeria's legislature to pass a law to get multinationals list on the Nigerian Stock Exchange (NSE). Dr. Adu Anane Antwi argued that the move will help reduce the foreign exchange losses facing the country. "One of the challenges that we face with our currency is the amount of dividends that flows out of the country every year. If we get some of these companies list part of their shares on the Ghana Stock Exchange, at least parts of the foreign exchange that they take every year in terms of dividends, will remain here and that should help us manage our foreign exchange value and the rate," he stated. Meanwhile SEC says the apparent ineffective investment decisions by some fund managers continue as one of the challenges facing the sector. The Deputy Director General, Legal, Alexander Williams asserts that not only do investment companies face the challenge of meeting the investment obligations to their customers, but also the lack of confidence that it generates in the sector.

However indicates that his outfit has begun discussions with various fund managers which should ultimately reverse the rather worrying trend. "Quite a number of people are investing in products that don't bring the returns that they need to pay off their investors and that is worrisome to us. Because once you invest, you will need to get back the returns when you need it and that is what we are working on," the Deputy SEC Boss remarked. "I believe that we have had a number of meetings with the brokerage firms and they've realized where the defects are and are all working on it together with the regulator," **he added.** Managers of TTL Capital explained that the decision to launch its IPO for the Income Haven fund was backed by a shift towards the fixed investment market. They further explained, the fund seeks to generate a high level of current income, security of principal and growth amidst liquidity. "The fixed income market is currently lucrative since the equity investment is declining and entering the negatives so that is what prompted us to undertake this mutual fund in a fixed income light so that we can bring in investors," Adjoa Owusu-Takyi Head of Asset Management and Business Development at TTL Capital told Citi Business News. The offer which is targeting 100,000 cedis minimum, opens on the 16th of September and ends on the 6th of October, 2016. *(Ghana Web)*

The Ashanti Region recorded 230 fires, resulting in three deaths and costing GHC5 million from faulty electrical wires alone in the last 10 years. In the same period, over 300 victims suffered from various degrees of burns, with some life threatening. The Ashanti Regional Public Relations Officer of the Ghana National Fire Service (GNFS), Desmond Ackah said this during a one day electrical seminar on cables and accessories organised by Tropical Cable and Conductor Limited in Kumasi. It was aimed at educating the over 300 certified electrical contractors and inspectors about the product lines and codes and understanding the product lines Tropical Cable and Conductor Limited. They were also introduced to the scratch seals on the products of TCCL when sent as short message services (SMS) to a short code certifies that the product was original and provides other details. Mr Ackah noted that over the years, investigations by the GNFS had indicated that a lot of fires erupted due to the shoddy work of unqualified and uncertified electrical contractors who undertake wiring of the houses. He said others were also due to the use of substandard electrical wires and circuits that easily catch fires, whiles others refuse to put fuses at the appropriate areas that arrest or take the excess power and the resultant fluctuations that might cause fires. He noted that overloading of electrical gadgets on single plugs was also identified as part of the problems. Nana Kwame Oteng Gyasi, Marketing and Business Development Manager of TCCL, noted that the company embarked on the seminar to educate the general public and the practitioners about the correct uses of their product and services. He said the contractors would also be taken through how to identify quality, durable and certified products that would help them undertake quality jobs that would be beneficial to the customers and also save the country from spending so much in quenching fires, and caring for the injured. He explained that TCCL products were manufactured with the highest international standards suitable for the local environment and that over the years, both international and local experts had attested to their durability. He urged the general public to insist in using the services of well trained and certified contractors to undertake their wiring and always insist on inspecting the certification of such contractors before engaging them, adding that this was the surest way of averting preventable fires caused by substandard electrical wires and fake electrical contractors. *(Ghana Web)*

Ghana plans to issue its first domestic investor only dollar bond next month in efforts to deepen the government's financing streams and bolster the local bond market, Finance Minister Seth Terkper said on Friday. The two-year bond with a target of about $50 million, would be issued through a book-building system to be arranged by Barclays Bank, Stanbic Bank and brokerage firm Strategic African Securities, Terkper told reporters in Accra. "The goal is to issue a dollar bond to meet some of our dollar commitments in the budget, most of which are related to capital expenditure," Terkper said, adding that the overall objective was to rationalise the local dollar market. "Our target sources include retention by (dollar-earning) companies whose expenditures are in cedis. There may also be dollars in commercial bank accounts which may not be yielding much and we want to provide a window for the depositors to invest," he said. The finance ministry is yet to announce a pricing guide for the bond but a source close to the deal said it could be around 5 percent. Government is also considering the issue of a Diaspora bond that targets Ghanaians abroad, Terkper said. The West African cocoa, gold and oil producer signed a three-year assistance programme with the International Monetary Fund in April 2015 to restore fiscal balance to an economy dogged by deficits, public debt and high interest rates. Public debt stood at $27.8 billion representing 65.9 percent of gross domestic product as of July. Ghana issued its fifth Eurobond of $750 million due 2022 this month at a yield of 9.25 percent. The central bank's monetary policy committee is due to announce a rates decision and analysts polled by Reuters said they expected the bank to hold its benchmark rate at 26 percent. *(Reuters)*

Ghana's central bank kept its benchmark interest rate unchanged for a fifth consecutive meeting after inflation accelerated in August. The Bank of Ghana held the rate at 26 percent, Governor Abdul Nashiru Issahaku told reporters Monday in the capital, Accra. That was in line with the forecast of six of the eight economists in a Bloomberg survey. One said the rate would be cut by 100 basis points and another forecast a 200 basis-point reduction. Inflation accelerated to 16.9 percent in August from 16.7 percent the previous month. While the central bank targets inflation at between 6 percent and 10 percent, price growth has not been in this band for more than three and a half years. The Ghanaian economy expanded 3.9 percent in 2015, the slowest pace in 15 years, according to International Monetary Fund data. The Finance Ministry said in July growth will probably accelerate to between 4.1 percent and 4.3 percent this year as new oil projects start contributing to output. "Inflation expectations by businesses, consumers and the financial sector also eased on the back of continued stability in the local currency," Issahaku said. While price growth should slow to within target in the second quarter of next year "upside risks to the inflation outlook are the unanticipated shocks" like fuel and utility prices and their second-round effects, he said. West Africa's second -largest economy sold a $750 million Eurobond at a yield of 9.25 percent on Sept. 8 in an auction that was more than four times oversubscribed. The government of President John Dramani Mahama, who will run for a second term in office in December, last year agreed to almost $1 billion in loans from the IMF to help rein in the budget deficit and arrest declines in the cedi. There's a risk that spending could increase ahead of the election and fuel inflation, Courage Kingsley Martey, an economist at Accra-based Databank Group Ltd., said by phone. The government last week pledged to increase public-sector salaries by 12.5 percent from January. "The bank maintained the rate because of inflation and currency risk," he said. It "could start easing policy from January." The cedi weakened 0.6 percent to 3.99 per dollar by 1:30 p.m. in Accra. *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

The stability of the Ghana cedi against the major foreign currencies, particularly the United States dollar, is expected to be sustained into the future in what is expected to bring a big relief to businesses. The positive news about the projected stability of the local currency is buttressed by the maintenance of the monetary policy rate (the rate at which the central bank lends to commercial banks) at 26 per cent, against earlier speculations about a possible increase. Addressing the media after the 72nd Monetary Policy Committee (MPC) meeting in Accra yesterday, the Governor of the Bank of Ghana (BoG), Dr Nasiru Issahaku, explained that "the projected stability of the local currency will be supported by continued policy tightness, proceeds from the recently issued Eurobond, inflows from donors and the pre-export finance facility for cocoa". "The local currency has been relatively stable since the beginning of the year. For instance, in the year to September 15, 2016, the Ghana cedi cumulatively depreciated by 4.1 per cent, compared to a 16 per cent depreciation in the same period of 2015," he said. Meanwhile, he gave an assurance that the committee would continue to monitor developments in the economy and take appropriate actions, if necessary, towards attaining the medium-term inflation target over the forecast horizon. Price developments since the last MPC show that headline inflation which stood at 18.4 per cent in June declined to 16.7 per cent in July, before edging up to 16.9 per cent in August 2016. Dr Issahaku said the slowdown in inflation in July was largely attributed to base effects from non-food inflation which fell by 2.9 percentage points to 21.2 per cent, while food inflation remained virtually unchanged. "In August, inflation inched up, again due to base effects arising from a downward revision in petroleum prices a year earlier. However, the bank's measure of core inflation index (CPI excluding energy and utility prices), which reflects underlying inflation, continued to trend downwards. Inflation expectations by businesses, consumers and the financial sector also eased on the back of continued stability in the local currency," he said.

Dr Issahaku said in spite of the decline from a peak of 19.2 per cent in March 2016, headline inflation still remained high, relative to the medium-term target band of 8±2 per cent. He gave an assurance that going forward, the continued monetary and fiscal policy tightness, together with stability in the foreign exchange market, should support the disinflation (the reduction in the rate of inflation) process. He further stated that the upside risks to the inflation outlook were the unanticipated shocks, especially with regard to the intermittent upward adjustments in petroleum and utility prices. On growth, the governor said conditions were expected to improve over the medium term, supported by sustained improvement in the power sector and increased oil and gas production. However, he said, the head winds to growth would include tighter fiscal consolidation (a policy aimed at reducing government deficits and debt accumulation), declining private sector credit and delayed recovery in commodity prices. Dr Issahaku said provisional data on the execution of the government budget for the first half of 2016 showed a deficit of 3.1 per cent of GDP, against a target of 2.6 per cent. He explained that the higher-than-programmed deficit was primarily driven by shortfalls from income and property taxes and oil revenue. He said the major risks to the fiscal outlook included uncertainties in the international oil market, continued weakness in tax revenue mobilisation and wage pressures. "The materialisation of these risks could slow the pace of fiscal consolidation and hinder efforts to restore macroeconomic stability," he warned. However, he noted that sustaining the fiscal consolidation process was critical to attaining the medium-term inflation target. *(Ghana Web)*

Ghana, the world's number two cocoa grower, will produce about 780,000 tonnes of beans in the current season, up 11 percent from 2014/15, government sources said on Tuesday, with output set to rise in 2016/17 to at least 850,000 tonnes. The 2015/16 season is due to close at the end of this month. While production has increased compared with what some considered a failed crop of 740,000 tonnes last year, 2015/16 output will fall short of an initial forecast of 850,000 tonnes. *(Reuters)*

Cocobod, Ghana's cocoa regulator, signed a $1.8 billion loan with international banks on Wednesday to finance purchases for the 2016/17 season, which is due to open next month, it said. The size of the loan, which was signed in Frankfurt with 24 banks, is equal to the amount secured last year. Ghana, the world's second-biggest cocoa producer, will use the funds to purchase 850,000 to 900,000 tonnes of beans from farmers, Cocobod Chief Executive Stephen Opuni said. *(Reuters)*

Ghana could become the fourth biggest oil producer in sub-Saharan Africa by 2020 once two new offshore fields come on stream, to push total output above 240,000 barrels per day (bpd), pan-African bank Ecobank said on Wednesday. The West African country produces around 103,000 bpd ranking it ninth, far behind leaders Nigeria and Angola, which produce an average of 1.867 million bpd and 1.754

million bpd respectively, said the Ecobank research report. Ghana's Tweneboa-Enyenra-Ntomme (TEN) field came on stream in August and is expected to increase output to a peak of around 80,000 bpd. The Jubilee field, which started producing oil in 2010 and is operated by British oil company Tullow, could bounce back to production of around 115,000 bpd once it solves technical problems with its production vessel. At the same time, the Sankofa field operated by Italian company ENI is due to open in August 2017 and should produce around 30,000 bpd, while U.S. independent Kosmos Energy plans to connect the Mahogany-Teak-Akasa (MTA) field to the Jubilee oil production ship. "Based on existing fields and field development plans Ghana crude oil output is estimated to be over 240,000 bpd by 2019. This could potentially make Ghana the fourth largest oil producer in Sub Saharan Africa by 2020," the report said. Production costs for Ghana's oil projects, which are all in deep water, mean that the crude remains viable if global prices fall to $40 per barrel, allowing it to remain attractive to investors in the event of price fluctuations, it said. Gas from TEN, Sankofa and MTA could eliminate the need for Ghana to import gas from Nigeria through the West African Gas Pipeline Company, it said.*(Reuters)*

The World Bank will provide up to $500 million to Ghana in the form of a partial risk guarantee for use if the country defaults on payments for gas from the Sankofa field, the state oil company said on Thursday. The guarantee is the largest of its kind to be granted by the Bank and provides security to Ghana over gas expected to flow in 2018 from the $7.9 billion offshore oil and gas field being developed by Italy's ENI. The deal was signed with Ghana National Petroleum Corporation (GNPC). Chief Executive Alex Mould said the country would take 180 million standard cubic feet of gas from the field per day. "This guarantee will also give investors the confidence that GNPC will have the wherewithal to deliver on the purchases from its partners," Mould told Reuters after the deal was signed in Accra. ENI holds a 44.4 percent stake in Sankofa, upstream trader Vitol holds 35.6 percent while GNPC holds a combined carried and participating interest of 20 percent. The World Bank will loan $200 million to the Sankofa partners. The gas project is expected to generate about 1,000 megawatts of power to Ghana, Mould said. Ghana has yet to fully recover from a prolonged energy shortfall that crippled industry and angered voters ahead of an election in December. Gas from Sankofa and two other new fields could eliminate the need for Ghana to import gas from Nigeria through the West African Gas Pipeline Company, said a report on Wednesday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

M-tiba, the mobile application that helps people save for healthcare, is set to go nationwide. The application, which is modelled on Safaricom's popular M-Pesa platform, has been developed by CarePay, a financial engagement firm that helps individuals manage health expenses, PharmAccess and Safaricom. M-tiba is a mobile health wallet that allows users to send, save and receive funds to get healthcare services using mobile phones. Speaking yesterday during the launch of the nationwide drive, Safaricom CEO Bob Collymore said the low health insurance penetration in the country has necessitated outside players such as Telcos and NGOs to tap in and help Kenyans access health care. "Insurance companies have been approaching the health cover like selling a product, instead of approaching it like they are offering a solution," Mr Collymore said. "And that's the reason the penetration is low. In many countries, M-Pesa has failed because companies there approach it in the same way – like a product and not a solution." M-tiba works in such a way that clients activate an M-tiba account on the their mobile phones and save as little as Sh100 per month. People who have dependents such as spouses or children can also send money to the dependents' accounts. When an individual falls sick, he or she can approach a health facility and get medical aid through his account, which he can access immediately. CarePay Chief Commercial Officer Kees Van Lede, however, rectified the impression that M-tiba works in the same way as health insurance. "Unlike an insurance policy where one can spend more than they have contributed when they fall sick, in M-tiba, a patient can only spend what he has saved," Mr Lede said. He argued that despite being a profit-making enterprise that does not act in the same way as an insurance policy, it brings about more inclusion in providing health services to the populace. Collymore said that presently, 45,000 people have registered with M-tiba and 60 healthcare facilities are providing M-tiba services. nationwide In the quest to go nationwide, the application will be rolled out first in Kisumu, then Siaya and Mombasa before it goes to other counties. *(Standard Media)*

The listed investment group TransCentury share last week remained the star performer at the Nairobi Securities Exchange following months of underperformance. The stock rose 25.13 per cent from the previous Friday as investors continue to digest the news of a rescue plan by Kuramo Capital. The share price rose to Sh12.20 from the previous week Sh9.75. In the previous period, the share had rallied 48.8 per cent bucking a trend where most stocks, especially banks, were either falling or stagnating. On the losing end was media firm Standard Groupthat shed 16.98 per cent to end at Sh17.85 compared to Sh21.50 the previous week. Another large loser was the troubled Uchumi Supermarkets with 13.16 per cent drop to Sh3.30. Last week, detectives grilled former top Uchumi officials over irregularities at the supermarket chain. Another loser was Olympia Capital, which slumped to Sh2.25 a share representing more than 18 per cent fall. The company has over the years been dogged by poor performance. Eveready East Africa continued on a losing trend shedding 9.76 per cent to Sh1.85. The firm like sister Sameer Africa has ditched its core business of manufacturing, instead settling for whole selling imports. Bank stocks seemed to have stabilised in the week with the exception of KCB and NIC that lost more than 7 per cent, with National Bank, Co-op Bank and I&M making capital gains. *(Nation)*

Equity Bank and Safaricom, Kenya's largest lender and telco respectively, are seeking to woo PayPal customers with the signing of new deals meant to make transfer of funds to their accounts faster and easier. The agreement signed by Equity Bank means customers can now cash their PayPal accounts in three days from the earlier transaction period of eight days. Paypal users are mainly merchants on eBay or freelancers mainly doing online jobs from major sites across the world. "We have worked closely with Equity Bank to make a few changes towards a faster and simpler withdrawal service for you. The outcome is that now the money you withdraw from your PayPal account will reach your Equity Bank account in just three business days instead of eight," says a statement sent to PayPal customers in Kenya. Safaricom clients will also benefit from the "Xoom" service by Paypal, which enables them to access money from their mobile phones. The Xoom service enables people living in America to send money to their kin in Kenya. Previously, money sent to Kenya from the diaspora came via remittance companies like Moneygram, Western Union and WorldRemit services that are hard to access for people living in rural areas. The new service will enable easier and faster transfers.

PayPal acquired Xoom late last year as it moved to make financial services, "easier, safer and less expensive. Xoom has so far expanded its service to Africa by enabling people residing in the United States to send money to family and friends with an M-Pesa account in Kenya. "Xoom, a PayPal service, recently launched in Kenya. Xoom users are now able to send money directly to anyone with an M-Pesa account in Kenya," said Karla Enriquez, a Paypal official. Equity Bank inked the first deal with PayPal in late 2013 as the lender sought to grow revenues from the heightened uptake of electronic commerce. The partnership with the payments services arm of eBay then allowed traders in Kenya to buy and sell products and services at the online marketplace and receive payments through their bank accounts linked to PayPal. Over time. Paypal services at Equity bank have grown to include withdrawal services where any local users can withdraw money paid into their Paypal accounts. It has a transaction limit of Sh1 million ($10,000). Equity Bank is seeking to exploit PayPal's global reach to tap into its customer base of more than 188 million users based in over 193 markets around the world. Currently, the average cost of sending money from the UK for example is 6.6 per cent of the amount *(Business Daily)*

Economic News

Cargo traffic through Kenya's biggest port, Mombasa, increased by 1.4 percent in the first half of this year compared with the same period last year, the port's managing director said on Monday. The Indian Ocean port serves as the main trade gateway for East Africa, handling fuel and consumer goods imports as well as exports of tea and coffee from landlocked nations like Uganda. Managing Director Catherine Mturi said cargo volume rose to 13.4 million tonnes from 13.2 million handled a year earlier. Total volume rose despite container traffic falling by 0.6 percent to 527,523 TEUs (twenty foot equivalent units) thanks to an increase in loose cargo not shipped by container such as grains and railway steel bars. "This is below the expected global average growth rate of four percent per annum, but with the expansion and improved efficiency currently, we should do much better by end of the year and beyond," Mturi said in the statement. Early this month Kenya inaugurated the first part of a new container terminal at the port, which is expected to boost capacity by 50 percent. The port's management says it has reduced the time it takes to evacuate a container from the port by a day to 4.3 days, and the time it takes to load and offload a ship to three days from 3.7 days previously. The east African nation plans to build a second port in Lamu, north of Mombasa, with a capacity of 23 million tonnes per year. *(Reuters)*

Kenya's central bank cut its benchmark lending rate by 50 basis points to 10 percent on Tuesday on concerns about sluggish credit growth, its Monetary Policy Committee (MPC) said. A Reuters consensus forecast of 12 economists and analysts was for rates to be held, based on the view that the bank would give a new law capping commercial lending rates time to settle before taking action. But the MPC said lending to the private sector had continued to decline, posing a risk to economic growth. "Demand pressures on inflation are moderate and inflation is expected to decline in the short term but the committee remains concerned about the persistent slowdown in private sector credit growth," the MPC said in a statement. *(Reuters)*

Banks that have issued corporate bonds at high rates for on-lending are staring at thin trading margins under the current rate-capping regime on funds so far unused. This may mean the institutions could stop issuing of any remaining tranches or sharply cut offered rates going forward. The lenders raised bonds with coupon rates of about 13.6 per cent, meaning their margins — the difference between a product or service's selling price and its cost — is less than 1 per cent once they apply the requirement of the Banking Amendment law that caps lending rates at 14.5 per cent. "It is a fact that those banks which were raising funds in the wholesale markets are essentially now priced out of the banking business. This is a Schumpeter moment of creative destruction and these banks need to quickly look at the business model," said Mr Aly-Khan Satchu, CEO of investment advisory firm Rich Management Ltd. Consolidated Bank issued two seven-year fixed notes in July 2012, with its Sh1.4 billion issue fixed at 13.25 per cent coupon rate while the Sh1.9 billion bond was issued at 13.6 per cent. CFC Stanbic, which issued a seven year bond in 2009 has a coupon rate of 12.5 per cent on its Sh24 billion bond. I&M's 2013 medium term Sh226 million bond is paying 12.8 per cent while NIC Bank is paying 12.5 per cent on Sh5 billion bond issued in 2014. Commercial Bank of Africa (CBA) has a Sh7 billion note that pays 12.7 per cent while Chase Bank's fixed Sh4.8 billion note is paying 13.2 per cent. Mr Satchu said the lenders are stuck with the costly fund unless they can trigger common clause in contracts that frees both parties from liability or obligation when an extraordinary event or circumstance beyond the control of the parties occurs. *(Nation)*

Kenya's commercial banks may stop extending loans to borrowers deemed higher risk after the government capped commercial lending rates and the central bank cut the benchmark interest rate, the central bank governor said Wednesday. The remarks by Patrick Njoroge were one of the first indicators of how the new law, which came into force last week, may affect the banking sector in East Africa's biggest economy. "If the caps are down, those wishy-washy borrowers are the margins may be cut off from borrowing. It's unclear which way this will go. We haven't done it before," Njoroge said at a news conference. The cap is intended to spur personal and corporate investment by holding down interest rates. But banks have argued that they need high interest income to offset the risks of lending in Africa's emerging markets. Njoroge said some banks were already seeking alternative ways to invest their money. "Once the law was signed, some banks tried to move their assets to government securities. But remember that is not an open door. There is a supply constraint," he said. On Tuesday, the central bank cut its key lending rate by half a percentage point, or 50 basis points, to 10 percent. *(Reuters)*

Prospects for the banking sector are dimming further as the treasuries market is bombarded with billions seeking good returns, slashing the State debt price at successive auctions. The 182- and 364-day Treasury bills, a major source of interest income for lenders, this week continued on a downward trend after attracting over Sh8 billion more than was offered with the Treasury lowering rates for the accepted bids. This comes even as central bank Monetary Policy Committee (MPC) on Tuesday cut the policy rate, now the official bank deposit and loan benchmark, from 10.5 per cent to 10 per cent in a bid to encourage lending and support growth. Ecobank Research now says the Central Bank of Kenya (CBK) may even go for another cut of up to 50 basis points (bp) if oil price remain low and the US Federal Reserve does not make an aggressive rate hike this year. "Prospects of further policy easing remain, especially given continued broad exchange rate stability (bolstered by improved export receipts and strong remittance inflows), and expectations of lower inflation (amid improved agricultural production and still-low fuel import prices)," Ecobank said in a research note. "In view of these factors, we expect a further cut of at least 50bp before year end," the statement read.

This means the rate could come down to 9.5 per cent before the year ends, effectively bringing down the cost of credit for the most expensive borrower to 13.5 per cent. Incidentally, this will bring it near the Kenya Bank Reference Rate (KBRR), an indicative rate that lobbyists are pushing the regulator in court to use and which currently stands at 8.9 per cent. Ecobank notes that lending to the private sector has reduced by over a third from 21.4 per cent a year ago to 7.2 per cent in July this year. This was half of the 15.3 per cent target the CBK had set to support economic growth. The regulator has questioned data submitted by banks and has hinted that companies are getting other sources of funds such as foreign funding. Ecobank however cautions that the regulator could be forced to raise interest rates if oil prices rise significantly pushing up domestic prices, or if key export markets go into recession. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's headline inflation slowed to 22.8 percent year-on-year in August from 23.5 percent in July as food prices dropped slightly, the national statistics office said on Friday. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius said on Friday its trade deficit widened 8.0 percent to 8.16 billion rupees ($231.5 million) in July from the same period a year earlier, hit by a dip in exports of machinery and transport equipment. The Indian Ocean island nation's earnings from exports fell 17 percent to 6.86 billion rupees, its official statistics office said in a statement. Sales of machinery and transport equipment declined to 687 million rupees from 1.34 billion a year earlier. The statistics agency said total imports fell 5.1 percent to 15.02 billion rupees. France was the main destination for Mauritius's exports in July accounting for 12 percent while India was its main supplier with 19.6 percent. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria

Corporate News

Conoil Plc has recorded a Profit Before Tax (PBT) of N1.566 billion in its half-year operations, against N528.5 million achieved in the corresponding period in 2015. Specifically, the company's unaudited half-year result released by the Nigerian Stock Exchange at the weekend, showed an increase in PBT, from N528.5 million in 2015 to N1.566 billion in 2016. Similarly, its Profit After Tax (PAT) also rose from N359.4 million to N1.04 billion during the period under review. The percentage increase in PBT was 196 per cent, while PAT rose by 190 per cent. Earnings per Share also rose from 52 kobo to 150 kobo, representing an increase of 190 per cent. The company linked the improved performance to its innovative means of manufacturing and distributing products, huge financial investments in developing high-performance products and provision of services that matched and surpassed international standards. Analysts confirmed that the company's results surpassed expectations considering the volatility in the downstream sector of the oil industry, and indeed the nation's economy. They also explained that going by this performance; the company would end up with a higher dividend payout for its shareholders at the end of the current financial year. The company declared N2.08 billion, translating to the N3 on every 50kobo ordinary share for the 2015 financial year, compared to N1.00 paid in 2014. Investors of the company have reaped a return of 34 per cent in the last two weeks, as the equity appreciated in value. "The result shows that we out-performed our previous year both in the top-line and should exceed our bottom-line performance at the current run-rate." *(Guardian)*

Oando Plc, an indigenous energy group listed on both the Nigerian and Johannesburg stock exchange, has announced the execution of a definitive agreement with a vehicle owned by funds advised by Helios Investment Partners LLP to acquire 49 per cent of the voting rights in Oando's midstream business subsidiary, Oando Gas and Power Limited. The company, in a statement made available to the Nigerian Stock Exchange, said the agreed transaction consideration of $115.8m was conditional upon the receipt of regulatory approvals and subject to customary purchase price adjustments. It said upon completion, Oando would retain 49 per cent of the voting rights in OGP, adding that the residual two per cent would be held by a local entity. The Group Chief Executive, Oando, AdewaleTinubu, said, "This strategic alliance will firmly leverage our local knowledge and expertise alongside Helios' strong financial capabilities. Through the optimisation of our existing business operations and the expansion of our footprint, we will revolutionise the sector and position gas as a key driver for Nigeria's economic empowerment. "We look forward to completing the transaction, which will create a formidable leader of gas and power solutions in sub-Saharan Africa."

The Co-founder and Managing Partner, Helios Investment Partners, Tope Lawani, was quoted to have described the transaction as consistent with Helios' strategy of investing in businesses that provide cost-effective and reliable energy access solutions. "We look forward to supporting OGP's continued growth and working with all stakeholders to improve the reliability of gas supply to the company's numerous industrial customers, who all play a critical role in the growth of the economy," Lawani added. According to the statement, OGP is the pioneer developer of Nigeria's foremost natural gas distribution network and has subsequently grown to become the largest private sector gas distributor in Nigeria, delivering at peak, 70 million standard cubic feet per day to over 175 industrial and commercial customers via its vast gas infrastructure network. It said, "With over 260km in pipeline infrastructure built, OGP provides unique energy solutions primarily through its subsidiaries: Gaslink Nigeria Limited, Gas Network Services Limited, and Central Horizon Gas Company." *(Punch)*

The recent discovery of oil in Lagos State in commercial quantity has been described as a good omen for the development of the oil and gas industry, which Dangote refinery will benefit from. Speaking in his office in Lagos on Monday during a visit by the leaders of the League of African Development Students, the Group Executive Director, Dangote Industries Limited Mr. Devakumar Edwin, said it was a good development that Lagos was now an oil producing state, adding that this would further strengthen the country's oil output. He stated that Dangote Refinery and Petrochemical would be more than willing to work with the state and the Federal Government in ensuring that oil production from Lagos would add value to the economy of the state and the nation at large. Edwin was quoted to have said in a statement issued by the firm, "We are very happy at the discovery of oil in Lagos. It is indeed a good and welcome development for us as a company. It will accelerate the growth level of the state and also be of immense benefit to the residents and the country at large. "Not only will Lagos be regarded as an oil producing state and share out of the derivation fund, but Lagos will continue to be an invaluable partner to the Dangote Group with the Dangote refinery in Ibeju-Lekki." He pointed out that though crude oil prices might be unattractive at the moment, a situation that had made major International Oil Companies to slow down, "it did not mean that the oil and gas industry is devoid of development." The Dangote Group boss said although it was just in its early phase, the Badagry oil find would be a lot more attractive for investments, when prices begin to rise at the international market. He added, "The crash in the global crude oil price is not making it attractive to invest and make a sustainable investment. No attractive investments in deep water, but perhaps shallow waters. "Oil majors are cutting down on their investments, and also retrenching; I will be surprised if people go in fast into Badagry. But, by and large, it is a welcome find, for when the prices begin to rise, we will begin to reap the benefit." *(Punch)*

For the first time in 30 years, Guinness Nigeria Plc yesterday reported a loss for the year ended June 30, 2016. Details of the audited results filed with the Nigerian Stock Exchange (NSE) showed that turnover fell by 14 per cent from N118.49 billion in 2015 to N101.973 billion in 2016. Operating profit fell by 72 per cent to N4.415 billion from, N15.667 billion. However, Guinness ended the year with a loss before tax of N2.347 billion and loss after tax of N2.0 billion, compared with profit before tax of N10.795 billion and profit after tax of N7.79 billion in respectively in 2015. Speaking on the results, Managing Director/Chief Executive Officer, Guinness Nigeria Plc, Mr. Peter Ndegwa, said that the combination of a tough economic environment and challenges with naira devaluation had a significant impact on Guinness Nigeria's overall performance. "Our performance this year was impacted by two major factors, one being the very tough economic challenges around consumer spending, driving consumer preferences towards value brands across the sector, the other, and more significant factor being the effect of foreign exchange policy and the devaluation of the Naira. When you take out the impact of the latter, our underlying performance for the year was broadly in line with the prior year in spite of the pressure on the top line."

Speaking in the same vein, Chairman, Guinness Nigeria Plc, Mr Babatunde Savage, said: "Despite the continuing deterioration in the operating environment, the Board is pleased to note that our core brands of Guinness FES and Malta Guinness are in growth and we now have a strong participation in the growing value segment of the market through Satzenbrau and Dubic. We have also started to see early signs that our decisions to acquire the distribution rights in Nigeria to the International Premium Spirits brands of Diageo and to invest in local capacity for spirits manufacturing are the right ones for the business." In January 2016, Guinness Nigeria acquired the distribution rights for Diageo, its parent company's International Premium Spirits (IPS) like Johnnie Walker, Ciroc and Baileys in Nigeria. Also in the course of the financial year, the company acquired the rights to distribute brands from India's United Spirits Ltd (USL) for brands like McDowell's whisky. *(This Day)*

Flour Mills of Nigeria has exported 10 percent of its locally processed soya bean products for the first time to feed mills in Europe and North Africa, its chairman said, helped by a weaker domestic currency. It exported 15,000 tonnes of soya bean products from its plant in Ibadan, southwest Nigeria, John Coumantaros told Reuters, after Nigeria floated its currency in June, which made the company's products competitive abroad. The naira lost a third of its value after the central bank floated it to preserve its dwindling foreign reserves and resolve chronic dollar shortages caused by a slump in oil prices, which has frustrated businesses. Flour Mills' plant, one of the largest soya bean mills in Africa, mills about 150,000 tonnes of soya beans a year into ingredients used for animal feed and vegetable oil, Coumantaros said. He declined to say how much the exports fetched but said improved earnings in the first quarter reflected the export revenues. Nigeria's biggest flour miller posted first-quarter profit of 5.87 billion naira in August, up 393 percent from a year ago. Coumantaros said he expected "palm kernel oil, soya bean meal and other processed exports from locally grown raw materials will achieve between $50 million to $100 million in potential exports within the next one to two years".

The firm aims to grow its use of local raw materials each year by 10 percent over the next five years, he said. He did not say how much the company currently imports. Flour Mills has over the years invested in sourcing its raw materials, such as cassava, maize, rice, sugar and palm oil, locally and cut its import bill. "Our supply chain is turning inwards. We are substituting for imports and exporting more," Coumantaros told Reuters in an interview. Coumantaros said the food manufacturer is converting its wheat milling plant in Kano, northern Nigeria into a mill for locally sourced maize and sorghum. Flour Mills will cut its capex for 2017 to around 15 billion naira ($47.62 million) after a five-year expansion period, during which it spent around $750 million to grow capacity, he said. *(Reuters)*

Interest rate cuts alone will not help to pull Nigeria out of a recession amidst rising inflation, the country's central bank said on Wednesday. On Tuesday, the central bank kept its benchmark interest rate at 14 percent, resisting the finance minister's call to lower borrowing costs. Moses Tule, the central bank's monetary policy director, said policymakers will need to act together on fiscal, monetary and trade policies to jump start growth, which dropped for the second consecutive quarter in the second quarter and counter prices are rising. "It's not sufficient for the monetary policy committee to just meet and say we are reducing interest rates to address a stagflation," Tule told Nigeria's Channels TV. "In a situation where we have negative interest rates, what we have to do is to overcome negative interest rates." He said Nigeria's policy rate had been stuck at six percent in the past but it didn't spur credit growth, because the banking system did not respond to the move. He said inflation was rising not due to excess money supply but because of recent reforms which include a hike to electricity tariffs, fuel price and a currency float which led to a 30 percent drop in the value of the naira in one day. "If we were merely in a recession, then we could (...) say we would spend our way out of the recession. For an economy like Nigeria, where there are key structural deficiencies, there's an urgent need to harmonise the policy mix." Finance Minister Kemi Adeosun had urged the central bank to lower interest rates so that the government can borrow domestically to boost the economy, which is stuck in recession, without increasing its debt -servicing costs. *(Reuters)*

Guinness Nigeria said on Wednesday that its parent company, Diageo had given it a $95million term loan to support its dollar needs through foreign currency shortages caused by the West African country's floating of the naira. The company's Chief finance officer, Ronald Plumridge, told Reuters that Guinness Nigeria's currency needs were much bigger than it can source locally and from exports and so Diageo had stepped in with the loan. The loan was priced at three month LIBOR plus 4.75 percent, he said. *(This Day)*

An unprecedented increased demand for the shares of Conoil Plc has lifted the shares of company by 97 per cent following the impressive 2015 full year and 2016 half year results. Despite the economic headwinds that led to poor results by some companies, Conoil Plc posted a performance that beat market expectations. In reaction to the impressive results, investors have raised their demand for the equity at the stock market, a development that has lifted the stock by a record 97 per cent within seven trading days. The stock, which was N21.59 before the full year results were released on September 9, soared to close at N42.60 per share yesterday. Conoil Plc has led the price gainers' table consistently since the announcement of the results. "I am not surprised at the way the stock is rising given the better-than-expected performance despite the challenging operating environment. But I think profit taking may set in soon as some investors may want to lock part of the gains recorded by the stock," a stockbroker, Mr. Ayo Oguntayo said. Conoil Plc posted a profit before tax of N3.448 billion for the year ended December 31, 2015, up by 125 per cent fromN1.532 billion in 2014.

The petroleum products marketing firm rode on the back of cost containment strategy to record a higher growth in profit after tax to N2.307 billion, which is 176 per cent above the N834 million in 2014. As a result of the improved results, Conoil Plc proposed a dividend of N2.08 billion, translating to 300 kobo per share compared with the 100 kobo paid in 2014. The company followed the full year performance with similarly impressive results for the half year ended June 30, 2016. Conoil Plc grew its profit before tax by 196 per cent to N1.566 billion, from N548 million in 2015, while profit after tax rose by 190 per cent to N1.04 billion. . "The result shows that we out-performed our previous year both in the top-line and should exceed our bottom-line performance at the current run-rate. The impressive performance followed the company's innovative means of manufacturing and distributing products, huge financial investments in developing high-performance products and in the provision of services that matched and surpassed international standards," the company said. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Economic News

Nigeria must get out of paying so-called cash calls to joint ventures with oil and gas companies to stand a chance of pulling its ailing economy out of recession, Finance Minister Kemi Adeosun said on Friday. The minister said the Nigerian National Petroleum Corporation (NNPC) had spent 110 billion naira ($360 million) on cash calls this month, which dwarfed the country's 41 billion naira income from oil production over the same period. NNPC also owes several billion in back debt to oil companies from unpaid cash calls, which oil worker unions say is stalling the creation of jobs and investment. "We are already working to see how we can get out of the cash calls. And that is very fundamental to the economy," Adeosun told a press conference. "We are working with the Ministry of Petroleum Resources and NNPC ... that's a long-term plan: To allow those joint ventures to borrow money that they need rather than taking money out of the federation account." Sub-Saharan Africa's largest economy is trying to boost tax revenues and the non-oil income to fund a record $30 billion 2016 budget aimed at reviving the West African country that has been hit by lower oil prices. Adeosun told Reuters in April the government was thinking of forcing the cash calls, which are for international and local joint venture partners, out of budget funding and into so-called modified carrier arrangements. Modified carry agreements are loans provided by large international oil companies to the NNPC for investing in oil exploration and production projects. *(Reuters)*

Nigeria's Monetary Policy Committee needs to cut interest rates to help boost the economy because it's currently more important to focus on growth than on inflation, according to Finance Minister Kemi Adeosun. "We would like to see the interest-rate increase that happened at the last MPC meeting reconsidered," Adeosun said in an interview with broadcaster CNBC Africa Monday. "At the moment in the Nigerian economy, growth is the most important thing." West Africa's biggest economy contracted by 2.1 percent in the second quarter from a year earlier and by 0.4 percent in the three months through March partly due to falling prices and production of crude oil, the main source of government revenue. The International Monetary Fund forecast the economy will shrink by 1.8 percent this year, the first full-year contraction since 1991. The Central Bank of Nigeria, which is scheduled to announce its latest decision on Tuesday, increased its benchmark interest rate by 200 basis points to 14 percent in July to attract foreign capital and prop up a currency that's lost almost 40 percent of its value against the dollar since a currency peg was removed on June 20. The naira's depreciation contributed to inflation accelerating to 17.6 percent, the highest rate in more almost 11 years, last month. "The trade-off is what's a bigger problem, is it growth or inflation?" Adeosun said. "For me it's growth." Of the 17 economists surveyed by Bloomberg, eight forecast the benchmark rate will stay unchanged, one predicted a 100 basis point cut, and the rest said policy will be tightened by between 50 basis points and 200 basis points. *(Bloomberg)*

Nigeria's central bank kept its benchmark interest at 14 percent on Tuesday, and also maintained existing cash reserve ratios for commercial banks at 22.5 percent. Economists polled by Reuters last week predicted that the central bank would keep its benchmark interest rate at 14 percent and reiterate its focus on resuscitating growth. *(Reuters)*

Nigeria has filed a lawsuit against Italian energy firm ENI, U.S. major Chevron and other international oil firms over some crude exports, ENI, Chevron and a government official said on Tuesday. "The claim dates back to last March and refers to a request to our subsidiary in Nigeria for a payment of about $160 million," ENI said by email. "ENI believes the claim has no ground and shall resist in court," it said. "Similar requests have been put forward to several other international oil companies operating in Nigeria." Chevron said by email: "This matter is the subject of ongoing litigation before the court in Nigeria. We will not comment further on the matter since it is already before the courts." A Nigerian government official, asking not to be named, confirmed the lawsuit but said he had no details. State oil firm NNPC could not be reached for comment despite repeated attempts to call its spokesman. Nigerian newspaper Vanguard's website said Nigeria had sued ENI's unit Agip and France's Total for $635 million for allegedly undeclared crude cargoes between 2011 and 2014. It cited court documents. The lawsuit might further sour the mood of oil majors which have been hit by militant attacks in the Niger Delta oil hub, reducing crude output by a third. *(Reuters)*

Nigeria naira hit a new record low of 436 on the black market on Thursday as dollar shortages on the official market persist, funelling importers to the unofficial market, amidst declining currency reserves in Africa's biggest economy, traders said. Nigeria's dollar reserves stood at $24.83 billion by Sept. 19, down 3.4 percent from a month ago, to its lowest level in more than 11-years, as the central bank sells the greenback on the interbank market to support the naira. The naira ended at 305.50 per dollar on the official market, a level its has closed at for the past one month. *(Reuters)*

Nigeria has hunted down 700,000 firms that have never paid taxes as the country seeks new revenue sources to offset low oil prices that have pushed Africa's biggest economy into its first recession in more than 20 years, its tax chief said. Tunde Fowler, executive chairman of the Federal Inland Revenue Service (FIRS), said in a rare interview that he also expected 10 million individuals to be discovered by December and made to pay taxes for the first time. The OPEC member slid into recession in the second quarter and militant attacks on oil facilities in its Niger Delta region have cut crude production, which provides 70 percent of government revenues, by around a third. Planned loan deals with foreign lenders have yet to materialise, prompting the leader of the Senate to speak of an "economic emergency". The government, struggling to fund a record 6.06 trillion naira ($18.6 billion) 2016 budget that aims to stimulate growth by tripling capital expenditure, set FIRS a target of raising 4.95 trillion naira in taxes, up from 3.73 trillion last year. Persuading Nigerians to pay tax is no easy task. FIRS does not appear to be on track to meet its target for tax collection so far this year, but experts believe it can do better in future. "We collected a little over 2.3 trillion, so far - from January to 31 August. It is almost at par with last year but take into consideration that the economy is going through a little slowdown," said Fowler. He said revenue from value-added tax (VAT) had increased by 25 percent year-on-year and corporate income tax held steady over the same period but petroleum profit tax was expected to have halved, mainly due to low oil prices.
Fowler, appointed last year after a stint as tax chief in Lagos where monthly tax revenues surged by 70 percent in the four years to December 2012, said FIRS expects to generate 5.2 trillion naira in 2017.

The tax chief said a new unit created at the start of the year had deployed inspectors armed with laptops to update databases, registering businesses and individuals who are then tracked to check whether they have paid taxes -- business executives say they get "aggressive" visits from tax inspectors. "We have been able to add about 700,000 companies and we expect to add about 10 million individuals across the nation (by December)," said Fowler, adding that this would bring the total of registered individuals to 20 million. John Ashbourne, Africa analyst at Capital Economics, said Fowler's target of doubling the number of tax payers was "ambitious" and would be hard to achieve in a country where "paperwork is often lacking". But he said the projections for 2017 were "quite achievable". "Revenue will almost certainly be much, much higher next year, but this is primarily due to the devaluation of the naira, which has boosted the local-terms value of each oil barrel that is exported," he said. Even a doubling of the number of individuals paying taxes in Africa's most populous nation of 180 million inhabitants, where 80 percent of the workforce is employed in the informal sector, leaves FIRS with an uphill struggle. "From our estimates, we expect that we have 60 million individuals who should pay some form or level of tax," said Fowler.

He said tougher enforcement would be combined with a planned waiver on interest and penalties covering the period from 2012 to 2015 under which people and businesses would only be asked to pay the principal amount of tax liabilities due. "We will give them a 45-day window to come forward and register and that will make them eligible for that waiver," said Fowler of the proposal, which was submitted to the finance minister this week to check she was in agreement even though FIRS has the legal authority to enforce the change. "A lot of people who are not in the tax net are a bit jittery or afraid to come and register thinking that we might go back two or three years and the amounts might be considerable," he said. But he warned that those who failed to register for the scheme -- which he said could be rolled out as soon as October 3 -- would face stiff penalties. People or businesses that did not come forward voluntarily would be asked to pay back taxes plus interest and penalties, he said. "We will also consider criminal prosecution of chief executive officers or board members," Fowler said. He was cautious on the idea of an increase in Nigeria's VAT rate which, at 5 percent, is among the lowest in the world. International Monetary Fund chief Christine Lagarde suggested a rate hike while visiting Nigeria in January and Vice President Yemi Osinbajo later said the government was considering tax regime changes to raise funds. Fowler said it was part of the government's remit to "take a decision" on VAT but he thought "the economy is not ready for a VAT increase right now". "The level of compliance was too low so that if we increased the rate of VAT it would be a punishment and unfair on those who are collecting and remitting VAT," *(Reuters)*

Tanzania

Corporate News

ACACIA Mining reiterated its full-year production guidance for its Bulyanhulu mine and for the group as a whole, despite setbacks in resuming production at its processing plant at the former site following planned maintenance. Thanks to the strong performance to date at North Mara, one of its three mines in operation in Tanzania, the outfit still expected its total third quarter output to be in line with that of the first quarter. The gold miner carried out a two-week shutdown of its vertical shaft at Bulyanhulu to modernise the production and service winders. In parallel, a programme of works was undertaken on the process plant. FTSE 250-listed Acacia said the maintenance programme was successfully concluded, with hoisting restarting in early September. However, the plant had not run consistently since the shutdown due to repeated overheating of the ball mill trunnion bearing, the Africa-focused company said in a statement. Despite the plant being down, a surface stockpile of 11,300 ounces existed, together with another 7,400 ounces underground. Stoping operations, as the extraction of ores from beneath the ground is known, were on hold until the plant was back up and running, but the treatment of reclaimed tailings would continue as would development and drilling activities. "In July 2016, Acacia was guiding "at or above" the upper end of its 750 -780koz target range. We estimate that Q4 2016 will require production of 157-187koz to achieve the range, so it would seem to us that "at" the upper end is still achievable, but "above" may not be," ShoreCap´s Yuen Low pointed out in a research note sent to clients. *(Daily News)*

Economic News

TANZANIA'S economy could be boosted by nearly 500 million US dollars using digital payments instead of cash, according to a new United Nations study. By digitizing Value Added Tax (VAT) payments, Tanzania could increase its tax revenue by 477 million US dollars a year, which would help push up the country's tax/GDP ratio, currently estimated at 12 per cent, the UN-based Better Than Cash Alliance has found. "Tanzania's results in driving the shift from cash to digital payments are very impressive. The country has developed significant experience that has led it to achieve gains in revenue at double digit rates while also delivering social benefits for its citizens," said Dr Ruth Goodwin- Groen, Managing director of the Better Than Cash Alliance (BTCA). Tanzania has a GDP of 47 billion US dollars and a tax/ GDP ratio of approximately 12 per cent. The government has projected tax revenue at 13.8 per cent of GDP in 2016/17 financial year up from 13.1 per cent in the 2015/16. "Many emerging economies are grappling with how to modernize their economies, improve transparency, drive sustainable growth and advance financial inclusion. This study on Tanzania's digital payment initiatives reveals the very strong results achieved by the government so far." Goodwin-Groen says Tanzania has reduced "leakage" in the tourism sector by 40 per cent by switching cash payments from things like conservation park fees; while cutting bureaucratic inefficiencies, that include reducing import customs clearance times from nine days to one. "Tanzania is building a firm foundation for strong and inclusive growth and we look forward to further progress," she said. The new report reveals how Tanzania overcame obstacles of adopting digital Personto- Government (P2G) and Business-To-Government (B2G) payments.

For example, when small traders were reluctant to digitize their point-of-sale payment capabilities because they were required to bear the full costs of purchasing electronic billing machines, the government partnered with the Tanzania Trader's Association to subsidize the costs. Furthermore, these digitization efforts contribute to benefits beyond just the economy. They have wide-ranging positive impacts across society, such as driving social inclusion within Tanzania. It quoted a customer, Sheru Hadha, who noted how digital financial inclusion has empowered her in her daily life. "Digital payments help women be more independent. Before, when we just had cash, it was very tough.
To transfer money, I had to go to the bank, and they would ask me for a lot of information and require documentation. I had to line up for a long time, more than three hours. It was a big hassle," she noted. Meanwhile according to BTCA report, digitisation efforts in neighbouring countries have Kenya aiming to double its tax collections over the next three years through its iTax tax-filing electronic system, while the Kampala Capital City Authority's automated tax collection system boosted revenue by 167 per cent in a single year. In Rwanda, some 80 per cent of VAT payments made by SME businesses are via electronic VAT payments, the alliance says. *(Daily News)*

THE mortgage business has increased by 29 per cent in the second quarter of this year compared with the first one, but limited down by high lending interest rates. The Bank of Tanzania (BoT) said in a report yesterday that the market went up from 481.63bn/- as total lending at end of Q2 in June compared to 374.52bn/- in Q1. "The mortgage market in Tanzania has continued to grow steadily as the pace of housing investment picks up," BoT said. The increase, in year-to-year basis ending this June, registered annual growth rate of 44 per cent.
This means the sector growth in this year will overtake the previous. BoT said "factors attributed to this increase are the increased awareness on mortgage loans among borrowers… [and] as well as increased competition as new lenders enter the market". The report shows the average mortgage debt size in second quarter was 133m/- compared to 84m/- of the previous quarter. "The ratio of outstanding mortgage debt to Gross Domestic Product (GDP) stood at 0.53per cent up from 0.46percent as at quarter one," BoT said. However, out of some 30 plus commercial banks, the market is controlled by five lenders accounts for 67 per cent of total mortgage lending. The typical interest rates offered by mortgage lenders ranged between 16 and 19 per cent. "High interest rates offered by mortgage lenders also pose as another impediment to the growth the mortgage market," BoT said in the report. *(Daily News)*

Zambia

Corporate News

THE Copperbelt Energy Corporation (CEC) is to commercialise its biodiesel plant after approval from Zambia Bureau of Standards (ZABS). ZABS has issued CEC with a product and process certification which demands a number of documentation such as standard operating procedures, quality manuals, and policies, among others. According to a statement availed to the Daily Mail on Friday by the CEC renewables department, the move by the corporation is a major step in product quality assurance to all customers as it will increase market share. On January 15, the CEC renewables unit made an official application for ZABS product and process certification to the local and international standard of biodiesel defined as mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats for use in diesel engines. Biodiesel refers to the pure fuel before blending with diesel fuel. "In its efforts to commercialise, the biodiesel plant sought to get product and process certification from the ZABS. "Conformance to the local and international standards has many benefits such as winning consumer confidence in the certified products resulting into increased market share and consumers' ability to identify the products that conform to quality standards thus making quick decisions in favour of quality products," the statement reads. It says once certified by the bureau, the biodiesel product is presented with a better image in both national and international markets resulting into mutual recognition schemes where countries recognise each other's products thus easing entry into regional and foreign markets. Other advantages include: easy acceptance and promotion of new products in the markets and safeguarding the image and reputation of the manufacturer. The certification scheme provides a technical audit of product quality and process control procedures, and that the manufacturer gets technical advisory services and information at little or no cost that will otherwise be obtained at very high cost. On March 2, ZABS officials went for their first audit of the renewables unit to begin the certification process. *(Daily Mail)*

Economic News

No Economic News This Week

Zimbabwe

Corporate News

Dawn Properties reported an after profit of $480,000 in the six months to June from a loss of $371 000 last year, as the company cut costs by almost 50 percent. The group's cost cutting measures included reducing its staff by 60 percent which resulted in operating expenses in the half year period declining by 47 percent to $1,2 million. Revenue fell from $2,2 million from $1,8 million due to lower revenues in hotel rental business. The hotel lease business contributed 46 percent to group revenue while the remaining 54 percent came from the property consultancy business. Hotel operating lease rentals were 22 percent down to $865,000 compared to $1,1 million in the same period last year. In a statement accompanying financial results on Friday board chair Phibion Gwatidzo said Dawn was in discussions with Barclays Bank and Barclays Bank Pension Fund to acquire Makasa Sun which owns The Kingdom Hotel in Victoria Falls. The group's Elizabeth Windsor flat gardens in Marlborough are expected to be complete by year end. Assets grew by 2 percent to $90, 8 million following the acquisition of Timeshare properties from African Sun Limited for $1,1 million. The board did not declare a dividend. *(Source)*

First Mutual Holdings' net profit grew nearly five-fold, to $2,6 million from $442,000 in the six months to June as a result of cost containment measures and strict management of claims, the company said on Tuesday. Operating profit stood at $4,9 million compared to $1,8 million last year, largely due to lower claims in the insurance business and a $900 000 reduction in administrative expenses. Total Gross Premium Written (GPW) marginally increased to $60,6 million from $60,2 million driven by positive performance from the health, life assurance and pension business segments. Health insurance GPW stood at $26 million compared to $25 million last year while the life assurance registered an 18 percent increase in GPW to $18,4 million. The group's subsidiary Pearl Properties registered a 2 percent decline in revenue from $4,3 million to $4,2 million in the six month period as rental income fell 5 percent to $4 million. The decrease was driven by a decline in the occupancy level and and reduced rental income across the property portfolio. Tenant arrears were at $2,4 million compared to $2,6 million last year while occupancy levels were down from 77 percent to 72 percent with voids occurring largely within the central business district. In a statement accompanying company results on Tuesday chairman Oliver Mtasa said a valuation of the investment property portfolio had resulted in a fair value loss of $3,7 million to $118,5 million. "The impairment is driven by rising vacancies that have added pressure on rentals, increasing tenant defaults and an illiquid property sales market. The group's assets marginally grew to $212,6 million from $209 million.The board did not declare dividends. *(Source)*

Zimbabwe Stock Exchange-listed hotelier, Rainbow Tourism Group (RTG), has pulled out of Mozambique, citing a worsening political situation and cuts in spending by the government of that country. Mozambique is in the throes of a civil conflict between the government and the opposition Mozambique National Resistance (Renamo) guerrillas, that has seen thousands of people, notably in Tete province, fleeing into Malawi since October last year, reminiscent of the previous civil war which started in 1975 and ended in 1992. The southern African country, one of the world's poorest, is also caught up in a debt scandal involving more than $2 billion in secret loans that came to light this year, leading to the International Monetary Fund suspending lending. Mozambique's currency was hit hard by the debt crisis and aid suspension, with the Metical losing nearly 40 percent against the dollar since January and economic growth slowing to below 4 percent.
RTG chief executive, Tendai Madziwanyika, told The Source on Wednesday, that the developments forced the group to exit the country as part of a strategy to wean off loss making operations. The hotelier, which now operates six hotels from nine a few years back, would refocus on the domestic market. Madziwanyika, who also closed the Beitbridge Rainbow Hotel in May, said RTG would close its Mozambique operations at the end of this month.

The group was only six years into a 10-year agreement to run the hotel under a management contract. "By September 30 we will be out of Mozambique," the RTG CEO said. "The political disturbances are quite serious." "We have also been affected by falling global commodity prices, which have affected spending from the mining industry. The (Mozambique) government has also cut spending, which affects us directly because this is a very large conferencing venue. Aid has also been cut. The Mozambican currency has also been falling against the United States dollar," said Madziwanyika. He said the effects of a falling Mozambican currency was felt when the group translated revenues from the Mozambican operation into the greenback. The operation posted a loss of $1,6 million in the previous financial year, he added. The Rainbow Mozambique Hotel was the last of the group's management contracts outside Zambia. RTG has recently pulled out of two units in Zambia, while it pulled out of the Democratic Republic of Congo about seven years ago. "We are not looking at regional at the moment. We want to consolidate our domestic operations first and when we are strong we can now look at expanding into the region," said Madziwanyika. He spoke ahead of the publication of the group's half year results for the period ended June 30, 2016.

The results are due for publication on Thursday morning. During the review period, RTG reported a four percent rise in revenue to $11,8 million, from $11,2 million during the prior comparative period in 2015. As a result of the discontinued operations, RTG posted a loss of $2,9 million for the half year under review, compare to a loss of $1,9 million during the prior comparable period. Occupancy grew by 15 percentage points to 54 percent during the review period, from 47 percent at the same time last year. Resorts improved occupancy levels by 10 percentage points to 56 percent, from 46 percent at the same time last year. In May, RTG made the strongest indication of big changes to its Mozambican operations following losses. Madziwanyika told a recent annual general meeting that the group will be taking "robust" decisions of the operation, although he did not say what action would be taken. *(The Source)*

Innscor Africa reported a six percent increase in revenue from $554 million to $586 million in the full to June driven by a growth in volumes across its business units. In 2014, Innscor became the first Zimbabwean company to breach the $1 billion turnover mark. The company's performance has somewhat tapered down since restructuring the conglomerate and focus on light manufacturing. Nationals Foods, a subsidiary of Innscor registered a 13 percent increase in volumes to 560 000 tonnes while the Bakery business sold 141,7 million loaves during the year a 30 percent increase on prior year. Earnings Before Income Tax Depreciation (EBITDA) was up two percent to $67 million while profit before tax declined six percent to $44,9 million. Chief executive Julian Schonken said the company would conclude its restructuring by disposing its Zambian operations – Spar and The River Club – before year end to focus on its Zimbabwe businesses. "Once we have concluded the disposal of the Zambian operations we are essentially Zimbabwean centric. We do need to look abroad but before we do that we have a lot of work to do in Zimbabwe," he said. "We have seen too many instances of good Zimbabwean operations ourselves included going into the region and really battling because educational levels are completely different, the infrastructure is not what we are used to, there is bureaucracy. So we are going to be careful about the way we do business before we go to other geographies," said Schonken. Looking ahead, Schonken said the group would have to address a ballooning cost base. "We still have a long way to go in getting our costs down to really where they should be. We want to be able to compete in an open economy and we know that our cost base is too high. We need to migrate our costs from a fixed component and get our structures absolutely as lean as possible," said Schonken. *(The Source)*

Zimbabwe's largest short-term insurer, NicozDiamond says it has found a prospective buyer for Its Ugandan operation, First Insurance Company (FICO). The Group is looking at disposing of FICO, which it acquired from parent company Zimre Holdings, citing low returns on investment. "Negotiations are at advanced stages with the potential buyer," said NicozDiamond's general manager for corporate services and company secretary Gloria Zaravanhu in an emailed response without giving much detail. She added that further details will be made available once the deal is concluded. Managing director Grace Muradzikwa told The Source in July that FICO, was a difficult investment with low returns. "The returns from that market were not what we expected. Sometimes it is better to cut your losses. We are still exploring ways of exiting. We would rather dedicate our resources where there would be better returns," said Muradzikwa then. NicozDiamond's Gross Premiums Written (GPW) in the five months to May 2016 was steady at $13 million. In the period, the company had processed claims amounting to $4 million, two of them valued at $500,000 each. *(The Source)*

Econet Wireless Zimbabwe's mobile money service, EcoCash, has partnered with Mukuru to allow Zimbabweans living in South Africa to be able to send money back home. The deal will result in EcoCash accessing the over 2 million Zimbabweans living in South Africa. Mukuru is a key player in the South African remittance space. Mukuru chief executive officer Andre Ferreira told NewsDay on the sidelines of the official signing of the partnership that the company was aiming at increasing their market share by 10% with this partnership.

"Being a remittance pal partner, one of the biggest advantages you can have is to have a very big crowd network. I think we are quite strong in the metro areas and big towns, but in rural areas we have got a gap. So who has got the biggest crowd network? EcoCash. So for us this deal means there is not a village which we cannot pay out, which is what EcoCash brings to the table," Ferreira said. "Zimbabwe has been our biggest corridor (market) but we are growing quite strongly within Malawi, Zambia, Botswana, Lesotho and Mozambique. Remittances are definitely on the rise to Zimbabwe but we did see a decline over the last six months. It could have been because of economic conditions within the sending countries or due to the liquidity crisis as there is a perception that maybe cash will not be paid out." The arrangement between EcoCash and Mukuru will enable Zimbabweans in South Africa to send money directly and instantly to over 6,5 million EcoCash clients in Zimbabwe. The money sent can be cashed out at any one of the EcoCash 30 000 agents in Zimbabwe, or used for any other service available on EcoCash such as person-to-person money transfer, pay bills or buy airtime.

In addition, senders in the Diaspora will be able to access the same EcoCash functionality currently available locally in Zimbabwe. Econet Wireless chief executive officer Douglas Mboweni said remittances played a key role in the economy and would play that role going into the future. "We will be extending the same conveniences for Zimbabweans living in other countries as we continue to innovate and bring convenience closer to our customers," Mboweni said. The partnership was facilitated and structured by Cassava, a wholly-owned financial technology subsidiary of the Econet Group, and is designed to further consolidate EcoCash's market leadership position and injecting the much-needed liquidity into the Zimbabwe economy through inward remittances. EcoCash general manager Natalie Jabangwe-Morris said they were looking at tapping into part of the $1 billion in Diaspora remittances that comes into the country through the informal system.
In his mid-term monetary policy review, central bank governor John Mangudya said the export incentive would be extended at a level of between 2,5% to 5% on diaspora remittances. *(News Day)*

Zimbabwe's largest media group, Zimpapers on Thursday reported a 70 percent drop in net profit, from $1,9 million to $571,000, for the half year to June 2016 after incurring a high interest bill. The group incurred interest charges of $500,000. "The company incurred an interest charge of $0,5 million arising from some accumulated legacy statutory obligations. The management is working tirelessly to address the issue,"said board chairman Delma Lupepe in a statement. Revenue was five percent down to $19 million due to economic slow down and declining disposable incomes. Newspaper division posted an operating profit before interest and exchange losses of $1,4 million, although its revenue was nine percent down at $15 million. The commercial printing and broadcasting divisions also performed positively recording an increase in revenues by 19 percent to $1,8 million and 13 percent to $1,9 million in that order. Operating expenses were 10 percent lower at $11,2 million. Zimpapers publishes The Herald, The Chronicle, Sunday News and Sunday Mail among other titles and also owns radio stations, Star FM and Diamond FM and various digital platforms. Lupepe said that the improvement of net cash generated from operating activities to $3,8 million has helped the group to invest $0,7 million and to pay loans. Total assets stood at $39,6 million and net liability at $16,9 million. *(Source)*

Economic News

THE Reserve Bank of Zimbabwe (RBZ) has said the banking sector's aggregate core capital increased by 5,8% to $1,04 billion for the half-year ended June 2016 from $982,50 million during the same period last year on the back of improved earnings performance. In his mid-term monetary policy review statement, RBZ governor John Mangudya said the banking sector average capital adequacy and tier 1 ratios of 24,17% and 21,51% respectively as at June 30, 2016, were above the minimum required capital adequacy and tier 1 ratios of 12% and 8% respectively. "All banking institutions were adequately capitalised and in compliance with prescribed minimum capital requirements. Most banking institutions have set deadlines to comply with the December 2020 capital requirements, largely through increased recapitalisation of retained earnings, following improvement in asset quality and subsequent decrease in loan loss provisions," he said. In the period under review, six other institutions had core capital levels above $50m, he said. The deadline for banking institutions to comply with the $100m minimum capital thresholds is December 2020. "Banking institutions are, therefore, urged to continue with the recapitalisation initiatives and consolidate the gains recorded to date. The Reserve Bank will continue to monitor progress towards compliance with the 2020 minimum capital requirements," he said. In the period under review, total banking sector deposits increased by 5,2% to $5,9bn as at June 30, 2016, from $5,6bn as at December 31, 2015. Mangudya said during the period January to June 2016, however, the banking sector was exposed to cash shortages, largely as a result of macro-economic challenges facing the country, including lack of fiscal space and the current account deficit. He, however, said the banking sector average prudential liquidity ratio, at 52%:47% as at June 30, 2016, was above the regulatory minimum requirement of 30% and 18 banks were compliant with the prudential liquidity ratio as at June 30, 2016. *(News Day)*

Loans by micro-finance institutions (MFIs) declined to $183,4 million in the half-year ended June 2016 compared to $187,2 million as at December 31, 2015 as the harsh economic environment restricted lending, the Reserve Bank of Zimbabwe (RBZ) has said.
In his 2016 mid-term monetary policy review statement, RBZ governor John Mangudya said the micro-finance sector was highly concentrated with the top 20 MFIs controlling 86,97% of total microfinance sector loans as at June 30, 2016. "While productive lending is still below consumptive lending, the sector has registered notable re-orientation of the microfinance lending portfolios towards productive lending," Mangudya said. In the period under review, consumptive lending declined to 54,0% in 2016 from 70,9% of total loans in 2013. The number of licensed institutions grew to 164 for the half year ended June 2016 from 152 in December 2015. Total assets grew to $250,97 million from $225,13 million in December 2015. Mangudya said a robust credit infrastructure was critical for efficient operation of financial systems and by definition credit infrastructure was the set of laws and institutions that enable efficient and effective access to finance, stability and socially responsible economic growth. "The key elements of an effective credit infrastructure are credit reference systems; secured transactions and collateral registries and insolvency and debt resolution frameworks," he said. He, however, said RBZ, in collaboration with government, has been seized with reforms aimed at enhancing the efficient operations of financial markets. "The current initiatives to enhance credit infrastructure is expected to reduce the level of information asymmetry thus unlocking the potential for thousands of businesses to borrow, invest and grow. In addition, credit infrastructure is expected to reduce the cost of credit thus lowering the cost of doing business and promoting price competitiveness and production," he said. *(News Day)*

The Infrastructure Development Bank of Zimbabwe (IDBZ) says the $50 million Zimbabwe Power Company (ZPC) bond flouted in 2014 has been fully subscribed and that it also plans to raise about $10 – $15 million for a housing bond . The ZPC bond is earmarked to support the refurbishment of the Kariba hydro power station and the re-powering of the Harare thermal power station at a cost of $38.8 mln and $11.2 million respectively. The five year bond pays a coupon rate of nine percent per annum. "We are pleased to advise the market that the bond has since been fully subscribed," the bank said. The bank said it would approach the market in the next quarter to raise funding for its housing projects. "The bank is pleased to advise the market that it is in the process of packaging a number of housing projects and shall be approaching the market in the early parts of the fourth quarter of the year with the second tranche of its Housing Bond to raise $10 -15 million to fund the implementation of housing projects that will have reached bankability." The IDBZ said the issuance of debt instruments was its way of contributing towards the development of a robust capital market while facilitating the implementation of critical infrastructure projects. The IDBZ is mandated to promote economic development and growth and to improve the living standards of people through development of infrastructure including housing, amenities and utilities. In 2012, the IDBZ raised $30 million to finance the pre-paid meter project implemented by the Zimbabwe Electricity Transmission and Distribution Company (ZETDC). *(The Source)*

Disclosures Appendix

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECURITIES AFRICA®