SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	17-May-13	24-May-13	Local	USD	Local	USD
Botswana	DCI	8,647.10	8,665.45	0.21%	8.59%	15.38%	16.94%
Egypt	CASE 30	5,404.29	5,343.21	-1.13%	13.12%	-2.18%	-2.14%
Ghana	GSE Comp Index	1,830.48	1,859.33	1.58%	2.61%	54.98%	52.10%
Ivory Coast	BRVM Composite	202.65	203.21	0.28%	-3.90%	21.99%	13.65%
Kenya	NSE 20	4978.80	4965.98	-0.26%	0.11%	20.15%	24.63%
Malawi	Malawi All Share	6,375.75	6,413.98	0.60%	32.16%	6.62%	27.88%
Mauritius	SEMDEX	1,954.60	1,942.79	-0.60%	-2.79%	12.17%	12.35%
	SEM 7	386.80	382.86	-1.02%	-3.20%	13.51%	13.70%
Namibia	Overall Index	957.00	940.00	-1.78%	9.45%	-4.69%	-1.78%
Nigeria	Nigeria All Share	36,907.80	37,350.53	1.20%	0.94%	33.02%	32.85%
Swaziland	All Share	289.42	289.42	0.00%	12.22%	1.31%	4.72%
Tanzania	DSEI	1,539.95	1,541.97	0.13%	3.13%	3.79%	5.81%
Tunisia	TunIndex	4,445.10	4,519.07	1.66%	3.34%	-1.33%	-5.12%
Zambia	LUSE All Share	4,271.07	4,385.09	2.67%	10.68%	17.71%	24.94%
Zimbabwe	Industrial Index	210.30	212.08	0.85%	0.85%	39.16%	39.16%
	Mining Index	75.60	74.14	-1.93%	-1.93%	13.85%	13.85%

CURRENCIES

Cur-rency	17-May-13 Close	24-May-13 Close	WTD % Change	YTD % Change
BWP	8.18	8.32	1.75	8.80
EGP	6.92	6.95	0.44	14.87
GHS	1.87	1.97	0.75	3.70
CFA	509.58	509.81	0.05	2.92
KES	82.83	82.26	- 0.68	- 3.90
MWK	351.62	343.40	- 2.34	6.98
MUR	29.83	30.06	0.79	- 1.59
NAD	9.16	9.44	3.01	11.38
NGN	155.89	157.12	0.79	0.65
SZL	9.18	157.12	3.02	11.85
TZS	1,591.20	1,595.06	0.24	1.27
TND	1.64	1.65	1.01	6.79
ZMW	5.27	5.27	0.15	1.72

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

EFG Hermes, Egypt's biggest investment bank, saw net profit jump 27 percent in the first quarter from the same period a year earlier, the bank said on Wednesday. Net profit for the period increased to 98 million Egyptian pounds from 77.0 million pounds in the first quarter of 2012, the bank said in a statement sent to the Egyptian stock exchange. *(Reuters)*

Economic News

Egypt's central bank, worried that banks are investing too much of their cash in local money market and fixed income funds, is imposing stricter limits on such investments, a move asset managers say could cripple their industry. In a copy of a central bank directive obtained by Reuters, the central bank says banks will not be able to invest more than 2 percent of their tier-one capital in local money market and fixed-income funds, down from 5 percent at present. A central bank official said that some banks' investments in these funds had approached the size of their entire loan portfolio. "It's something that any central bank would be worried about," the official, who asked not to be named, told Reuters by telephone. "We don't regulate these companies, we don't supervise these companies, and they (the banks) leave this amount of money to be managed by these companies," the official said. The bank's directive, dated May 9, has been circulated to banks but does not say when it would come into effect. Around eight local financial institutions offer money market and fixed income funds, with combined assets of around 70 billion Egyptian pounds, local asset managers say. The funds are regulated by the Egyptian Financial Supervisory Authority (EFSA), which could not be immediately reached for comment. Fund managers said they would be starved of business once the new rule takes effect. "It will cause huge damage to a 60 or 70 billion (pound) industry," said Ahmed Abou Saad, chairman of Rasmala Egypt Asset Management, which manages about 2.0 billion pounds of money market and fixed income funds.

The new ruling also limits the amount of funds invested in all money market and fixed income funds to no more than 7.5 percent of a bank's total local currency deposits. Banks exceeding these limits must stop issuing any new investment certificates until their funds shrink to the new limits. The biggest money market manager in Egypt - and which stands to lose the most from the new limit - is Beltone Capital, which had 32 billion pounds under management at the end of 2012, almost all of which was in money market or fixed income funds. One of Beltone's clients, Egypt's second-largest bank, state-owned Banque Misr, has more than 20 billion pounds in money market and fixed income funds, according to the central bank. The head of Beltone, Aladdin Saba, did not respond to a request for comment. Most of the money invested by the funds goes into government securities at high interest rates, and fund managers speculated the central bank may be trying to bring down government borrowing costs by forcing people to place their money in deposits at commercial banks rather than channel it through money market funds offered by the banks. "The funds would move back to banks, which would have to put 10 percent with the central bank as (statutory) reserves at zero interest, which might benefit the central bank," said Mohamed el Sherbini, head of money market and fixed income at CI Capital. CI Capital, which is a subsidiary of Commercial International Bank, is Egypt's second-biggest money market fund manager with 8.5 billion pounds of assets under management. Many Egyptian banks have been making record profits by lending to the government, whose borrowing costs have soared in the two years since president Hosni Mubarak was ousted in a popular uprising. Demands by civil servants for higher wages and a stagnant economy that has eaten into public revenues have widened the state budget deficit to about 11.5 percent of gross domestic product, forcing the government to turn to domestic banks for financing. "The net interest margin for the banks is huge. They will make a bigger profit when investing this money in treasury bills and bonds. Banks using funds make less than 1 percent," Sherbini said. Rasmala's Abou Saad said that any contraction of the money market industry would decrease the options and the number of products for both investors and borrowers. *(Reuters)*

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Inflation in Egypt is expected to climb to 10.9 percent this year, the highest level since 2010, the International Monetary Fund said on Tuesday, more than it expected in April. "Inflation is expected to rise in Egypt, Jordan, Morocco, and Tunisia, reflecting recent and planned subsidy cuts and, in some cases, pressure from monetization of fiscal deficits and supply shortages," the IMF said in its regional outlook. The Fund expected Egypt's inflation of 8.2 percent in 2013 in its half-yearly analysis of the world economy published last month. In 2014, however, price pressures may be a bit lower than previously thought as the IMF cut the country's consumer price growth prediction to 11.6 percent from 13.7 percent seen in April, the report showed. The IMF did not change economic forecasts for other Middle East and North African oil importers and exporters in its new report, which closely follows the global outlook. Egypt's urban consumer inflation accelerated to 8.1 percent in the year to April, fuelled by rising food and energy prices and a struggling pound currency. It is expected to climb further as the government pushes through tax hikes and subsidy cuts to secure a $4.8 billion loan from the IMF after two years of economic and political upheaval. Negotiations with the IMF have stumbled repeatedly over government resistance to the austerity measures needed to get the fiscal deficit under control. The IMF expects Egypt's budget deficit to widen to 11.3 percent of gross domestic product in the fiscal year, which ends in June, from 10.7 percent in the previous year, but narrow again to 8.7 percent in the fiscal 2013/14. Egypt's newly-appointed Investment Minister Yehya Hamed said earlier this month that the shortfall will be 11.5 percent of GDP in the 2012/13 year. *(Reuters)*

Egypt's worsening fiscal gap is a concern but the International Monetary Fund is still ready to continue talks on a $4.8 billion loan once Cairo completes a review of its economic programme, a senior IMF official said. "We are ready to engage with them on reviewing and finalising the programme as soon as they completed it," Masood Ahmed, IMF Director for the Middle East and North Africa, told Reuters in an interview on Tuesday. Negotiations with the IMF have stumbled repeatedly over the Islamist-led government's resistance to the austerity measures needed to get Egypt's soaring fiscal deficit under control. The IMF expects Egypt's budget deficit to widen to 11.3 percent of gross domestic product in the fiscal year, which ends in June, the largest gap since 2002, from 10.7 percent in the previous year, it said in a regional outlook published earlier on Tuesday. "It is a source of concern because it adds pressure on the financing requirements for the Egyptian economy domestically," Ahmed said after presenting the regional outlook in Dubai. "It's an additional source of crowding out financing for the private investment. Of course, that's one of the reasons the authorities are reviewing their numbers," he said. The IMF sees Egypt's budget gap narrowing again to 8.7 percent in the fiscal 2013/14, its report showed. An IMF deal would help shore up investor and donor concerns after two years of political instability since the overthrow of president Hosni Mubarak, showing that Egypt is committed to reforms such as cutting fuel subsidies and raising sales taxes. It is hard to say when the Egyptian authorities are going to finalise the programme review, Ahmed said, adding the IMF could conclude negotiations relatively quickly. "I think the work (on the programme review) is advanced but it is up to them to take steps that will bring it to conclusion," he said. Ahmed told the presentation that the reason why the IMF was emphasizing the broad political support for the government reform programme was to increase odds that it will go through: "The driver of this is the need to have a higher probability ... that the measures that are proposed will be implemented."

The IMF has also been in talks to provide a fresh loan to impoverished Yemen, of around $500 million, but Ahmed said the government there first needed to agree on its economic programme, which he described as being at a quite advanced stage. "As soon as they are able to do so then our team is ready to finalise the discussions. I am hoping this can be done soon because the situation facing Yemen is the difficult one," he said, adding the amount of aid would depend on the programme. Economic recovery remains fragile in the second-poorest Arab state after Mauritania with frequent attacks on oil pipelines denting vital budget revenues. Last year wealthy Gulf Arab states, Western governments and other donors pledged $7.9 billion in aid over several years to Yemen, but only a small fraction has so far arrived. "It's important for donors to deliver on those pledges and also provide some financing in the form of support for the budget because it is the budget that will need the financial support rather than financing projects outside the budget," Ahmed said. The IMF expects Yemen's budget deficit to widen to 5.8 percent of GDP this year, the biggest gap since 2009, from 5.5 percent in 2012. It sees the shortfall shrinking to 3.7 percent of GDP in 2014. *(Reuters)*

The number of tourists visiting Egypt rose in the first four months of 2012, the cabinet said on Tuesday, but analysts say the sector is still suffering from the aftermath of the country's 2011 uprising. The revolt that ousted President Hosni Mubarak sparked more than two years of protests, riots and political instability, denting Egypt's tourism sector - a major employer and source of foreign currency. The number of travellers visiting Egypt in the first four months of 2013 rose 11.8 percent from a year earlier, after falling by a third in the year after the uprising. Mohamed Abu Basha, an economist at investment bank EFG-Hermes, said he did not expect the sector to fully recover this year, despite the rise in arrivals compared to last year. The Easter holiday season, which usually draws Western Europeans, had passed and parliamentary elections would probably be held around the time of the winter holiday season, he said. A full recovery would not be likely until at least 2014 and would depend partly on an improvement in the perception among foreigners of Egypt as a safe place to visit, Abu Basha added. Egyptian tourism, which accounted for over 10 percent of gross domestic product before the uprising, has been damaged by kidnappings and high-profile accidents. In February, 19 people, most of them Asian and European, died in a hot air balloon crash near the ancient town of Luxor, a popular tourist destination. Foreign currency earnings from tourism help Egypt pay for vital imported food and subsidised fuel products. A cabinet statement said about 4 million tourists visited Egypt in the first four months of 2013 and that tourism revenue rose 16.2 percent to about $3.4 billion. Some 11.5 million tourists visited the country last year, up from 9.8 million in 2011 but down from 14.7 million in 2010, the last full year before the revolt. But some economists question the reliability of government figures, particularly revenues, which are based on estimates of average spending. *(Reuters)*

Hundreds of soot-stained factory chimneys dot the horizon in the industrial city of al-Saff, south of Cairo, but only a few spew black smoke. Two years after the revolution that overthrew president Hosni Mubarak, Egyptian industry is struggling as political instability has scared off foreign investors and hit domestic confidence and the government has started slashing energy subsidies that eat up a fifth of its annual budget. "All the chimneys used to discharge smoke before the revolution but now when I look at them the image is depressing ... We started being affected right after the revolution but it got worse after they started raising fuel prices," said Reda Salam, head of the brick industry and craftsmens' union. The idle factories in al-Saff, the base for most of Egypt's brick makers, are a sign of things to come if the government follows through with plans to reduce subsidies for industries long used to getting energy at a fraction of its real cost. Cement and brick makers have been the first industries to be hit by reforms this year, part of a gradual government programme to remove energy subsidies to industry over four years. Gas prices charged to brick and cement makers rose by at least 75 percent after the government cut subsidies in February while their fuel oil prices rose by 50 percent, industry sources said. Waheed Shokri, who took over his father's brick factory in al-Saff, is selling bricks below cost price just to keep his business going. But he says he won't be able to do that for much longer and the compounding losses could well force him to shut down and lay off his 300 workers.

His factory cut its monthly production by half to 1.5 million bricks in the months after the revolution in 2011 as the economy slumped, and reduced it again to 1 million in March this year after the fuel subsidy cuts. "We tried to raise prices after the fuel hike but that was not accepted by the market ... We, the factory owners, are carrying the loss in the hopes that there will be change tomorrow. There are plenty of factories that shut down," Shokri said. The reductions in gas and fuel subsidies in February would have been bigger but were scaled back after protests by workers. The decision underlines the dilemma facing President Mohamed Mursi's government as it attempts fiscal reform. It needs to cut spending to contain a ballooning budget deficit, but it fears stoking more social unrest if it pushes austerity too hard. Energy subsidies will cost the government more than 120 billion Egyptian pounds ($17.23 billion) this financial year ending in June, its says. That will help push up the budget deficit to around 11.5 percent of gross domestic product, from 8.2 percent in 2011/2012. The government hopes to reduce the deficit to 9.5 percent of GDP in 2013/14 by cutting subsidies, including a plan to ration subsidised fuel to consumers using a smart card system, but it has repeatedly postponed some measures. "The government is really in a catch-22," said Oliver Coleman, Middle East/North Africa analyst at Maplecroft. "There is no alternative strategy for long-term economic improvement that doesn't include reducing government spending, but any reforms will provoke instability that will have a deleterious impact on the economy."
Analysts say Cairo needs to move much more quickly to secure a $4.8 billion loan from the International Monetary Fund, a backstop it has been seeking since 2011 to shore up its economy. "While the value of an IMF agreement alone will not turn Egypt's economy around, it could unlock transformative levels of international assistance and begin to claw back some much-needed investor confidence," said Coleman. A number of international companies have reduced oil product supplies to the country, fearing the budget crisis means they will not be paid. Talks on an IMF loan, which would undoubtedly include further subsidy reform, have made slow progress as analysts say the ruling Muslim Brotherhood party does not want to risk unpopular measures that could hit poor and middle-income Egyptians before parliamentary elections expected in October. "Crucially for industry, the IMF loan would likely pave the way for a boost in currency reserves.

This would ease strict capital controls, which are currently stifling Egyptian industries," said Coleman. Dwindling foreign exchange reserves due to a plunge in revenues from tourism and foreign investment since the revolution have led the central bank to impose restrictions on foreign currency which is making it more difficult for companies to import components needed to produce their goods. Egypt forecasts economic growth of 2.5 percent this fiscal year and targets a 4.1 percent expansion in 2013/14. But analysts say faster growth is needed to generate jobs. Unemployment, a cause of the revolution that toppled Mubarak, is running officially at 13 percent but is probably much higher. Egypt is benefiting from loans from Qatar, Libya and Turkey but they will provide only temporary support for the economy, analysts say. Unlike an IMF backstop, which would probably also demand tax increases, they are not conditional on structural reforms. "The conditions attached (to an IMF deal) would make policymaking more stable and predictable, thus encouraging companies and consumers to spend," said William Jackson, emerging markets economist at Capital Economics Ltd. In al-Saff, cement makers that sell to foreign markets have been able to transfer some of the cost rises onto consumers, raising their prices by 20-30 percent this year, said Ghada Alaa, an analyst at Beltone Financial. Brick makers, which depend on the domestic market, have not. "They raised (prices by) between 50 and 80 percent but could not keep it up. Prices went down again because supply is larger than demand," said Abdulaziz Azzouz, head of a body representing construction material makers in the area. Even cement companies, and other sectors such as steel that were affected by fuel subsidy cuts last year, would find it difficult to pass on costs if subsidies are reduced again. "Cement prices have already seen a 50 percent hike and steel companies already have a low profit margin so they can't take more fuel hikes," Alaa said .*(Reuters)*

Egypt's Petroleum Minister appointed Tareq El Barakatawy as chairman of the Egyptian General Petroleum Company (EGPC), a statement from the EGPC said on Wednesday. El Barakatawy replaced Sherif Hadara who headed EGPC before he was appointed as petroleum minister earlier this month. In his previous role, Barakatawy had been responsible for exploration agreements, EGPC said. *(Reuters)*

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Ghana

Corporate News

The oil find in neighbouring Ivory Coast will have no impact on Ghana's fields, Tullow Oil, operator of the Jubilee Field, has said. France's Total announced about three weeks ago it has struck oil on a block off Ivory Coast adjacent to Ghana's giant Jubilee oil and gas field, leading to questions about whether a possible territorial dispute could arise between the two countries. Total said it discovered oil in the western part of the CI-100 block, which it acquired in 2010. "Ivory Coast's recent discovery of oil will have no effect on our business operations in any way. This is because of different geological basing; so it doesn't have any impact on us but it is good for Côte D'Ivoire," Dai Jones, President and General Manager of Tullow Ghana Limited, said at an investor forum in Accra. Oil exploration in Africa's Gulf of Guinea has risen sharply since Ghana discovered Jubilee in 2007 and brought it into production in record time in late 2010. The field holds around two billion barrels of oil reserves and another 1.2 trillion cubic feet of natural gas. Jubilee, which averaged production of 72,000 barrels of oil per day, has seen output rise to above 110,000 barrels per day in 2013. Aidan Heavey, Chief Executive of Tullow Oil plc, said the company has submitted a Plan of Development to Government to allow for the start of its second deepwater development, the Tweneboa, Enyenra and Ntomme (TEN) fields. About US$4 billion is expected to be invested in the TEN project by Tullow and its partners. Mr Heavey said though Ghana and Uganda have been the focus of the company's operations since 2007, a new area of focus for the Group will be Kenya and Ethiopia following a successful exploration campaign in the two countries in 2012. Mr. Heavey said local content forms an integral part of Tullow Oil's operations, and the company is helping to raise standards among local businesses to ensure that they can compete genuinely for contracts. "This is capacity building, and it is good for Tullow because it drives down cost in the supply chain. And it also good for the businesses involved, which learn to produce better-quality goods and services," he added. Tullow Oil contributed US$5 million toward establishment and running of the Enterprise Development Centre at Takoradi to act as a focal point for coordinating business contacts between oil and gas companies and SMEs. The company is operational in countries including Ghana, Equatorial Guinea, Gabon, Côte d'Ivoire, Congo Brazzaville and Mauritania, with its main development and operating focus on the Jubilee and TEN projects offshore Ghana. In 2012 Tullow's revenues increased by two percent to US$2.3 billion, and working interest production jumped 1 percent to 79,200 barrels per day. Its net profit however decreased by three percent to US$666 million. *(Ghana Web)*

Citibank and Barclays are likely to be named the lead advisers for Ghana's plans to issue up to $1 billion of Eurobonds this year, officials involved in the discussion said on Monday. The cocoa, gold and oil exporting country last week announced plans to issue its second Eurobond worth up to $1 billion to refinance debt and fund infrastructure projects after successfully selling $750 million in 10-year bonds in 2007. "It's almost a done deal and Citibank and Barclays are likely to lead the transaction," an official close to the matter told Reuters on condition of anonymity because he was not authorised to speak ahead of the official announcement. The decision could be announced as early as Tuesday following the conclusion of discussions on the matter by a special government committee, the official said. Another source told Reuters the proposal generated strong interest from several international banks, many of which had pitched to lead the transaction scheduled tentatively for July-August. The west African country has drawn increased attention from investors since it began oil production in 2010. Speaking to Reuters last week, Ghanian Vice President Kwesi Amissah-Arthur said: "We are looking at the best conditions including costs, and we will not do it until we're convinced it is the right time." *(Reuters)*

Economic News

Oil brought riches to Nigeria but also ravaged its economy and fuelled corruption and conflict. Now nearby Ghana has begun production and wants to take the wealth but dodge the oil curse. Ghana is used to resource riches: it is already the world's number two cocoa producer and Africa's second-largest gold miner. But there are signs it is struggling to manage the new oil money and some people are disappointed. A budget deficit last year which soared to 12 percent of gross domestic product (GDP), nearly twice the targeted level, raised fears among economists of fiscal laxity, a classic symptom of the resource curse that often feeds corruption. Investors are also watching the strengthening cedi currency. An inflation-adjusted rise due to an influx of petro-dollars can signal "Dutch disease", where the competitiveness of farming and manufacturing is eroded, as in Holland in the 1960s. "The government seems to be very much wary of the dangers of Dutch Disease," central bank governor Henry Kofi Wampah said. "Oil will continue to attract attention but not at the expense of cocoa or gold." In Nigeria, agricultural production plummeted in the 1970s and 1980s as oil came to dominate the economy. Some now fear Ghana's cocoa sector, the largest employer in the country, could be similarly threatened by oil that began flowing in 2010. The cedi weakened last year as the oil boom fuelled imports but its depreciation has now slowed to below inflation, which stood at 10.6 percent in April, leaving the currency slightly stronger against the dollar year-on-year in real terms. Ghana, however, has several advantages over its giant neighbour to shield itself from the oil curse, according to senior government officials, economists and watchdog groups. Not least of these, it is aware of the risks and is trying to avoid the mistakes made by other African states. Ghana, a country of 25 million people that has long lived in Nigeria's economic shadow, is now one of Africa's hottest frontier markets. The stock market is up more than 50 percent this year but many ordinary Ghanaians complain about lack of jobs and basic services. "I'm not seeing any benefit," said Jennifer Omaboe, a receptionist in Accra. "Those who are really benefiting are those at a high level because they have connections." An influx of rural workers hoping for jobs in the capital, has spawned shanty towns and spilled vendors across Accra's streets, where cranes loom over construction sites and glossy billboards advertise cars and mobile phones. In March, oil overtook cocoa as a source of government revenue, standing only behind the mining sector in importance in the $39 billion economy. With output at Tullow's Jubilee field still ramping up to its plateau level of 120,000 barrels a day, and the nearby TEN field yet to come onstream, oil already contributes 6 percent of state revenue. Ghana's cocoa production, meanwhile, is down 11 percent so far this season year-on-year but industry regulator Cocoon blames bad growing weather. It has forecast a total harvest of 800,000 tonnes for 2013, second only to neighbouring Ivory Coast. The leaders of Ghana's cocoa sector say their industry may benefit from the oil flows. The involvement of farmers in the decision-making process, close cooperation with government, and internal checks and balances shield the sector from any policy neglect, they say.

"We all admit that oil is a big thing happening to Ghana now but for us it is a positive development because oil inflows will free more resources for the government to implement new programs to further boost cocoa production," said Yaw Adu-Ampomah, deputy chief executive of the Ghana Cocoa Board, referring to programmes for fertilizers and seedlings. With rising demand from Asian countries, as higher living standards bring increased chocolate consumption, many industry watchers say global cocoa prices are set to rise in the coming years, making the sector an attractive investment bet. Moreover, to counteract oil's effects on the currency and the broader economy, Ghana is channelling 30 percent of tax revenues from petroleum into a stabilization fund to hedge against price fluctuations and a sovereign wealth fund, which contained $72 million in 2012. Some fear that oil revenues could encourage Ghana to spend unwisely, squandering money on unproductive "white elephant" infrastructure projects or inflationary wage hikes. In Nigeria, the wash of oil money made the government less dependent on tax revenue and less beholden to its citizens. It encouraged graft as oil-related contracts become an economic honey pot and sparked conflict in the Niger Delta amid anger the region had not benefited from its oil wealth.

"Our problem is no longer money but how to spend it," General Yakubu Gowon, Nigeria's military ruler from 1966 to 1975, said in the midst of his country's oil boom. Ghana's advantages start with a strong democratic tradition that pre-dates its discovery of oil. A series of peaceful electoral transitions of power since 2000 between the ruling National Democratic Congress of President John Mahama and the main opposition have helped empower parliament as a supervisory body of the executive. A vibrant civil society pressing for better oil industry regulation and accountability is also key. "There is cause for optimism when you look at Ghana," said Valerie Marcel, energy expert at the Chatham House think tank. Ghana set up a National Petroleum Corporation (GNPC) before the 2007 discovery of the Jubilee field, ensuring a reservoir of expertise and a structure to handle regulation and contracts was in place. In 2012, the government established a Ghana National Petroleum Commission to oversee licensing and regulation. The mandate of the commission is being finalised but experts praise the government's decision to split the role of oil licence holder and licence giver into separate institutions. One danger is that a new law gives the energy minister too much discretion to award contracts, said Mohammed Amin Adam, director of the Africa Center for Energy Policy in Accra.

"We have been talking about transparency but I don't see the transparency being implemented," Amin Adam said in an interview. Poor allocation of revenue can reduce oil's economic benefits. Nigeria has seen scant improvement in healthcare, education and infrastructure and inequality has deepened, according to Edward Al-Hussainy, analyst at Moody's ratings agency. "Ghana benefits from being more open and more transparent than many African peers so it is likely to be a better steward of a commodity windfall," Al-Hussainy said. Mahama's government had promised to channel oil revenues into building new school blocks and improving services, though many Ghanaians complain progress has been slow. Oil swelled GDP growth to 15 percent in 2011 but may have encouraged the government to spend freely before December's presidential election, according to some economists. The government denies this. The budget deficit overshot its target of 6.7 percent in 2012 to stand at 12.1 percent and the government has set lowering it to 9 percent as a key fiscal priority for 2013. Fitch in February downgraded Ghana's outlook to negative. Ghana this year also saw public sector pay strikes that raised concerns about wage growth stoking inflation. Public expectations of oil-fuelled good times carry their own dangers, Nana Osei-Bonsu, director general of the Private Enterprise Federation, said in an interview. "The euphoria is heightened to the point where we might fail ourselves. People go to sleep arms folded and think of all the glorious things that might happen," he said. *(Reuters)*

Ghana's cocoa purchases reached 679,088 tonnes by May 9 since the season started on October 12, down 10.1 percent from the same period last year, data from industry regulator Cocoon showed on Monday. Total purchases for the week ending May 9, the 30th of the 33-week main crop, rose marginally to 20,425 tonnes from 20,375 tonnes in the week before, according to the data. Ghana, the world's second-largest cocoa grower after Ivory Coast, has forecast about 800,000 tonnes of cocoa purchases this season. *(Reuters)*

Ghana's central bank raised its prime interest rate by one percentage point to 16 percent on Wednesday, citing potential inflation risks from a weakening cedi currency and high government spending. Central Bank Governor Henry Kofi Wampah said Wednesday's monetary policy committee also discussed risks to economic growth from lower commodity prices, weaker business and consumer confidence, tighter credit and challenges in the fledgling energy sector. "On balance, the committee held the view that the risks to the inflation outlook were elevated and outweighed the risks to growth," he told a news conference. In April, consumer price inflation rose to its highest level since June 2010, 10.6 percent, on the back of depreciation in the cedi currency, a rise in fuel prices and seasonal effects. The government wants CPI in the single digits. However, economists said the increase in rates - after the bank had kept its key policy rate steady since June - could slow activity in the $39 billion economy, which has become one of Africa's hottest frontier markets. Despite concerns over the government's fiscal deficit - which topped 12 percent last year - Ghana's stock market has risen by more than 50 percent in 2013. "This certainly will raise concerns about growth this year, and comes at the back of uncertainty about Ghana's inflation outlook," said analyst Sampson Akligoh of Databank. "I see interest rates for Ghana remaining high for the most part of the year," he said. Earlier on Wednesday, the national statistics office announced that annual producer price inflation fell to 10.2 percent year-on-year in April from a revised 10.6 percent in March, due mostly to lower gold prices. Producer price inflation is an advance indicator of consumer price inflation. *(Reuters)*

Ghana's annual producer price inflation fell to 10.2 percent year-on-year in April from a revised 10.6 percent in March, the West African country's national statistics office said on Wednesday. Philomena Nyarko, acting government statistician, said the marginal decline was due mainly to lower gold prices in the global market during the period. "From the producer's perspective, prices went up by 10.2 percent in April, representing a decrease by 0.4 percent points relative to the rate recorded in March," Nyarko told a news conference. Producer price inflation is an advance indicator of consumer price inflation, which the government wants in the single digits. In April, CPI rose to its highest level since June 2010, 10.6 percent, on the back of depreciation in the cedi currency. The central bank's monetary policy committee, which decides on interest rates, was due to meet later on Wednesday. *(Reuters)*

Ghana, the first sub-Saharan African country outside of South Africa to sell Eurobonds, plans to seek as much as $1 billion in a second offer in July, the country's Finance Ministry said. Citigroup Inc. (C) and Barclays Plc (BARC) will manage the sale while EDC Stock Brokers and Strategic African Securities, both based in the capital, Accra, will co-manage it, the ministry said in an e-mailed statement today. The world's second-biggest cocoa producer joins Rwanda and Tanzania in tapping investor interest in sub-Saharan Africa, which is projected to have the second-fastest rate of growth this year after emerging Asia, according to the International Monetary Fund. Ghana's $35 billion economy is forecast to expand 8 percent this year, according to the Finance Ministry. "There's strong investor appetite for the bond based on economic performance and medium-term outlook," Finance Minister Seth Terkper told reporters in Accra today. Ghana sold its debut $750 million Eurobonds in September 2007 at 8.5 percent. Yields on the 10-year notes rose 14 basis points, or 0.14 percentage point, to 5.09 percent by 5:17 p.m., the highest since Sept. 4, according to data compiled by Bloomberg. "The government will be able to issue the new Eurobond at more favorable terms than in 2007," Samir Gadio, an emerging-markets strategist at Standard Bank Group London unit, said in a e-mail today.

Proceeds of the sale will be used for capital expenditure, projects that will be self-financing, social projects laid out in the country's budget and refinancing debt, Terkper said. Ghana's failure to narrow its budget deficit more quickly may add to debt, threatening a downgrade of the nation's B+ rating, Fitch Ratings said in March. The country plans to narrow the gap to 9 percent of gross domestic product this year from 12.1 percent in 2012, according to the finance ministry. "The market will want to see a comprehensive fiscal consolidation strategy during the roadshow," Gadio said. "This is likely to influence the pricing of the new Eurobond." SN Denton and JLD & MB Legal Consultancy will provide legal advice, according to the ministry's statement. The plan needs to be approved by lawmakers in the country's Parliament, it said. *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

National Bank of Kenya's pretax profit rose 3.3 percent year on year in the first quarter to 508.1 million shillings, thanks to a fall in loan loss provisions. The lender, which is 70 percent owned by the government and Kenya's state pension fund, will raise funds from the market next year to finance a five-year expansion plan. The bank's total interest income fell to 1.85 billion shillings in the first three months of 2013 from 2.27 billion shillings in the same period a year earlier, while net interest income fell to 1.29 billion shillings from 1.35 billion shillings. But its bottom line was cushioned by a 52 percent reduction in provisions for bad debts, which stood at 47.5 million shillings during the period. The bank said loans and advances to customers fell 5 percent to 27.09 billion shillings, while total non-performing loans almost trebled to 3.17 billion shillings from 1.14 billion shillings. Total assets rose to 83.61 billion shillings from 70.17 billion shillings, while total operating expenses fell to 1.39 billion shillings from 1.42 billion shillings in the first quarter of 2012. Last week the bank said it planned to raise more than 10 billion shillings in a cash call next year. It will invest 400 million shillings in opening 10 new outlets this year and in the acquisition of electronic channels like mobile phone and Internet banking. *(Reuters)*

Kenyan lender I&M plans to list shares on the stock market by next month after it completed a merger with small investment company City Trust, I&M said on Wednesday. I&M and City Trust combined through a share swap and the new company, named I&M Holdings Limited, holds the assets of both banks. "The transaction ... provides us with the platform to raise additional capital in the future to facilitate the achievement of our long-term growth and expansion strategy," Arun Mathur, I&M Bank's chief executive, said in a statement. The company did not say whether the listing would take place following a share sale or a placing with financial institutions. City Trust, with share capital of 28.8 million Kenyan shillings, was listed on an alternative segment of the Nairobi bourse reserved for companies with share capital below 50 million shillings. I&M Holdings Limited, with share capital of more than 2.8 billion shillings, will list on the main market segment. It has assets worth 145 billion shillings. I&M operates in Rwanda through Banque Commerciale Du Rwanda, which it acquired in the middle of 2012, as well as Tanzania where it operates branches under the I&M brand. *(Reuters)*

Economic News

Shareholders have up to November to convert their paper share certificates into electronic form. The Nairobi Securities Exchange (NSE) and the Central Depository and Settlement Corporation (CDSC), which keeps all electronic records, started plans to have all securities that trade at the Nairobi bourse in electronic form in July last year. The process will roll out from June 1. The exercise will be done in three phases, and all the 58 NSE listed firms have been categorised into three to ease the process. Rose Mambo, chief executive officer CDSC, said when the company was incorporated in 1999, the intention was to introduce electronic securities in the market and do away with the inefficiencies of paper-based trading. This, she said, would enhance the safety and security. "The impact will be that with effect from the date of dematerialisation, share certificates shall no longer be recognised as prima facie evidence of shares - this will be replaced with the electronic record at the central depository," said a 2012 joint statement from CDSC and NSE. The process, known as dematerialisation, means all corporate actions regarding securities traded at the bourse such as issuance of new shares, sales and transfers will be done electronically. Currently, investors can be issued with a physical certificate instead of an electronic number as long as they do not intend to trade at the NSE. Some 48 billion shares worth over Sh450 billion will be converted. *(Daily Nation)*

The Kenyan shilling weakened on Tuesday, weighed down by energy sector importers buying dollars on the view that the local currency's gains have bottomed out. At 0728 GMT, commercial banks quoted the shilling at 84.00/20 per dollar, 0.2 percent weaker than Monday's close of 83.85/95. "There is some demand from the energy guys. They feel that the shilling had been at 83.90 for so long and it may have run out of gains," said Julius Kiriinya, a trader at African Banking Corporation. He said dollar inflows from tea exports later in the session could however offer support to the shilling. Tea is Kenya's leading foreign currency earner and is sold in the port city of Mombasa every Monday and Tuesday. Exporters typically then convert their dollar earnings into shillings to pay farmers and cover operational expenses. Technical charts showed shilling support at 84.20. The local currency is 2.4 percent stronger so far this year. Some traders also expect the shilling to get support in coming days from foreign investors selling dollars to buy into local debt securities. The central bank will auction 10 billion shillings' worth of the 20-year bonds on Wednesday. It also plans to sell 10 billion shillings worth of Treasury bills this week. Kenyan debt securities have received increased foreign investor interest after a peaceful presidential election in March coupled with a stable currency and low inflation rate. "Shilling-denominated assets continue to offer better returns as compared to the near zero rates currently offered in the developed world," said Kenneth Karuga, a senior economist at Commercial Bank of Africa. *(Reuters)*

The average price of Kenya's top grade Broken Pekoe Ones tea rose for the first time in four weeks, nudging higher to $3.27 per kg at auction from $3.26 at the previous sale, trader Africa Tea Brokers (ATB) said on Tuesday. The east African economy is the world's leading exporter of black tea, which is a major source of foreign exchange, earning 112 billion shillings last year. Afghanistan showed strong support for Kenyan tea with more interest from Yemen and other Middle Eastern countries. Best Broken Pekoe Ones (BP1) TEABP1-BEST-KE rose during the sale, snapping a three-week decline in value, as it sold at $3.02-$3.51 per kg at the auction from $3.02-$3.50 at the previous sale, ATB said. Best Pekoe Fanning Ones (PF1) TEAPF1-BEST-KE sold for $2.82-3.24 versus $2.96-$3.39 previously, the broker said. Of the 150,679 packages on sale, 17.65 percent were left unsold. At the previous auction, 149,712 packages went on sale and 15.67 percent were not sold. *(Reuters)*

The future of east Africa's only oil refinery could be decided next week when a report is due on whether to upgrade the aging Kenyan plant or turn it into a storage facility, the country's energy regulator said on Tuesday. Fuel distributors have long complained about the poor quality products from the 50-year-old refinery in the port city of Mombasa and want it closed so they can buy cheaper and better imports. Under Kenyan law, they are obliged to buy its fuel. India's Essar Energy, which co-owns the refinery with the Kenyan government, has said it wants to raise $1.2 billion for a substantial upgrade. Linus Gitonga, director of the Energy Regulatory Commission (ERC), said the refinery would be converted into 'something more useful', including a storage facility, if the proposal for its upgrade turns out to be uneconomical. "The report on an upgrade feasibility study will be out by this month end, and we will use it to decide whether it is economical to do an all new refinery, upgrade the existing one, or convert it into a storage facility," Gitonga said. "If we don't get finance for the upgrade, we could turn it into an import storage facility, a strategic national storage facility, a regional storage facility, or we could as well lease it out to interested marketers for storage only," he added. Fuel distributors say the refinery is operating below its 35,000 barrels per day capacity and some have threatened to boycott it. The ERC has said dismantling the facility completely is out of the question. Gitonga said the fuel distributors are receiving compensation for losses due to refinery inefficiencies and urged them to understand the importance of the plant, which employs 250 people, for the Kenyan government. Khohn Crippen Berger, a UK-based firm, has been contracted to carry out an upgrade feasibility study of the refinery and its report will be discussed at a shareholder's meeting to be held at the end of May. Essar Energy plans to increase the refinery's crude handling capacity to 4 million tonnes of crude per year by 2018 from 1.6 million now. (*Reuters)*

Banks in Kenya are making a long-awaited effort to share information about which borrowers are reliable, a move that should make it easier for sound businesses to get cheaper loans. The initiative will extend information shared by banks to include borrowers who repay on time rather than only data on defaulters, a Kenyan credit bureau said on Tuesday. Expanding the use of credit scoring should help small and medium-sized businesses which have long grumbled at the hefty premium that commercial banks charge them. Kenya's biggest firms can borrow at levels close to the central bank's benchmark lending rate, now at 8.5 percent, but smaller firms can pay 10 percentage points more, a level they say deters investment and hurts their ability to create jobs. Policymakers are relying on small and medium-sized enterprises to help meet a target of lifting 10 million of Kenya's more than 40 million people out of poverty by 2017. "Negotiating access to credit on better terms is what will spur the development of SMEs," said Ragnar Gudmundsson, resident representative of the International Monetary Fund in Nairobi. Wachira Ndege, chief executive of credit bureau Transunion, said: "What has mainly been shared is negative data, that is non-performing (loans). Now we are entering the second phase which is sharing of positive data." This should make it "easier to reward good payers with lower interest rates," he said, although it might take 12 months or so for the mechanism to become widely used. A peaceful presidential election in March, without the violence that followed a vote five years ago, has already made lenders less wary. "We are coming out of an era where there was quite a bit of volatility. So those spreads at 10 percent (over the central bank rate) are possibly at the peak," said Habil Olaka, head of the Kenya Bankers Association. He told Reuters the spread for most firms could fall to eight percentage points or less by the year-end. The IMF's Gudmundsson said that alongside credit scoring for good clients, more competition between banks and strengthening the judiciary to make it cheaper to recover collateral from defaulters would all help businesses. *(Reuters)*

The Kenyan shilling was steady early on Thursday, remaining vulnerable to demand for dollars from importers needing to meet end-of-month commitments. At 0748 GMT, commercial banks quoted the shilling at 84.35/55 per dollar, the same level it closed at on Wednesday. The shilling dropped 0.7 percent in the previous two sessions, weighed by the end-month demand from corporate clients. It is up nearly 2 percent so far this year. "The market looks well balanced for now with initial support at 84.80," said Dickson Magecha, a trader at Standard Chartered Bank. Traders said the shilling was biased to weaken in coming days as dollar inflows from traditional sectors, such as tea, were subdued. But it could then get some support when investors start paying for 20-year Treasury bonds and bills worth 16 billion shillings, following an auction on Wednesday."Heading towards end-month traditionally puts the shilling on the defensive," said Bank of Africa in a daily note. "We expect the shilling to find support again once the end-month glitch is over." Kenya's economy is expected to grow by about 6 percent in 2013, up from a growth rate of 4.6 percent last year, driven by growth in sectors like agriculture, the planning minister said on Thursday. Optimism around the growth prospects for east Africa's biggest economy has risen after the country held a peaceful presidential poll in March, in contrast with the violence-riddled election of five years ago. *(Reuters)*

Kenyan truckers blocked the only highway from the port city of Mombasa to the capital Nairobi on Wednesday, threatening to choke the main trade artery to east Africa unless officials reverted to the old way of weighing cargo. The east African nation is the world's largest exporter of black tea and blockage of the road to the port could disrupt shipments. Around 95 percent of all cargo arriving through Mombasa is ferried to its final destination by road, with trucks the main mode of transport. The port, which is the main trade gateway to east Africa, also handles imports such as fuel for Uganda, Burundi, Rwanda, South Sudan and eastern Democratic Republic of Congo. Earlier this year the Kenya Transporters Association (KTA), whose 400 members have around 50,000 trucks, struck a deal with the government over a law which limits weight loads on vehicles depending on the axle. However, around 300 truck drivers, defying their union, used their trucks, logs and stones to block the busy highway. "They have blocked the highway at Mariakani weigh bridge, and vowed not to open the road until the government reverts to the old system of weighing by gross weight instead of weighing the trucks per axle," KTA chief executive Jane Njeru told Reuters in Mombasa. Njeru said KTA was already coming under pressure from businesses in Uganda to resolve the issue as they fear shortages. However, the truck drivers, many of whom begun the strike on Tuesday, said they will not budge. "Government must either intervene, or come and push away these trucks from the road using their bare hands because we will not remove them," said truck driver Samuel Mutiso, who was carrying medical equipment to Uganda. Kenyan officials could not be reached for comment. "The (officials at the weigh bridge) know the rules they are imposing on us are impossible to comply with, and so they are sure we will bribe them to pass through. This is enough," added Mutiso, as his fellow truckers waved twigs and chanted demands to be allowed to pass through the weigh bridge without being weighed. *(Reuters)*

Kenya's government said the economy is forecast to expand 6 percent in 2013, the fastest pace in six years, as investors gain confidence after a peaceful political transition and good weather boosts farming output. Gross domestic product may expand from 4.6 percent last year, Anne Waiguru, planning secretary, told reporters today in the capital of East Africa's largest economy, Nairobi. "The stable macroeconomic environment, investor confidence after peaceful elections and favorable weather conditions for the main economic sector of agriculture" are factors driving growth, she said. Tourism and manufacturing industries are also seen driving the expansion, she said. Kenya's economic growth rate has never returned to the 7 percent level reached in 2007 when a disputed presidential election at the end of the year sparked two months of ethnic clashes that left more than 1,100 people dead. The turmoil triggered an immediate plunge in the stock market and currency and cut economic growth to 1.5 percent in 2008. In March, Uhuru Kenyatta was elected president a vote that was largely peaceful, taking over from Mwai Kibaki who retired after two terms. Kenyatta has pledged to accelerate growth to at least 10 percent, create a million jobs a year and elevate the country to middle-income status within a generation. Kenya's central bank cut its policy rate by 9.5 percentage points since it started easing monetary policy last year as it tries to boost domestic demand. The rate was lowered 1 percentage point to 8.5 percent on May 7 after being raised to a record 18 percent in Dec. 2011 where it stayed until June. Agriculture, which accounts for a fifth of the economy, grew 3.8 percent in 2012 from 1.5 percent a year earlier, while construct increased 4.8 percent from 4.3 percent, Waiguru said. Kenya is the world's largest exporter of black tea and it supplies a third of the flowers traded in Europe. The central bank in December forecast the economy would grow 5.6 percent this year from an estimated 5 percent last year. *(Bloomberg)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's headline consumer inflation slowed to 35.8 percent year-on-year in April from 36.4 percent in March, data on the National Statistical Office's website showed on Monday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

No Corporate News this week

Economic News

The weighted yield on Mauritius's 182-day Treasury bills was unchanged at 2.30 percent at auction on Friday, the central bank said. Bank of Mauritius sold all the 600 million rupees worth of bills on offer. Investors put in bids worth 1.305 billion rupees for the bills at yields ranging from 2.60 percent to 2.25 percent. The bank rate posted was 2.29 percent. *(Reuters)*

Mauritius's earnings from tourism dropped 12.4 percent from a year earlier to 12.06 billion rupees in the first three months of this year as the weak economic environment in Europe hurt visitors' spending. Statistics Mauritius cut its forecast for visitor arrivals this year to 990,000 from a previous estimate of 1 million, but said it expected tourism revenue to increase to 46.1 billion rupees, from 44.3 billion in 2012. Visitor numbers grew 1.5 percent to 265,838 in the first quarter of this year, but tourists from Europe, the biggest source of tourism on the Indian Ocean island, fell 7.5 percent to 158,722, the statistics office said. The tourism sector is a driver of the island's $10 billion economy. But long-haul luxury destinations like Mauritius have suffered during the global economic downturn. *(Reuters)*

Mauritius central bank Governor Rundheersing Bheenick said on Monday the government had granted him three more years in charge of setting the monetary policy on the Indian Ocean island. After taking up his post in 2007, Bheenick managed to ease rising inflationary pressures, introduced an independent monetary Policy Committee and helped develop an Islamic finance industry. The governor said the decision to keep him showed the government was happy with his policies, but analysts said it did not change the worsening economic outlook given the nation's heavy reliance on the troubled euro zone for tourists and trade. The island state is seeking to cut dependency on the euro zone, traditionally the mainstay for the Mauritius tourist industry and a major market for its textiles, sugar and services industry. Mauritius cut its 2013 growth forecast in March to 3.5 percent from 3.7 percent previously, citing deeper contraction in the construction industry. The economy grew 3.3 percent in 2012. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Nigeria's FBN Holdings Plc aims to grow loans 10 percent this year for its banking unit, down from 23 percent growth in 2012, as it tries to balance its capital needs with creating risk assets, the head of the banking unit said on Friday. The CEO of First Bank, Bisi Onasanya, told a conference call the lender had a capital adequacy ratio of 21 percent and it wanted to balance its capital needs with loan growth, as it had no plan to raise fresh equity capital in the short term. The banking group expects return on equity (ROE) to hit 20 percent in 2013, compared with 18.8 percent achieved last year. *(Reuters)*

UBA Capital Plc tripled gross earnings to N890.3 million in the first quarter of 2013 and grew Profit Before Tax to N617 million, translating to 211 percent growth when compared to N198 million in the corresponding period of 2012. The company in its unaudited financial statement filed with Nigerian Stock Exchange last Wednesday recorded a Profit before Tax of N617million for the period ended 31st March, 2013. This represents an increase of 211 percent over the N198 million achieved in the corresponding period of 2012. Speaking on the result, the Group CEO, UBA Capital Plc, Mr. Rasheed Olaoluwa said; "I am pleased to present this set of strong growth numbers, which reinforce our commitment and potential to deliver competitive returns to our shareholders, the improved service delivery across all our strategic business units." He said, "Our trustee business remains a dominant player in its infrastructure and people to ensure the best experience for our clients. "We will not relent on our dedicated focus on staff training and development, as we believe we are in a knowledge business." The fees & commission income of the company went up to N302 million up by 646% March 2012: N40.5 million). It recorded Investment income of N374 mmillion up 466% (March 2012: N66.1 million) and operating expenses of N273 million up 162% (March 2012: N104.1 million). The total assets of N76.5 billion went up 560% (December 2012) N11.6 billion). *(Daily Trust)*

Unilever Nigeria Plc expended about N5.8 billion on machinery to enhance production capacities, distribution facilities, business operating system and human resources among others in 2012. The capital investment, which is 39 per cent above the N4.203 billion in 2011, is aimed at boosting the company's future performance and deliver better returns to stakeholders. Addressing shareholders last week, the Chairman of Unilever Nigeria, Nnaemeka Achebe, said the company defied the challenging operating environment with the capital investment and strategic actions. According to him, against all odds the company succeeded in holding revenue and margins at previous year's levels. He said: "Our compelling vision continues to drive the focus that will guarantee our ability to continue to win into the future. Unilever Nigeria proactively employed its four pronged strategy of winning with brands and innovation, winning within market place, winning through continuous improvement and winning with people. Strategic investments in our brands came in form of new products launch. The company invested heavily in Go-to-Market capability and successfully transited into Standard Accounting Programme (SAP) business operating system." Achebe disclosed that Unilever Nigeria posted a turnover of N55.548 billion in 2013, up from N54.724 billion, while profit after tax stood at N5.597 billion, as against N5.515 billion. He said the board of directors recommended a dividend of N1.40 per share, which the shareholders approved. Looking ahead, the chairman noted that the 2012 results further showed the company's positioning to win in the market place withstand adverse business operating environment into the future. "Our sustained investments would continue to yield strong results and bigger and better innovation which enables us to continue to meet and exceed consumers' expectations at all time. The launch of Unilever Sustainable Living Plan in Nigeria will enable us to take strides which guarantee a big difference in the lives of members of the society of the wider society," he said. Speaking in the same vein, the Managing Director of Unilever Nigeria, Mr. Thabo Mabe, said the successes so far have inspired the company to keep its dream alive. "The train has definitely left the station and for us as a business, there is no other way to move forward," he said. He disclosed that in 2012, Unilever Nigeria was twice named as Unilever Central Africa's Business Unit of the Quarter. *(This Day)*

Eromosele Abiodun writes that the medium to long term prospects of Dangote Sugar Refinery Plc remain positive following its recent acquisition of Savannah Sugar Company Limited (SCC) In July 2012, Dangote Sugar Refinery (DSR) Plc had a major setback when fire gutted its refinery in Apapa. Shareholders feared they might not get any dividend in that financial year. But that was not the case. Instead of wearing gloomy faces, shareholders of the company are to receive dividend of 50 kobo per share for the year ended December 31, 2012. The dividend was approved at the Annual General Meeting (AGM) held last week in Lagos. Before the AGM, the company had projected a Profit Before Tax (PBT) of N16 billion for the financial year ending December 31, 2012 as against N8 billion earned in the corresponding period of 2011. Managing Director of the company, Mr. Abdullahi Sule, had told newsmen on a tour of the company's refinery in Lagos in December last year that the management was working hard to improve output to ensure adequate return to shareholders. He assured that barring any unforeseen circumstance, the company's shareholders are set to reap a bumper harvest given that the company has a policy of 70-75 per cent dividend pay-out. The company, he said, had overcome the challenges it faced earlier in the year when a section of its refinery was gutted by fire. "We had that accident in July this year and that same month we recorded the highest sales in this company. We sold more sugar than we have sold from January to June in any given month. As far as the company is concerned, we are ok. We have not increased the price of sugar as a result; rather we have reduced the price for our industrial customers. The general public will soon see the reduction in the price of sugar," he said.

On the company's future plans, he said the company plans to capitalise on its improved efficiency to get its products across the country. "The first projection that we have is to sell enough sugar to our customers. Remember we are a refinery and there are more refinery coming. But most of them rely on importation of raw materials. Our projection for the next five years is that we will limit the amount of raw materials that we import and produce locally. "During our last AGM, we got the nod of our shareholders to acquire Savannah Sugar Limited, which is a fully integrated company. With that we have been able to do all the farming and harvest of the sugarcane locally. We are sure to produce our sugar locally without importing from Brazil. Our long term plan is to ensure that Nigeria is self-sufficient in sugar production," he said. He added that the company still controls 75 per cent of its market share in Nigeria, adding that what makes it unique is its quality. "Until recently we were the only sugar refinery in Nigeria. Another thing is our size; we are second only to the Al-khali Sugar Refinery of Dubai in the whole world. Operationally we are situated in the nation's premier port, we have dedicated jetties, and we have the brand name-Dangote and other advantages that make us unique," he said.

A look at the company's financial results for the year ended December 31, 2012 showed that contrary to expectations, the company recorded a slight drop of 0.3 per cent in turnover to N106.9 billion from the N107.2 billion reported in 2011. Upon comparison with Q3 2012, profit appreciated significantly; PBT and PAT came in at N16.3 billion and N10.8 billion, representing 35.9 per cent and 32.2 per cent increase from N12.1 billion and N8.1 billion in that order. "This performance is an indication of the positive outcome of the various changes and strategic initiatives implemented in the company during the year under review. Our emphasis is now on growing new markets for higher volumes, a more improved bottom-line, increased market share and value creation for all stakeholders," the Chairman of the DSR, Alhaji Aliko Dangote, told the shareholders at the AGM. True to expectation, the acquisition of SSC is already impacting positively on DSR's performance. Its Q1 2013 results released recently showed that while sales of N27.6 billion increased modestly by two per cent y/y, PBT grew 32 per cent y/y to N5.4 billion and PAT was up 23 per cent year-on-year(y/y) to N3.5 billion. DSR's Q1 2013 numbers reflect its consolidation SSC. Also, a gross margin expansion of 536basis points (bps) y/y to 25 per cent helped to offset a 56 per cent y/y operating expenditure (OPEX) increase during the period. A decline of over 20 per cent y/y in raw sugar (a key input) prices most likely drove the gross margin expansion, although efficiency gains in the company's plants may have contributed also. To a lesser extent, N537 million in other operating income helped profitability also. Sequentially, sales increased eight per cent quarter-on-quarter (q/q) while PBT increased 26 per cent q/q.

A 28 per cent q/q decline in OPEX and a 220bps q/q gross margin expansion (raw sugar prices fell by around five per cent q/q) supported the stronger q/q PBT change. PAT grew 32 per cent q/q because of a lower effective tax rate of 37 per cent compared with 39 per cent in Q4 2012. However, sales were six per cent behind analysts forecast while PBT was 48 per cent higher than expected due to gross margin coming in around 821bps. According to the company, its unit volumes grew 31 per cent y/y to 4.2 million bags in Q1 2013. DSR said sales only grew modestly because it passed on much of the decline in raw sugar prices to its customers. However, analysts believe DSR is benefitting from higher tariffs on refined imported sugar, which would have competed against its locally produced products. Smuggling of refined sugar, they added, is also being clamped down significantly by the government, creating new demand opportunities Dangote Sugar Refinery Plc is one of the leading sugar refining companies in Nigeria. It conducts the operations of marketing and export of sugar and related products in key African markets. DSR is also the second largest sugar refining company in the world, with a capacity of 1.44m MT per annum. Through Savannah Sugar Company, it has a capacity of 50,000 Mtpa. The company imports raw sugar from Brazil, refines it into Vitamin A fortified white sugar. It markets white sugar under the brand Dangote to both the domestic distributors and industrial users. It has more than 80 per cent share in the domestic market. The company is an operating subsidiary of Dangote Group. DSR is headquartered in Lagos, Nigeria.

Experts believe the medium to long term prospects of the company remain positive, based on its recent acquisition of Savannah Sugar Company Limited (SCC) in Q1 2013. The acquisition, they added, minimises DSR's exposure to volatility in the global in raw sugar prices hence, help achieve its low cost sugar production target. It is also believed that as the second largest sugar refiner in the world with new Ion Exchange Raising (IER) technology and efficient 18MW power supply system generated in-house, DSR will be able to sustain and increase its over 70 per cent share of the domestic sugar market. In a bid to achieve this, the company recently announced the conclusion of its retail package project, launching new customer friendly packages of Vitamin A fortified refined sugar, which is available in small and affordable packs. This is expected to drive up its revenue in 2013. Moreover, the newly acquired SCC is expected to enjoy the benefits of fiscal measures put in place by the Federal Government (effective January 1, 2013) to encourage industries/manufacturing including a 5-year tax holiday and zero per cent import duty on imported machinery and spare parts. *(This Day)*

Shareholders of Fidelity Bank Plc Tuesday approved a total of N6.08 billion dividend pay-out declared by the bank in its 2012 audited financial reports. That translates to 21 kobo per share for shareholders of the bank. Speaking at the bank's 25th Annual General Meeting in Abuja, the Managing Director/Chief Executive Officer, Fidelity Bank, Mr. Reginald Ihejiahi said the bank's gross earnings in the period under review grew by 62.3 per cent to N119.4 billion from N73.6 billion the previous year, while its net interest and discount income also increased by 20.5 per cent to N36.8 billion from N30.6 billion in 2011. He said the improved performance was as a result of prudent balance sheet management. The Fidelity Bank boss said: "We are delighted with our 2012 result which shows a strong rise in profitability compared to 2011, particularly the momentum sustained in the growth in our non interest income, arising from aggressive business acquisition and the linkage effect of a well implemented branch development programme. "We have remained focused in the prudent management of our balance sheet without compromising quality or safety, having made good progress in gathering stable and balanced funding base that enables us to continue to exploit the various opportunities that have continued to present themselves in the Nigeria economy." He added: "With so many opportunities available in infrastructure, power, oil and gas, production expansion, agriculture, small and medium scale enterprises financing, among others, the existence of increasing number of well-structured indigenous companies looking to expand market share, and the disciplined implementation of the Import-substitution Policy of the Federal Government, we are seeing increased business volumes and yields particularly from new businesses. " In 2013, we will remain focused on growing our balance sheet efficiently with particular emphasis on low cost deposits, strengthening the implementation of cost reduction measures and re-allocating resources to more profitable business segments, while we seek increased market share." *(This Day)*

Guaranty Trust Bank Plc (GTB), Zenith Bank Plc, the United Bank for Africa Plc (UBA) and 10 other banks have arranged a total of $1.2 billion Medium Term Facility (MTF) for Etisalat Nigeria. Other banks involved in the deal are First Bank of Nigeria, Fidelity Bank Plc, Access Bank Plc, Ecobank, Keystone Bank, First City Monument Bank Plc, FSDH Merchant Bank, Mainstreet Bank, Stanbic IBTC Bank and Union Bank of Nigeria. UBA Trustees is the Trustees for the facility. The seven year financing deal is divided into two tranches. The syndicated loan would be used to refinance an existing $650 million loan and bolster Etisalat Nigeria's network expansion in the country. The company also said the fund would support it ambition to introduce innovative products and services to its over fifteen million subscribers. A breakdown of the amount showed that Zenith Bank, being the lead arranger and major contributor to the facility raised about $245 million in tranche A and would also raise another $30 million in tranche B for the telecommunication company. Also, UBA contributed N24.3 billion to the deal. Commenting on the transaction, the Chairman, Etisalat, Mr. Hakeem Belo-Osagie described the feat as another step in the company's development. According to him:"Etisalat Nigeria has grown from strength to strength reaching 15 million subscribers earlier this year. This loan is a testament to the robust strategy of the company and the faith of the banking community. It will serve to further boost the company and the telecommunications sector. It is important to also note the enabling environment created by the Federal and State governments of Nigeria as well as the National Communications Commission." He stressed that Etisalat Nigeria had benefited from the experience and support of its pioneer shareholders; Etisalat Group, Mubadala and Myacynth.

On his part, the Chief Executive Officer, Etisalat Nigeria, Mr. Steven Evans said: "We are delighted with the continued support and confidence shown by so many banking partners. They have shown great faith in the company and we view that as a sign of their endorsement of Etisalat Nigeria's strategy and execution capabilities. We aim to continue to focus on our network expansion, our investment in 3G, as well as ensuring we offer the uncompromising network quality and customer service our subscribers have come to expect from us." Similarly, the Chief Finance Officer, Etisalat Nigeria, Andrew Kemp said: "The company is further encouraged not only by the steadfast support of the eight banks that have been a part of our original consortium but also by the addition of new partner banks. This truly represents a vote of confidence in our results thus far and our plans for expansion." In an interview with journalists, the Divisional Head, Corporate and Commercial Banking at FCMB, Mr. Ola Olabinjo said: "For us in FCMB, one of the cardinal concepts is to support any financing scheme that will impact positively on the economy and society." *(This Day)*

THE allotment approval by the Securities and Exchange Commission (SEC) on Oando rights issue at the weekend showed that Oando plc has succeeded in raising N55.2 billion from existing shareholders, indicating the high level of investors' confidence in the company. The company had issued 4.548 billion shares to existing shareholders at N12 per share funds between December 2012 and February 2013 with the intention of raising N54.6 billion Details of the allotment showed that a total of 11,714 acceptances for 4,596,055,622 ordinary shares, valued at N55.153 billion were received in connection with the Rights Issue. All 11,714 acceptances were found to be valid under the terms of the Rights Issue and were all processed, leading to a subscription of 101 levels. The success of the Rights Issue, according to the company did not come as a surprise to capital market stakeholders as market experts had said that by subscribing to the issue, shareholders were responding to a positive outlook based on strong market fundamentals. According to capital market analysts, "Oando is entering a new frontier in its integrated energy business model which will see the company increase investments in the upstream segment of the Oil & Gas space. "Oando is a low cost route into Nigeria's attractive energy sector a market analyst had said. The company had made investment in the high margin upstream division that will transform the business significantly and increase value creation for the shareholders. "The acquisition of ConocoPhillips' entire oil and gas assets in Nigeria put the company on stead to increase its oil production to almost 50,000 barrels of oil per day. It also extends its footprint into the liquefied natural gas (LNG), as well as power generation. An initial $435 million deposit has been paid, the balance of $1.3 billion will be paid by the proceeds of the recently concluded Rights Issue whilst a syndicate of international banks have lined up to finance the $800 million debt portion of the transaction." *(Guardian)*

The investment drive of the Kwara State Government has yielded more dividends as the President, Dangote Group of Companies, Alhaji Aliko Dangote, has pledged that his company will invest over $600 million in the production of sugar in the state as well as Kebbi and Sokoto States. Dangote stated this in Ilorin, Kwara State capital, yesterday during a courtesy call on the state governor, Alhaji Abdulfatah Ahmed, at the Government House, Ilorin. According to him, "My company intends to replicate what it did in the cement industry by targeting about 65million tonnes of sugar." He said the development would produce about one million jobs for the people. Dangote emphasised that in the next five years, the company would produce and grow two million tonnes of sugar, as part of efforts to ensure that Nigeria is self-sufficient in consumables instead of depending on importation. He said Nigeria was wasting quite a lot of money in the importation of about two million tonnes of sugar, adding that the company had identified Patigi Local Government Area of the state for the sugarcane plantation. Dangote expressed hope that with the cooperation of the people and the state government, the project would take off before the end of the year. Responding, Ahmed said his administration was very committed to working with investors in the bid to transform the economic lives of the people. Ahmed assured Dangote that his administration would create enabling environment for would-be investors to operate coupled with adequate security for the growth of the economy. Also speaking during a courtesy call to Governor Aliyu, Wamakko of Sokoto State yesterday, Dangote promised to invest N180 billion to build four sugar factories in the state and Kebbi State in the next four years. He said the four sugar plants would be established on a 120,000 hectare of land, adding that it would have the capacity to produce one million tonnes of sugar per annum. According to him, the sugar plants when completed, are expected to generate 150,000 jobs for people in the two states. "We are looking at establishing two sugar factories in Sokoto and two in Kebbi State on 120,000 hectares of land," he said. He stated that at least 150 mega watts of electricity would be generated from the factory, as soon the project comes on stream.

He maintained that the desire to invest in sugar factory in the two states, was borne out of the need to create opportunity for people to be gainfully employed in the North-west, thereby reducing restiveness. "As you are aware, for a very long time, 1 have been looking for where to invest in the North especially in the North-west. I have been looking for ways to create jobs and empower thousands of youths in the zone. "So, I believe this is a great opportunity to invest in sugar factory in Sokoto which has the capacity to generate over 150,000 jobs. And I believe this will create wealth and prosperity and go a long way in curbing restiveness and insecurity because if there is disposable income, youths will not be easily lured to engage in violence," Dangote stressed. He emphasised that the North is blessed with land and water which if adequately utilised, could bring wealth and prosperity to the region. The business mogul expressed readiness to invest huge funds in agriculture, adding that the agricultural sector can generate wealth just as oil. "Nothing brings prosperity like agriculture. Agriculture can generate wealth just like oil and in sugar production, there is no waste. Farming is no longer cheap and if we can engage our people in massive farming activities, prosperity will come and this has been done all over the world," he added. Dangote assured Wamakko of his determination to deliver the project in four years, adding that Nigeria has huge market for the product. In a remark, Wamakko described the plan as a welcome development. He noted that Sokoto is blessed with abundant mineral resources like gold, gypsum, iron, limestone among others which were yet to be exploited. He described the business mogul as a role model and appealed to other wealthy individuals in the North to invest in the region to reduce mass unemployment. *(This Day)*

Nigeria's state oil company and a subsidiary of Exxon Mobil plan to tap the bond market by 2016 to fill a funding shortfall in their oil exploration joint venture, the companies said. Exxon and the Nigerian National Petroleum Corporation (NNPC) operate a joint venture with a capacity of more than 550,000 barrels per day of crude oil, condensate and gas liquids. "From the years 2013 to 2015, we will continue to use the external financing option, but by the year 2016 we would switch to the bond market as an alternative source of funding," Exxon Nigeria's Chief Financial Officer Segun Banwo was quoted as saying on NNPC's website on Thursday. *(Reuters)*

Economic News

Facts emerged at the weekend, that the federal government has recovered over N100 billion unremitted taxes sequel to the ongoing investigation initiated by the House of Representatives on commercial banks' tax accrued to the federal government. The Chairman, House Committee on Finance, Abdulmumin Jubrin, explained that the investigation became imperative following alleged sharp practices levelled against 23 designated tax-collecting banks on collection and remittance to government. He however alleged that management of Nigerian National Petroleum Corporation (NNPC) had frustrated the efforts of the committee on the presentation of the account of individual subsidiaries of the corporation. The lawmaker, according to an online news medium, Emperor Newspaper, noted that the dual roles of banks as tax-collecting agents for government as well as being tax payers, created some gaps that must be bridged. Jibrin, who confirmed the investigation of the banks, said: "Before, our meeting with the bank executives was meant to be an interactive session but now, we have officially opened up a full investigation based on facts and figures from documents available to us from our consultants and Federal Inland Revenue Service (FIRS). "We have earlier invited FIRS and they have availed us documents that will have far-reaching effects on this exercise. Their presentation was quite revealing. As part of the banks' responsibilities as tax collectors, the FIRS revealed to us that there has been a couple of challenges, in fact FIRS had instances where they had to delist or blacklist a bank from collecting tax on its behalf because of late remittances.

"What we discover in our findings was that some banks deliberately engaged in delaying remittance. So, what they do, as against the guidelines of the FIRS, when they collect the taxes was to delay the stipulated period of remitting it to the FIRS so that they can keep the money with them and use it for other purposes like trading and so on. "Though, eventually, they will remit the money to the government but they found it convenient to keep it beyond the stipulated period for their own advantage and to the detriment of the federal government. It is the intention of the committee to look critically into this, with a view of correcting these lapses. "For instance, for such accounts, it is important that reconciliation be done because of the allegation of unnecessary and inappropriate charges on such funds by banks. We are interested in that too. This is because year after year, banks declare huge profits but we want to see what they are putting into government coffers as tax payers." Jubrin, who stressed the need for cooperation among the parties, said the money, when recovered, would help the country to reduce the over N1 trillion budget deficit in the 2013 Appropriation Act.

He said: "As we promised Nigerians, we want to look at every aspect where government is making money. Where government is making money, let us improve where money is not been made but with opportunities, lets explore and open up such places. "Remember we have done government's revenue generating agencies and with reports from the Office of Accountant General of the Federation, hitherto recalcitrant agencies have started responding positively. Report showed that additional N100 billion has been remitted by those agencies.
"We need to know if the banks are paying to government what they are supposed to pay and if there is any instance of evasion, we will not hesitate to expose it to Nigerians. In the final analysis, whatever their challenges, we will look into various law, Acts that have been in existence so that we can amend, repeal and re-enact if need be so that we can have a strengthened process of tax collection in the country." *(This Day)*

Nigeria's naira firmed against the U.S. dollar on the interbank market on Monday after the central bank met demand for the greenback at its currency auction, traders said. The unit firmed to close at 158.35 naira to the dollar on the interbank, after weakening to 158.50 naira intra-day, compared with Friday's close of 158.40 naira. The central bank sold $245.45 million at its official window at 155.74 naira to the dollar, after initially offering $300 million, as against $207.66 million it sold at its last auction on Wednesday. "The naira ... strengthened after the result of the central bank auction showed weak demand," one dealer said. Dollar sales by oil companies and offshore funds buying local bonds have kept the naira stable at around 157 level to the dollar in the last two weeks but a resurgence in demand for the greenback dragged the currency down to a three weeks low on Friday. Nigeria plans to sell 121.33 billion naira worth of treasury bills, which could attract foreign investors and help support the naira. Dealers expect the naira to trade between 158.50 and 158.90 this week as oil company dollar sales will likely remain weak, unless cash from portfolio investors taking positions in bonds materialise. *(Reuters)*

Nigeria will increase the amount it borrows overseas to around 40 percent of all debt over the next three to five years, from 12 percent currently, to lower its cost of funds, the head of the debt office said on Monday. DMO Director General, Abraham Nwankwo, said he expected Nigeria's debt to GDP ratio to fall to 17 percent over the same period from 21 percent, as Africa's second-biggest economy switches into cheaper foreign debt. Nigeria is one of several African countries seeking to ride the wave of cheap money generated by ultra-loose monetary policy in the West and Japan. "Nigeria has developed a medium-term debt strategy ... which will improve the portfolio mix and reduce our average cost of funds," Nwankwo told Reuters in a telephone interview. Nwankwo said foreign debt was currently 800 basis points cheaper than domestic debt, noting that a proposed $1 billion Eurobond issue was part of the strategy to move towards cheaper foreign loans. Total domestic debt stood at 6.49 trillion naira at end-March, 2013 while foreign debt was $6 billion. "We have to look at the optimal portfolio mix, cost structure, market development and source of funding," Nwankwo said *(Reuters)*

Nigeria's "bad bank" expects to complete the sale of its shares in three lenders nationalised by the central bank by the third quarter of next year, the body said on Monday. The Asset Management Company of Nigeria (AMCON) said in a statement it will start the process with the sale of Enterprise Bank and it will announce details of the process within the next 30 days. AMCON was set up in 2010 to clean up the banking system following a $4 billion rescue of nine lenders that came close to collapse. It subsequently issued 5.7 trillion naira worth of bonds to absorb bad loans and help recapitalise the industry. Nigeria nationalised the three lenders two years ago for failing to find new investors before a recapitalisation deadline and changed their names to Mainstreet Bank from Afribank; Enterprise Bank from Spring Bank and Keystone Bank from Bank PHB. The three banks were among nine involved in the central bank bailout in 2009 when the regulators asked them to find new investors or face nationalisation. AMCON also said it will retire 2 trillion naira worth of its 5.7 trillion naira of bonds this year and next from bad loan recoveries and refinance what is left with the central bank. "Owing to the great progress made on recoveries and restructuring ... and the extraordinary cooperation of ... banks, AMCON is now able to retire about 2 trillion naira of its bonds during 2013 and 2014 and refinance 3.6 trillion naira," it said in a statement. It said retiring the 2 trillion naira worth of bonds will cut its liabilities by 35 percent and it intended to repay bondholders in December 2013 with cash and liquid instruments. *(Reuters)*

The Central Bank of Nigeria (CBN) Thursday revealed that the ratio of Non-performing Loans (NPLs) in the Nigerian banking industry have reduced to an average of 3.8 per cent as at April this year, compared to the 35 percent it was as at November 2010. This was largely attributed to the reforms and clean-up in the industry. The CBN Governor, Mallam Sanusi Lamido Sanusi disclosed this in a conference on risk management organised by the central bank in Lagos. The decline was as a result of the purchase of over N4.7 trillion NPLs in the industry by the Asset Management Corporation of Nigeria (AMCON), Sanusi said. Risks to the banking system include "rising flow of hot money into the financial system and terrorism," he said. He disclosed that presently, the country has 11 months imports cover, assuring that even it drops to eight months, it won't hurt the economy. Sanusi insisted that the central bank has enough "room" to support the naira, saying that "people should not worry about an imminent risk of devaluation." He added: "By 2012, about 90 per cent of the portfolio flow that came into this country actually went to the equities market and not fixed income. Basically, the major consideration for the investors was xchange rate stability which is an integral component of our price stability mandate at the central. Therefore, they were basically just looking at the capital gains and what they will make from the interest rate. "Having said that, I think one of the greatest lessons from this is that we will benefit from getting as much information as possible. Certainly, if we do have an oil price shock, there is a risk of reversal of capital flows. What we try to do at the central bank is to get as much information. "For example, do we have a situation where only less than 10 per cent of investors control 70 per cent of the investments? That will be an issue. Who are these 10 per cent? What is their strategy and what sector have they invested in? How are they likely to react to short-term shocks? Can we engage them and give them confidence?"

On his part, the Managing Director, Guaranty Trust Bank Plc, Mr. Segun Agbaje argued that the strong capital base in the Nigerian banking industry was also a factor that enabled banks survive the financial crisis. "The strong Capital Adequacy Ratio of Nigeria banks remain a nice buffer to the risk we all face whether globally or locally. One of the things that also aids the strong capital is strong profitability," Agbaje said. The Group Managing Director/Chief Executive Officer, Fidelity Bank Plc, Mr. Reginald Ihejiahi, who spoke on the financing opportunities, urged banks to always explore new areas. However, the Managing Director, Financial Derivatives Company Limited, Mr. Bismarck Rewane, urged banks to always factor in security risk in their operations. "There is also the risk that there could be a downgrade in our outlook by the rating agencies, and if this happens, what happens to the cost of doing business, especially when we are raising tier 2 capital in other markets? So I think we need to build that into our model," Rewane advised. *(This Day)*

<u>Tanzania</u>

Corporate News

No Corporate News this week

Economic News

Tanzania's economy is expected to expand at a slightly faster pace over the next two years after growing 6.9 percent in 2012, the World Bank said on Tuesday. It said it expected inflation in east Africa's second largest economy to average 5-7 percent during the same period. "Tanzania's economy is expected to grow at an average of 7 percent in the 2013/14 and 2014/15 fiscal years," the World Bank's lead economist in Tanzania, Jacques Morisset, told reporters in Dar es Salaam. The World Bank's economic report on Tanzania, released on Tuesday, forecasts economic growth of 7 percent in 2013/14 and 7.3 percent in 2014/15. Morisset said inflation was expected to fall to 5-7 percent during the same period, from 9.4 percent year-on-year in April. The World Bank added that despite excitement over Tanzania's gas discoveries, economic growth is likely to be driven by five key sectors: communications, transport, construction, manufacturing and financial services. "The boom in natural gas production may eventually result in an even higher rate of growth, but this will not occur for 7-10 years," said the World Bank. Gas strikes off east Africa's seaboard have led to predictions the region could become the world's third-largest exporter of natural gas. Tanzania estimates it has more than 40 trillion cubic feet (tcf) of recoverable natural gas reserves. The World Bank said inefficiency at Tanzania's main port in Dar es Salaam is causing it and six neighbouring countries up to $2.6 billion a year and warned that corruption is also making Tanzanian ports less competitive than some rivals. *(Reuters)*

Residents of a gas-rich region of Tanzania rioted on Wednesday to protest that they would not benefit from a government budget proposal to construct a pipeline from their territory to the capital, senior officials said. Tanzania estimates it has more than 40 trillion cubic feet (tcf) of recoverable natural gas reserves. Discoveries off east Africa's seaboard have led to predictions the region could become the world's third-largest exporter of natural gas. Residents of the southern Tanzanian Mtwara region are opposing the construction of a 532 km (330 mile) pipeline - financed by a $1.2 billion Chinese loan - until they get a bigger share of the benefits from gas development. Tanzania's deputy home affairs minister, Pereira Silima, said riots had erupted in Mtwara but could not give details. Local media reported that police fired teargas, several buildings were torched and one person was killed. The government first announced a plan for the pipeline last year. The riots took place shortly after Tanzania's energy and minerals minister, Sospeter Muhongo, presented his ministry's 2013/14 budget proposals in parliament including the pipeline project. The riots forced the country's parliament to postpone debate on the budget proposals on Wednesday. "Mtwara (residents) had planned to cause problems during the presentation of the budget proposals of the ministry of energy and minerals, and they have done so ... I am adjourning this parliament session until tomorrow," the speaker of the National Assembly, Anna Makinda, announced. The state-run Tanzania Petroleum Development Corporation (TPDC) said Mtwara was one of two regions in southern Tanzania where onshore liquefied natural gas (LNG) plants will be built. Norway's Statoil, Brazil's Petrobras, Royal Dutch Shell and Exxon Mobil Corp are among energy companies exploring for oil and gas in Tanzania. British gas firm BG Group said earlier this month it would present the Tanzanian government with proposed locations for a big LNG terminal in the next few months. *(Reuters)*

Tanzania's debut $600 million international bond is likely to be added to JP Morgan's emerging markets index at the end of May, the bank said on Thursday. The east African nation issued the 7-year bond through a private placement in March, although it has also announced plans to issue a Eurobond. "We will likely add Tanzania Republic FRN due 20 to the EMBI Global/Diversified at the May month-end, marking the inclusion of Tanzania to the index series," JP Morgan said in a note published on Thursday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

COPPERBELT Energy Corporation (CEC) says it expects to reach financial close for the construction of the KR38 million (K38 billion) Kabompo Hydro-power Project (KHPP) by June this year. Standard Bank of South Africa was chosen as financial advisers for the project in January 2012. Company executive chairman Hanson Sindowe said the project is moving steadily with several important strides having been taken in 2012. "We are working to come to financial close by mid-2013. So far various key milestones with respect to the project have been attained. Total project cost including transmission line and financing costs is estimated at KR38million [K38 billion]," he said. He said this during the firm's annual general meeting held in Kitwe recently. Mr Sindowe said Sinohydro Corporation Limited of China was selected as the preferred engineering, procurement and construction (EPC) contractor. Mr Sindowe said among key milestones that have been attained include completion of the feasibility study and granting of conditional approval of the environmental impact statement by the Zambia Environmental Management Agency. Meanwhile, plans for the proposed township complex within the proposed project land area were approved by provincial planning authority. He said drawings, bills of quantities and pre-tender budget cost estimates for the Kabompo Gorge township have also been prepared by the consultant, and are currently undergoing internal review.

Mr Sindowe said construction of the temporary campsite comprising pre-fabricated residential and office accommodation, first aid clinic and ablution blocks and a meeting/dining hall is two thirds complete. He, however, said part of the EPC activities are expected to commence under an early works agreement. These include supplementary quarry exploration of quarry and preparation of basic design under the first phase. Other works covered in second phase include the construction of the contractor's office and main camp and construction of temporary site access roads. The main construction works under the EPC contract will commence after financial close. Kabompo Hydro-power Project located in Mwinilunga of Northwestern Province, marks the firms foray into hydro-electric power generation. The award was given on the basis that a feasibility study would be undertaken after which a build-own-and-operate concessions would be negotiated with the government. The proposed project scheme is an underground power station of 40 megawatts generation capacity and annual energy output of 166 Gw/h. A transmission line of 35 kilometres at 132 kilovolt will be constructed to join the national grid. The benefits associated with the project include alleviation of potential national power shortage and increased security of future power supplies. The project will also have a stabilising effect on the national grid due to its location as currently, all power sources are located in the country. *(Daily Mail)*

Economic News

THE Zambia Extractive Industry Transparency Initiative (ZEITI) says the mining sector is expected to grow to US$1.35 billion by 2015 from US$590 million in 2010. According to the ZEITI 2010 summary reconciliation report presented at a press briefing in Lusaka on Wednesday last week by head secretariat Soforiano Banda, the mining sector is expected to grow to about 50 percent in 2015. The report says the sector contributed about 11 percent to the gross domestic product (GDP) in 2010, and is expected to grow to about 50 percent in 2015. "The mining is a crucial part of the Zambian economy, with the direct contribution to GDP being approximately 11 percent in 2010, and the indirect possible even up to 50 percent. This is forecasted to grow from US$590 million 2010 to US$1.35 billion in 2015," the report says. ZEITI said in 2010, the mining and quarrying sectors accounted for 9.9 percent of Zambia's real GDP at constant 1994 prices compared with a revised 9.3 percent in 2009.

It says the country's real GDP increased by 7.6 percent in 2010, adding that the mining and quarrying sectors accounted for 18 percent increase. ZEITI says copper exports accounted for 78 percent of Zambia's merchandise exports in 2010. It says the value of exported copper was estimated to be at about US$5.8 billion while the value of exports of cobalt was estimated to be at US$304 million, which accounted for four percent of Zambia's exports. The report says on the world scale Zambia continues to be a significant producer and also to have major resources of both copper and cobalt. It says according to the United States Geological survey, Zambia was ranked the 7th largest producer of mined recovered copper in the world in 2010. It is also estimated that in 2008 Zambia ranked 9th in the world in terms of identified copper resources, with 3.7 percent of the known world total, and was ranked 10th in the world in terms of identified reserves with 3.9 percent of the world total. *(Daily Mail)*

THE Kwacha, which has been depreciating against the United States dollar in the recent past, is expected to be resilient as levels look attractive for exporters and foreign exchange suppliers to build by for local currency obligations, financial analysts have said. Both Barclays Bank Zambia (BBZ) and Zanaco Bank said the local unit is likely to hold steadily against the US dollar in the short-term. According to Zanaco daily treasury newsletter, the Kwacha was on Friday, expected to trade range bound between KR5.39 (K5,300) and KR5.40 (K5,400) on the interbank. "In the absence of any major flows, the near-term should see the local unit hold steady against the dollar and trade range bound between KR5.39 (K5,300) and KR5.40 (K5,400) on the interbank, " the bank said. On Thursday, the Kwacha continued to trade bearishly against the US dollar during Thursday's trading session closing the day at KR5.35 (K5,350) and KR5.37 (K5,370). Similarly the BBZ market update issued on Friday said a breach of the psychological KR5.40 (K5,400) level was anticipated. Meanwhile, Citibank Zambia says the removal of maize subsidies, simultaneous increase in fuel prices and wages and the weak currency are likely to lead to rising food and non-food inflation in the short-term. The bank also anticipates that the Kwacha will remain weak. According to the Citibank daily market commentary for May 16, 2013, inflation will go up after the hike in fuel prices.

The bank says the local unit has also continued to weaken with Wednesday's trading closing at KR5.34 (K5,340) for buying and KR5.36 (K5,360) selling on the back of increased demand for the greenback. The bank said the local unit will only recoup if the demand for copper increases as some economies begin to recover from the recession. "In the short-term we expect Kwacha to remain weak. In the long-term, if global demand for copper increases as some economies begin to recover from a slump, the Kwacha may recoup some losses," the bank said. Government recently removed subsidies of fuel and maize in a bid to save funds for other national projects but the development has resulted in the prices of the commodities going upwards. *(Daily Mail)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

UNITED STATES private equity firm Equator Capital is nearing a deal to acquire a 10 percent shareholding in Zimbabwe Stock Exchange-listed financial group, FBC Holdings, sources familiar with the deal have said. FBCH decided to look for an equity partner ahead of the June deadline in which banks and building societies will be required to have a minimum capital of US$50 million and US$40 million respectively. This was after a move by the diversified financial services group to sell its 58 percent stake in Turnall Holdings Ltd hit a brick wall. FBCH owns 100 percent in FBC Bank and 60 percent in FBC Building Society. FBCH chief executive Mr. John Mushayavanhu yesterday confirmed the deal, but would not shed more details. FBCH had expected to realise about US$20 million from the sale of its shareholding in Turnall, which would have been channelled to capitalise its commercial banking division and building society. Adding pressure on FBCH was the fact that the National Social Security Authority, which has shareholdings in various financial institutions — including FBCH — said it would not capitalise any banking institution in which it had interests, insisting they should merge the operations to meet new capital levels. NSSA is also a major shareholder in FBC, CBZ Holdings, ZB Holdings and Capital Bank. Last year, the Reserve Bank of Zimbabwe raised minimum capital thresholds for commercial and merchant banks from US$12,5 million and US$10 million to US$100 million for both sets. Minimum capital requirements for building societies were also increased from US$10 million to US$80 million, finance and discount houses from US$7,5 million to US$60 million and US$1 million to US$5 million for micro-finance institutions. These should be fully compliant by June 2014, but were required to meet 25 percent of the new capital levels by the end of last year. They should be 50 percent compliant by June this year. The financial institutions are further required to be 75 percent and 100 percent compliant by December 31, 2013 and June 30, 2014 respectively. Sources said FBCH and Equator are negotiating a final deal price and other last-minute details, although no figures could be obtained at the time of going to print. The market value for FBCH is US$47,3 million. "The Equator deal is almost complete," said one source. "They finished due diligence and the big remaining issue now is on price." Mr. Mushayavanhu said an announcement would be made once the deal had been finalised. "We are still talking to them and I cannot say much. But we will make an announcement once everything is in place," he said." FBC Bank's capital levels amounted to US$27,97 million by December 31, 2012, against a US$25 million threshold prescribed by the central bank. On Monday, FBCH issued a cautionary note advising shareholders that the company was engaged in negotiations which, if successful, would have a material effect on the structure of the group and may have a material impact on the company's business and share price.*(Herald)*

INSURANCE giant NicozDiamond shareholders yesterday approved a proposal by the listed insurance group to buy back fractional shares in the market after the implementation of the scheme was contested by the Securities Commission of Zimbabwe last year. The group was forced to revise its share buyback scheme after SECZ raised concerns that the planned scheme was in violation of the Zimbabwe Stock Exchange listing requirements and rules. The terms of the scheme had stated that the minimum price paid would be 20 percent above or below the weighted average of the market price of the shares for the five days immediately preceding the date of the repurchase. According to ZSE listing requirements, "repurchases may not be made at a price greater than 10 percent above the weighted average of the market value for securities for the five business days immediately preceding the date on which the transaction is effected". A share buyback entails the repurchase of outstanding shares by a company in order to reduce the number of shares on the market. Speaking at the company's annual general meeting yesterday, NicozDiamond board chairman Mr. Albert Nduna said the directors were seeking authority to purchase the shares on the market at a minimum price that is 10 percent above or below the market price of each share, in line with ZSE requirements. "The maximum number of shares authorised to be acquired will be no more than 10 percent of the company's ordinary issued share capital," Mr. Nduna said. NicozDiamond said the share buyback was necessitated by speculation on the market and undermining of the value of the insurance firm's share price due to the large numbers of shareholders, which at over 5 000, was making it expensive to maintain the share register and disseminating information to shareholders. Meanwhile, the group posted a profit after tax of US$2,43 million for the year ended December 31, 2012 up from US$1,6 million in 2011. The insurance group's gross premium grew by 5 percent to US$24,8 million from US$23,5 million in the prior year on the back of good performance of the group's associate companies that contributed US$399 270 to group profits, an increase of 37 percent from prior period. Earnings per share for the period came in at US0,43cents and the positive performance saw the group declaring a dividend of U$0,064c. Mr. Nduna said the dividend was a show of appreciation to the shareholders for their support. He said while the Uganda operation had made an underwriting loss of US$259 242, Zimbabwe had, on the other hand, made an underwriting profit of US$367 039 resulting in an underwriting profit of US$107 797 for the period under review.*(Herald)*

Economic News

THE Banking sector is facing challenges in providing adequate funds to support agricultural production, a senior bank executive has said. Speaking at the official launch of the Food and Nutrition Security Policy last week, Bankers Association of Zimbabwe vice-president Sam Malaba said the banking sector should be more innovative in efforts to meet the financial requirements of farmers. Malaba said the total deposits in the banking sector as of Thursday were about $3,8 billion, with as much as 87% being short term transitory deposits. "The banking sector also faces challenges in providing seasonal funding for our farmers. Our facilities have to a large extent, provided seasonal funding for cropping and livestock programmes due to the predominant short-term tenure of deposits in the banking sector," said Malaba.
He said a critical success factor for the achievement of food and nutrition security policy in Zimbabwe was the adequate mobilisation of financial resources for agriculture recovery growth. "We are also aware that the proportion of commercial bank funding to the agriculture sector has significantly declined over the past decade and we, as the banking sector have a critical role to play in the continued recovery of the agriculture sector," he said. Malaba said the banking sector was aware that the farming sector requires medium and long-term funding for the capital and infrastructure development as this would assist in funding livestock programmes to rebuild the national herd, for mechanisation, irrigation and dam construction. Many farmers in the country have been struggling to access loans to finance their production as banks were demanding collateral which they do not have. Government has been promising to issue 99-year leases to farmers since the land reform programme close to a decade ago. *(News Day)*

Government will enact laws requiring all banks to list on the Zimbabwe Stock Exchange to help them raise capital, Finance Minister Tendai Biti has said. Addressing journalists recently, Minister Biti said the proposed laws are meant to help prevent future bank failures in the country. Several banks have in recent years collapsed due to under-capitalisation and mismanagement. A number are currently under curatorship while there are reports that some banks are facing collapse. "Hopefully, the regulations will be gazetted this Friday to compel banks to list on the stock exchange in the next two years," Minister Biti said. Only seven banks ,Barclays, ZB, NMB, Kingdom, BancABC, FBC and CBZ are currently listed on the stock exchange. Minister Biti said recent cases of bank failures had eroded customer confidence in the sector, resulting in most people and businesses keeping their money at home. He added that the proposed laws will also compel banks to make their services more accessible for rural people. "There is no financial inclusion in Zimbabwe. Only 19 percent of Zimbabweans are banked and one brick and mortar branch is serving 77 000 people. That's not good enough," he said. Exorbitant bank charges that were levied by banks as well as interest rates on deposits have also dented the public confidence in the banking sector. Recently, the Reserve Bank of Zimbabwe and the Bankers' Association of Zimbabwe signed a Memorandum of Understanding that provides guidelines for the charging of interest rate margins and bank charges. Under the agreement, banks are required to charge up to 0,5 percent of cash withdrawal amount subject to minimum charge of US$2,50 while ledger fees, maintenance and service fees will cost up to US$4 per account. Automated teller machines now attract a withdrawal fee of US$2 while point-of-sale machines will attract a fee of between 10c and 50c and no charges will be levied on cash deposits.*(Herald)*

THE 2013 cotton selling season started yesterday after farmers and ginners agreed on a minimum producer price of US35c per kg, an increase of US5c from the previous season. About 250 000 tonnes of cotton are expected to be delivered this year, down from 350 000 tonnes last year. "All buying points have been opened as directed by the Agriculture Marketing Authority and deliveries have started," Cotton Ginners' Association director-general Mr. Godfrey Buka said in an interview yesterday. The producer price issue was contentious last season, as prices fell on the global market, but the prices fixed then were consistent with what was paid in most of the previous seasons in

US dollars. Cotton farmers were in a "crisis of expectations" against depressed international market prices, low yields per hectare and the high cost of production. Cotton prices have remained under pressure for the past year and a half due to a surplus on the international market for the third consecutive year. But despite the surplus, prices have shown recovery since the beginning of 2013 due to the robust demand from the largest consumer, China, and expectations that the US may witness a sharp fall in cotton hectarage this year. Global cotton prices are largely influenced by the demand-supply situation in three major producing and consuming countries - China, India and the United States. According to the latest data released by the International Cotton Advisory Committee, cotton production is likely to fall by 9,7 percent to 23,47 million tonnes in 2013/14 starting on August 1 this year. Global consumption will reach 23,71 million tonnes in 2013/14, marginally higher than the 23,41 million estimated for the 2012-13 season. As a result, stockpiles will fall next season to 16,44 million tonnes from record high levels in 2012/13. China is central to any discussion on cotton markets since it is the world's largest producer (27 percent share in global production), consumer (40 percent) and importer (38 percent). Another reason for China's commanding influence in the market has to do with its government policies, through which it has bought about 10 million tonnes or 60 percent of the world's cotton stocks since 2011. Mr. Buka urged farmers to shun side marketing to maintain good relations with contractors. "Farmers should desist from the practice of side marketing to maintain good relations with contractors and also to avoid challenges in terms of financing the crop in the forthcoming season," he said. Last season, ginners financed cotton production to the tune of US$42 million *(Herald)*

Zimbabwe's stock exchange, whose main industrial index has jumped 38 percent this year, plans to sell shares through an initial public offering by the end of 2013, according to the country's Securities Exchange Commission. The market value of shares listed on the bourse may nearly double to $10 billion from the current $5.4 billion over the next 12 months as it plans to start automated trading to attract more investors, Chief Executive Officer Tafadzwa Chinamo said in an interview in Lusaka, the capital of neighboring Zambia, where he spoke at a capital markets conference. An IPO might value the ZSE at $15 million to $20 million, he said. Zimbabwe's plans come as African bourses record some of the highest growth rates in the world this year. The Ghana Stock Exchange, which began automated trading in 2009, has seen its composite index rally a global-best 47 percent. Nigerian and Kenyan markets are among the top 10 best performers, according to data compiled by Bloomberg. The ZSE has appointed Imara Holdings Ltd., the Botswana-listed investment bank, and Harare-based Corporate Excellence as financial advisers for its planned share sale, Chinamo said. The move is different from a demutualization, which is commonly done by securities exchanges, because the Zimbabwean government claimed ownership of the bourse since it was established in its current form in 1974, he said. Along with automation, which will see trading done electronically rather than by hand, holding elections will boost confidence among investors, Chinamo said. The southern African nation is due to hold votes this year, ending a five-year power-sharing agreement between Prime Minister Morgan Tsvangirai's Movement for Democratic Change party and President Robert Mugabe's Zimbabwe African National Union-Patriotic Front. The ZSE Industrials Index, which includes all listed companies apart from four mining stocks, fell for the first time in six days, retreating 0.2 percent to 209.92 by 2:37 p.m. in Harare, Zimbabwe's capital.*(Bloomberg)*

TOBACCO growers have so far earned US$466,1 million from the sale of 125,7 million kg since the opening of the selling season in February. This is an increase from last year's US$366,7 million raised after the sale of 97,5 million kg. Of the 125,7 million kg, 44,7 million representing 35 percent of the total mass was brought in by farmers from Mashonaland West followed by Mashonaland Central with 36,8 million kg accounting for 30 percent, Mashonaland East with 26 million representing 21 percent, Manicaland with 17,8 million representing 14 percent. Latest statistics from the Tobacco Industry and Marketing Board show that 1,6 million bales have been sold this year, compared with 1,2 million over the same period last year. The bulk of the crop has been sold through the contract floors, with more than 974 000 bales having been sold by Day 64. The auction floors sold more than 674 000 bales. In terms of daily sales, Premier Tobacco Floors had the highest average price of US$3,94 per kg on Monday, followed by Boka at US$3,63 and the Tobacco Sales Floor at US$3,38 per kg. The highest price offered at the floors on the day was US$4,99 while the lowest was US10 cents per kg. The lowest price offered at Premier Tobacco was US20 cents per kg. A total of 1 449 856 kg were sold on the day with 1 107 608kg being sold under contract and the balance of 342 248kg being sold under the auction system. Of the 342 248 kg, TSF sold 151 589kg followed by Boka with 98 800kg and Premier with 91 859kg. About 170 million kg are expected to be sold this year as the country continues to register growth in the industry. In 2012, agriculture grew by 4,6 percent with tobacco being the main driver. The crop accounted for 10,7 percent of GDP in 2012 and constituted 21,8 percent of all total exports, compared with 9,2 percent for other agricultural commodities. Most farmers are switching to tobacco due to the favourable prices and an efficient marketing system, which ensures they receive their cash immediately.(*Herald)*

ZIMBABWE Stock Exchange-listed seed producer Seed Co's after-tax profits plunged 34 percent to US$12,6 million in the year to March 31, 2013, weighed down by a decline in sales. Revenue for the 12 months also took a knock at US$111 million, representing a 6 percent retreat on the previous year. In a statement, group secretary Mr. John Matorofa said the intake rate of the Government's input scheme came down by almost 47 percent in the period under review. "The financial year ended March 31, 2013 was a challenging one, as reported during the interim results, particularly in Zimbabwe where the whole market's aggregate seed uptake shrunk by close to 45 percent," he said. Apart from reduced seed uptake, Mr. Matorofa said sales suffered from the late rains, tight liquidity and carry-over seed at the Grain Marketing Board and price wars in the cotton industry. Winter cereal sales volumes also fell sharply, declining 41 percent during the year. But Zambia, Malawi, Tanzania and Kenya recorded growth, accounting for 60 percent of revenue. Finance charges also had a major knock-on effect on overall group profitability after a 72 percent increase on the previous year, due to carry over borrowings to finance stocks, to US$7,4 million. Seed Co said current assets increased by 6 percent to US$116 million while total assets ended the year at US$161 million. Seed Co said it had spent US$9,6 million on capital projects in the past year, but had a total of US$11,4 million authorised, but uncontracted funds for capital projects. Looking ahead, the company said it expected better agricultural support after the elections this year, continued growth in East Africa, increased subsidy and presidential input schemes in Malawi, growth in new cotton seed in Tanzania and Malawi and introduction of e-voucher in Zambia. In addition, the company also expects lower finance charges with cash tied in inventory reduced, increased co-operation from leading seed houses enhancing group access to the latest technology, intensified business development work in West Africa and release of new products.*(Herald)*

ZIMBABWE Stock Exchange-listed manufacturing concern Turnall Holdings' revenue for the first four months to April was down 10% to $11,3 million compared to the prior comparative period due to subdued business, the company has announced. Speaking at the company annual general meeting yesterday, Turnall managing director John Jere yesterday said the commissioning of a $2,5 million art roofing tile making plant expected to boost output as well as grow exports was nearing completion. The machine has the capacity to produce between 45 000 and 50 000 tiles per day. "It is, however, important to highlight that Q1 performance is normally subdued given the seasonal nature of our business cycle. Overall performance in April and May has given us the confidence that these negative trends will be reversed in the coming months," Jere said. "We do recognise the many challenges ahead, but remain confident that our performance at the end of this year will be 15% ahead of 2012 especially when we factor in export and local piping business performance." Jere said the new plant would augment existing Turnall's product range, which includes housing tiles and construction pipes. Turnall's gross profit margins during the period under review stood at 20%, missing the 29% target due to low capacity utilisation, Jere said. According to the Confederation of Zimbabwe Industries manufacturing sector survey, capacity utilisation in the manufacturing sector last year plunged to 44% from 57% recorded in the prior year due to a host of factors including undercapitalisation.*(News Day)*

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