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	20-Jan-17	27-Jan-17	Local	USD	31-Dec-16	Local	USD
Botswana	DCI	9342,48	9275,46	-0,72%	0,81%	9700,71	-4,38%	-2,77%
Egypt	CASE 30	12806,77	13091,00	2,22%	2,39%	12344,00	6,05%	2,40%
Ghana	GSE Comp Index	1759,27	1767,89	0,49%	-0,34%	1689,09	4,67%	2,52%
Ivory Coast	BRVM Composite	281,32	277,11	-1,50%	-0,54%	292,17	-5,15%	-3,13%
Kenya	NSE 20	2913,84	2812,04	-3,49%	-3,59%	3186,21	-11,74%	-12,16%
Malawi	Malawi All Share	13352,09	13292,26	-0,45%	-0,06%	13320,51	-0,21%	-1,40%
Mauritius	SEMDEX	1843,54	1847,76	0,23%	0,91%	1808,37	2,18%	3,24%
	SEM 10	352,01	359,59	2,15%	2,85%	345,04	4,22%	5,30%
Namibia	Overall Index	1093,52	1115,63	2,02%	4,42%	1068,59	4,40%	7,27%
Nigeria	Nigeria All Share	26223,54	26328,22	0,40%	0,61%	26874,62	-2,03%	-4,81%
Swaziland	All Share	381,18	381,73	0,14%	2,50%	380,34	0,37%	3,12%
Tanzania	TSI	3550,11	3550,30	0,01%	0,66%	3677,82	-3,47%	-6,13%
Zambia	LUSE All Share	4044,93	4047,60	0,07%	1,53%	4158,51	-2,67%	-2,07%
Zimbabwe	Industrial Index	145,06	141,14	-2,70%	-2,70%	145,60	-3,06%	-3,06%
	Mining Index	54,56	56,12	2,86%	2,86%	58,51	-4,08%	-4,08%

CURRENCIES

Cur-rency	20-Jan-17 Close	27-Jan-17 Close	WTD % Change	YTD % Change
BWP	10,51	10,35	-1,51	1,69
EGP	18,84	18,81	-0,17	-3,45
GHS	4,29	4,32	0,84	-2,05
CFA	614,63	608,71	-0,96	2,14
KES	101,96	102,07	0,10	-0,47
MWK	722,40	719,57	-0,39	-1,19
MUR	34,48	34,24	-0,68	1,04
NAD	13,60	13,28	-2,30	2,75
NGN	312,55	311,89	-0,21	-2,84
SZL	13,602	13,282	-2,30	2,75
TZS	196,06	181,83	-0,65	-2,75
ZMW	9,89	9,75	-1,44	0,62

SECURITIES AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Egypt

Corporate News

No Corporate News This Week

Economic News

Yields on Egypt's three-month treasury bills fell at an auction on Sunday, while yields on nine-month bills edged up, central bank data showed. Yields on the 91-day bill fell to an average of 18.956 percent from 19.017 percent at the previous auction. Yields on the 273-day bill rose to 20.194 percent from 20.191 percent at a similar auction. *(Reuters)*

Egypt is committed to repaying the $3.5 billion it owes in arrears to foreign oil companies but a foreign currency shortage has made the drawing down of those debts more difficult, Petroleum Minister Tarek El Molla said on Tuesday. "We are committed and we will continue decreasing the numbers as we have done over the last three years," El Molla told Reuters. Insufficient foreign currency reserves mean that the repayment schedule was taking time, he said. He said, however, Cairo was making monthly payments to foreign operators, enabling it to prevent overall debts from growing further. El Molla said Egypt would resort to the spot market and to inter-governmental deals to close the gap between its gas production and consumption through imports of liquefied natural gas. State-run EGAS issued an import tender in late October for 96 LNG cargoes for delivery in 2017 and 2018, with an option to buy 12 additional cargoes in 2017. "As we go during the course of the year, we will see what are the remaining quantities that we need to close the balance of the month and the balance of the season," he said. "Therefore, we'll go on as we need and as it may require on smaller tenders or we might have some direct [inter-governmental] deals." Once a net gas exporter, Egypt turned into a major importer of LNG as growing demand outstripped production.

The country is currently producing 4.45 billion ft3 of gas a day, El Molla said. But the discovery by Eni of the giant 850 billion cubic meters Zohr oilfield in 2015 is likely to transform its fortunes. The field is expected to come into production at the end of the year and will save Egypt billions of dollars in hard currency that would otherwise be spent on imports. Egypt scrapped plans for a third floating and storage regasification unit (FSRU) due to plans to increase its natural gas production. "We were able to squeeze the time, accelerate development then bringing into stream more gas, hence there's no need for a third FSRU," El Molla said. El Molla said Egypt was still on track to conclude a contract with Iraq to import 1 million to 2 million barrels per day of crude from Iraq through an inter-governmental deal by the end of the first quarter. The country will continue to go to the spot market to import oil products, however. The move follows Saudi Arabia informing Egypt in November that shipments of oil products expected under a $23 billion aid deal had been halted indefinitely. Egypt has long-term contract with Kuwait's KPC to import diesel and crude oil, he said. *(Reuters)*

The gold beneath Egypt's desert could make it a top global producer, but the investment terms on offer are driving away small explorers whose skills the country needs to unlock its mineral wealth. The Egyptian government launched its first international tender for gold mining concessions in eight years last week, potentially an exciting opportunity for global miners to help develop a relatively untapped gold-mining frontier. Though it has a history of gold-mining stretching back to the pharaohs, Egypt today has a single commercial gold mine, Centamin's Sukari, which produced 551,036 ounces last year. In Egypt's mineral-rich Eastern Desert alone, some exploration companies estimate potential gold reserves could be higher than 300 tonnes, although the government declines to give an estimate. But mining companies active in Egypt and Africa say the new exploration round, which offers five concession areas and closes on April 20, is unlikely to lure investors because of commercial terms they say are among the least attractive in the world. A poor response from the mining firms would be a setback for Egypt, which has struggled to lure foreign investors ever since a 2011 uprising and subsequent turmoil drove many away. The gold tender terms include a six percent royalty payment, only partial cost-recovery before the start of production-sharing, and three bonus payments to Egypt's mining agency, EMRA, including one of at least $1 million. At least 50 percent of any gold revenues

companies generate would have to be shared with the government. The country's three main foreign players -- Centamin, Aton Resources, and Thani Stratex Resources -- have all told Reuters they would not bid under the current terms. Centamin, which pays a three percent royalty on Sukari, said the new terms collectively "create a non-commercial operating environment for any mining investor".

The terms of the new exploration round have dashed investors' hopes, raised by a more flexible 2014 Miners say the terms price out the most critical early investors: junior explorers that operate like venture capital, raising funds to take high-risk bets in the hope of stumbling on a commercially viable discovery. "I've been really excited about them making changes. But unfortunately the terms don't seem to be getting any better," said Omar El-Alfy, head of precious metals at Qalaa Holdings, which has invested in exploration in nearby Ethiopia but so far shunned its home market Egypt. "The framework that's currently on offer in Cairo isn't really attractive for the smaller players to really get involved and hence the reason you've only got one gold mine." Miners say the international norm is a royalty and tax regime where the government takes a small royalty fee from production revenues, a model that has created booming industries from Chile to Ethiopia. But EMRA head Omar Teama told Reuters the government has no intention of applying this model and expects a "beyond excellent" turnout in the round. "For those who find the bid round suitable for them under these terms, they are welcome in Egypt. For those who don't find them suitable, I don't want to hear anyone's advice," said Teama. Egypt's Petroleum and Mineral Resources Ministry declined comment. David Hall, CEO of Thani Stratex Resources, said juniors like his firm are unlikely to enter the round based on the high bonus payments alone. "(Juniors) don't want to pay money for signing-on bonuses... they'd rather put that money in the ground," he said. "You see the cash generated by Sukari, and if you make one of those discoveries every four to five years you have the ability to generate billions of dollars, but you've got to get the company to take the risk to do the exploration to see if the potential is there first." *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana's new government plans to review its $918 million programme with the International Monetary Fund because it may need more money for its spending plans, a minister-designate said on Friday. The three-year programme, signed by the previous government in April 2015, imposes strict targets for revenue collection and spending. It aims to reduce inflation, the public debt and the budget deficit and restore rapid growth to Ghana's economy. President Nana Akufo-Addo won December's election in part by promising voters he would give the equivalent of $1 million to each constituency per year for development, build a dam in every village and a factory in every district while cutting taxes. "It (the IMF programme) must be reviewed. It will certainly be reviewed," Yaw Osafo-Maafo told a parliamentary committee vetting him as senior minister. The programme "squeezes the fiscal space" and would be reviewed with the IMF, he said. Economists say the Fund cannot change its overall programme objectives but interim targets can be modified in the light of performance between each IMF review. As a result, the new government could negotiate less onerous conditions if it finds that targets set for the end of 2016 were not met. In an indication that this may happen, the new government says the budget deficit stood at around 8 percent at the end of 2016, higher than the 5.3 percent targeted under the programme. The Bank of Ghana will likely cut benchmark interest rates by 50 basis points to 25 percent on Monday because of the fiscal deficit overshoot and recent pressure on the cedi currency, said a research note by Standard Chartered. The government will also restore central bank financing of the deficit, Osafo-Maafo said. Under the IMF programme, Ghana was supposed to present a bill for zero deficit financing from 2015 but parliament instead passed a law allowing 5 percent financing. "It (the law) was unnecessary and it will be reviewed," Osafo-Maafo, a former finance minister said. He said the government will continue to borrow "in a better way" to refinance debt, which stands at 71.8 percent of gross domestic product. The government says it will maintain fiscal discipline and give Ghana double-digit growth for each of the four years of its term in office. Ghana's main exports are cocoa, gold and oil. "The economy is not in the best of shape but it (the growth target) is doable," Osafo-Maafo said. *(Reuters)*

The country's public debt stands at Gh¢119.9 billion as against the latest figure of 110 billion Cedis released in July 2016. According to the latest summary of Economic and Financial data released by the Bank of Ghana. The figure constitutes an external debt of 66 billion Cedis with the domestic debt reaching 53.9 billion Cedis. This means government borrowed about Gh¢9.9 billion since July last year. *(Ghana Web)*

Ghana's central bank is likely to cut its benchmark interest rate for a second straight meeting after consumer prices rose at the slowest pace since July 2014. Governor Abdul Nashiru Issahaku has enough room to reduce the West African nation's main rate by as much as 150 basis points from 25.5 percent, according to John Ashbourne, an economist with Capital Economics Ltd. The Monetary Policy Committee announces its decision on Monday in the capital, Accra. Four of the six economists surveyed by Bloomberg said they expect the rate to be reduced. "The bank began a cutting cycle in November, and we think that policy makers will continue with another 500 basis points" of reductions in 2017, Ashbourne said by e-mail. "Inflation is easing as the effects of the 2014 fall in the cedi fades. We see the Bank of Ghana cutting to 20 percent by the end of the year." The bank reduced the rate for the first time since May 2011 in November. While inflation has been outside the central bank's target band of 6 percent to 10 percent since at least January 2013, growth in consumer prices decelerated to 15.4 percent in December, slowing for a third straight month. The economy probably expanded 4.1 percent in 2016, according to forecasts from the government, which is now led by President Nana Akufo-Addo after he won an election last month.

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Ghana's cedi had strengthened 5.6 percent since reaching a record-low 4.49 against the dollar in June 2015. It depreciated 26 percent in 2014, the biggest annual drop since 2000. The country probably missed its budget-deficit target for 2016 because of lower-than-expected oil output and higher spending on elections and energy-industry debts, former Finance Minister Seth Terkper said on Dec. 21. West Africa's second-biggest economy will miss its fiscal-shortfall projection of 5.3 percent of gross domestic product by as much as to 2 percentage points, Terkper said. Ghana's deficit was 6.3 percent of GDP in 2015. Cocoa and crude are the nation's main commodity exports, with Ghana being the world's largest producer of the chocolate ingredient after neighboring Ivory Coast. "Given a new government, concerns about growth, and disinflation, there is a strong possibility of a rate cut at today's central-bank meeting," analysts at FirstRand Ltd.'s Johannesburg-based Rand Merchant Bank said in an e-mailed note. "Our core view is for rate cuts to continue throughout 2017 and even stretch below 20 percent." *(Bloomberg)*

Ghana's central bank supports a plan by the new government to renegotiate a $918 million deal with the International Monetary Fund and the plan will not derail efforts to stabilize the economy, Governor Abdul-Nashiru Issahaku said on Monday. The government under President Nana Akufo-Addo plans to review the three-year deal struck in April 2015 because it may need more money for its spending plans, a minister-designate said on Friday. *(Reuters)*

Ghana's central bank held its main policy rate unchanged on Monday at 25.5 percent, Governor Abdul-Nashiru Issahaku said. The Bank of Ghana trimmed the rate in November by 50 basis points in the first such cut since July 2011, which may herald further reductions this year as inflation begins to fall at a faster pace after years above government targets. *(Reuters)*

The producer price inflation for December 2016 fell to 4.9 percent from the 11.9 percent in November, the Ghana Statistical Service has stated. By this, the ex-factory prices of goods and services for all industry increased on average by 4.9 percent in December 2016 relative to the price level recorded in December 2015. However compared to November 2016, the PPI decreased by 0.6 percent in December 2016. The Mining and Quarrying sub-sector recorded the highest year-on-year producer price inflation rate of 15.6 percent, followed by the Manufacturing sub-sector with 5.5 percent. The Utilities sub-sector recorded the lowest year-on-year inflation rate of -7.0 percent. "Between November and December 2015, there were high increases in water and electricity tariffs … the increase in water was 67.2 and electricity was 59.2 percent," Deputy Government Statistician, Anthony Amuzu explained. The producer inflation rate for the mining and quarrying sector decreased by 3.8 percentage points in December 2016 relative to the rate recorded in November 2016 (19.4%). Inflation for the manufacturing sector in December 2016 was 0.6 percentage points higher than that of November 2016 (4.9%). Meanwhile the utilities subsector recorded an inflation of -45.3 percentage points lower compared with that of November 2016 (38.3%).. *(Ghana Web)*

The Producer Price Inflation (PPI) rate for December 2016 was 4.9 percent
This rate represents a 7.0 percentage point decrease in producer inflation relative to the rate recorded in November 2016 (11.9%). This rate indicates that, the year-on-year PPI increased by 4.9 percent. But the month-on-month change in producer price index between November and December 2016 was -0.6 percent The PPI measures the average change over time in the prices received by domestic producers for the production of their goods and services. The PPI for Ghana reports the producer price indices with reference to September 2006 as the base period. Deputy Government Statistician, Anthony Amuzu told the media that "Between November and December 2015, there were high increases in water and electricity tariffs … the increase in water was 67.2 and electricity was 59.2 percent."

The Mining and Quarrying sub-sector decreased by 3.8 percentage points over the November 2016 rate of 19.4 percent to record 15.6 percent in December 2016 while the Manufacturing, which constitutes more than two-thirds of total industry, increased by 0.6 percentage points to record 5.5 percent. The Utilities sub-sector recorded an inflation rate of -7.0 percent in December 2016 indicating a decrease of 45.3 percentage point over the November 2016 rate. During the month of December 2016, ten out of the sixteen major groups in the manufacturing sub-sector recorded inflation rates higher than the sector average of 5.5 percent.

Manufacture of paper and paper products recorded the highest inflation rate of 60.9 percent while manufacturing of coke, refined petroleum products recorded the lowest producer price inflation rate of -0.1%. *(Ghana Web)*

Ghana, together with other countries, will, by 2020, ban the production, exportation and importation of some mercury-containing products. The products include dry cell batteries, switches and relays, certain types of compact florescent lamps, soap and cosmetics and some non-electronic medical devices such as thermometers and blood pressure devices. This was made known at the opening of a three-day joint inception workshop for the development of the Minamata Initial Assessment on the Minamata Convention on Mercury and a National Action Plan for artisanal and small-scale gold mining in the country. The workshop was to raise awareness among policy makers and the public of the health hazards of mercury on humans and the environment and the need for a national action. It was attended by various stakeholders such as policy makers, non-governmental organisations, members of academia, environmentalists and development partners. Minamata Convention Ratified by 128 countries, the Minamata Convention on Mercury is a global treaty to protect human health and the environment from the adverse effects of mercury. It was agreed at the fifth session of the Inter-governmental Negotiating Committee in Geneva, Switzerland, in January 2013 and adopted at a diplomatic conference (conference of plenipotentiaries) held in Kumamoto, Japan, on October 10, 2013. The convention draws attention to a global and ubiquitous metal that while naturally occurring, has broad uses in everyday objects and is released into the atmosphere, soil and water from a variety of sources. Controlling the anthropogenic releases of mercury throughout its life cycle has been a key factor in shaping the obligations under the convention. Major highlights of the Minamata Convention include a ban on new mercury mines, the phasing out of existing ones, the phasing out and phasing down of mercury use in a number of products and processes, control measures on emissions into the air and on releases to land and water and the regulation of the informal sector of artisanal and small-scale gold mining.

The convention also addresses interim storage of mercury and its disposal once it becomes waste, sites contaminated by mercury, as well as health issues. Ghana's commitment The Chief Director at the Ministry of Environment, Science, Technology and Innovation (MESTI), Madam Salimata Abdul Salam, said the joint inception meeting formed part of the country's preparation towards the ratification of the convention. She said Ghana needed to strengthen its existing capacities and infrastructure for the sound management of mercury and its associated waste. Ratification. The Executive Director of the Environmental Protection Agency (EPA), Mr John Pwamang, said Ghana recognised the dangers posed by mercury and mercury-containing products and waste and, therefore, signing and ratifying the convention was an admission of the country's commitment to the international community to achieve its objectives. The United Nations Development Programme (UNDP), the World Health Organisation (WHO), the United Nations Institute for Training and Research (UNITAR) and the United Nations Industrial Development Organisation (UNIDO), in solidarity messages, commended Ghana for the steps it was taking to ratify the convention. They all pledged their technical and other support to ensure that the country duly ratified the convention. *(Ghana Web)*

Ghana's government has chosen Joseph Aidoo, a former minister and cocoa expert, as chief executive of industry regulator Cocobod, government and industry sources said on Thursday. "I will be looking for efficiency in production that will at the same time bring about environmental sustainability," Aidoo, a former regional minister for the top cocoa growing Western region, told Reuters. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

East African Breweries Ltd increased after-tax profit by 2 percent in its first half to the end of December, despite beer sales in its main market Kenya being hurt by tax increases, it said on Thursday. The company, controlled by Britain's Diageo, said in a statement that net sales in Kenya were flat while Uganda posted a 7 percent jump in sales. It did not give absolute figures, but in the first half that ended December 2015, its after-tax profit from ongoing operations was 5.5 billion shillings ($53 million). The company said Kenya makes up 70 percent of its profits, and this had been affected by tax hikes. "There have been four major excise duty increases affecting bottled beer volumes in the last five years, with the most aggressive one taking effect in December 2015 – a 43 percent rise in duty," Andrew Cowan, its group managing director and chief executive, said. "This was the highest excise duty increase in Africa," he said. EABL said operating margins rose to 27 percent from 25 percent. It recommended an interim dividend of 2 shillings a share, unchanged from the same period in 2015. The company is due to release more details of its earnings on Friday. *(Reuters)*

Economic News

Kenya is likely to produce 416 million kg of tea this year, 12 percent less than in 2016, due to an ongoing drought, the agriculture minister said in a speech read on his behalf on Monday. In the speech, Minister Willy Bett said production of the crop rose to a record high last year, at 473 million kg, due to good rainfall associated with the El Nino weather phenomenon in the first half of the year. The East African nation, which is the biggest exporter of black tea in the world, had harvested 399 mln kg in 2015. Export earnings for last year dropped to 120 billion shillings ($1.16 billion) after the average price per kg dropped to $2.36, from $2.98 the previous year, due to the increased supply, Bett said in the speech read by Raphael Lekolol, the chairman of the sector regulator, AFAA. *(Reuters)*

The Kenyan shilling was steady against the dollar on Monday and was seen firming due to tight liquidity in the money markets, traders said. At 0912 GMT, commercial banks quoted the shilling at 103.75/85 to the dollar, the same as Friday's close. *(Reuters)*

A new row is brewing between Kenyan banks and parliament after a lawmaker proposed placing restrictions on deposits by state-owned companies, months after the state imposed a cap on lending rates. Kimani Ichung'wah, vice chairman of the Public Investments Committee, drafted a bill seeking to bar state-owned corporations from investing or depositing public funds with lenders in which the government has a stake of less than 20 percent. Ichung'wah declined to specify when the bill will be presented to legislators, though Parliament resumes sitting later on Tuesday. "The bill seeks to provide that a public body may only deposit funds and invest surplus funds in government-owned banks," he said by phone on Monday. "The bill defines a government owned bank as a bank in which the government owns or holds at least 20 percent of the shares." Shares in Kenya's biggest banks have fallen as much as 27 percent since the government introduced a law Aug. 24 capping commercial lending rates at 400 basis points above the official benchmark rate. The ceiling is likely tocurb growth in East Africa's biggest economy this year, the International Monetary Fund said in November. The proposed new law would result in government funds being channeled to various ministries, departments, agencies and counties through either the central bank or the five banks in which the government owns at least 20 percent: KCB Group, National Bank of Kenya Ltd., Consolidated Bank of Kenya Ltd., Development Bank of Kenya Ltd. and the Kenya Post Office Savings Bank. Enactment of the bill would be a "major disruption" to Kenyan banks and could spark a liquidity crisis like one that erupted in neighboring Tanzania after that country introduced a similar law, ApexAfrica Capital Ltd., a Nairobi-based brokerage, said in an e-mailed research note. "Withdrawal of deposits, in essence, is estimated to dent the banks' deposit books, lowering the credit multiplier which may stifle the already sluggish private sector credit growth," it said. "In an electioneering period, the legislators may pass this law in a bid to entice the electorate."

Kenya is scheduled to hold presidential elections in August. President Uhuru Kenyatta's decision to cap interest rates fulfilled a pledge he

made before the previous vote in 2013 to cut the cost of borrowing. Kenya Bankers Association Chief Executive Officer Habil Olaka didn't answer three phone calls seeking comment. Ichung'wah said the bill aims to ensure that interest on the deposits with commercial lenders is returned to the government instead of being paid to managers of state-owned corporations. "People have a motivation to hold money because of what they are getting in interest payments, and this slows down absorption of funds for development," he said. "This will ensure absorption of government funds for development is quicker." Under the proposed law, Ichung'wah said public entities would only be allowed to place deposits with a commercial bank if they met certain criteria, including confirmation in writing that they would receive a higher return than the amount offered by government securities. The entities would also need approval from the cabinet to place deposits with lenders in which the government has less than a 20 percent stake, he said. Kenyan banks are the biggest creditors to the government, accounting for 52 percent of total domestic debt, according to central bank data. The industry's stock of non-performing debt jumped 54 percent to 191 billion shillings ($1.8 billion) in the year through June 2016, compared with growth of 21.9 percent in the previous 12 months, according to central bank statistics. Loans soured as the regulator tightened rules on how to classify and provision for bad credit. They also climbed with rising interest rates and due to delayed government payments for contracts. Profit before tax increased by 5.4 percent to 81.2 billion shillings, slower than the 8.5 percent expansion seen a year earlier. *(Bloomberg)*

Kenya cancelled the auction of a re-opened, 15-year Treasury bond worth up to 30 billion shillings ($288.74 million), the central bank said late on Wednesday. The bank did not give a reason for the cancellation. Traders said this was the first cancellation of a bond auction by the bank in recent years. It cancelled the sale of 364-day Treasury bill at the start of this month, they added. *(Reuters)*

Kenyan banks Thursday got critical support in their war against interest rate controls after the International Monetary Fund (IMF) asked the Treasury to remove the caps that came into force last September. The Kenya Bankers Association (KBA) chief executive, Habil Olaka, said capping the cost of loans had sapped energy from banks, slowing down growth as fourth quarter 2016 financial results expected to released next month will show. The IMF said in its note on Kenya that the controls pose a risk to financial stability in East Africa's biggest economy and had slowed Kenya's leadership in the journey of financial inclusion. IMF deputy managing director Tao Zhang said in a statement that the rate caps were likely to reduce access to credit and weigh down economic growth. Parliament passed the law capping interest rates last August despite a spirited attempt by banks, the Treasury and Central Bank of Kenya to stop it. The IMF had also warned against the caps but this is the first time the fund has explicitly called for its removal. "The macroeconomic outlook is overall positive, including robust growth and reduced external imbalances. However, interest rate controls are likely to reduce access to credit, weighing on growth," the Washington-based global financial institution said, adding that interest controls had also complicated monetary policy and threatened the survival of small banks. The IMF said that although the adverse effects of the controls are manageable in the near term they pose a risk to Kenya's financial stability if allowed to persist in the long term. "Therefore, it is essential to remove these controls, while taking steps to prevent predatory lending and increase competition and transparency of the banking sector," said Mr Tao. The note was written after the IMF's executive board completed the first review of Kenya's performance under the standby support programme valued at $1.5 billion (Sh150 billion). Banks have maintained their opposition to the law, which limits interest on loans at four percentage points above the Central Bank Rate (CBR).

Mr Olaka said banks were optimistic that the law will be revised once its full effect becomes clear. "When the impact on the economy becomes clear, then there will be a compelling reason to show all stakeholders that this is not just a banking sector issue but one that affects the wider economy," he said. Fourth quarter financial results for banks are expected to show that the interest rate caps had caused a shift in credit from critical yet risky sectors of the economy to the less productive sectors. "That would be the time for the political side to pick it up and see that they may need to do something for the good of the economy," said Mr Olaka. The IMF said the caps had had a negative effect on transmission of monetary policy, implying that the caps had delayed the establishment of an interest rate corridor — setting the upper and lower limits of the interbank rate aligned to the CBR that would alleviate liquidity problems for smaller banks. Senior Treasury officials did not respond to queries on the IMF note, with calls to the Cabinet Secretary, Henry Rotich, and Principal Secretary Kamau Thugge going unanswered. Financial analysts, however, said that there is unlikely to be much agreement between those opposing the rate cap and its

supporters, especially at this stage when banking sector data is still not sufficient to establish the impact of the new law. "There remains strong divergence between proponents for and against the interest rate controls — a good case in point being the proposed introduction of the Banking (Amendment) Bill 2017 seeking to further tighten the interest rate controls rules," said Standard Investment Bank in a brief on the IMF statement. "While private sector credit is currently at a multi-year low, it is still not clear if the dip is solely an outcome of credit rationing by commercial banks due to restrictions imposed when pricing risk or it is being driven by conservatism due to high industry non-performing loan," the investment bank said in a note to its clients. Kiambu Town MP Jude Njomo, who authored the legislation, maintained that Parliament was right to cap the rates, judging by its impact on ordinary Kenyans.

This indicates that any attempt to reverse the rate cap is likely to run into strong political headwinds from Parliament, especially with a General Election looming. "The Kenya National Assembly does not consult the IMF when making laws. They (IMF) may not be happy with the capping, but we can see that Kenyans are happy with it," Mr Njomo said. There are already indications that Parliament is more likely to tighten the interest rate cap rather than relax it, should the proposed Amendment Bill (2017) see the light of day. If passed, banks will, among other things, be required to include all charges related to a loan within the cost of interest charged, which would hit their non-interest earnings. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

Mauritian hotel group Lux Island Resorts' first-half pretax profit rose 16 percent to 327.82 million rupees ($9.22 million) due to rising numbers of tourists, it said on Wednesday. The company is benefiting from a growth in a tourism sector that is an important source of hard currency for the Indian Ocean island nation known for its spas and beaches and which is expected to attract up to 3.5 percent more visitors this year. "For the semester ended 31st December 2016, tourist arrivals to Mauritius amounted to 668,763, a very pleasing increase of 12 percent on last year. In the Maldives, for the period July to November 2016, the number of tourists grew by 8 percent to reach 546,684," the company said. It said revenue in the six months fell by 1.3 percent to 2.54 billion rupees due to the unfavourable exchange rates for Mauritius and a slow pickup in the Maldives. Earnings per share rose to 2.13 rupees from 1.82 rupees. Lux Island Resorts said its third-quarter performance should be similar to last year's provided there is no significant deterioration in the current environment and no further depreciation of sterling and the euro. *(Reuters)*

Economic News

Mauritius' trade deficit widened 10.7 percent to 8.94 billion rupees in November from the same period a year earlier due to lower exports, official data showed on Monday. The value of exports fell 0.4 percent to 7.07 billion rupees ($198.32 million), with manufactured articles declining to 2.57 billion rupees from 2.76 billion rupees in November last year, Statistics Mauritius said in a statement. Imports by the Indian Ocean island nation rose 5.5 percent to 16.02 billion rupees, the data showed. France was the main buyer of goods from Mauritius in November ahead of the United States, accounting for 14.3 percent. China supplied 17.8 percent of Mauritius' imports. *(Reuters)*

Pravind Jugnauth took over as Mauritius's new prime minister, a day after his father resigned and bequeathed the premiership to his son, as the opposition announced plans to demonstrate against the transfer of power. Jugnauth, 55, was sworn in Monday at a ceremony in the capital, Port Louis, and said he would retain his portfolio in the Finance Ministry. Opposition parties will gather in the city on Friday to protest the "indecent way the country is run," Xavier Luc Duval, the head of the Parti Mauricien Social Democrate, said. "The handing over of power was done in accordance with the law and with respect for the institutions and the constitution," Jugnauth said in a phone interview. "If there is anyone who thinks that my appointment was made without respecting the law, he can have recourse to justice." Jugnauth, who served as Mauritius's finance minister from 2003 to 2005 and 2010 to 2011, was reappointed to the post in May, hours after he won an appeal against a conviction on charges of corruption. In July, he delivered an annual budget that targeted development of the manufacturing, financial-services, tourism, and aquaculture industries to help lift the country's economic growth rate. The economy is expected to grow as much as 4 percent this year, compared with 3.6 percent in 2016, helped by the first expansion in the construction industry since 2011, Jugnauth later said in a statement read on MBC, the state-owned broadcaster. Foreign direct investment is expected to reach 17 billion rupees ($475 million) this year, he said.

"I am determined to create a new momentum for our economy with the setting up of major projects in order to have adequate infrastructure to attract large investments," Jugnauth said. The government will spend 30 billion rupees over three years on transport infrastructure, 25 billion rupees on renewable energy and other energy projects, and 13 billion rupees modernizing its port, he said. Mauritius is the easiest place in Africa to do business, according to the World Bank, while the African Development Bank ranks it as the most competitive economy in sub-Saharan Africa. The sugar- and textile-exporting nation is targeting becoming a high-income country, which is defined as an economy with a gross national income per capita above $12,735, by 2025. "We want to expand our economic space, especially in Africa," Jugnauth said. "The tourism industry, supported by an appropriate air-access policy, and investment in new hotels, will also be called to continue its diversification." Jugnauth is the leader of the Mouvement Socialiste Militant that has ruled Mauritius since December

2014, when it came to power in an alliance with the PMSD and Muvmen Liberater. The PMSD quit the government in December, citing a disagreement over policy. His father Anerood Jugnauth, 86, stepped down four months after saying he probably wouldn't complete his term that was scheduled to end in 2019.*(Bloomberg)*

The weighted average yield on Mauritius' 3-year Treasury bond fell to 3.15 percent at auction on Wednesday from 3.22 percent at the last sale, the central bank said. The Bank of Mauritius sold all the 1.8 billion rupees ($51 million) of debt that it had offered. Bids totalled 5.950 billion rupees, with yields ranging from 3.00 percent to 3.74 percent. The bond has a coupon rate of 3.15 percent and is due on October 28, 2019. The bank also said it would put on sale a 4-year Bank of Mauritius notes worth 2 billion rupees on January 30. The coupon rate for the paper will be set equal to or higher than the accepted yield at auction. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Guinness Nigeria Guinness Nigeria Plc is set to hold an Extraordinary General Meeting on Tuesday (today), as it seeks shareholders' approval for its planned N40bn rights issue. The company had announced at the end of 2016 its intention to offer a rights issue as part of plans to optimise its balance sheet and improve its financial flexibility. The EGM, the brewer said in a statement on Monday, would set the scene for the company to raise up to N40bn. Guinness Nigeria, subsidiary of Diageo Plc, was established in 1960 and has a base of over 70, 000 local and international shareholders. Guinness Nigeria last year became the first total beverage company when it acquired rights to distribute international premium spirits like Johnnie Walker and Baileys in Nigeria in January 2016 and later commissioned a spirits line for locally manufactured spirits at its Benin plant in November. This week, the company is also expected to release its first-half results for the six-month period ending December 30, 2016. *(Punch)*

Dangote Refinery and Petrochemicals and the Petroleum Training Institute, (PTI) Efunrun are to collaborate in the area of human capital development and professional certification given the Group's foray into oil and gas business. Dangote Group Executive Director, Stakeholder Management and Corporate Communication, Mansur Ahmed, who led Dangote Group management to receive the management of the Institute when it paid a courtesy call on the Company said the Dangote Refinery and Petrochemicals would be more than ready to partner the PTI in the critical area of skill acquisition and human capital development. He stated that the PTI is in vantage position to provide trainings that are otherwise sought abroad and that with the economic situation in the country, PTI should the leading light in training of personnel in oil and gas sector. Engr. Ahmed then advised the Institute Management to build a framework that will show the contents of its training modules and how they match specific needs of organisations in the sector. He tasked the Institute to come with a proposal that can lead to the formalisation of the partnership between the Group and the Institute while also urging them to take facility tour of the Dangote Refinery and Petrochemicals currently under construction so as have insight into the areas of immediate training the company would require. Speaking earlier, the Principal of the Institute, Professor Sunny Iyuke expressed delight that the Institute management has been able to link up with the Group eventually saying he was optimistic that the partnership would be beneficial to both parties. He explained efforts being made by the new management of the institute headed by him to redirect the institute saying it has undergone several changes in the last few months all in efforts to reposition it to be relevant in discharge of its duties in the light of the modern day technology.

Iyuke made bold to say that the PTI has some of the best facilities for training in the oil and gas sector in the world and that the management was striving to ensure the facilities are deploy appropriately so that the institute would take its pride of place in the sector. He also expressed the confidence that the facilities at PTI would be of immense benefit to Dangote refinery given its unique size and scope of production and that the training and certification that the Institute would provide would be global standard. Stressing the reason why the current management moved to reposition the Institute, Iyuke lamented that it was embarrassing that over five decades after the discovery of oil in Nigeria, the country is still importing oil. Describing the situation as saddening unacceptable, he explained that PTI would need to double up and take the lead in human capital development in the oil and gas industry noting that with the local content policy of the government, the Institute has much work to do. The institute listed areas of training where Dangote Refinery could benefit from as Refining process; Process control; Plant Utilities; Pipeline maintenance; Catalyst and Catalysis; Corrosion and Corrosion control; Water and Waste Water Management; Power plant and a host of other spheres. *(This Day)*

Economic News

Nigerians' economic hardship has taken a turn for the worse as electricity supply dropped from the 4,883.9 mega watts (mw) it recorded in the last one month to 2,200mw as at January 21, 2017. This is far below the country's installed capacity of 11,165.40mw and network

operational capability of 5,500mw. Over 450mw of electricity has been trapped at the Afam V Power Station in Rivers State following a fire incident, in which Transmission Company of Nigeria (TCN) protection and control equipment were destroyed last week. The drop in electricity supply, according to the Head, Programmes and Membership, Institute of Directors' Centre for Corporate Governance, Nerus Ekezie, will worsen the suffering of the citizens as the rate of inflation in the country is already 19.6 per cent. Ekezie added that inadequate electricity would lead to high cost of production, increase in prices of goods and reduced purchasing power of consumers. Besides, the prices of some petroleum products, such as Liquefied Petroleum Gas (LPG), also known as cooking gas; kerosene and Automotive Gasoline Oil (AGO) also known as diesel, recorded a significant increase, forcing Nigerians to spend a huge chunk of their earnings on the essential commodities. Despite promises by the Nigerian National Petroleum Corporation (NNPC) to ensure maximum supply of all the petroleum products, the prices have remained high. For example, the price of diesel rose from about N190 to over N250 per litre since last week, while the prices of cooking gas and kerosene, two important commodities used by almost every home in the country, rose from about N3, 500 for a 12.5-kilogramme cylinder and N83 per litre to N5,000 and N300 per litre. Though kerosene is no longer scarce, the product is now selling at N300 per litre as against the pump price of N150 per litre. The situation has also led to an increase in the price of charcoal and firewood as alternatives to kerosene and cooking gas. The average prices of PMS in Abia, Anambra, Bauchi, Bayelsa, Cross River, Ebonyi, Edo, Gombe, and Imo states are around N147 and N150 per litre.

Consumers in Kwara, Bayelsa and Kebbi states were buying petrol at N152 per litre as at December 2016, according to the National Bureau of Statistics report on petroleum products released recently. Also, the price of kerosene has moved from N142 to N283 per litre. NBS put the price of kerosene in Ondo, Osun, Ogun, Lagos at N274, N275, N247 and N250 per litre. For diesel, the price remains at N211 per litre in Zamfara, Kebbi and Rivers, while the product sells around N180 per litre and N185 in Adamawa, Taraba, Pleateau, Abuja, Yobe and Gombe. The General Manager, External Relations of Nigeria Liquefied Natural Gas (NLNG), Kudo Eresia-Eke attributed the challenges of cooking gas to what he described as recent delays in vessel discharges at the receiving facilities at Apapa port in Lagos. He said the challenges had led to a temporary supply disruption in the last two to three weeks. ''For instance, NLNG's dedicated LPG vessel has been unable to discharge LPG at the Apapa port since December 29, 2016 due to jetty unavailability, resulting in temporary product shortages in the market,'' he said. The President of the Nigerian LPG Association (NLPGA), Dayo Adeshina, told The Guardian that priority should be given to LPG at vessel jetties in the country. "There is an infrastructural challenge. The fact is that jetties or receiving terminals are only three in Lagos. In two which are multiproduct terminals where you have ATK, PMS and others, priority is given to those products rather than LPG." According to Adeshina, the Federal Government is aware of the situation and is already working to tackle jetty congestion. On the shortage in power supply, the General Manager, Public Affairs, of the TCN, Seun Olagunju blamed low power generation. "It is not particularly the fire incident but the vandalism of gas pipelines that resulted in short supply of gas to thermal power generating stations." *(Guardian)*

Some members of the Central Bank of Nigeria's (CBN) Monetary Policy Committee (MPC) have called for the introduction of new measures to address shocks in the global environment. They also expressed concern that the emergence of Mr. Donald Trump as the president of the United States may disrupt global markets and affect monetary policy. These formed parts of the personal notes of the MPC members at their November 2016 meeting obtained in the communique posted on the CBN's website yesterday. Specifically, the Deputy Governor (Operations), CBN, Mr. Adebayo Adelabu called for the introduction of new measures to address shocks in the global environment. Adelabu argued that the influence of monetary policy in reversing recession was limited. "Recent experience from Japan has lent further credence to this assertion. The Bank of Japan has been doing monetary stimulus since 2013 to wade off recession but the impact has been very minimal until the Treasury embarked on massive injection estimated at US$132 billion in fiscal measures in August 2016. The latest IMF WEO indicates that Japan is now on the path of exiting recession. The lesson here is the need for fiscal stimulus to jump start activities in critical sectors of the economy. "Thirdly, with respect to the contraction in output, the critical mass of the challenge lies in the supply side of the economy, in which monetary policy has limited impact. It is commendable that the federal government is making efforts to boost aggregate demand particularly through the release of another tranches of bailout funds of about N388.3 billion to alleviate the burden of salary payments by the sub-national governments, but there are some critical private agents whose operations are crippled by debts owned by government parastatals and agencies," he added. He advocated for innovative financing options such as the securitisation of the debt to the contractors in order to provide some leeway to stimulate economic activities from both the demand and supply sides.

On her part, the Deputy Governor (Economic Policy), CBN, Mrs. Sarah Alade, said a combination of domestic and external events would have profound influence on monetary policy in most emerging economies in the coming months and that Nigeria was no exception. According to her, the emergence of Donald Trump as the President of United States and his policies for United States would affect the world economy. "The United States economy grew at 2.9 per cent in the third quarter of 2016, exceeding growth expectation.

However, growth is projected to decline if Donald Trump implements some of the policies that he has campaigned on. These will have spillover effect on most emerging markets including Nigeria. "Therefore monetary policy should be ready to act in the event of adverse impact on the economy. On the domestic front, foreign exchange scarcity will continue to impact growth negatively and keep inflationary pressure elevated. Since the policy direction is still fluid, I will support a hold on monetary policy rate. "The election of Donald Trump as president has heightened global uncertainty: Although the policy direction of a Trump presidency is still being formed, some of the promises made during the campaign are bound to have a huge effect on the global economy. Mr. Trump has criticised the monetary-policy choices of the current Federal Reserve and could push the Federal Reserve in a significantly more hawkish direction, leading to a quicker than expected increase in interest rate. "The rate increase will impact many emerging market economies negatively especially with the lower commodity prices and depressed consumer spending," she said. Furthermore, Alade said the CBN's foreign exchange regime was having less than expected outcome and required fine tuning of the implementation framework.

Also, a member of the MPC, Dahiru Hassan Balami, noted that the technology sophistication of the Nigerian economy depends on its ability to innovate and introduce new technology. "The wide gap between the interbank and the parallel rate is not a healthy development, because it encourages round tripping. The current sharing formula requesting that 60 per cent of allocation by the banks, goes to manufacturing while the remainder to other sectors seems to be inadequate. "The monitoring strategy of the share and utilisation of the foreign exchange that goes to the manufacturing sector is inadequate. I had earlier argued for the adoption of an integrated approach to managing the scarce foreign exchange by customs and excise Department to play a critical role in making sure that foreign exchange allocated to the manufacturers are properly utilised in bringing in the inputs and put it to use in the production process," Balami said. *(This Day)*

Nigeria's central bank held its benchmark interest rate at 14 percent on Tuesday, and kept its cash reserve ratios for commercial banks at 22.5 percent, governor Godwin Emefiele said. The rate decision matched the view of most economists polled by Reuters last week. *(Reuters)*

Crude oil prices, hovering around $55 a barrel since early December, will climb by about $10 in the coming months as OPEC-led measures to curb a glut take hold, Nigeria's oil minister said. "Ultimately, the effects over the next few months will get us to where we want to be, which is in the mid-$60s," Minister of State for Petroleum Emmanuel Kachikwu said in a Bloomberg Television interview from Rome. Oil surged at the end of November and in early December after the Organization of Petroleum Exporting Countries surprised the market with output cuts and enlisted the help of non-member suppliers to eliminate a surplus. While militant attacks on its energy infrastructure meant Nigeria itself was spared from having to pump less, OPEC could ask for its participation, Kachikwu said. Nigeria is now seeking to boost production as it recovers from the attacks, which targeted pipelines and other infrastructure. The nation is now pumping about 1.5 million barrels a day and the government is improving its engagement with communities in the Niger Delta as it seeks to build on that increase, said Kachikwu, who's in Italy meeting the nation's energy minister as well as the chief executive officer of Eni SpA. Once crude oil production returns to about 1.8 million barrels a day, "then we'll begin to look at OPEC asking us to do some cuts," he said. Kachikwu said that while Nigeria "probably will struggle" to reach that output level, the country would eventually join the cuts if production rises high enough. "There's a willingness of every OPEC member to contribute," he said. When oil prices reach the mid $60s a barrel, they will struggle to go higher, he said. *(Bloomberg)*

General Electric Co has proposed investing in Nigeria's oil refineries, potentially convening a consortium of companies to improve capacity at the run-down facilities. GE's plan and similar promises from companies like Italy's Eni to work with Nigeria to rehabilitate the

country's three oil refineries could help the government as it tries to reduce costly imported oil products. The work was raised during a meeting with the Nigerian National Petroleum Corporation (NNPC), a GE spokeswoman said late on Tuesday. "We propose that work commences either with the Warri or Port Harcourt refinery as a pilot, as we set a target to improve the refinery capacity before the end of 2017," GE told the NNPC, according to a statement from the state oil firm. Imports are consuming a large portion of the nation's scarce foreign currency, but the run-down state of the refineries themselves, which are also subject to frequent pipeline attacks, has hampered progress. Nigeria's Minister of State for Petroleum Resources, Emmanuel Ibe Kachikwu has said that Chevron and Total were also interested in working on the refineries. GE and NNPC could also cooperate on national power projects, said the Nigerian firm, as the country remains plagued by cuts and shortages and a creaking power grid. *(Reuters)*

Fitch Ratings Ltd. revised the outlook on Nigeria to negative from stable over concerns that a lack of foreign exchange will hamper the economy, and affirmed the west African nation's rating at B+, four steps below investment grade. While Nigeria's economy will probably grow at 1.5 percent this year, after contracting by an estimated 1.5 percent in 2016, the non-oil sector will continue to be constrained by foreign currency shortages, the ratings agency said in an e-mailed statement on Wednesday. "Access to foreign exchange will remain severely restricted until the Central Bank of Nigeria can establish the credibility of the interbank foreign exchange market and bring down the spread between the official rate and the parallel market rates," Fitch said. The central bank devalued the naira in June but continued to intervene to keep the currency at about 315 against the U.S dollar, compared with almost 500 on the parallel market. Trading volumes have increased since June but remain low. They were $8.4 billion in December, compared with $24 billion in December 2014, according to Fitch. While government debt remains low at 17 percent of GDP, the shortage of state revenues "poses a risk to debt sustainability," according to Fitch. The government's debt stood at 281 percent of revenue as of end 2016, and while 77 percent of that is domestic, foreign currency borrowings are increasing, the agency said. *(Bloomberg)*

Investors are lining up to buy dollar bonds Nigeria is expected to issue soon despite the country's first recession in a quarter of a century, a currency crisis and budget shortfalls driven by low oil prices. On the face of it, the $1 billion of bonds Nigeria hopes to sell by the end of March might seem unattractive, especially at a time sentiment towards African debt has soured after Mozambique missed a coupon payment. But investors hungry for higher returns in a low interest rate environment reckon Nigeria's benign debt levels, recovering foreign exchange reserves and a potential yield above 7 percent are reasons enough to look beyond the country's economic woes. "Nigeria's starting position is one of low debt so if they price it attractively they will be able to get it done," said Claudia Calich, who manages an emerging market bond fund at M&G Investments. Nigeria's Eurobond has been a long time coming. A year ago, Nigeria appeared to have shelved the idea in favour of a loan from China, but it embarked on an investor roadshow for the bond late last year in the United States and Britain. Nigeria is Africa's biggest economy, a member of the Organization of the Petroleum Exporting Countries and vies with Angola for the position of top oil producer, but that also means it is very exposed to fluctuations in the oil market.

The last time Nigeria issued dollar-denominated bonds in July 2013, oil was comfortably above $100 a barrel but the slump in prices from $115 in June 2014 to just $28 a barrel by January 2016 has hurt the West African country's economy. Crude oil sales account for two-thirds of government revenue and about 90 percent of foreign exchange earnings so the price slide, coupled with a resurgence in militant attacks on oil facilities in the Niger Delta, have had a severe impact. According to the World Bank, Nigeria's economy probably shrank 1.7 percent in 2016, underperforming an average growth rate of 1.5 percent across sub-Saharan Africa and way behind high-flying economies such as Ivory Coast. Foreign investment has almost ground to a halt, hobbled by a slide in the naira currency - which trades on the black market at about 40 percent below the official rate of 300 per dollar - and expectations the currency may have to be devalued again. World Bank data shows net foreign direct investment tumbled to just over $3 billion in 2015 from nearly $9 billion in 2011 and the government needs to borrow $3.5 billion internationally this year to balance a record 2017 budget. International lenders such as the World Bank and African Development Bank (AfDB) are also holding back on loans until Nigeria comes up with a plan to make its economy more resilient.
Yet, bond investors seem undeterred. They argue that a Eurobond issued in dollars will shield them from currency risk and, compared to its African peers, Nigeria has a low ratio of public debt to annual economic output, implying that default is not a worry. The ratio of Nigeria's total public debt to gross domestic product is 22 percent compared with 46 percent in Gabon, 62 percent in Ghana or 73 percent in Angola,

according to estimates by Bank of America Merrill Lynch. While businesses in Nigeria are having trouble getting hold of dollars, the countries foreign exchange reserves are on the rise again. They hit an eight-month high of $26.6 billion at the start of 2017 and have since climbed to $28.9 billion. "The government has access to hard currency even if they are restricting the access of other agents in the economy," said Kieran Curtis, investment director at Standard Life Investments, who also plans to look at Nigeria's upcoming bond issue. Curtis reckons that Nigeria's low debt ratios will allow it to borrow more cheaply than Ghana. Nigeria's existing 2023 dollar bond yields about 6.7 percent, or 170 basis points lower than Ghana's 2023 bond. Egypt, which has a credit rating of B-minus/B3/B from the main agencies, was marketing $4 billion of Eurobonds in three tranches on Tuesday, offering a 10-year bond at 7.5 percent. Nigeria is rated one to two notches higher at B/B1/B plus.

Nigeria's last 10-year bond sold in July 2013 had a 6.375 percent coupon but Exotix Partners head of fixed income research Stuart Culverhouse said a new issue would have to offer a yield of 7.0 percent to 7.5 percent. "(Nigeria) might have to accept that people are charging more for them because of the situation. It could be a reality check," he said. If the country were to press ahead with reforms to alleviate pressure on the naira before issuing a bond, it could help lower the cost of borrowing, M&G's Calich said. "Then they could bring a new deal at tighter spreads. The big question is the currency regime." Although oil prices are now expected to stabilise above $50 following OPEC's decision to curb output, there are few more clouds on the horizon. The budget deficit for 2017 risks ballooning further as the government tries to boost the economy with record spending on roads and power. Many also see the budget's oil output projection of 2.2 million barrels per day as optimistic. Oil production, curbed by persistent attacks in the Niger Delta, was just 1.63 million barrels a day in the third quarter and was still below 1.8 million barrels per day in December. Second, while emerging economies have been tapping the market in near-record numbers this month, sub-Saharan African borrowers have been absent and Mozambique's coupon miss has not helped. But Calich said there were no such fears for Nigeria. "It will take a big shock to get into that kind of distress ... we are far from that at this point." *(Reuters)*

A Nigerian court has ordered the temporary forfeiture of assets and the transfer of operations of a long-disputed oilfield owned by Shell and Eni, among others, to the federal government, court papers released on Thursday showed. The court orders will last until Nigeria's anti-corruption agency concludes an investigation into how the current owners acquired oil prospecting licence (OPL) 245, the papers said.
This is the latest of many inquiries, including by Dutch and Italian authorities, into the 2011 purchase of the OPL 245 block which could hold up to 9.23 billion barrels of oil, according to industry figures. The Shell Petroleum Development Company of Nigeria declined to comment. Eni did not immediately respond to a request for comment. *(Reuters)*

MANUFACTURERS Association of Nigeria (MAN), yesterday, differed with the Central Bank of Nigeria, CBN, over what they see as high interest rate driven by the apex bank's Monetary Policy Rate, MPR, sustained at 14 per cent earlier this week by its Monetary Policy Committee, MPC meeting. Accordingly, the Association is demanding a concessionary interest rate of five per cent for manufacturers. In Kenya, interest rate is 10 per cent; South Africa 7 per cent; China 4.35%, U.S.A 0.75 per cent; UK 0.25%, France 0.00 per cent; India 6.25per cent and Brazil 13 per cent, Mexico 5.75 percent; Indonesia 4.75 percent; Ghana 25.5 per cent, Ethiopia 5 per cent. MAN President, Dr. Frank Jacobs Udemba, said: "The association has done its best on the advocacy on lowering the monetary policy rate", stressing that MAN would continue to ask for five percent interest rate for the manufacturers "as high interest rate will not favour manufacturing enterprises in the country." Fielding questions from journalists on the implication of the current monetary rate to manufacturers, Jacobs said: "We urged CBN to take a drastic action about lowering interest rate for manufacturers. MAN members are not happy about it." He pointed out that MAN has been working with Ministry of Industry, Trade and Investment to make a total content act as a bill to the Senate. Speaking on foreign exchange, Udemba stated that unavailability of foreign exchange has forced most manufacturers to close shop or reduced their capacity."Most of our members are depending on black market to source for foreign exchange for procurement of raw material and machineries from abroad which will make us uncompetitive. "Periodically, we engaged government on the issues of patronage of made in Nigeria products. We have had a forum on it and we have recorded success, today they are coming up with buy made in Nigeria policy," he said. *(Van Guard)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

No Corporate News This Week

Economic News

TANZANIA and Turkey yesterday inked ten Memorandums of Understanding (MoUs) to substantially increase trade volume among themselves to at least one billion US dollars (over 2tri/-) in the next few years. Expectations were especially high at the afternoon Tanzania -Turkey Trade Forum at the Bank of Tanzania (BoT) conference centre, after President John Magufuli had earlier hosted his Turkish counterpart Recep Tayyip Erdoğan at State House. Dr Magufuli expressed optimism that given the link between the Tanzania's businesspeople and their Turkish counterparts, the trade volume between the two countries would probably grow to one billion dollars from the current 190 million US dollars (about 400bn/-), in the next few years. "Business people from both countries should exchange contacts for each of you to come up with at least one business idea at the end of this forum," President Magufuli told the business community from the two countries. President Erdoğan told the forum that the common problem of African countries was unemployment, proposing huge investments as one of the most powerful tools to fight the vice. "So today, the gathering between Turkish and Tanzanian businessmen here means that investments will increase, leading to creation of new jobs.

"I invite businesspeople from Tanzania to work with their Turkish counterparts to jointly invest in Turkey, Tanzania or even in other countries. I also call upon Turkish businesspeople to explore investment opportunities in Tanzania," he said. The visiting leader who was on a two-day state visit said the Turkish government wants to reflect the positive political ambience between the two countries to trade and economic relations. "Our meetings have been very fruitful regarding the future of both countries. We have observed that there is huge potential for cooperation between our two countries. We want to extend this cooperation to trade, tourism, agriculture, railways, industry and construction," he insisted. Speaking at the State House earlier, President Erdoğan decried the low trade volume 190 million dollars between Ankara and Dar es Salaam, saying it does not reflect the real potential that exists. He instead wished the amount to increase to at least 500 million dollars, per annum. During the forum, Tanzania Private Sector Foundation (TPSF) and its Turkish counterpart, the Forum Economic Relations Board (FERB), signed the MoU on the strengthening of good trade relations between their members. Earlier, at the news briefing at State House, the two countries inked nine MoUs to cement bi-lateral relations on industry, defence, health and tourism. Cabinet Ministers and high-ranking officials from the two governments signed the agreements as President Magufuli and his guest watched. Speaking after the signing, Tanzania's Minister for Natural Resources and Tourism, Prof Jumanne Maghembe, said the MoU on tourism between Dar es Salaam and Ankara will "facilitate our manpower capacity building in the tourism industry. " "The agreement will also enable us to attract more investments from Turkey in the hospitality industry through construction of hotels, particularly along the Indian Ocean coast line," the minister stated. Prof Maghembe was optimistic that the visit by the Turkish leader and MoU signing will increase the number of backpackers from Turkey to Tanzania from the current 10,000 to 100,000, annually. "There is a lot we can learn from Turkey and the agreement will enable us to achieve our targets.

Turkey receives over 10 million tourists annually even though we have more tourist attractions than them," he pointed. Minister for Health, Community Development, Gender, Elderly and Children Ummy Mwalimu explained that the signed agreement on health will help Tanzania on capacity building in specialised treatment. "We will train our people on such specialised skills and at the same time acquire medical equipment from Turkey. "Last year, for instance, we sent out 305 patients with kidney and liver complications outside the country for treatment down from 500 in 2015...the number can be reduced if we offer such treatment domestically," the minister remarked. She hinted as well that the Turkish government had pledged to support Tanzania towards establishment of Hospital Management Integrated System to improve efficiency in the health sector. "The system will enable health practitioners to electronically register, trace and make follow up of

patients during service delivery. It will also enable the government to track revenues generated at the health facilities," she explained. Other signed agreements were between Air Tanzania Company Limited and Turkish Airlines, Tanzania Broadcasting Corporation and Turkey's state broadcaster, with another MoU on education and research. Small Industries Development Organisation also inked the agreement with its Turkish counterpart. Other MoUs were on defence co-operation and diplomatic relations. The MoU is a formal agreement between the signing parties to establish official partnerships. It's not legally binding but it carries a degree of seriousness and mutual respect. *(Daily News)*

TANZANIA'S government is seeking a 785 million US dollar (over 1.7tri/-) soft loan from the World Bank to execute development projects in the next fiscal year, Finance and Planning Minister, Dr Philip Mpango, revealed yesterday. According to the minister, the projects include implementation of the second and third phase of the Bus Rapid Transit in Dar es Salaam which is expected to cost 425 million dollars (about 950bn/-) and the 305 million dollar (678bn/-) expansion of the Dar es Salaam port. "Discussions are also underway to secure funds for construction of an interchange at Ubungo, we don't have the actual figure but initial estimates show that the project will require not less than 60 million US dollars (over 130bn/-). Expansion of the Dar es Salaam port requires 600 million US dollars (over 1.3tri/-), but the World Bank has offered 305 million dollars for the first phase of the project," Dr Mpango elaborated. He was speaking at a news conference in Dar es Salaam after a closed-door meeting with the Vice-President of the World Bank for Africa Region, Mr. Makhtar Diop, who is in the country for a working visit. Dr Mpango, on the other hand, said the Bretton Woods institution had agreed to form a joint committee with the government to undertake policy reforms towards overhauling of the cash-strapped Tanzania Electric Supply Company (TANESCO). "Tanzania requires reliable and affordable energy for its industrialisation agenda, but this cannot be possible in the presence of the loss making Tanesco, there is a need for policy reforms in the energy sector," he explained. There are as well ongoing projects on policy reforms to improve the business environment in Tanzania and capacity building in execution of Public-Private Partnerships (PPPs) projects under the World Bank funding.

"The World Bank has pledged to assist us to secure investors to construct to sixlane the Chalinze-Dar es Salaam stretch on PPP arrangement," Dr Mpango remarked. He mentioned other ongoing World Bank funded projects and their amount in brackets as improvement of the business environment (80 million dollars), education sector (100 million dollars) and budget management and transparency (80 million dollars). Minister Mpango noted further that the World Bank and the government of Tanzania would sign an agreement for a soft-loan to carry out the second-phase of water development project in Dar es Salaam. Speaking at the conference, Mr. Diop hailed the fifth phase government for its anti-corruption crusade, but warned the government against indiscriminate borrowing, stressing that the national debt should remain sustainable. The World Bank top boss for Africa urged African countries to get rid of non-tariff barriers, which he described as trade impediments in the continent. "African countries should open up their borders to allow smooth movement of people and goods to boost regional trade. Today you will find one region with surplus food and another in deficit, but this could be addressed if we did away with barriers in trade among countries," he challenged. Responding to questions from journalists, Mr. Diop said he expected no changes on trade agreements between Africa and other countries. *(Daily News)*

Tanzania opened a new public transport system in its commercial capital on Wednesday, in an effort to ease the journeys of millions of commuters. A city of four million people, Dar es Salaam until now has had only a haphazard transport system, based on mostly private mini-buses. The new network, paid for by a $290 million loan from the World Bank, will comprise more than 100 buses operating on dedicated bus lanes into the centre of the city. "We want Dar es Salaam to become a modern city," Tanzanian President John Magufuli said as he inaugurated the new Dar es Salaam Rapid Transit System. He said plans were also under way to build a 200 km diesel-electric commuter rail network between Dar es Salaam and the nearby town of Morogoro. Magufuli, nicknamed "The Bulldozer" for pushing through projects, was instrumental in implementing the rapid bus transit system when he served as the country's works minister, before becoming president in November 2015. "The impact of this new high-capacity transportation system on Dar es Salaam will be quite significant as residents continue to adapt to it," said Bella Bird, the World Bank country director for Tanzania. "With its population expected to reach 10 million in 2030, Dar es Salaam needs a well-functioning transit system to relieve congestion and to promote its productivity and competitiveness as a commercial hub, which are vital for further economic growth and improvement of the quality of life of its citizens." *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

The World Bank's board of executive directors has approved a $225 million loan to Tanzania to improve water supply in the African nation's commercial capital Dar es Salaam, the bank said. Tanzania plans to raise $900 million in fiscal year 2016/17 to fund public investment projects in the transport, energy and water sectors. Loans and grants are an important source of foreign exchange for east Africa's second-biggest economy. "Dar es Salaam currently accounts for 40 percent of the urban population or 4.4 million inhabitants ... and is expected to continue to be the favoured destination for the bulk of new urban residents," the bank said in a statement late on Thursday. The bank said the new financing, which is expected to benefit close to 2 million people, will support the strengthening of capacities for integrated water resources planning and management in Tanzania and improve access to water supply and sanitation services. *(Reuters)*

Zambia

Corporate News

No Corporate News This Week

Economic News

THE Ministry of National Development Planning says insufficient funds for project development have led to the non-approval of most public private partnership (PPP) projects in the country. Ministry of National Development Planning permanent secretary Auxilia Ponga said this when she appeared before the Parliamentary Committee on Economic Affairs, Energy and Labour last week. Dr Ponga said feasibility assessment studies which are supposed to be carried out before projects are approved cannot be done due to lack of funds. "Before a project can be approved, feasibility studies need to be undertaken but without the resources to do so, these studies cannot be carried out and this means proposed projects cannot be approved,'' she said. And when asked on how PPP projects are beneficial to the country's economy by the committee chairperson Situmbeko Musokotwane, Dr Ponga said PPP projects have the potential to contribute to Zambia's economy as they focus on turning Zambia's raw material into finished products without exporting the raw material to other countries. "We have a situation today where we export raw materials to other countries, but then we import from them finished products. Why not use our own raw materials to produce our very own Zambian products?'' Dr Ponga said. She also said there is inadequate awareness of the PPPs to key stakeholders considering how they oppose the implementation of projects under the model. This shows that they do not understand the benefits or the costs associated with the projects. She has since called for more awareness of the PPP to various stakeholders and the citizenry. *(Daily Mail)*

THE World Bank (WB) has set aside US$40 million for support to agribusiness and trade through the Agribusiness and Trade Project for Zambia aimed at contributing to increased market linkages and firm growth. According to a World Bank report on Zambia project profiles, the Agribusiness and Trade Project is expected to take effect on March 15, 2017 and will close on June 30, 2022. The project has three components which include market linkages in agribusiness, strengthening the regulatory and institutional framework for agribusiness and trade and project management, monitoring and evaluation of project activities, fiduciary management and reporting. "The first component of the project will focus on two sets of beneficiaries: emerging and poor farmers and growth-oriented agribusiness SMEs. "The second component will strengthen the regulatory and institutional framework for agribusiness and trade to assist the development of market linkages in agribusiness," the report stated. The report indicates that Zambia needs more effective policies, institutions and support programmes in agribusiness and trade to achieve both broad based growth and economic diversification. It states that a number of market and government failures such as coordination, information asymmetries, capital market inefficiencies, policy distortions and deficiencies in infrastructure impact agribusinesses. The bank is assisting Zambia to implement a trade and competitiveness strategy by supporting the implementation of a number of reforms and measures aimed at reducing the levels of unemployment while facilitating private sector participation in job creation through the implementation of the project. "Expected results from the project are that 65 producer groups will meet commercialisation agreement or business plan specifications and 30,000 direct project beneficiaries from productive alliances and SMEs will benefit from various interventions. "Thirty five public good infrastructure sub projects will be constructed and 40 staff from regulatory agencies will be trained," the report adds.*(Times of Zambia)*

Zimbabwe

Corporate News

THE Cotton Company of Zimbabwe (Cottco) has started giving out sprays to half of the 70 000 farmers that grew the crop amid revelations that government provided inputs worth $42 million for the 2016/17 season. Cottco said planting seed and basal fertiliser have already been disbursed to the farmers, while the disbursement of top fertiliser, pesticides and herbicides was in progress. In a statement last week, Cottco's acting managing director, Pius Manamike said the company had 50 000 litres of herbicides that was being disbursed at the moment. "Cottco have started to give out sprays to half of the farmers that grew the crop this year, which is 70 000 farmers and it has 50 000 litres of herbicides that is being disbursed at the moment. The Cotton Company of Zimbabwe has disbursed 6 000 tonnes of seed, which is equivalent to 300 000 tonnes of cotton," he said. This year, 150 000 farmers planted the crop in cotton growing areas including Gokwe, Chiredzi and Muzarabani. The company is projecting an average minimum intake of 110 000 tonnes. Manamike said each cotton farmer planted an average of two hectares up from the quarter hectare planted last year. This has seen the hectarage increasing by 50% to 300 000 hectares from 200 000 hectares recorded last year. Manamike said the availability of the seed this year was better and in time compared to last year, a situation, which has helped in the establishment of the crop. "Most of the cotton growing areas have established the crop with the Midlands province having the highest cotton plant in terms of establishment. The rains have made the establishment of the crop to be better than last year and the government input scheme will revive the cotton sector," he said. Meanwhile, Cottco is paying price adjustments to farmers of 10 cents for the cotton crop for the 2015/6 season. In the past three years, cotton has experienced a drop in output by over 79% forcing the clothing sector to rely more on cotton imports of over 50% in fabric requirements. Cotton farmers cited high costs of production and low cotton prices of 30 cents per kg as the main reasons behind the drop in production. *(News Day)*

CFI holdings reported a 56 percent decline in turnover to $29.3 million for the full year to September 30 from $66.6 million recorded in the same period in the prior year on the back of waning disposable incomes and inadequate working capital, the company said on Friday. Sales for the poultry, specialised and retail divisions fell by 66 percent, 83 percent and 27.2 percent to $4.65 million, $4.23 million and $20.45 million, respectively. CFI group incurred retrenchment costs amounting to $2.6 million as a result of reorganisation initiatives from the entities that were put under judicial management. The group narrowed its operating loss before depreciation and financing costs (EBITDA) from $10 million in the previous year to $7.7 million in the period under review. Finance costs increased to $2.9 million in the period from $2.3 million incurred in the same period previous year on the back of interest claim settlements arising from legal settlements.
The group's loss after tax decreased by 45 percent to $13.7 million in the period from $25.2 million recorded in the previous year, attributable to a tax credit of $1.9 million in 2016 compared to a $9.9 million tax charge incurred in the previous year. **CFI holdings spent $480,000 on capital expenditure in the period.** However, the group's total assets declined by 20,28 percent to $95,98 million in the period from $120,39 million recorded in the same period previous year. The group's fortunes were enhanced after relief from its debt overhang. "The Group concluded debt compromise and settlement agreements with local banks cumulatively amounting to $17,6 million during the year, bringing down the overall bank debt from $19,1 million in 2015 to $5,3 million by year-end", said group chair, Grace Muradzikwa.

The group placed its Victoria Foods and Crest Poultry entities under judicial management effective from the 3rd of August 2016 due to their unsustainable levels of creditor debt. Muradzikwa said the decision to put the two entities under judicial management is to restructure and revamp their operations in order to maximise shareholder value. "The objective is to enable the Group to restructure, reorganise and recapitalise under a framework that ensures that all stakeholders are legally protected", said Muradzikwa. The group invested US$0.4 million in Glenara estates in the purchase of centre pivots and related irrigation infrastructure to underpin its farming activities and this resulted in enhanced profitability and cash flows in the estates. As a result of an impressive performance from its Glenara Estates, CFI said expansion of the horticulture projects is one of the key focus in the upcoming period. Going forward, the group's property development at the Saturday Retreat land is expected to improve its working capital as the group recovers the residual compensation from residents, with 19 percent being recovered so far since the completion of the registration process in May 2015. Additionally, the group said it is set to

engage creditors and lenders in order to resolve recapitalisation challenges on entities placed under judicial management. *(Source)*

Old Mutual Zimbabwe (OMZ) intends to convert some of its commercial properties in the capital into residential flats as demand for commercial space in the central business district continues to fall, a source familiar with the developments told The Source on Tuesday. The company, which has a sizeable property portfolio with several office complexes and shopping malls dotted around the country is struggling with high levels of voids and defaults like many other property companies in the country as the economy continues to deteriorate. In 2015, the value of OMZ's property portfolio declined by seven percent from $439 million to $408 million. An official with knowledge of the plans told The Source that OMZ had applied to the City Council for a permit which would allow the company to redevelop the properties for mixed use. The properties earmarked for redevelopment are Old Mutual House and Finance House which are at the corner of Sam Nujoma and Speke Road. "Such an application would take three to four months and it really should not be a problem given that they have done everything by the book. So I am pretty sure that we should be seeing some activity in that area in the second half of the year," he said. The Greatermans building along Sam Nujoma which houses Pick 'n' Pay's flagship store on the ground floor, will also be redeveloped with a parking lot on the first and second floors but the store will be remain in place, the official said. Last year OMZ pulled down another one of its idle properties along Robert Mugabe to make way for the development of a mall which will house small-scale businesses and informal traders. *(Source)*

The National Social Security Authority (NSSA) is in negotiations with ZARNet over Telecel Zimbabwe after the former facilitated the acquisition of a 60% shareholding in the country's third largest mobile operator. NSSA facilitated the acquisition of 100% equity in Telecel International, which owned 60% of Telecel Zimbabwe, by ZARnet. The acquisition, which was completed last year, was through a transfer of rights and a buy-back agreement in February 2016 and achieved through a mezzanine structure valued at $30 million, NSSA board chairman Robin Vela has said. In a fourth quarter 2016 update, Vela said the advanced negotiations were in relation restructuring the transaction. "The two parties are in advanced negotiations in relation to restructuring the transaction; wherein from a NSSA perspective it will culminate in an acceptable equity return and enhanced security arrangements, whilst the ZARNet perspective translates to a feasible and favourable financing structure," he said. "The effect of the new dispensation is that ZARNet will exercise the buy-back over a three-year period on terms enshrined in a new agreement involving a number of related-parties to ZARNet." The acquisition of 60% shareholding in Telecel Zimbabwe leaves government with a stranglehold over the telecoms sector, as it already owns another mobile operator, NetOne. However, Telecel and NetOne trail Econet Wireless Zimbabwe in terms of subscriber market share. According to a second quarter report by the Postal and Telecommunications Regulatory Authority of Zimbabwe, Telecel was the third largest mobile operator, with a 13,7% market share behind Econet (51,6%) and NetOne (34,7%). *(News Day)*

National Foods is now operating at full capacity on its mills after seeing increased demand following the introduction of import controls on flour. Natfoods managing director Mike Lashbrook yesterday said the milling company has benefited immensely from the government interventions. "The group's two mills in Harare and Bulawayo are now operating at 100% capacity following the support from Government. "The three biggest bakeries in the country (Lobels Bread, Bakers Inn and Proton), remain strong and loyal supporters of the Zimbabwean milling industry. Natfoods is happy with the support it is receiving from the baking industry as a whole," said Lashbrook. He said Natfoods had invested $9 million in upgrading its flour milling platform and is now reaping the benefits of the investment. "Following that investment, the quality of Natfoods flour is comparable if not better than imports. In the current financial year, Natfoods is set to invest a further $3.4 million towards the milling platform. Support of the milling industry will also aid in the recovery of local agriculture. The milling industry will increase its contract farming hectarage and be the off takers of local wheat produced from the Command Agriculture," said Lashbrook. He said over the past two winter wheat seasons, Natfoods has contracted over 5 000 hectares of local wheat. *(The Herald)*

Cigarette manufacturer Gold Leaf Tobacco is planning to set up a multi-million dollar manufacturing plant in Zimbabwe within the next 18 to 24 months as it plans to use the country as the launch pad into the region. GLT, a long-standing player in the tobacco industry within the southern African region has been producing out of South Africa but using 80 of its raw materials from Zimbabwe. This is set to change as the company targets a market share of about 20 percent of the cigarette market in Zimbabwe which is expected to increase once the

manufacturing plant is set up in the country. "We are looking at setting up a manufacturing concern within the next 18 to 24 months in Zimbabwe. This is predominantly driven by the lag time between the time that you order machinery and the time it is delivered," GLT the country manager Tanaka Matimbe said yesterday. He said the capital expenditure budgeted for the plant will run into millions of dollars. Matimbe was speaking at a function to re-introduce the return to Zimbabwe of the Rudland and George cigarette brand. *(The Herald)*

World platinum top producer Anglo America Platinum says production at its Zimbabwe unit Unki near Shurugwi went up seven percent to 19,900 ounces in the fourth quarter driven by an increase in tonnes milled and higher grades. Production at Unki which is the third largest platinum producer in Zimbabwe after Zimplats and Mimosa, has been on a steady rise since the mine was fully commissioned in January 2011. In a quarterly update this week, Amplats reported a two percent increase in platinum production (expressed as metal in concentrate) to 610,100 ounces with strong production from its other mines in South Africa. Mogalakwena production increased by 5 percent to 103,400 ounces primarily due to a 2 percent increase in grade to 3.1g/t while production at Amandelbult was flat at 121,100 ounces. "Operational improvements across the portfolio delivered a 4 percent production increase on a copper equivalent basis in the quarter," said Amplats chief executive Mark Cutifani. "Refined platinum production decreased by 15 percent to 631,600 ounces following the Waterval Smelter run-out and subsequent rebuild which impacted refined production by 59,000 ounces in the quarter." *(Source)*

Resources group RioZim says it will pay $8 million for Falcon Gold's Dalny Mine, a deal which will double its asset value and increase gold output by 100 kilogrammes per month after a year. The agreement, which was first announced in October last year, involves the purchase of Falgold subsidiary, Palatial Gold Investments which owns the Dalny Mine Complex. The complex includes the mine, a gold processing plant, several surrounding gold claims as well as equipment and a mining compound. Dalny has been under care and maintenance since August 2013. The deal involves RioZim also assuming Dalny's liabilities of $2,2 million. "The acquisition will be done by purchasing 100% of the issued share capital of Palatial Gold and its loan accounts. The purchase consideration for the shares of Palatial Gold shall be the sum of US$250,000 and the consideration for the cession of the loan accounts shall be the sum of US$7,750,000," said RioZim in a statement on Thursday. "The consideration for the cession of the loan accounts will be reduced by the agreed cash liabilities as detailed in the Take-Over Balance Sheet amounting to circa US$2,2 million as at 31 August 2016." The transaction will more than double RioZim's gold subsidiary Net Asset Value from $4,4 million to $9,5 million. RioZim will pay $2 million dollars exclusive of the initial deposit within a month after the approval of the transaction. So far, it has paid a deposit of $200,000, in June last year.

The company will also pay $3 million dollars in installments of $250,000, which has to be paid off in less than 24 months. RioZim leased Dalny Processing Plant in 2015 to process ore mined from its Cam and Motor Pit which saw gold production increasing by 76 percent in the first half of 2016. DMC gold processing plant has a minimum capacity of 500 tonnes of ore per day. The transaction will also increase gold production at RioGold. "It is anticipated that the conclusion of this transaction will see RioGold producing additional gold of approximately 50 kilogrammes per month for the first 12 months and 100 kilogrammes per month thereafter," said RioZim. For Falgold, which is 84,7 percent owned by Canadian-listed New Dawn Mining Corporation, the deal would raise working capital to renovate the group's infrastructure and increase production at its remaining operations at Turk Mine near Bulawayo and the Golden Quarry Mine in Shurugwi. *(Source)*

CBZ Holdings on Thursday launched a risk advisory service which it says will bolster its insurance business and diversify the group's earnings. CBZ, which operates the country's biggest retail bank, a building society, and an asset management company already has two other insurance subsidiaries; CBZ Insurance and CBZ life. CBZ Holdings chief executive Never Nyemudzo on Thursday said the new subsidiary would strengthen the group's insurance portfolio. "We believe that the incorporation of CBZ Risk Advisory marks continuation of the group's successful portfolio earnings and diversification strategy," he said. "In fact the non-banking subsidiaries' contribution to the bottom line is already at 18 percent against a long-term target of 20 percent, we believe that this new unit will significantly aid the group's drive to diversify its earnings mix." The new company is capitalised to the tune of $500,000, fivefold the regulatory minimum of $100,000. CBZ Holdings reported an after-tax profit to $35,2 million in the full year to December 2015. *(Source)*

The judicial manager of agro-industrial concern Border Timbers, Peter Bailey says the company will fully recover but will only pay off its $10 million liabilities over an eight-year period. The company was placed under final judicial management in March 2016 after failing to service debts to several financial institutions worth $20 million. Bailey told a creditors meeting at the High Court on Thursday that the company will be able to fully pay off its debts. "It looks as if all creditors will be paid over a period of eight years based on the cash flow; obviously as cash flow improves, payments will also improve….It's a long time but at least the creditors will have their payment in full," said Bailey to a question on the payment time frame. As at 30 June 2016, Border Timbers' total current liabilities stood at $10,6 million. Net cash generated from operating activities marginally increased by a percent to $3,9 million from the previous year. The company is working on the approval of a scheme of arrangement. "If approved that will enable the company to come out of judicial management because the company has been operating successfully," said Bailey. He added that a foreign major creditor is yet to approve the scheme of arrangement, delaying the process. The approval of scheme of arrangement is also expected to unlock the process of paying creditors. "The current year has not started off as well as last year due to a number of reasons including a slow down because of Zambian elections and veld fires. However my understanding is that the company will catch up during the first quarter," said Bailey. *(Source)*

Economic News

Zimbabwe is considering scrapping royalties levied on gold producers in order to boost output, the minister of mines, Walter Chidhakwa has said. Gold miners currently pay three percent royalties after Finance Minister Patrick Chinamasa lowered the fees to 5 percent from 7 percent in 2015 and to the current level in 2016. According to the Zimbabwe Revenue Authority (ZIMRA) mining royalties contributed $62,9 million to revenue in 2016. Zimbabwe earned $914 million from 21 tonnes of gold in 2015. Bullion output in the southern African nation has risen annually since 2008 when it produced three tonnes, its lowest ever to 22 tonnes last year although it is still well below the peak output of 30.2 tonnes achieved in 1999. Small-scale miners have contributed nearly 40 percent of total output since 2015 when government decriminalized artisanal mining and embarked on an aggressive collection strategy, which saw the country's sole buyer of gold Fidelity Printers set up buying depots across the country. Mines and minerals development minister Walter Chidhakwa on Friday evening told a gold producers awards gala that government was considering to removing royalties on gold earnings. "Government can not whip miners to force them to sell their gold to Fidelity …..but we can offer an incentive," said Chidhakwa. "We have been in discussions with the Minister of Finance to see how we can further incentivize miners and we are of the idea that we do away with royalties. Government does not even get much from royalties anyway but as a tax they stifle the miner." Gold is Zimbabwe's main export and, along with tobacco and platinum, accounts for the bulk of the country's foreign currency earnings. *(The Source)*

Communications Regulators Association of Southern Africa (Crasa) says it plans to set up a mechanism for enforcing universal mobile data tariffs for countries in the region by 2019. Speaking on the sidelines of a regional committee meeting on Tuesday, the Independent Communications Authority of South Africa's Richard Makgotlho, who chairs the Crasa subcommittee on electronic communication, said the initiative will ensure that mobile data charges are uniform and affordable in all Sadc countries. "We are coming up with guidelines to enforce reduction of data and voice prices. We want to make sure that mobile operators are encouraged to reduce data prices and if they cannot do that on their own we will then come up with a regulation that will restrict and force them to do so," said Makgotlho. The cost of data has become an emotive issue in the region but notably in Zimbabwe and South Africa, sparking off the #DataMustFall hashtag. Zimbabwe's data tariffs are among the highest in the region with a gigabyte of data costing a minimum of $20 while neighbouring countries like South Africa and Zambia charge $10 and $13 respectively. In India, it costs less than a dollar. International Telecommunications Union (ITU) representative for Southern Africa, Chali Tumelo said high mobile data charges were influenced by a shift by consumers from voice calls to mobile data for communication. "The problem is that data is riding on the infrastructure that was initially meant for voice calls and slowly voice is dying out with data coming in. The owners of infrastructure would want to make more money but are facing losses on the voice calls so they are trying to make profits on data," said Tumelo. *(Source)*

The trade deficit between Zimbabwe and South Africa stood at $98 million in 2016 due to numerous import restrictions employed by

government last year. Latest data gathered from the Zimbabwe Statistical Agency (Zimstat) show that Zimbabwe exported goods worth $2,3 billion to South Africa in 2016 against imports of $2,2 billion, giving a trade deficit of $98 million. South Africa is Zimbabwe's largest trading partner. In the first 10 months of 2015, the trade deficit between two countries stood at $531 million. In June last year, Zimbabwe banned the import of hundreds of items from its southern neighbour to reign in its ballooning trade deficit, which stood at $3,3 billion to shore up local manufacturers. The list included furniture, baked beans, potato crisps, cereal, bottled water, mayonnaise, salad cream, peanut butter, jams, maheu, canned fruits and vegetables, pizza base, yoghurts, flavoured milks, dairy juice blends, ice-creams, cultured milk and cheese.
The ban, however, sparked demonstrations and the burning down of a government warehouse in Beitbridge, a border town leading into South Africa. In 2016, the country's trade deficit dropped to $2,4 billion after exporting goods worth $2,8 billion against imports of $5,2 billion. Zimbabwe's major exports during the period under review were tobacco and minerals such as gold and platinum. The country exported tobacco worth $873 million, followed by gold at $849m as well as nickel and concentrates at $294m. Diamonds and platinum recorded $106m and $51m, respectively. Some of Zimbabwe's major export markets in 2016 were Mozambique ($268m), United Arab Emirates ($117m), Zambia ($72m), Belgium ($46m) and Botswana ($29m). The country's major import markets in the period under review were Singapore ($1,1 billion), China ($365m), India ($167m), Mozambique ($162m), Japan ($100m), United Kingdom ($91m), Mauritius ($72m) and United States of America ($67m). *(News Day)*

THE Reserve Bank of Zimbabwe (RBZ) redistributed $370 million through the normal banking channels to production companies in the period August to December 2016, out of the $2 billion earned, showing severe foreign currency constraints, which are hampering local producers. Speaking to guests at the inaugural Gold Sector Awards on Friday, RBZ governor, John Mangudya said the remainder of the foreign exchange went to various transactions with a majority gobbled by current transactions through the usage of Visa cards and MasterCard. "You may want to know, that between August and December last year out of the $2 billion that was disbursed to various firms in Zimbabwe in utilisation $370 million was disbursed by the RBZ through the normal banking channels back to the companies that are in production. The $1,6 billion was utilised by banks for various transactions. This economy over the past five months to December utilised more than $300 million in current transactions through Visa and MasterCard," he said. "Many people think that the Reserve Bank allocates 100% of the foreign exchange in this economy. The truth of the matter is that the RBZ redistributes between 25-30% of the foreign exchange earnings in this country. What happens is that when Visa and MasterCard are used, they hit the nostro accounts. Whilst others are exporting for productivity others are busy using cards." Mangudya said the continued usage of these cards was contributing to the challenges in adequately allocating foreign exchange funds as they were not going back into productivity. A number of local banks have restricted the use of Visa and MasterCard for local transactions. They have also put caps on foreign transactions using Visa and MasterCard. During the five months under review, 68% of manufacturers that depend on foreign raw materials complained about making late payments to their foreign suppliers due to delays in accessing foreign currency.

For months, the Confederation of Zimbabwe Industries (CZI) has been advocating for speedy disbursements of foreign currency for producers to make payments to their foreign suppliers. As such, CZI president, Busisa Moyo is on record saying that the organisation has held many meetings with the RBZ to seek solutions. The delays are causing companies to miss production deadlines, which were in turn making them lose revenue, with some facing a risk of shutting down. Foreign payments delays will be on discussion when CZI convenes the 2017 economic outlook symposium to be held in Harare on Thursday. Representatives from the central bank are expected to be part of the discussants at the symposium. Mangudya said the economy has to earn foreign currency to be able to produce. "Another problem we face in this economy is that we are a highly geared economy meaning we are over borrowing loans which means we are mortgaging high exports of gold without production. We need more equity than loans both from domestic producers and foreign investors," he said. With production contributing an estimated 13% to the gross domestic product, delays in foreign payments from producers costs the economy about $4,99 million per day. *(News Day)*

Chengetedzai Depository Company (CDC) is set to migrate from the current Trade plus five days T+5 settlement cycle to T+3 by April this year following consensus from market participants. In an operating update for December 2016, CDC chief executive officer Campbell Musiiwa said migration from the Delivery Versus Payment (DVP) model 2 to DVP model 3 is also a key target for this year. "CDC recognises

the importance of further improving the capital market through the introduction of international best practice, reduction of counter-party risk and increasing convenience for the investing public. As such, the shortening of the settlement cycle from the current T+5 to T+3 together with migration from Delivery Versus Payment (DVP) model 2 to DVP model 3 have been identified as key targets for 2017," he said. This also comes as Thomas Murray, Global Rating Agencies, has upgraded Chengetedzai's CSD rating from BBB to A. *(Herald)*

Zimbabwe has $304 million hard cash in circulation including $73 million in bond notes as of January 2017, about a third of optimum demand, reflecting a worsening liquidity crisis, an economist said. Ashok Chakravarti, who also an advises the Office of the President and Cabinet on improving the ease of doing business, told a Confederation of Zimbabwe Industries (CZI) symposium on Thursday that hard cash in circulation inclusive of bond notes and US dollars was five percent of total bank deposits which has contributed to the country's liquidity crisis. "If you look at comparative studies from other economies cash to deposit ratio should be between 10 (percent) to 12 percent. If an economy has got less than 12 percent, it faces liquidity crisis…..We need $900 million in cash to have adequate liquidity," said Chakravarti. Hard cash circulation in the country has dropped by 53 percent from $642 million in 2013 to $304 million currently. However, bank deposits have increased from $4,728 billion in 2013 to $6,2 billion in 2016. At the onset of the multicurrency system in February 2009, total deposits in the banking system were $1,66 billion. Cash to deposit ratio has decreased from 35 percent in 2009 to five percent in January 2017.

The amount of cash held in Nostro accounts declined by 61,6 percent from $424 million in 2009 to $163 million as at November 2016. "When liquidity challenges first surfaced in 2014, the RBZ reduced cash holdings in Nostro accounts from 30 percent to 5 percent of total deposits to improve the availability of cash in the economy. This decision simply led to externalisation of dollar cash, exacerbating the liquidity crisis," said Chakravati. To resolve the liquidity crisis in the country, Chakravarti recommended that the government should reduce wage bill, stop reissuing of Treasury Bills and borrowing from the private sector, repeal the indigenisation policy and adopt the South African Rand. The business community has voiced its distrust of government methods of dealing with the acute cash shortage of bank notes and urged an adoption of the Rand, a suggestion the State turned down. Chakravati has previously suggested a three percent import levy across the board which he said could raise $2 billion (annually) to incentivise exporters in real currency instead of the bond note incentive. *(Source)*

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