SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	26-Aug-16	2-Sep-16	WTD % Change Local	WTD % Change USD	31-Dec-15	YTD % Change Local	YTD % Change USD
Botswana	DCI	9542.81	9584.11	0.43%	-1.39%	10602.32	-9.60%	-6.47%
Egypt	CASE 30	8131.49	8136.44	0.06%	0.05%	7006.01	16.14%	2.14%
Ghana	GSE Comp Index	1808.57	1810.04	0.08%	-0.32%	1994.00	-9.23%	-12.33%
Ivory Coast	BRVM Composite	287.79	291.43	1.26%	0.17%	303.93	-4.11%	-2.13%
Kenya	NSE 20	3216.62	3187.87	-0.89%	-0.74%	4040.75	-21.11%	-20.29%
Malawi	Malawi All Share	13174.36	13175.21	0.01%	-0.13%	14562.53	-9.53%	-18.85%
Mauritius	SEMDEX	1818.23	1819.53	0.07%	-0.08%	1,811.07	0.47%	2.92%
	SEM 10	347.55	347.12	-0.12%	-0.27%	346.35	0.22%	2.66%
Namibia	Overall Index	1030.79	1015.44	-1.49%	-4.92%	865.49	17.33%	23.18%
Nigeria	Nigeria All Share	27450.91	27756.67	1.11%	8.15%	28,642.25	-3.09%	-38.17%
Swaziland	All Share	368.21	368.21	0.00%	-3.49%	327.25	12.52%	18.13%
Tanzania	TSI	3968.06	3954.22	-0.35%	-0.04%	4478.13	-11.70%	-12.63%
Zambia	LUSE All Share	4401.43	4400.37	-0.02%	4.27%	5734.68	-23.27%	-11.68%
Zimbabwe	Industrial Index	99.00	99.04	0.04%	0.04%	114.85	-13.77%	-13.77%
	Mining Index	26.32	26.32	0.00%	0.00%	23.70	11.05%	11.05%

CURRENCIES

Currency	26-Aug-16 Close	2-Sep-16 Close	WTD % Change	YTD % Change
BWP	10.48	10.67	1.84	3.46
EGP	8.87	8.88	0.01	-12.05
GHS	3.92	3.94	0.40	-3.42
CFA	581.76	588.11	1.09	2.07
KES	99.64	99.49	-0.15	1.03
MWK	715.95	716.93	0.14	-10.31
MUR	33.82	33.87	0.15	2.44
NAD	14.15	14.67	3.61	4.99
NGN	330.76	309.23	-6.51	-36.20
SZL	14.15	14.67	3.61	4.99
TZS	2,144.99	2,138.47	-0.30	-1.05
ZMW	9.92	9.51	-4.12	15.10

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

No Corporate News This Week

Economic News

Yields on Egypt's three-month treasury bills dropped while yields on nine-month bills rose at Sunday's auction, data from the central bank showed. The average yield on the 91-day bill fell to 14.030 percent from 14.035 percent a week ago. The 266-day bill rose to 16.128 percent from 15.969 percent. *(Reuters)*

Ghana

Corporate News

Fidelity Bank Ghana Limited has received authorisation from the Bank of Ghana to be an approved Primary Dealer (PD) in the purchase and sale of government of Ghana securities under the new wholesale auction system. The authorisation allows the bank to purchase treasury bills and bonds in bulk at the weekly primary auction and on-sell them to individuals and corporate investors and holders in the secondary market. A statement from the bank said the authorisation offers an exciting opportunity to customers and non-customers of Fidelity Bank to buy and sell treasury bills or bonds at so much ease and comfort now. "Customers are now able to contact any of the 75 branches of the bank nationwide and make their purchases of treasury bills and bonds," the statement said. It assured customers of competitive rates on treasury bills and bonds. The Deputy Managing Director of the bank, Mr Jim Baiden, said the selection of Fidelity Bank as a PD affirms the bank's credibility and sound record as an accomplished securities dealer over the past several years. He said the authorisation was a step in the right direction towards the bank's ambition of becoming a world-class bank that pursued high standards in banking. He further added that the bank would continue to improve its service delivery by focusing on the needs of customers and optimising existing processes to match global standards. "As a matter of priority, we will be focusing on evolving technologies that will define the future of banking. We will also increase capacity levels across all departments and branches to ensure that the bank is well resourced and ready for the future. We believe with the support of our customers, we will achieve our aim of becoming the preferred indigenous bank rendering world-class services to our home-based customers,''he reiterated. *(Ghana Web)*

Economic News

No Economic News This Week

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TRADING

Kenya

Corporate News

Co-operative Bank has capped pricing of all new loans at 14.5 per cent, becoming the first bank to indicate it is complying with the new law on interest rates even as banks continue to argue that they are unsure of the base rate to use for loans. In a break with the position of the Kenya Bankers Association (KBA) that lenders would wait for guidelines before effecting any changes to their lending structure, Cooperative Bank cited the section of the Act that bars any new loan contract exceeding the prescribed rate as the reason for its move. "In the foregoing and for business continuity, we advise that pending receipt of full guidelines from our regulator the Central Bank of Kenya particularly on the applicable base rate, all new credit facilities shall be at a rate not exceeding 14.5 per cent per annum (being current Central bank Rate of 10.5 per cent plus four per cent)," said Cooperative bank chief executive officer Gideon Muriuki in a memo to all branch managers and lending units. The lender, Kenya's second largest by market share, was however silent on whether it will immediately implement the minimum rate set by the law for interest earning deposit accounts, which has been pegged at 70 per cent of CBR. *(Business Daily)*

Struggling supermarket chain Uchumi has embarked on shedding top managers to cut down costs. The retailer confirmed "releasing" 16 managers last week in a programme meant to cost it Sh10 million. Uchumi Chief Executive Officer Julius Kipng'etich said the move did not target any specific branch and was carried out on voluntary basis. "The exit of 16 branch managers is pursuant to a voluntary early retirement exercise. This exercise, which we are carrying out across all our 20 branches, will be done at a cost of Sh10 million," Mr. Kipng'etich said last week. There were reports from the retail chain's quarters that managers were being forced to retire, with the Capital Centre branch on Mombasa road being heavily affected. The exercise was started in June but went on quietly until Friday, when some staff raised the red flag on the exits. The chief executive also defended the move to freeze the redemption of loyalty points by customers since May. The move — which was seen by customers as the retail's sign of sinking, coming at time creditors had threatened to liquidate Uchumi — was widely criticised on the social media. The loyalty points are "rewarded" to customers on the basis of their purchase value, and are later "redeemed" mostly as payment for shopping or other gifts in kind. "We suspended the redemption of the U-card points temporarily in May 2016; however, customers can still earn and accumulate loyalty points. Redemption is expected to resume by the end of the year," Mr. Kipngetich said in an e-mail response.

Uchumi's unclaimed customer loyalty points currently held are worth Sh239 million, according to the retail chain. The points were just Sh26.1 million in the period to June 2014 compared to Sh12.3 million a year earlier, signalling the rapid growth and the increasing cost of wooing customers in the wake of competition in the retail sector. The reward plan was launched in 2006 and allows customers to redeem a minimum number of 100 points in exchange of shopping voucher(s) equivalent to the redemption amount. In June, Uchumi filed an appeal against a court decision that allowed its winding up case to proceed to full hearing. Granted protection The retailer, which wanted to be granted bankruptcy protection, had been caught flat-footed after High Court judge Farah Amin ruled that the winding up case should proceed. The move disrupted the temporary lull by the suppliers, who wanted the retailer wound up, with about 100 of them agreeing to resume stocking its shelves with goods under an arrangement that gives them control over how they get paid. *(Daily Nation)*

Athi River Mining (ARM) Cement expects profitability to improve with the recent capital injection of $140 million (Sh14 billion) from a British government-owned fund, CDC Group, to finance the setting up of a new clinker plant in Kitui County, ARM Managing Director Pradeep Paunrana has said. ARM, which is East Africa's second biggest producer after Bamburi Cement, posted a net loss of Sh267 million in the first six months to June 30 this year, which Mr. Paunrana on Friday blamed on a tough operating environment for its Tanzania business, increased financing costs as it commissioned a new plant in Tanzania as well as high energy costs. "The period witnessed increased competition in the cement market in Tanzania with a new entrant, which resulted in downward pressure on prices," said Mr. Paunrama in regulatory filings. "Prices were 33 per cent below last year in Tanzania. EBITDA (Earnings before interest, taxes, depreciation and amortisation and other non-cash expenses) reduced by 17 per cent to Sh1.6 billion, having been affected by higher energy costs."

Mr. Paunrana said amid the reported loss, he expected a positive outlook for the second half of the year on the back of huge cement demand in the region and its fresh financial muscle to support expansion. "Despite the competitive pressure, the company is positive about the outlook, with cement consumption in the region growing at about 10 per cent per year," he said. The shareholders of the company approved the investment by CDC Group last week. "This equity investment, which will be applied towards the repayment of debt and strategic capital investment to support the group's expansion plans, will significantly reduce interest cost, leading to improved cash flow and profitability," he said. The firm's group revenue for the first six months dropped by 13 per cent compared to a similar period last year Sh6.6 billion. *(Daily Nation)*

Shares in KCB Group,, Kenya's biggest bank by assets, and Equity Bank, the biggest in terms of number of customers, fell sharply on Monday for a third consecutive session as investors reacted further to a government move to cap commercial lending rates. By 0647 GMT, shares in KCB and Equity were both down 9.3 percent on the Nairobi Securities Exchange at 24.50 shillings and 26.75 shillings respectively. Co-operative Bank of Kenya dropped 9.7 percent to 9.75 shillings, while NIC Bank fell 8.3 percent to 22.00 shillings. President Uhuru Kenyatta on Wednesday signed into law a bill capping commercial bank lending rates in a bid to boost the economy. Businesses in the East African country have complained that high rates, which average 18 percent or more, hobble corporate investment. Analysts, however, have said capping rates may be counterproductive as it makes banks less willing to lend. *(Reuters)*

Listed tyre maker Sameer Africa will cut jobs after a decision to shut down Nairobi factory was reached infavour of tyre imports. The company has also issued a profit warning due to expected impairment and employee severance costs. The struggling manufacturer had reduced its local production due to high competition from cheap arrivals and joined the importers. "Regrettably, cessation of factory operations will result in a number of employees being declared redundant," the company noted in a statement to the Nairobi Securities Exchange.*(Nation)*

CFC Stanbic has become the first bank to cut rates for existing loans following President Uhuru Kenyatta's decision to sign into law a Bill capping interest rates. The new law caps loan interest rates at 4 per cent above the Central Bank rate. *(Nation)*

Kenya Reinsurance Corporation has recorded a 4 per cent growth in net profit for thee half-year period ended June 30, 2016. The Nairobi Securities Exchange-listed re-insurer saw its profit jump to Sh1.56 billion compared to Sh1.5 billion in the same period last year. Presenting the company's half-year results yesterday, Kenya Re Managing Director Jadiah Mwarania said the firm's profit was powered by growth in gross written premiums. "Our gross written premiums shot up by 14 per cent in June 2016 from Sh6.2 billion in 2015 to Sh7.1 billion in 2016. Another area that grew significantly was investment income," Mr Mwarania said. The insurer's investment income grew from Sh1.4 billion in June 2015 to Sh1.7 billion in June 2016, recording an upsurge of 20 per cent in the period under review. Mwarania said this income mostly came from investment in rental properties around the country, which have recorded a 97 per cent rate in occupancy. The company, however, saw its total expenses grow from Sh4.8 billion to Sh6 billion again in the period under review, recording a 26 per cent rise. But it was the net claims incurred that went upward significantly and thus slowing the company's growth. The Re-insurer recorded Sh2.7 billion as the net claims incurred in June 2015, compared to Sh3.5 billion incurred for the half-year period ended June 30, 2016, reflecting a 31 per cent growth. Mwarania blamed the rise in claims to the two earthquakes that were experienced in Nepal last year. "In Nepal, we have re-insured 10 insurance companies. And risks re-insured include natural catastrophes. When the two earthquakes occurred last year, we paid off claims amounting to Sh450 million. We are, however, in the process of recovering this sum," the MD said. Kenya Re has also re-insured other companies in Asian countries such as Bangladesh, India and the United Arab Emirates (UAE). Mwarania also said the company was keen to expand into the Southern African region, having already opened a branch in Zambia. "Last year we opened an office in Ivory Coast that was supposed to help us penetrate the West African market," Mwarania said. "This year, we have opened another one in Zambia, which will target southern African countries such as Mozambique, Botswana and Namibia." *(Standard Media)*

Economic News

Kenya's decision to limit the rate that commercial banks can charge for loans will cloud the central bank's monetary policy signals and may undermine efforts to keep inflation within the government's target range, the International Monetary Fund said. While the Central Bank of Kenya has been more effective in containing inflation over the past three years, "controls being introduced are going to blur the signals" that emanate from its interest-rate decisions, Armando Morales, the IMF country representative for Kenya, said in the capital, Nairobi. "The central bank will need to go back to revise the arsenal of its instruments to see how they can offset this blurring of signals in the market," Morales said in an interview Aug. 27. Kenyan President Uhuru Kenyatta last week approved a law that placed a ceiling on the amount of interest lenders can charge for debt, and prescribing how much interest they should pay on deposits. Kenyatta, whose family owns a stake in the country's closely held Commercial Bank of Africa Ltd., cited frustration with the high cost of credit and low returns on savings. The impact of the new legislation won't be "homogeneous"" as smaller banks may bear the brunt, Morales said. While Kenyans' demands for lower interest rates are legitimate, instituting rate caps is the wrong way to solve the problem, Morales said. "In our experience, using controls to lower the cost of financing has not been successful," he said. "We think it doesn't work."

The law pegs credit costs at 400 basis points above the central bank rates and requires lenders to pay depositors 70 percent of the main lending rate. Kenyan banks extended loans at a weighted average of 18 percent in June, according to central bank data. Policy makers held the central bank's benchmark rate at 10.5 percent last month, after a 100 basis-point cut in May, as headline inflation accelerated to 6.4 percent in July from 5.8 percent in June. The central bank's monetary policy committee may have to "revise some of its decisions" should inflation breach the target, he said. Treasury Secretary Henry Rotich said Kenya still upholds free-market principles despite agreeing to legislate interest rates. Authorities in the $61 billion economy would work to improve market conditions that would make the law redundant, he said in an interview on Aug. 26. "Obviously at some point, when the system becomes efficient, the solutions that had to happen will now be unwarranted," Rotich said. "It's not a backtracking in the liberal sense. We will push on that, but at the same time address the root cause of why interest rates are high." *(Bloomberg)*

Kenya's inflation fell slightly to 6.26 percent year-on-year in August from 6.39 percent the previous month, the statistics office said on Wednesday. The Kenya National Bureau of Statistics said in a statement that on a month-on-month basis, inflation was at 0.08 percent. *(Reuters)*

Kenya's parliament has voted down a proposal by the finance ministry to increase commercial banks' core capital from 1 billion to 5 billion shillings ($49.38 million), a newspaper reported on Thursday. It will be the second time in as many years that parliament has rejected the plan, having thrown out a similar move in August 2015. In his 2016/17 (July-June) budget speech, National Treasury Cabinet Secretary Henry Rotich said he planned to reintroduce the measure. Privately owned Daily Nation said that lawmakers voted by acclamation to approve changes to the Finance Bill 2016 made by the Finance, Planning and Trade Committee. "The committee agrees we need to encourage more Kenyans to invest in the banking sector also. We don't want to make it an exclusive business for the few who have the high capital they were proposing," committee chairman Benjamin Lang'at was quoted as saying. "In Kenya, we have not reached that stage where we can say we have enough banks and so we can bar others from entering the market." Analysts have said in the past a move to raise bank capital requirements could have forced mergers and acquisitions as smaller banks sought partners to survive. Kenya has 43 commercial banks ranging in size from KCB Group and Equity Bank in the top league and smaller homegrown lenders like Jamii Bora Bank. The central bank was also opposed to the proposal, saying it would lock out smaller lenders which offer niche services and products. *(Reuters)*

The Kenyan shilling was stable against the dollar on Thursday due to subsiding dollar demand from the manufacturing sector and inflows from charities offering support, traders said. At 0653 GMT, commercial banks quoted the shilling at 101.25/35 to the dollar, compared with 101.30/40 at Wednesday's close. *(Reuters)*

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Kenya has won over Rwanda as it races to secure access to the European Union market even as Tanzania and Uganda stay out of the deal. The Industry, Trade and Cooperatives ministry said Thursday that trade ministers for Kenya and Rwanda had signed the EAC-EU Economic Partnership Agreement (EPA) in Brussels, Belgium. The ministry said the deal was pursuant to the East African Community (EAC) Council decision earlier in the year for the EAC to sign the trade agreement with the EU. "This signals a start of the EAC Partner States securing the Duty Free Quota Free market access to the EU," the statement reads in part. The trade ministry said the signing of the EPA sends strong signals to the EU on the EAC Partner States commitment to the EPA. On Wednesday, Kenya's Trade Minister Adan Mohamed made an appearance at the EU Parliament where the matter to lock out Kenya from the EU market after 1st October 2016 was being discussed. "He made a concerted presentation to the EU Parliament's International Trade Committee (INTA) and assured them of the EAC Partner States commitment to the EPA as demonstrated by over nine years of consistent engagement with the EU leading to the successful conclusion of the EPA," the statement reads. But it is not clear the fate of the deal now that the rest of the EAC members were not on board yet it was being negotiated jointly.

Tipping point Tanzania pulled the plug on the deal after it refused to sign on it on grounds that it would kill its local industry. This has been one of the tipping points for the deteriorating relationship between Kenya and Tanzania that has put the EAC under threat. Kenya decided to go it alone after it became clear that it would be caught by the deadline. All EAC members have been negotiating the EPA since 2007 leading to conclusion of negotiations in 2014 where it was initialled, translated and legal scrubbing concluded. If the EPA is not signed and ratified by all EAC partner states by September 30, 2016, Kenya stands to lose its market to the EU, having significant impact on her economy. Unlike the rest of the EAC countries, Kenya will be the only country to be slapped with extra taxes since it is a middle income economy. Mohamed informed the EU Parliament of the proposed EAC Heads of State Summit that will provide further impetus to the trade deal given the significance of the EU as a long term EAC trade and development Partner. It is estimated that there are investments worth over 2 billion Euros in over 200 companies in Kenya benefiting nearly four million people most of whom are women and youth, particularly in the rural areas, who currently derive their livelihoods directly or indirectly from enterprises that are exporting to the EU in floriculture, horticulture, agro-processing and fisheries. Accompanying Mohamed is Trade Principal Secretary Chris Kiptoo, EAC Principal Secretary Betty Maina as well as Private sector members represented by KAM CEO Phylis Wakiaga and Kenya Flower Council CEO Jane Ngige. The Economic Survey 2016 shows that Kenya exported goods worth Sh125 billion to the whole of Europe, with a third of the exports going to the United Kingdom. *(Standard Media)*

Commercial Banks and mortgage finance companies have been given up to September 14 to cut the cost of loans and fully implement the 2016 Banking (Amendment) Act. In a circular sent to banks by the Central Bank, a financial institution that charges borrowers more than the stipulated interest rates, or gives less interest on deposits than the stated rate will be fined Sh1 million or the bank's chief executive will be imprisoned for one year. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' trade deficit widened by 3 percent to 35.23 billion rupees ($1.01 billion) in the first half of 2016 as exports fell, and was expected to widen further in the full year, data showed on Monday. Exports fell 10.8 percent on lower sales of machinery and transport equipment while imports dropped 5 percent, Statistics Mauritius said in a statement. Britain was the main destination for exports, accounting for 12 percent, while China was the main supplier with 17.9 percent of the Indian Ocean island's imports. Based on quarterly trends and data from various sources, the 2016 deficit was expect to reach around 76 billion rupees, the agency said. The deficit was 73.96 billion rupees in 2015. *(Reuters)*

Nigeria

Corporate News

MTN Group Ltd., Africa's biggest wireless operator by sales, and minority shareholders in its Nigerian business are seeking to raise about $1 billion in an initial public offering, a condition tied to the settlement of a record fine imposed by the West African government, people familiar with the plan said. Minority shareholders may sell down their holdings or exit entirely, while MTN may offer a small portion of its stake in the business, one of the people said, declining to be identified because the details are private. The Johannesburg-based company is still fine-tuning any offer and no final decision has been made on the amount, the people said. MTN declined to comment. The IPO is part of a deal struck with the Nigerian government to pay a 330 billion naira ($1 billion) penalty for missing a deadline to disconnect unregistered subscribers. The negotiations over the fine, which has contributed to a 38 percent decline in MTN's share price since it became public in October, cost 1.3 billion rand in professional-service fees, according to the company. Nigeria is MTN's biggest money spinner, accounting for more than a third of its sales and profit for a company that has a market value on the Johannesburg bourse of 220 billion rand ($15 billion). Nigeria's economic slump deepened in the second quarter as a declining oil industry weighed on output, with gross domestic product in Africa's most populous country contracting by 2.1 percent from a year earlier, after shrinking 0.4 percent in the first quarter. The Nigerian Stock Exchange All Share Index has slumped 7 percent over the past year as a currency peg that lasted about 16 months deterred foreign investors, weighed on growth and led to a lack of dollars, curbing imports and causing shortages from fuel to industrial materials. MTN said in July that it hired Citigroup Inc. and Standard Bank Group Ltd. as advisers on the transaction. *(Bloomberg)*

Economic News

Investors in the country's capital market are optimistic that the next Treasury bill auction slated for this week will boost activities in the fixed income market. Expectedly, there were no significant movements in liquidity level last week, given the absence of auctions. However, the Open Buy Back and overnight rates declined by 4.83 per cent and 6.66 per cent respectively, to peg average money market rate at 18.55 per cent at the close of the week. Activities in the Nigerian bond market seemed bearish, as indicated by a 0.04 per cent week-on-week change in average bond yield to 16.14 per cent. Conversely, average yields declined in the T-bills space across all tenors to peg at 17.16 per cent as of Thursday, August 26, 2016. "We anticipate increased activities in the fixed income space this week, on the back of the scheduled auction of T-bill instruments worth NGN212.85bn," analysts at Meristem Securities Limited said in the firm's weekend markets analysis. However, there were mixed reactions in the equities market last week, as the Nigerian Stock Exchange All-Share Index appreciated on three out of five trading days. Consequently, the index pared by 0.72 per cent week-on-week to peg the year-to-date return at -4.16 per cent. The index gained 1.41 per cent week-on-week, as volume of transactions contracted by 18.71 per cent week-on-week while value of transactions appreciated by 6.76 per cent from the prior week. The analysts attributed the poor performance of the equities market to profit taking activities on large capitalised stocks, as well as sell-offs of some banking stocks, following the Central Bank of Nigeria's ban on nine banks from trading in the foreign exchange market on August 23, 2016.

There were 29 gainers and 25 decliners last week. Newgold Exchange Traded Funds led the gainers chart again last week, after gaining 15.56 per cent week-on-week to close at N4,850. Seplat Petroleum Development Company Limited, Forte Oil Plc, Transnational Corporation of Nigeria Plc and CAP Plc followed successively. Conversely, FCMB Group Plc, AG Leventis Nigeria Plc, Academy Press Plc, Skye Bank Plc and Unity Bank Plc steered the losers chart after their share prices pared by 14.96 per cent, 10.10 per cent, 9.52 per cent, 7.81 per cent and 7.69 per cent accordingly. Also commenting on the equity market, analysts at Vetiva Capital Management Limited, in the firm's weekly report, said, "Notwithstanding the positive close of last week's session, we note that the gains came in amidst strong market volatility as revealed by the intraday chart. We believe this could spell a mixed market open this week." On fixed income market, they added, "With tighter liquidity expected to further dampen market sentiment (following Open Market Operation mop up), we anticipate a bearish start to this week's trading. "On currency, we expect the ripple effect of the CBN directive to banks and the restriction on certain banks to continue to put pressure on the naira at parallel market." Meanwhile, global markets traded mostly lower this past week. Investors stayed on the sidelines for most part of the week as market sentiment was largely shaped by the much anticipated speech of United States Fed Chair, Janet Yellen, and fickle commodity prices. At mid-week, despite the Purchasing Managers' Index for Euro Zone coming at a seven-month high, sentiment in European markets remained weak as oil extended losses after Energy Information Administration data revealed a surprise build in US crude inventory. At week close, global markets remained mostly in the red as Japanese stocks sold off after core consumer prices fell by o.5 per cent year-on-year against an estimate of a 0.4 [per cent drop, prompting concerns over the effectiveness of the Bank of Japan's stimulus programme. US markets also traded lower as investors digested remarks made by Yellen. *(Punch)*

The naira fell to a new low of 414 against the United States dollar on Sunday amid the continued scarcity of foreign exchange in the country, with economic experts predicting further pressure in the forex market this week. The development came five days after the Central Bank of Nigeria had banned nine commercial banks from the forex market for failing to remit the Nigerian National Petroleum Corporation's $2.334bn into the Treasury Single Account in line with President Muhammadu Buhari's directive last September. The naira was sold for 414/dollar across some black market segments in Lagos and Abuja on Sunday. It hit an all-time low of 412 against the greenback at the parallel market on Friday, after closing at 409/dollar on Thursday. On Wednesday, a day after the CBN banned the nine banks from the forex market, the local currency depreciated to 402/dollar, down from the 397 it closed against the greenback on Tuesday. Forex dealers said the demand pressure on the dollar, mounted by summer travellers and parents paying schools fees of their children studying overseas, was exacerbated by the CBN's forex ban on the nine lenders. The currency dealers said the naira started falling after the CBN banned the lenders from forex transactions. It first touched 400/dollar at the black market this month since the CBN floated the currency on the official interbank market in June. At the interbank market, the naira closed at 314.95 on Friday, with traders saying interbank rates would ease this week when part of July's budget allocation must have entered the banking system. But experts said the naira would plunge further against the US dollar this week at the parallel market as forex supply remained a major challenge. Forex traders said even though the CBN had continued to sell dollars daily on the interbank market, its efforts were considered weak and inadequate, Reuters reported. The Chief Executive Officer, Cowry Asset Management Limited, Mr. Johnson Chukwu, said,

"There is nothing in the policy environment that will arrest the decline unless the central bank has increased capacity to supply the market, which unfortunately it doesn't have. So, we should expect the naira to remain under pressure in the coming week." He said for the naira to stabilise, there must be a funding that the Federal Government or the CBN could access, such as a credit support from either the World Bank or a trading partner like China. Chukwu said, "The decline of the naira against the dollar is beyond the recent suspension of some banks from the forex market. We have witnessed suspension of banks in the past, and it did not lead to any spike in exchange rate. The major challenge we have now is supply shortage. If that improves, naira will stabilise." He said the naira might hit a low of 420 to the dollar this week. A currency analyst at Ecobank, Mr. Kunle Ezun, said the supply issue, ban on 41 items from the official forex market and activities of speculators would continue to push the value of the dollar up against the naira. He said, "Sincerely, there is no major thing that one can expect in the parallel market. The only thing that could bring calm to the market is the supply of the US dollar. What we have in the market is basically demand and supply interplay." According to him, the volatility in the parallel market will continue as the importers of the banned 41 items have resorted to the market. "A lot of people in the official market will want to actually maximise the gains on their dollar holding by channelling it through the parallel market," Ezun said. *(Punch)*

Nigeria's government has approved a three-year plan to borrow more from abroad, Finance Minister Kemi Adeosun said on Wednesday after the economy slipped into recession for the first time in more than 20 years. The government has so far disbursed more than 400 billion naira in capital expenditure this year, part of a record 6.06 trillion naira ($30 billion) budget for 2016, Adeosun said last week. But with lower oil prices and attacks on oil facilities, it has struggled to fund its budget, aimed at averting the recession. Data on Wednesday showed Nigeria had slipped into recession and the naira was quoted at a new record low of 420 per dollar on the black market as chronic hard currency shortages continued to hurt businesses. The news sent its dollar bonds down to more than two-week lows. Adeosun said the drop in oil prices had accelerated the recession and that Nigeria had to tackle structural problems that had stoked inflation. She said interest rate hikes were not the answer. "If we rely on oil and the price of oil remains low and the quantity of oil remains low, we can't grow. We have to grow our non-oil economy," she said told reporters in Abuja after a cabinet meeting. Adeosun said the government would look for soft loans in addition to tapping the commercial Eurobond market and that the West African country was negotiating with institutions including the World Bank, China Eximbank, the Development Bank of Japan and the African Development Bank. Nigeria has said it wants to switch its debt mix so that 40 percent of loans would come from abroad, compared with 16 percent now, and extend its debt maturity profile. It plans to borrow as much as $10 billion from debt markets, with about half of that coming from foreign sources and is seeking advisers to manage a $1-billion Eurobond it intends to offer this year. Adeosun said monies from the Eurobond would be spent on power transmission projects, solid mineral development and agriculture. She said the World Bank was providing $150 million for polio immunization. The medium-term borrowing plan, which covers 2016-2019, will now be sent to parliament for approval. *(Reuters)*

Nigeria's naira was quoted at an all-time low of 420 to the dollar on the unofficial market on Wednesday, the same day Africa's biggest economy officially slid into recession. The currency traded at 418 to the dollar on Tuesday and has been under constant pressure on the black market for months. The naira was quoted at 317.09 to the dollar on the interbank market by 1224 GMT, against a 305.5 close on Tuesday. *(Reuters)*

Nigeria, Africa's biggest economy, officially slid into recession for the first time in more than 20 years as the statistics office announced a further contraction in the second quarter of the year. The Nigerian Bureau of Statistics (NBS) said on Wednesday that gross domestic product (GDP) contracted by 2.06 percent after shrinking 0.36 in the first quarter. It said the non-oil sector declined due to a weaker currency, while lower prices dragged the oil sector down. A slump in crude prices, Nigeria's mainstay, has hammered public finances and the naira currency, causing chronic dollar shortages. Crude sales account for around 70 percent of government revenues. Compounding the impact of low oil prices, attacks by militants on oil and gas facilities in the southern Niger Delta hub since the start of the year has cut crude production by about 700,000 barrels per day (bpd) to 1.56 million bpd. The government's 2016 budget assumed 2.2 million bpd. On Wednesday, the statistics office said annual inflation reached 17.1 percent in July from 16.5 percent in June - a more than 10-year high - and food inflation rose to 15.8 percent from 15.3. Nigeria's sovereign dollar bonds fell across the curve to their lowest value in more than two weeks after the NBS released its data. "The Nigerian economy contracted more deeply than we had expected in the second quarter," said Razia Khan, chief economist, Africa at Standard Chartered bank. "With a wider current account deficit it remains important for Nigeria to maintain a credible policy response, in order to attract much-needed stabilizing inflows," she added.

The NBS figures showed Nigeria attracted just $647.1 million of capital in the second quarter, a 76 percent fall year-on-year and 9 percent down from the first quarter. Nigeria's economy was last in recession, for less than a year, in 1991, NBS data shows. It also experienced a prolonged recession from 1982 until 1984. President Muhammadu Buhari was in power for some of that period as a military ruler after seizing power in a December 1983 coup and remained head of state until the military pushed him out in August 1985. The office of the vice president, who oversees economic policy, said in a statement it expected a "better economic outlook" for the second half of 2016 "because many of the challenges faced in the first half either no longer exist or have eased". Niger Delta Avengers, the group claiming responsibility for most of the attacks in the oil-producing region in the last few months, said on Monday it had ceased hostilities. Adeyemi Dipeolu, a presidential economic advisor, attributed the recession largely to a "sharp contraction in the oil sector" caused by the militant attacks. "The rest of the second quarter data is beginning to tell a different story. There was growth in the agricultural and solid minerals sectors," he added. The naira remained at the record low of 418 per dollar hit on Tuesday on the black market, as dollar shortages curb activity on the official interbank market where the currency was offered as rates as weak as 365.25 this month before gaining ground after central bank interventions. *(Reuters)*

The Central Bank of Nigeria (CBN) yesterday reported that activities in the manufacturing sector in the Nigerian economy shed weight by 2 per cent compared with the volume of July.In its Manufacturing Purchasing Managers's Index (PMI) Report, the apex bank said activities declined to 42.1 index points in August 2016, compared to 44.1 in the preceding month, thus confirming an e Arlie's survey conducted by NOIPolls in May which indicated that activities in the sector were on the downward trend. The CBN PMI Report interpreted the August survey thus : " This implies that the manufacturing sector declined at a faster rate during the review period. Of the sixteen manufacturing sub-sectors, fifteen recorded decline in the review month in the following order: nonmetallic mineral products; transportation equipment; petroleum and coal products; fabricated metal products; furniture and related products; cement; appliances and components; printing and related support activities; paper products; computer and electronic products; food, beverage and tobacco products; primary metal; textile, apparel, leather and footwear; plastics and rubber products; and chemical and pharmaceutical products. The electrical equipment sub-sector remained unchanged in the review period," it added . The Statistics Department of the CBN conducts a monthly survey of purchasing and supply of manufacturing and non-manufacturing organisations in 13 locations in Nigeria: two states in each of the six geo-political zones, and the FCT. The survey result is used to compute the monthly Purchasing Managers' Index (PMI). The survey for August , according to the apex bank was conducted August 16th to 24th, 2016, and recorded a response rate of 79.7 per cent, with a total of 1,555 responses received from a sample of 1,950 respondents.

Meanwhile, the Chief Executive Officer of NOI Polls , Dr. Bell Ihua, last week while presenting his organization's survey on the Manufacturing sector survey which she undertook with collaboration with CSEA (Centre for the Study of the Economies of Africa) attributed the fall in manufacturing PMI to a number of factors. These include; unavailability of petrol and diesel, poor power supply, policy inconsistency, and limited access to credit are cited as major challenges facing the manufacturing sector in Nigeria. Majority of the manufacturers surveyed stated that, compared to one year ago, the availability of petrol/diesel (80 per cent), power supply (73 per cent), policy inconsistency (55 percent), and access to credit (49 per cent) have worsened. In addition,, he said about 78 percent of companies revealed they have been negatively affected by the disparity in foreign exchange rates (in the official and parallel markets). This cuts across the different company-size categories as large 83 percent, Medium 76 percent, and Small 78 per cent indicated this negative impact of foreign exchange (forex). This finding is particularly poignant as 52 per cent of sampled companies disclosed that they are highly dependent on imported inputs in their production, and only 25 per cent indicated that the export market was highly important to their turnover. Furthermore, a majority of sampled firms (60 per cent) decried the lack of support within their current business environment; with at least 90 per cent of the firms not operating up to their optimum installed capacity, and 45 per cent operating below 60 per cent of installed capacity.

However, Nigerian Manufacturers are upbeat and have a positive outlook on the economy over the next one year, with 76 percent expecting economic conditions to improve.In summary,, he added : " due to the chronic challenges of infrastructure and inputs, the Nigerian manufacturing sector is yet to transit from a demand-driven regime to a supply-driven regime that is essential for long-run growth. In the present demand-driven regime, population growth estimated at 3.2 percent per year is expected to strengthen local demand and stimulate growth, most notably in the necessities subsectors – food and textiles. The contraction of these two sectors during the period reviewed presents an ominous sign that needs to be carefully analysed and clearly understood. Responses to the poll show that the manufacturing sector remains dependent on the international market, buying inputs many times more than it supplies products to foreign markets. These are some of the key findings from the Manufacturing Sector Survey conducted in May 2016." Among the companies sampled, about 60 percent consider the current business environment unsupportive, with only 31 percent stating that the environment is supportive. Interestingly, the geographical breakdownshows that while companies in the North East (93 percent), North West (73 percent) and South East (68 percent) find the business environment unsupportive; only companies in the South West (65 percent) seem to suggest that the business environment is somewhat supportive. Overall, one a scale of 1 to 5, the average score for the business environment is 2.6 points, which is about average. *(Guardian)*

Nigeria's economic slump deepened in the second quarter as a declining oil industry weighed on output. Gross domestic product in Africa's most populous country contracted by 2.1 percent in the three months through June from a year earlier, the Abuja-based National Bureau of Statistics said in an e-mailed statement on Wednesday, after shrinking 0.4 percent in the first quarter. The median of 17 economist estimates compiled by Bloomberg was for a 1.6 percent contraction. Nigeria suffered a revenue squeeze after oil prices slumped by half since mid-2014, and crude exports fell by over 20 percent in the second quarter as militants in the Niger River delta blew up pipelines and reduced output. This was exacerbated by Central Bank of Nigeria's currency peg that led to a lack of dollars in the economy, curbing imports and causing shortages from fuel to industrial materials. "Oil prices averaged lower in the second quarter compared to the period in 2015 and oil production tanked," Raza Agha, an economist at VTB Capital Plc in London, said in an e-mailed response to questions before the data was released. "The economic backdrop with respect to currency markets, exchange rate and private-sector borrowing continued to deteriorate in the second quarter." The central bank removed its 197-199 naira to dollar peg on June 20 after more than a year, causing the currency to loose more than one third its value.

The Monetary Policy Committee increased its benchmark rate by 200 basis points to 14 percent last month to help prop up the naira and fight inflation that's surged to the highest in more than a decade, even as the economic outlook deteriorated. The slump in oil, the nation's biggest revenue earner, as well as shortages of foreign currency and power could cause the economy to shrink 1.8 percent this year, according to the International Monetary Fund. That would be Nigeria's first full-year contraction since 1991, according to data from the nation's statistics agency. "The worst of the fuel shortages came in the second quarter, which will have hit output," John Ashbourne, an economist at London-based Capital Economics Ltd., said by e-mail before the release of the data. While the government planned to stimulate the economy with a record budget of 6.1 trillion naira ($18 billion) budget this year, it delayed approving the spending plans as President Muhammadu Buhari haggled with lawmaker over allocations. The government collected 1.16 trillion naira in revenue, or about half of what it expected, in the second quarter compared with 1.27 trillion naira in the previous three months, the central bank said in a report Aug. 26. *(Bloomberg)*

Nigeria's annual inflation rose to 17.1 percent in July from 16.5 percent in June, the country's statistics office said. Food inflation rose to 15.8 percent in July from 15.3 percent the previous month, the office added. *(Reuters)*

The Director General of the National Pension Commission (PenCom), Ms. Chinelo Anohu-Amazu, on Tuesday hinted that the total pension assets had hit N5.8 trillion, adding that the commission was targeting to invest 40 per cent of the funds in infrastructure and housing by 2019. She was, however, quick to add that the safety of such investments would not be compromised, as they would require guarantees from government and stakeholders. She said currently, 15 per cent of the assets are invested in infrastructure bonds, five per cent in infrastructure funds, 35 per cent in corporate bonds, and 20 per cent in mutual funds. Speaking in Abuja on "Using Pension Funds for Infrastructure Development to Enhance Inclusive Growth" at an interactive forum organised by the Financial Correspondents Association of Nigeria (FICAN), she also disclosed that a multi-funds investment structure was being put in place to allow people some flexibility in investment choice, taking into consideration age, among others. However, the PenCom boss further revealed that having recovered about N10 billion from employers who had failed to remit pension deductions, the commission had engaged the Economic and Financial Crimes Commission (EFCC) to prosecute employers who criminally deduct pensions without remitting same to Pension Funds Administrators (PFAs). Represented at the forum by the Head, Investment and Supervision Unit, PenCom, Mr. Ehimeme Ohioma, the director general said the prosecution of such employers should begin soon with a "name and shame" strategy.

Nevertheless, she said the unavailability of investment projects remained a major challenge to the investment of pension assets in the country. She identified other constraints to include political risk, policy somersaults, and lack of continuity, adding that less than three per cent of assets are currently invested in infrastructure through state government bonds. She said government and other stakeholders had not really taken advantage of pension assets to develop infrastructure in the country. Anohu-Amazu said as part of efforts to deepen pensions, a micro-pension scheme was being finalised to provide opportunities and products targeted at over 50 million people in the informal sector of the economy. She said the proposed infrastructure projects should, however, be commercially viable and self-financing or able to generate cash flows to repay overtime while bid/concession processes must be open and transparent. She added that political risks must be guaranteed for projects by the federal government or the IFC/World Bank and African Development Bank (AfDB) to effectively tap into pension funds for infrastructure development. *(This Day)*

Tanzania

Corporate News

No Corporate News This Week

Economic News

THE government has officially launched entrepreneurship and competitive centre pledging to create conducive environment for entrepreneurs to thrive in business and stimulate economic activities as well as helping to create jobs and trade opportunities. This was said in Dar es Salaam at the weekend by the Minister of State, Prime Minister's Office responsible for Policy, Parliament, Labour, Employment and People with Disabilities, Ms Jenista Mhagama at the launch of Tanzania Entrepreneurship and Competitiveness Centre (TECC). "The government recognises and supports various efforts of stakeholders in the private sector geared at promoting small, medium enterprises to contribute effectively in economic growth," she said. She urged other companies and institutions to assist the centre for the benefit of citizens of Tanzania. TECC is jointly formed by Tanzania Private Sector Foundation (TPSF), the National Economic Empowerment Council (NEEC) and the Commission for Science and Technology (COSTECH). On his part, Barclays Bank Tanzania Marketing and Corporate Relations, Mr. Aaron Luhanga has urged development stakeholders in the country and beyond to extend a helping hand to TECC. He said there is every reason to support TECC which has required expertise but lack resources for carrying out its mandate. "Let us support this centre for the development of our nation," he said. TECC seeks to become a leading centre of excellence in the promotion of entrepreneurial innovation and competitiveness in Tanzania. The bank had in the recent past enabled rolling out one of TECC's program called Kijana Jiajiri in Morogoro Region. The program aims at developing entrepreneurship among youths in the country targeting those with 18-35 years.

Apart from Morogoro, the program is also being implemented in Dar es Salaam, Lindi and Mtwara regions in collaboration with a United Kingdom's based Youth Business International (YBI) and sponsored by a joint venture of five international oil and gas companies working in Tanzania which include BG, Statoil, ExxonMobil, Ophir and Pavilion Energy. A Chairperson of TECC Board of Trustees, Ms Beng'i Issa said, "It is through science, technology and innovation that will enable us to produce more quality products and compete in the market," She said TECC is a crucial partner for NEEC in the process of empowering citizens through business. A member of the TECC board of trustees and the Executive Director for TPSF, Mr. Godfrey Simbeye said his organisation will continue supporting the centre. "It is a huge challenge for TECC to reach all needy entrepreneurs in the country and offer them education," he said in his comments read on his behalf by TPSF Director of Membership Services, Mr. Louis Accaro. Another member of the centre's board of trustees, Dr Hassan Mshinda said citizens' participation was crucial if science, technology were to bring changes in the country. "Development in technology goes hand in hand with competitiveness and this is where innovation becomes crucial," Dr Mshinda who is also COSTECH's Director General said while promising to provide all necessary help. He urged other stakeholders to emulate and help the centre. *(Daily News)*

I**NVESTORS' appetite for treasury bills has started to pick up to register over-subscriptions after weeks of poor performance largely due to liquidity squeeze in the circulation.** In the short term government paper auctioned by the Bank of Tanzania (BoT) on Wednesday shows that total bids of 207.25bn/- were tendered compared to 139bn/- offered to the market for bidding and at the 134.35bn/-became successful amount. Yield rates declined across all tenures but did not affect the performance of the short term government note to attract more bids, the situation implying the easing liquidity squeeze in the market. The two tenures 364 and 182 days contributed about 99 per cent of the total bids while 91 and 35 shared less than one per cent. The 364 and 182 days offer attracted bids worth 129.32bn/- and 77.57bn/- respectively against 75bn/-and 50bn/- offered to the market for bidding while the 91 days offer attracted 358.36m/-. Yield rates for the 364 and 182 days offer was 15.86 per cent and 15.68 per cent compared to 15.91 per cent and 15.73 per cent respectively of the previous session held two weeks ago. The 91 days tenure interest rate was 7.46 per cent compared to 7.54 per cent of the preceding session. The highest and lowest bid/100 for the 364 and 182 days offers were 88.10/83.51 and 93.00/ 87.75 respectively while for the 91 and 35 days tenor had 98.20/98.15. The minimum successful price/100 for the 364, 182 and 91 days offer were 85.90, 92.66 and 98.15respectively. The weighed average price for successful bid for the 364 tenure was 86.34, the 182 days offer was 92.75 and 91 days offer was 98.17. Major investors in the one year treasury bills are commercial banks, pension funds, insurance companies and some microfinance institutions. *(Daily News)*

Zambia

Corporate News

The Copperbelt Energy Corporation has posted a profit of K275 million in the first six months of 2016, up from K225 million record for the previous period. The increase in profits is mainly attributed to increased power sales to the DRC mines and increased sales at its telecoms unit. Revenue at half year increased by 40% from K2.252 million to K3.776 million. This is mainly on account of increased power sales to the DRC mines. This is according to the company's half year financial results released yesterday. CEC however recorded a net loss of K1.669 million compared to a net loss of k571 million the previous period. "Net loss is mainly attributed to an exchange loss of ZMW 1.140 million arising from the devaluation of the Naira on USD borrowing and bad debt provision of K516 million," it said. In March 2016, the Company paid a total of K163 million in dividends. "The macroeconomic environment in Nigeria continued to pose some challenges to the Group's operations as well as low commodity prices which impact on our customers' liquidity and ability to meet their financial obligations. The depreciating Naira resulted in increased foreign exchange risk, translating into a loss of K1.140 million," it said. "Operationally on the Zambian end, the business continued to operate under the partial force majeure under the Bulk Supply Agreement with our main power supplier and the respective Power Supply Agreements with our mine customers.

This entails that we can only access 70% of our power requirements from Zambian sources while the rest of our requirements have to be sourced outside of the country." The company said it is expected that this regime will continue until year end. "The challenges relating to low commodity prices on the global market have led to some of our customers scaling back on their operations with the effect that our power sales are down by about 16% in Zambia. We expect higher demand to return mid to end 2017 when projects that a number of our customers have been implementing begin to draw power," it said. The firm said further, loss of sales on the Zambian market during this period has been more than made up for through its power sales to the DRC market. "In this regard, the business continued to grow on the international power trading segment."*(Lusaka Times)*

Economic News

ZAMBIA'S construction market is likely to record more growth in the second half of this year as investor confidence has been restored after the August 11 elections, Lafarge has predicted. In the build-up to elections, most investors held on to their investments waiting to see the outcome of the process, thereby negatively affected the construction sector. Lafarge Zambia chief executive officer Emmanuel Rigaux said the construction sector's growth in the first half slowed as a result of investor uncertainty due to the elections. "The market environment in the second half is expected to continue to be challenging both on pricing and volumes, although the end of the electoral period in Zambia may bring back some growth in the construction markets," Mr. Rigaux said in the company's financial report for the half-year ended June 30, 2016. In the period under review, however, the company continued to operate in a very difficult environment characterised by tight liquidity, market contraction and competitive pressures in the domestic market. He said both the Ndola and Lusaka plants strongly reduced their cash costs compared to the first half in 2015 from almost K200 million to about K38.2 million, despite additional power costs.
Mr. Rigaux, however, said the firm recorded a reduction in profit before interest and tax from K266 million in 2015 to K49 million in 2016. He said the company continued to adjust its cost base to remain competitive and fully leveraged the group synergy initiatives in the first half. Currently, there are three cement producers namely, Lafarge, Dangote and Zambezi Portland. "Large contracts such as Kenneth Kaunda International Airport and Kafue Gorge Lower among other, continued focus on export as well as the roll out of our new franchise network [Kumanga] should help us mitigate the difficult market conditions in Zambia itself in the coming months," he said. *(Lusaka Times)*

THE Kwacha is expected to continue its impressive performance benefiting from offshore conversions earmarked for the bond tender that took place last week, financial market players say. First National Bank (FNB), Zanaco and Cavmont Bank notes that the Kwacha's performance has continued to be positive against major convertible currencies. FNB says despite the continued strong performance of the local unit, the market could, however, turn fairly quickly. In its daily newsletter, the bank says currently, most foreign exchange demand is being delayed as importers bet on the rate coming off further. "The build-up of demand makes the current downward trend vulnerable to sudden directional change. Levels of K9.80/K9.90 would not be beyond reach," the newsletter reads. Zanaco also says the Kwacha is likely to stay strong against the United States (US) dollar in the near term, supported by tight local currency liquidity while demand for the greenback is expected to remain sluggish. In its daily treasury newsletter, the bank says the local unit is expected to trade in the range of K9.30 and K9.50. On Tuesday, the Kwacha extended its strong trend against the greenback backed by strong demand for the local unit arising from tight monetary policy and by a sell-off of dollars by market players. The local unit opened trading at K9.65 and K9.70 and later appreciated to trade around K9.60 and K9.65 through much of the day and closed at K9.50 and K9.55 on bid and offer respectively as corporate interest in the Kwacha dominated. Similarly, Cavmont Bank in its markers report says the Kwacha continued to perform positively against the dollar on Tuesday following increased support from sellers and exporters. The Kwacha closed at K9.50 and K9.55 which was K0.1 stronger than the opening level of K9.65 and K9.70. On the commodities market, the copper price edged up yesterday 0.4 percentage point to US$4,625.50 a tonne, according to Reuters. *(Daily Mail)*

Zambia plans to cut subsidies as agreed with the International monetary Fund, with talks on an aid package at an advanced stage, a presidential spokesman said on Tuesday. "The money that is being injected into subsidies will be invested in growth areas of the economy," presidential spokesman Amos Chanda told a media briefing. Chanda said the IMF had indicated in talks with the government that the aid package would amount to around $1.2 billion dollars and negotiations would resume as soon as a new cabinet was appointed. Depressed global commodity prices have slashed Zambia's receipts for copper, its top export, and caused a 9 percent fall in the kwacha currency against the dollar since April, exposing the economy's over-reliance on the metal. The government shares the IMF's concerns about the huge amounts of money being spent on subsidies, Chanda said, but would not implement measures that would hurt the poor. "There will be no austerity measures that will be accepted that will increase the cost of health care. There will be nothing that will be accepted that will make life for the poor more miserable than it is now," Chanda said. Fitch rating agency said on Aug. 25 that the opposition's decision to challenge Zambia's Aug. 11 election results would delay agreement on IMF support although a programme was still possible after groundwork done earlier this year. Zambia's main opposition leader Hakainde Hichilema has filed a court petition challenging President Edgar Lungu's re-election at the helm of the southern African country, saying the vote was rigged. Lungu has rejected the accusation.Lungu said on Aug. 18 that Lusaka and the IMF had reached broad consensus on the key areas of an aid programme for Zambia, but did not elaborate. *(Guardian)*

THE Bank of Zambia (BoZ) witnessed an impressive bond auction that was over-subscribed by about K1.7 billion last week, as the Kwacha continues to be strongagainst the United States (US) dollar. Financial analysts say that the overwhelming response in the bond auction signals a huge appetite for financial securities. "We received a lot of interests from offshore investors as previously the people [investors] were hold back their investments maybe because of elections [that where held on August 11]," an analyst from Cavmont Bank's treasury department said in an interview yesterday. The bond auction was over-subscribed by 217.19 percent. Oversubscribed is a term used for situations in which a new security issue, such as a stock or bond, is under-priced or in great demand by investors. When a new security issue is oversubscribed, underwriters or others offering the security can adjust the price or offer more securities to reflect the higher-than-anticipated demand. In its daily market report, Cavmont Bank says, "Friday's bond auction was over-subscribed with K2, 537.48 million being bid for out of the K800 million which was being offered." However, the bank says yield rates for the five and seven years tenor reduced to 25.87 percent and 25.75 percent from 27.88 percent and 28.98 percent respectively.

Meanwhile, the Kwacha is likely to remain strong in the interim, with demand and supply being the major drivers of its performance. The local unit closed trading at K9.60 and K9.65, K0.150 stronger than the day's opening rate. On Monday, the Kwacha consolidated its gains further against the dollar on the back of increased month-end greenback conversions from corporate sellers and exporters who were looking to settle local obligations. The Kwacha/dollar pair opened at K9.75 and K9.80 in early trade and by the afternoon, it was being quoted at K9.69 and K9.74. Zanaco in its daily treasury newsletter also says the local unit yesterday was expected to trade in a tight band as dollar demand from importers is offset by traditional month-end inflows. The Kwacha is anticipated to trade in the range of K9.60 and K9.90. Similarly, First National Bank in its market update says the local currency is expected to continue with the appreciating trend until corporate month-end obligations are met. "We expect the Kwacha to continue being bullish [strong], with trades in the range of K9.60 and K9.70 today [yesterday]," the bank says. *(Daily Mail)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

Zimplats has reported net earnings of $7 million, from an annual loss of $74 million last year, driven by an increase in sales volume of more than 50 percent. Sales volumes for the platinum group metals (4E — platinum, palladium, rhodium and gold) grew by more than 50 percent from 381,849 ounces to 582,833oz in the full year to June 30, driving revenue up 16 percent to $471 million. The increase in volumes resulted in improved operating cash cost per platinum ounce from $1,551 previously to $1,197. "It is a small amount but it is a positive development coming from a big loss in the previous year," said chief executive Alex Mhembere after presenting the results on Wednesday. The prior year results were negatively affected by the write-off of assets worth $38,5 million after a section of its Bimha Mine collapsed. Metal prices during the year were however lower with gross revenue per platinum ounce declining from $2,167 to $1,638. Cost of sales increased from $316 million last year to $391 million as selling and distribution expenses more than doubled to $5,2 million largely due to the sale of concentrates which attract higher transport charges. Administrative expenses however, fell from $41,8 million to $35,9 million after several cost containment initiatives. The miner also received a 2.5 percent export incentive from the Reserve Bank of Zimbabwe (RBZ), on export proceeds received in Zimbabwe for the month of May amounting to $1,1 million. The central bank introduced an export incentive scheme in May to promote the export of goods and services to enhance inflows of foreign currency. These will will be paid out in 'bond notes', which will be introduced in October. *(Source)*

Stanbic Bank Zimbabwe first half profit remained unchanged at $10,5 million for the half year to 30 June 2016, as net interest income growth offset a decline in fees and commissions after a central bank directive to reduce bank charges. Net interest income was 11 percent up to $23 million from $20,8 million in the comparable period in 2015. "The bank's performance during the period under review has been largely driven by the 11 percent growth in our net interest income from $20,8 in June 2015 to $23,1 million as an additional interest earning assets were acquired," said chairman Sternford Moyo in a statement. Fee and commission income declined by 12 percent to $15,6 million from $17,8 million, largely due market-wide cash shortages as well as a bank charge reduction ordered by the central bank towards the end of the first half of 2016. The bank said its core capital stood at $95,3 million, against the current regulatory threshold of $25 million. Stanbic is on course to achieve the $100 million minimum capital threshold ahead of the 2020 deadline. Stanbic said its loan-to-deposit ratio deteriorated from 57 percent to 44 percent as its customer deposit base grew from $474 million to $625 million. Loans and advances remained at the same levels at $253 million (2015:$252 million) as the bank restrained lending in an increasingly fragile economy. Non-performing loans grew by 12 percent to $6,5 million from $5,8 million as at December 2015. Assets increased by 21 percent to $755 million from $595 million in December 2015. *(Reuters)*

Zimbabwe's largest gold miner, Metallon Corporation, has allocated 288 mining claims around its Redwing Mine in Mutare to local community groups as part of its empowerment programme, an industry official has said. The move is also expected to help curb illegal mining activity in the area. Redwing, which is ramping up production after resuming operations last November following an eight-year hiatus, agreed to give out nearly 12,000 hectares to community groups in Mutare. "Redwing Mine officially agreed to give out 11,560 ha to community groups which include women, war veterans, youths, business community and the Zimbabwe Miners Federation (ZMF). This translates to 288 claims," said ZMF chief executive officer, Wellington Takavarasha. Takavarasha said Mines and Mining Development minister Walter Chidakwa had also requested for an additional 500 claims, a proposal which has been forwarded to the Metallon board. The allocation of gold mining claims to the local community would also help reduce illegal gold mining activities which have become rampant in the area, he added. Redwing, which reopened last November, produced 2,300 ounces of gold in the second quarter, maintaining the previous quarter's output levels. Management says the group has allocated nearly $2 million for exploration activities at Redwing. Redwing's parent, Metallon, reported a 9 percent increase in second quarter production to 22,565 ounces, driven by higher output at its flagship operation, How Mine. The group targets 120,000 ounces in gold production for 2016. Metallon also operates mines in Mazowe, Shamva and Acturus, which was mothballed early this year after a string of losses. *(Source)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

GOLDEN Leaf Tobacco Zimbabwe has launched its Rudland & George (RG) cigarette brand targeting at least a 10% market share and sales The company is a wholly-owned Zimbabwean entity that has been operating in South Africa for the past 15 years and has finally launched its cigarette brand into the market. Speaking to NewsDay on the sidelines of the launch on Wednesday, Golden Leaf Tobacco country manager Tanaka Matimbe said they had observed that many cigarette packs were looking old and took this as an opportunity to launch something fresh into the market. "In the cigarette business we, talk of sticks. So we are looking at selling three million sticks a month with a projection of us going over 150 million sticks a year. We are only three weeks in the market and our projection is that we would want to have at least 10% of the market in the sub premium segment over the next two years, thereafter, get about 30% of the market," he said. "The uptake has been great. People love the new pack and we have improved on the smoke on what we have seen on the market. So the quality is good and the price is affordable. "To our trade partners, there is a good margin for them and they are taking it and loving it. So we foresee ourselves growing rapidly at rate we did envisage. The menthol has taken off well, people have loved it as it is a smooth smoke." The new cigarette packs come in RG menthol, RG high-flyers and RG toasted in colours of green, blue and red respectively. The recommended retail prices for the products are $1,40 for the RG Red, $1,75 for the RG Blue and $1,50 for RG menthol or green. Matimbe said the company's mark-up would be 12% of the retail prices. Golden Leaf Tobacco buys its tobacco locally from the auction floors, with 70% of their product coming from local sources. *(News Day)*

Economic News

Zimbabwe has banned all demonstrations in the capital Harare for the next two weeks because they are likely to cause public disorder, according to a government notice issued on Thursday. President Robert Mugabe's opponents have become emboldened by rising public anger over an economic meltdown, cash shortages and high unemployment. Violence erupted last Friday when police fired teargas at opposition leaders and hundreds of demonstrators. The government notice said the police decided to impose a 14-day ban on all forms of protests in the capital after an assessment by the police commander for Harare, district Chief Superintendent Newbert Saunyama. People who organise or participate in demonstrations during the period could be fined and jailed for up to a year. Saunyama declined to comment further, while national police spokeswoman Charity Charamba said she had no details. Douglas Mwonzora, legal secretary for the National Electoral Reforms Agenda which was planning a march on Friday to present demands to the electoral commission, said the protest had been postponed to September 17. "The notice is definitely unconstitutional but there is not enough time to challenge it and get a judgment before the demonstration tomorrow, so we decided to postpone it," Mwonzora said. Opposition parties say the electoral commission is biased in favour of the ruling ZANU-PF and is run by security agencies loyal to Mugabe, charges the commission denies. Mugabe, 92, has led Zimbabwe since independence from Britain in 1980. *(Reuters)*

Zimbabwe's annual broad money supply growth rate increased from 12.5 percent in May 2016, to 13.1 percent in June 2016 driven by an increase in demand deposits, latest data from the central bank have shown. Broad money supply (M3), a measure of the money in circulation which includes physical currency and demand deposits, stood at $5, 1 billion in June 2016 just shy of the $5 billion recorded in May 2016. "The annual growth in money supply was driven by increases in demand deposits which grew 28.7 percent, over 30- day deposits and savings deposits which grew 13.9 percent and 10.3 percent respectively," said the central bank in latest monthly economic report. Partially offsetting the increases was a decline of 24.1 percent in short term deposits. Demand deposits constituted 54.6 percent of total deposits followed by over 30-days deposits at 19.1 percent; under 30-days deposits 13.2 percent and savings deposits, 12.9 percent. Bond coins accounted for 0.2 percent. Total banking sector credit registered an annual growth of 13.3 percent in June 2016, down from 16.4 percent in May 2016. On a monthly basis, domestic credit increased by 1.6 percent, from $5, 6 billion in May 2016 to $5, 7 billion. Year-on-year, credit to the private sector declined by 4.5 percent to $ 3, 5 billion in June 2016, from $3, 7 billion in June 2015. Month-on-month, credit to the private sector also decreased by 0.7 percent in June 2016. "On a sectoral basis, households took up 23 percent, agriculture 18.3 percent, distribution 13 percent, services 17.1 percent, manufacturing 15.6 percent, mining 5.2 percent, transport and communications 2.8 percent and construction 1.4 percent," said the central bank. *(Source)*

THE Infrastructure Development Bank of Zimbabwe (IDBZ) plans to raise $250 milllion by 2018 from local and international investors for recapitalisation purposes. The bank seeks to become self-financing, leveraging its balance sheet to raise lines of credit, quasi capital and medium-to-long-term for investments in priority infrastructure projects. Speaking at the banks' analyst briefing yesterday, chief executive officer Thomas Sakala said: "Yes, we are being ambitious. We are the only infrastructure-focusing institution in the country. So we need to raise our level of ambition and make meaningful contribution, there are challenges, but we will be looking at partners locally, regionally and internationally." Sakala said the country required $36 billion for infrastructure, according to the World Bank. He said the bank had a mandate to provide infrastructure and in the past 18 to 24 months, they worked on Marimba, Clipsharm and Waneka housing projects. Sakala said IDBZ would work towards providing infrastructure and sanitise homes as well as looking for partners who can provide mortgages for the superstructure, adding the $50m energy bond had been fully subscribed for power projects. He said the bank floated a rights issue of $3m and should be completed by year end. IDBZ finance director (projects) Cassius Gambinga said the bank was expecting to close the year at a break-even point and to remain profitable in 2017 going forward.

For the half year ended June 2016, the bank posted a profit of $170 000 compared to a $1,84m loss that was posted in the same period last year. This has been attributed to stable long-term loans funded by bonds. Total income was $2,96m from $3,94m in 2015 due to Public Sector Investment Programme funding. Gambinga also attributed the low incomes to delays in housing implementation projects. He said the company has a major exposure in the energy sector from Zimbabwe Power Company and Zimbabwe Electricity Transmission and Distribution Company of $44m. During the half year, loan impairments for the group went down to $520 000 from $620 000 due to haircuts on restructured exposures and general provisions. The bank's expenses were down by 50% to $2,94m from $5,85m due to cost management measures. *(News Day)*

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