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

				WTD % Change		YTD % Change	
Country	Index	28-Mar-14	4-Apr-14	Local	USD	Local	USD
Botswana	DCI	8,946.45	8,979.00	0.36%	0.53%	-0.82%	-1.48%
Egypt	CASE 30	8,251.83	7,707.11	-6.60%	-6.71%	13.63%	12.93%
Ghana	GSE Comp Index	2,386.39	2,381.87	-0.19%	-1.77%	11.03%	-2.28%
Ivory Coast	BRVM Composite	240.61	245.12	1.87%	1.79%	5.65%	5.66%
Kenya	NSE 20	4972.45	4908.75	-1.28%	-1.18%	-0.37%	-0.45%
Malawi	Malawi All Share	12,727.48	12,988.73	2.05%	2.48%	3.65%	5.58%
Mauritius	SEMDEX	2,092.40	2,102.08	0.46%	0.54%	0.30%	0.40%
	SEM 7	405.87	408.08	0.54%	0.62%	1.10%	1.20%
Namibia	Overall Index	1,085.89	1,098.90	1.20%	1.48%	10.22%	8.73%
Nigeria	Nigeria All Share	38,331.78	38,712.76	0.99%	1.49%	-6.33%	-8.22%
Swaziland	All Share	284.32	284.32	0.00%	0.28%	-0.47%	-1.82%
Tanzania	TSI	2,936.72	2,949.37	0.43%	0.77%	3.72%	1.02%
Tunisia	TunIndex	4,585.18	4,597.29	0.26%	0.13%	4.93%	8.82%
Zambia	LUSE All Share	5,688.15	5,814.49	2.22%	3.79%	8.71%	-2.60%
Zimbabwe	Industrial Index	175.94	176.36	0.24%	0.24%	-12.74%	-12.74%
	Mining Index	25.51	28.53	11.84%	11.84%	-37.69%	-37.69%

CURRENCIES

Cur-rency	28-Mar-14 Close	4-Apr-14 Close	WTD % Change	YTD % Change
BWP	8.72	8.70	- 0.16	0.67
EGP	6.95	6.96	0.12	0.62
GHS	1.87	2.68	1.61	13.62
CFA	476.18	476.58	0.08	- 0.01
KES	85.24	85.16	- 0.10	0.08
MWK	406.76	405.05	- 0.42	- 1.83
MUR	29.02	28.99	- 0.08	- 0.10
NAD	10.66	10.63	- 0.28	1.37
NGN	163.61	162.82	- 0.49	2.06
SZL	10.66	162.82	- 0.28	1.37
TZS	1,603.79	1,598.33	- 0.34	2.67
TND	1.58	1.58	0.13	- 3.58
ZMW	6.23	6.13	- 1.52	11.61

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's economy grew 3.6 percent quarter-on-quarter in the fourth quarter of 2013 from a revised 0.3 percent in the third quarter, data from the statistics office showed. On a year-on-year basis, GDP expanded 4.7 percent in the final three months of last year, compared with a revised 6.9 percent in the previous quarter, Statistics Botswana said. *(Reuters)*

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt's Finance Minister said on Sunday spending on energy subsidies next year will be 10-12 percent above the 130 billion Egyptian pounds ($18.66 billion) budgeted for the current fiscal year, unless immediate reforms are made. Successive governments have stressed the importance of reducing energy subsidies, which account for more than 20 percent of state spending, but none have taken concrete steps to do so. Finance Minister Hany Kadry Dimian did not say whether any reforms would be implemented during the next fiscal year that begins in July, according to state news agency MENA. Dimian said restructuring of the subsidy system needed to involve price increases and "rationalising distribution quotas". A growing population and a decline in the pound have steadily pushed up the subsidy bill in the past two years. Last year's energy subsidy bill was more than 120 billion Egyptian pounds ($17.22 billion), up from 115 billion the previous year. *(Reuters)*

Egypt's current account deficit narrowed to $755.8 million between July and December from $4.9 billion in the same period of 2012, the central bank said on Monday. The current account had recorded a surplus of $757 million between July and September, boosted by billions of dollars in aid from Gulf Arab states that pledged financial support to Egypt after the army deposed President Mohamed Mursi. *(Reuters)*

Egypt's cabinet on Wednesday approved the use of coal for power generation after a fierce debate within the government over whether the highly pollutant fuel should be permitted for use by the energy-intensive cement industry. Struggling to avoid public unrest over blackouts, the government has cut natural gas supplies to factories, prompting cement companies to renew their demand to use the fuel. Companies including Lafarge and Suez Cement, which lists Italecementi as its main shareholder, have said the industry is operating at half capacity since the gas cuts began in January. Government spokesman Hani Salah said no approval from the interim president was required since the decision was taken by the cabinet and is not a law. Asked when companies would have the green light to use coal, he said that "most environmental studies" had already been conducted and predicted it would "not be very long" before plants would be using coal. Suez Cement CEO Bruno Carre told Reuters last week one of the company's four plants could be ready to run on coal by September. Environmentalists say the use of coal as energy would be catastrophic for Egypt, which already has one of the worst pollution levels in the world. *(Reuters)*

Ghana

Corporate News

The after-tax profit margin for Ghana Commercial Bank (GCB) has reached 229 million Ghana cedis for 2013. This represents a 60 per cent jump from the 142 per cent recorded for 2012. GCB also witnessed some strong growth in most areas of its operations as interest income reached 552 million Ghana cedis in 2013 compared to the 376 million Ghana cedis in 2012. Deposits from customers increased from 2.3 billion Ghana cedis to 2.6 billion Ghana cedis. GCB's total assets now stand at 3.4 billion Ghana cedis for 2013. According to the financial statement released so far by the listed bank, GCB might be the most profitable bank in the country with the 229 million Ghana cedis profit after tax beating, Standard Chartered Bank profits of 208 million Ghana cedis, ECOBANK's profit after tax of 190 million Ghana and Barclays Bank Ghana Limited's profit of 143 million Ghana cedis. *(Ghana Web)*

Economic News

Ghana's central bank kept its benchmark interest rate unchanged, while raising the cash reserve requirement for lenders to help curb inflation and bolster the worst-performing African currency this year. The Monetary Policy Committee left the rate at 18 percent, Governor Kofi Wampah told reporters today in the capital, Accra. That was in line with the forecasts of five out of nine economists surveyed by Bloomberg. The rest had predicted an increase of 1 to 2 percentage points, following a 200 basis-point raise at an emergency meeting in February. "The committee is of the view that the impulses of the recent monetary policy hike are still working through the system," Wampah said. "The reserve requirement is meant to achieve quicker results. It's not a tool we use often." Ghana is struggling to curb inflation that's surged to a four-year high, fueled by a currency that lost a fifth of its value against the dollar last year and has already plunged 12 percent since the beginning of January. "The risk to inflation remains high," Wampah said. "We did discuss raising the rate, it was a very tough decision." The rate increase on Feb. 6, which came a day after introducing currency controls, didn't stop Fitch Ratings from lowering Ghana's debt outlook last week to negative from stable, five months after downgrading the rating by one level to B, the fifth-highest non-investment grade.

Consumer prices rose 14 percent in February from a year earlier. The inflation rate probably won't drop into the central bank's target band of 9.5 percent, plus or minus two percentage points, until the end of the first half of 2015, Wampah said. Policy makers today raised the amount of cash as a proportion of deposits that commercial lenders must hold in reserves to 11 percent from 9 percent to help curb liquidity and ease inflation. The move will probably have more of an immediate effect on the cedi than raising the policy rate, Yvonne Mhango, an economist at Renaissance Capital in Johannesburg, said by phone. "They have still tightened but have opted not to use the policy rate," she said. The new requirement "withdraws local currency from the market. In reducing the supply of the cedi it does help improve the value of the cedi." The cedi fell 0.4 percent to 2.7 against the dollar at 2:01 p.m. in Accra. Growth in West Africa's biggest economy after Nigeria's is expected to slow to 4.8 percent this year from 5.5 percent in 2013, according to the International Monetary Fund. *(Bloomberg)*

Kenya

Corporate News

South Africa's Tiger Brands has ditched its bid to acquire a Kenyan flour miller and bakery for Sh2.1 billion following sharp differences on the valuation of the business. The Johannesburg Stock Exchange-listed firm pulled the plug on the Rafiki Millers and Magic Oven Bakeries buyout a month after the competition watchdog cleared the takeover. Tiger had then reported it was scouting for fresh buyout deals. The collapse of the deal will be a blow for Tiger Brands — which owns a 51 per cent stake in Haco Industries — delaying the company's efforts to diversify its product range and replicate the South African model where it is involved in flour milling, bakery and breakfast cereals. "There was a divergence of opinion on matters relating to the closing of the transaction and the parties mutually agreed to cancel the transaction," Tiger Brands said in a statement. "We remain open to appropriate opportunities in Kenya and East Africa." Tiger Brands' interest in Kenya's bakery market is meant to tap into the region's growing middle class and its increased spending on breakfast and pastries. READ: SA's Tiger Brands acquires Kenya miller for Sh2bn. The company is a maker of bread, breakfast cereals and energy drinks as well as personal care and household products such as body cream, deodorants, shampoos, air fresheners, bleach, and mosquito repellents. The takeover setback comes at a time listed miller Unga Group is in talks to purchase Ennsvalley Bakery in a share swap estimated at Sh446 million.

Private equity firm Fusion Capital last week injected Sh245 million in the acquisition of a 45 per cent stake in GAL Baking Services, highlighting the increasing interest in Kenya's bakery and milling industry. Tiger Brands reckons the fast growing urbanisation and changing lifestyles in Kenya have created demand for breakfast cereals and bakery products such as baguettes, crumpets and croissants. Analysts at Standard Investment Bank (SIB) said Tiger Brands' acquisition of Rafiki unravelled after owners of the Kenyan business demanded a bigger deal. "South Africa's Tiger Brands withdrew from discussions to buy Rafiki Millers and Magic Oven Bakeries following what is thought to be high asking prices," SIB said in a research note. "Delay in the transaction suggests that valuations may also be generous." Tiger Brands disclosed in its 2013 annual report that it was in talks to acquire Rafiki Mills and Magic Oven in a deal valued at $25 million (Sh2.15 billion). *(Business Daily)*

Safaricom chief executive Bob Collymore is facing hard options, following last Friday's approval of his company's quest to acquire rival yuMobile's assets under tough conditions. Mr Collymore has to carefully weigh the possible impact of some of the set conditions on Safaricom's business against any advantages the firm may derive from taking over yuMobile's assets. Telecoms sector regulator the Communications Authority of Kenya (CAK) on Friday set 13 conditions that Safaricom, Airtel and Essar's yuMobile must meet to complete the planned takeover of assets – key among them the opening up Safaricom's M-Pesa agency network to rival operators. Francis Wangusi, the CAK director-general, told a Press conference that approval of the deal now depends on "Safaricom and Airtel submitting to the authority, for approval, a framework for sharing agent outlets for various mobile consumer services including money transfer services and SIM registration centres." "Approval of the buyout now depends on the three operators. Unless these conditions are met we are not going to approve the transaction and the faster they respond to the conditions the quicker we will conclude the matter," he said. Safaricom has previously opposed such a move, arguing that building the network has taken it years of hard work and billions of shillings thus making it hard to take its rivals on board for a free ride. "We invest in excess of Sh1.2 billion annually in building and maintaining the M-Pesa agency network to serve our customers better," said Nzioka Waita, Safaricom's director for corporate affairs, adding that by growing the agency network, Safaricom has demonstrated that there is ample opportunity for its rivals to recruit and invest in their own agents as a show of their commitment to creating jobs for young Kenyans. Safaricom's ring-fencing of the M-Pesa agency network from penetration by rivals has been so intense and effective that some of the telecoms operators have sought legal and regulatory action on the matter.

Second-placed telecoms operator Airtel has, for instance, filed a complaint with the Competition Authority seeking to compel Safaricom to allow its agents to offer Airtel money services alongside M-Pesa – by far Kenya's most successful mobile money service. The regulator's decision to tie Safaricom's buying of yuMobile assets to the opening up of the M-Pesa network to rivals means Mr Collymore must weigh the value of the assets that are up for sale against what his company gets from exclusive control of the M-Pesa network. Successive studies have shown that besides remaining as one of Safaricom's fastest growing business lines, M-Pesa has been an invaluable asset to Safaricom when it comes to retention of customers, especially more recently as the market allowed easy migration of subscribers with number portability. Most of Safaricom's subscribers have found it difficult to change service providers mainly because of the inconvenience they would suffer accessing mobile money in a market that is more than 70 per cent controlled by M-Pesa. *(Daily Nation)*

ARM Cement Ltd, Kenya's second-biggest cement producer, reported a 12 percent increase in full-year pretax profit, helped by a vibrant economy attracting foreign companies to build factories. ARM, which trails Bamburi Cement Ltd in capacity, also took advantage of a boom in construction to house a burgeoning middle class. Last year, pretax profit reached 2 billion shillings ($23.17 million) and earnings per share increased to 2.73 shillings from 2.52 shillings, the company said in a statement. *(Reuters)*

Conditions set by Kenya's telecom regulator for the sale of Essar's mobile phone assets to Safaricom and Airtel are "onerous" and could scupper the deal, the chief executive of Safaricom said. Safaricom, which has a commanding lead in the market, teamed up with the second -largest operator Airtel in a joint bid worth $100 million for the assets of Yu Mobile, the No.3 operator owned by India's Essar Telecoms which is quitting Kenya. The regulator, the Communications Commission of Kenya, approved the deal last Friday provided 12 conditions were met by Safaricom and Airtel, including increased sharing of their infrastructure to boost fairness in the industry. "I would say the terms are pretty onerous," Safaricom CEO Bob Collymore told Reuters on Monday, saying there was a less than 50 percent chance the deal would now go through. "I can't afford to be keeping my finance and legal team tied up in this thing, so if we don't have a clear way forward in the next three weeks then we are walking away from it," he said, adding other investors could be deterred by tough regulations. One of the conditions set by the regulator included opening up distribution outlets, transmitters and other aspects of infrastructure to competitors. If the deal goes through, Safaricom would get base stations and other infrastructure to improve its network quality, while Airtel would get Yu's 2.7 million subscribers, about 7.1 percent of the market. Airtel held a 17.6 percent share in September. Collymore said the main rationale for Safaricom, which is 40 percent owned by Britain's Vodafone, was to acquire additional spectrum or frequencies used for calls.

"Spectrum is always a rare commodity for an operator," he said. Safaricom, which has 66.5 percent market share and the biggest share of total traffic, has the same amount of spectrum as others, causing the network quality to suffer especially in the capital Nairobi where there are more users. Kenya's mobile market could face further changes. Telkom Kenya, controlled by French firm Orange, the smallest operator by users, is reviewing its business. Collymore said a price war and lowering of the rate that operators pay each other for calls ending on their network, called the mobile termination rate, had eaten into profits. "The market failure has been driven by low termination rates," he said. "These prices are lower than anywhere else in Africa...It is not sustainable." Safaricom will keep investment steady at 27 billion shillings ($311 million) in the financial year starting March, mainly in network infrastructure to keep up with a doubling of data usage in the past 12 months and 30 percent rise in voice traffic. This would not curb dividend payments set at 85 percent of profit, which were 15.9 billion shillings at the half-year mark. "There is nothing to buy so cash is being paid out as dividend," he said. "Could we move past 85 percent? Potentially," he added, without giving further details. *(Reuters)*

The African Export-Import Bank (Afreximbank) said on Tuesday it was in the second phase of a $1.9 billion financing for Kenya Airways, providing funding for 10 Boeing aircraft as the national carrier ramps up its fleet. Kenya Airways, which is 26.73 percent owned by Air France-KLM, picked Afreximbank in May 2012 to arrange financing for the purchase of ten Embraer-190 planes, nine Boeing 787-800 Dreamliners and one Boeing 777-300ER. The first phase of the financing, which consists of pre-delivery payments to the aircraft manufacturers, was concluded last November with the delivery of all the Embraer jets. The first of the Boeing Dreamliners is due to arrive next month, and the rest by July 2015. Kenya Airways will deploy the first on its Paris route as part of a strategy to expand its European routes currently being served by ageing Boeing 767s. Among the largest carriers in Africa, Kenya Airways is ramping up its fleet as part of a 10-year strategic plan premised on ferrying passengers and cargo into and out of Africa through its Nairobi hub. Afreximbank co-ordinates the financing which also involves Citigroup and JP Morgan Bank. *(Reuters)*

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Kenya's TransCentury has sold its 34 percent stake in Rift Valley Railways to Egypt's Citadel Capital, it said on Tuesday. TransCentury held a stake in Rift Valley Railways (RVR), the operator of the Kenya-Uganda railway line, through its subsidiary Safari Rail Company and sold the shareholding to Citadel Capital's subsidiary Africa Railways. The sale, whose value was not disclosed, lifts Africa Railways' ownership in RVR to 85 percent. *(Reuters)*

Kenya's Mumias Sugar has suspended its chief executive Peter Kebati while it investigates the firm's sales and distribution deals, the company's chairman said on Wednesday. Dan Ameyo told Reuters the board had asked Kebati and Commercial Director Paul Murgor to "step aside" while it conducts the investigations. "We have suspended them for two months to enable us to carry out a comprehensive audit of our sugar sales and distribution," Ameyo said. *(Reuters)*

Fuel marketer Total Kenya returned to profit last year, boosted by a reduction in financing expenses, the company said on Thursday. The group made a full-year pretax profit of 2.1 billion shillings ($24.26 million), up from a pretax loss of 64 million shillings in 2012. A stable macroeconomic environment and expected return on planned investments make the board "confident of a positive return in line with the growth strategy" this year, the company said. Total Kenya, part of French oil major Total, reported that finance costs decreased by 1.28 billion shillings to 279 million shillings, helped by a 5.2 billion shilling injection from the Total group in 2012. The company said it had won several contracts to supply the industry with refined products, helping to increase gross sales by 29 percent to 155 billion shillings. Earnings per share rose to 2.08 shillings in 2013, reversing a loss per share of 0.32 shillings last year. The company proposed an increased dividend of 0.60 shillings per share, against 0.20 shillings for 2012.*(Reuters)*

Economic News

The Kenyan shilling is set to shuffle in a narrow range against the dollar this week as central bank efforts to mop up liquidity offset possible demand from oil importers, traders said on Monday. At 0752 GMT, commercial banks quoted the shilling at 86.40/60, little changed from Friday's close of 86.40/50. "Outlook is again depending on CBK (the Central Bank of Kenya). If they are still in the market mopping up shillings, we could see the shilling strengthening a bit," said Andlip Nazir, senior trader at I&M Bank. "And today is the last day of the month and of course demand is slightly depreciating so we could see the shilling slightly strengthening, maybe staying range-bound."
The central bank has regularly drained excess liquidity from the money markets in recent weeks, mopping up a total 16.25 billion shillings ($187.41 million) last week. Removing excess liquidity makes it relatively costlier to hold onto long dollar positions, which in turn helps strengthen the shilling. Traders said they were still seeing some dollar demand from oil importers. "We do expect now oil companies to start coming through to the market in the new month. So I would say I would see the shilling boxed in a range, largely unchanged," a senior trader at one commercial bank said. The shilling has gained 0.2 percent against the dollar so far this year. *(Reuters)*

The government has issued an operating licence to Nigeria's Dangote Cement, paving the way for the conglomerate to establish a $400 million (Sh34.4 billion) plant and crank up the pressure on existing producers. Mining secretary Najib Balala announced this Tuesday at a press briefing where ministers gave accounts of their operations. The entry of Dangote Cement—owned by Africa's richest man Aliko Dangote— is set to further raise competition and cut margins in the local and regional cement market. Industry sources said two plants are coming up in Rwanda, three in Dar es Salaam and Arusha, one in Burundi and another in Jinja, Uganda. Industry statistics show that cement prices have shrunk to a 12-year low due to the glut caused by new players. Analysts have linked the sharp drop to a price war that has intensified with the entry of new players such as National, Savannah and Mombasa. Dangote is widely tipped to either invest in Kitui or the Coast where vast amounts of limestone and other relevant minerals are plenty. "The investment is fine if they follow the same process as others: there are a lot of community issues but if they play on a level playing ground without getting special status that is alright," said Pradeep Paunrana, the Kenya Association of Manufacturers incoming chairman. Mr. Paunrana is the CEO of ARM Cement that plans investing in Kitui. He also hoped the firm would not operate as an offshore investor and tilt the balance in terms of tax payments against others. ARM hopes to invest billions to start construction of a plant in Kitui to produce 8,000 tonnes of cement daily. Other established Kenyan cement firms are also expanding their production. "While new entrants have succeeded in using discount pricing as a tool to segment the market, it is only a matter of time before intense rivalry cuts across the entire market," Standard Investment Bank (SIB) said in a research covering the cement industry. SIB said the outlook for cement firms' margins was disappointing, noting that the industry's margins hit an all-time low of 22.1 per cent in 2012. *(Business Daily)*

Kenya plans to set up a sovereign wealth fund to invest revenue from future output of oil that Tullow Oil Plc (TLW) and Africa Oil Corp. (AOI) expect to start pumping as soon as 2016, central bank Chairman Mbui Wagacha said. The country's attorney general is "fine-tuning" a draft framework for the fund, which will shield the economy from cyclical changes in commodity prices, build savings for future generations and be used to invest in infrastructure, he said. "We are unique in Kenya in that we are setting up our sovereign wealth fund prior to the phase of exploitation of natural resources," Wagacha told reporters today in the capital, Nairobi, according to a live television broadcast. "The resources that we own today also belong to our future generations." Tullow, which together with partner Africa Oil found Kenya's first crude in 2012, said in February the government considers the start of production and exports as a "national priority." The companies are working with the government on a plan to start field development and export pipeline construction as soon as next year. Kenya is also seeking to develop its mining potential to derive more income from an industry that represents less than 1 percent of gross domestic product, according to government data. The country is the third-biggest producer of soda ash and it has deposits of minerals including coal, gold and gemstones. Explorers include Base Resources Ltd., Goldplat Plc (GDP) and Cortec Mining Kenya Ltd., a unit of Pacific Wildcat Resources Corp.

The government will announces changes to income tax laws that will target the extractive industry in the next budget for the financial year through June 2015, Treasury Secretary Henry Rotich said today at the same briefing. Kenya began reorganizing its tax rules to raise revenue by broadening the number of goods subject to the 16 percent value added tax last year and streamlining customs procedures with other members of the five-nation East African Community, said Rotich. The next phase of the tax-system review in 2014-15 will also focus on "cleaning up" excise levies, he said. "On the income tax what we are doing is to include some of the things that have been missing there; the target is to include the extractive industries and we have not finalized the design of that," he said. "Some of these things we will be introducing in the next budget." *(Bloomberg)*

The Kenyan shilling drifted in a narrow range on Friday as some commercial banks bought dollars to cover short positions ahead of the weekend, trader said. By 0830 GMT, commercial banks were quoting the shilling at 86.60/70 to the dollar, compared with Thursday's close of 86.55/65. "Trading volumes are low. There will be a bit of covering of interbank positions, so that puts a bit of pressure on the shilling," said Kenya Commercial Bank trader Nahashon Mungai. The central bank said on Friday it was seeking to take out 12 billion Kenyan shillings from the money market to drain excess liquidity. The bank has frequently absorbed liquidity over the past few weeks after overnight borrowing rates tumbled, making it a bit cheaper for banks to fund long dollar positions, which in turn put pressure on the shilling. On Thursday, the central bank mopped up 8.45 billion shillings using seven-day repurchase agreements at a weighted average rate of 8.36 percent. It had originally sought 6.2 billion shillings. Traders forecast the shilling would trade in a narrow band of 86.40 to 86.80 range in coming days. "It's just interbank activity interbank driven. I haven't seen much in terms of corporate activity." said a senior trader at another commercial bank. *(Reuters)*

Kenyan lenders look set to chalk up more bad debts after they ticked up last year as higher rates bit and payments were withheld from government contractors during the east African country's political transition. But the short-term pain may herald long-term gain as another factor has been added to the bad loan mix - stricter enforcement by the central bank of its own prudential rules. This holds out the promise of greater transparency as investors will obtain a more accurate view of the state of the books and the quality of bank debt. "It will be very clear when looking at the numbers that these are the true numbers of non-performing loans, and therefore when reviewing a bank you can take a bolder position," said Francis Mwangi, an analyst at Standard Investment Bank. He also said a more no-nonsense enforcement would help ensure banks are more prudent when it comes to lending. "Much more importantly, it means banks have to be watchful about their lending practices." Kenyan lenders reported 80.6 billion shillings ($932.33 million) in non-performing loans last year, 5 percent of total lending, up from 4.7 percent in the previous year, according to the central bank. Analysts said the data, although no cause for alarm, opened the banks up to increased scrutiny, after five years of stellar growth in which some lenders doubled their loan books. "It is something that one needs to continue assessing especially as credit is picking up," said Ragnar Gudmundsson, the International Monetary Fund's representative in Kenya. Bankers partly blame the stricter application of central bank rules on debt tolerance for the rise in known bad debts. Joshua Oigara, chief executive of KCB Bank, and his counterpart at Equity, James Mwangi, said they were now required to write back distressed loans once they had been serviced for six months, up from a period of three in the past. Other sources in the banks who did not wish to be named said what had really happened was that the central bank had started ensuring that rule, which was always on the books, was now being followed more closely. The end result will be a rise in bad loans - or a more accurate reflection of the situation. "(Bad debts) are obviously going to grow because of the new regulations," said Ochieng Oloo, publisher of Kenya's annual banking survey. Central Bank Governor Njuguna Ndung'u said the rule on reporting of bad debts was always contained in the prudential guidelines, declining to comment on whether enforcement had been stepped up in 2013.

Tighter regulations or stricter enforcement compounded the trailing effects of the country's macro-economic shocks of 2011, which sent commercial rates rocketing past 25 percent, and the impact of a political transition after elections in March. KCB, which is the largest lender by assets in East Africa's largest economy, said its non-performing loans jumped to 8.1 percent last year from 6.7 percent. Equity, ranked as the biggest bank by the number of depositors, saw its bad debts jump to 5.19 percent from 3.1 percent in the previous year. Oigara said some KCB customers faced difficulties after government payments were delayed by several months. The outgoing government of then-president Mwai Kibaki stopped paying contractors well before the March 2013 election to prevent irregularities - such as payments for goods never supplied - while attention was diverted by the transition. President Uhuru Kenyatta took several months after his April swearing -in ceremony to form a proper government, meaning contractors were only paid in the fourth quarter. The delays had a knock-on effect on the sensitive building and construction sector, Oigara added. Executives in the industry said they were hopeful their bad debts would start to fall with this chapter behind them. "By June, we are very confident that NPLs will come back to around 4 percent or below 4. Most of them have started performing but we are unable to mark it as performing because we have to wait for six months," Mwangi, the CEO of Equity, said. He said he expected the bank to close this year with bad debts at the traditional level of around 3 percent. Oloo, the publisher of the banking survey, cast doubt on this sort of benign forecast. "With the high interest rates that were there, there is a pack of non-performing loans that many banks are holding at the moment and it will take a while before banks are able to get them out of their books."

Habil Olaka, chief executive of the Kenya Bankers Association (KBA), defended the lenders, saying there was no cause for concern. "We haven't even developed a trend yet," he said, adding the numbers were for just one year. He also blamed the rise in bad debts on banks diversifying to tap into high-yield segments like lending to small and medium enterprises (SMEs) "where the real opportunities are". "The downside is that you are bound to incur more exposure to credit risk," he said. KCB has been shifting to lending to SMEs and consumers in a bid to diversify its loan book, which is traditionally focused on big firms who borrow in dollars and pay low interest rates. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

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Mauritius

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WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Nigeria's Unilever said on Friday its 2013 pretax profit fell to 6.9 billion naira ($41.9 million), down 15.5 percent from 8.2 billion naira a year ago. The household product maker said turnover increased to 60 billion naira during the twelve months to December 2013, from 55.54 billion naira the previous year, it said in a filing with the Nigerian Stock Exchange. Unilever said it will pay a dividend of 1.40 naira per share on May 17. *(Reuters)*

Nigeria's Diamond Bank said on Friday its 2013 pretax profit rose to 32.1 billion naira ($194.5 million), lower than its guidance, but up 17 percent from 27.5 billion naira a year ago. The mid-tier bank last April forecast 2013 pretax profit to hit 35 billion naira. [ID:nL6N0G73IW] Gross earnings at the bank rose to 143.12 billion naira during the twelve months to December 2013 versus 112.35 billion naira the previous year, it said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Shareholders of Nigerian Aviation Handling Company Plc (Nahco aviance) are to share N443 million for the year ended December 31, 2013. The audited results of the company showed growth in revenue and profit. Consequently, the directors recommended a dividend, which is higher than what was declared the previous day. Nahco aviance reported revenue of N8.1 billion in 2013, up 9.4 per cent from N7.3 billion in 2012, with a growth of 423 per cent in other income from N111 million to N579 million, boosting the profit before tax (PBT) and profit after tax (PAT) of the company. While PBT rose from N736 million to N930 million, PBT grew from N593 million to N759 million. The directors recommended a dividend of N443 million, which translated to 30 kobo, compared to 25 kobo paid the previous year. Market operators, who commended the increase in the dividend, noted that shareholders should expect more in the years ahead given the efforts of the company to diversify its income stream. Nacho aviance recently obtained a licence to operate a free trade zone(FTZ) at its facility located at the Murtala Muhammed International Airport (MMIA), Lagos. The Managing Director/CEO of the company Mr. Kayode Oluwasegun-Ojo, explained the FTZ would enable Nahco aviance diversify its operations into non ground handling areas. "This is a significant step towards diversification. There is a subsidiary company which has been put in place to operate the free trade zone. The diversification and expansion of Nahco is on course. "Specifically, we want the free trade zone for three things – for the country, for Nahco and the aviation industry. It will provide the opportunity for us to bring in things in a borderless environment. Secondly, FTZ will increase, significantly, the traffic into Nigeria and the status of Nigeria as an aviation cargo hub. Of course, it will also give us much more cargo business because you can do transhipment and all," he said. According to him, the FTZ will also enhance Nigeria's export, adding that the FTZ will give us the opportunity to have enough cargo for export. *(This Day)*

United Bank for Africa (UBA) Plc grew its loan book by 42 per cent to N937 billion for the year ended December 31, 2013, from N659 billion in 2012. The bank attributed the growth to several big ticket transactions carried out in 2013 especially in the power, oil and gas sectors. According to the Group Managing Director /Chief Executive Officer of UBA, Phillips Oduoza, the bank in 2013 committed $700 million in funding to the power sector privatisation exercise in Nigeria, financing different investors to acquire the power assets divested by the Federal Government of Nigeria. Some of the major deals, he said, included $120 million (N19.44 billion) financing of Transcorp Ughelli Power Plant. He added that the bank also acted as Mandated Lead Arranger, underwriting the entire facility of $122 million (N20bn) for Kann Utilities' acquisition of the Abuja Electricity Distribution Company, financing the payment of 75 per cent acquisition of 60 per cent equity stake in Ikeja Electricity Distribution Company. "The bank also threw its financial weight behind Aura Energy for the acquisition of Jos Electricity Distribution Company, acting as the lead arranger for N9.6 billion to finance the payment of 75 per cent of Aura's 60 per cent equity stake in Jos Electricity Distribution Company," he said. Uduoza disclosed that UBA also successfully arranged debt financing of $68 million as well as secured equity investment from a strategic and technical investors for the acquisition of the Shiroro Hydroelectric Power Plc by North South Power Company Limited. Analysts were also impressed with the bank's lending process as despite the significant in lending portfolio, the bank has been able to reduce the incidence of non-performing loans on its books well below the industry average and regulatory threshold. The bank's financial results shows that non-performing loans averaged 1.19 per cent in 2013, one of the lowest in the banking industry and well below the regulatory threshold of five per cent. UBA's full year results showed gross earnings of N264 billion in 2013 from N220 billion in 2012 while profit stood at N56.06 billion. Oduoza had said the bank's customer-focused, corporate banking and treasury led business model drove its success for the year. He said: "UBA had a good performance for full year 2013. This performance puts us in a position to continue to pursue our goal to achieve industry leadership in the medium term. We were also able to gain considerable strides in our project Alpha initiatives by improving customer service delivery and leveraging our balance sheet to participate in emerging growth sectors of the economy." *(This Day)*

THE Board of Directors of Zenith Bank Plc has approved the appointment of Peter Amangbo as the Managing Director/Chief Executive Officer-designate of the bank, with effect from June 1. Amangbo takes over from Godwin Emefiele who has been appointed the Governor of the Central Bank of Nigeria (CBN). The appointment is however subject to confirmation by the apex bank. Amangbo has over two decades of experience with Zenith Bank, gaining experiences in Corporate Finance and Investment Banking, Business Development, Credit and Marketing, Treasury, Financial Control and Strategic Planning and Operations. He was appointed to the board of the bank and its subsidiary companies in 2005 and was a pioneer Non-Executive Director of Zenith Bank UK. Before joining the banking industry, he was a senior consultant with PriceWaterhouse where he covered assignments in financial services, manufacturing and general commerce. Amangbo, according to a statement from the bank, "brings the experience and expertise to meet the current competitive banking challenges that require constant innovation through proven leadership and team-building skills, an exceptional ability to drive product, process and customer service improvements and a talent for building partnerships with key business decision-maker. "He also has demonstrable ability to motivate, mentor and lead talented senior professionals and to direct cross-functional teams and was part of the team that drove the strategic planning and successful execution for positioning the bank as one of the best in the country. His exemplary leadership continues to make significant contributions to the banks growth." As an Executive Director of Zenith Bank for the last nine years, Amangbo was responsible for the supervision of corporate and commercial banking, corporate finance, trade services and all the subsidiaries of the bank. He is also a member of the Board of Directors of Zenith Insurance Ltd, Nigeria, Zenith Pensions Ltd, Nigeria, Zenith Capital Ltd, Nigeria and Zenith Bank, UK. He was a member of the board of Interswitch Nigeria Ltd from 2005 to 2007. Amangbo is an alumnus of INSEAD and a Fellow of the Institute of Chartered Accountants of Nigeria. He holds an MBA from the Warwick Business School and a B Eng in Electrical and Electronics Engineering from the University of Benin. He took courses on Strategic IQ Program, Strategic Thinking and Management for Competitive Advantage and Execution in Action - The Art of Turning Strategy into Action at the Harvard Business School, Wharton School of Business and HSM, New York respectively. *(Guardian)*

The Chief Executive officer of Transnational Corporation of Nigeria (Transcorp), Mr. Obinna Ufudo, yesterday told shareholders that the company is targeting a profit before tax of N30 billion. Ufudo stated this while responding to questions by the shareholders at the 8th Annual General Meeting of company held in Lagos. Transcorp recorded a profit before tax of N9 billion for 2013 and recommended dividend of about N5 billion for the first time since its existence. The CEO said though the N30 billion profit target which was set by the board is ambitious, he assured shareholders that the management would deliver, saying the company is now in the phase two of its turnaround.

"The first phase was essentially to grow our business lines. As you know, in our first two years, what we tried to do is stabilise the enterprise. We made investment in power plant and others. Our vision is for Transcorp is to be leading Nigerian conglomerate in key sectors that can contribute to growth of the economy. We have chosen those sectors to be hospitality, energy and agriculture," he said. Ufudo said in the power business, the company will focus on concluding the rehabilitation of a number of identified turbines in toe to improve generating output at Ughelli plat to 700 megawatts. "Our oil and gas business will witness a speedy take-off as we expect to finalise negotiations of the production sharing contract of OPL281 with the Department of Petroleum Resources. We will embark on aggressive drilling camping for commercial production before the end of 2014," he said. In the area of hospitality business, he said, construction of Transcorp Hilton, Ikoyi, will commence this month (April). In his address, Chairman of Transcorp, Mr. Tony Elumelu, said the past year was outstanding. "We have launched new businesses and projects and have expanded existing ones. The fruits of our efforts have become visible and are rightly being acknowledged by different stakeholders including the investing public," he said. According to him, the company looks forward to 2014 with a high degree of confidence, adding "As Nigeria's only vehicle for mass participation in key growth sectors, we feel a special responsibility in what we do and how we do it. We look forward to continuing to reward our stakeholders," Elumelu declared.*(This Day)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

WiITH a stake of $250 million, Seven Energy Limited, a wholly-owned subsidiary of Seven Energy International Limited, the integrated oil and gas development, production and gas distribution company with interests in Nigeria, has completed the acquisition of the entire issued share capital of East Horizon Gas Company Limited ("EHGC). With the acquisition, Seven Energy hopes to enhance its position as a leading gas marketing and distribution company in south east Nigeria, expanding the reach of its gas pipeline network to over 260 km, while diversifying its customer base across key sectors of the Nigerian economy as well as increasing long-term contracted gas sales volumes to 200 MMcfpd. EHGC is a gas distribution and marketing company that operates the 128 km East Horizon gas pipeline through Akwa Ibom State and Cross Rivers State in south east Nigeria. EHGC also has a gas sales agreement with an industrial offtaker to supply up to 25 million cubic feet of gas per day (mmcfpd), increasing to 50 mmcfpd upon completion of the planned expansion of the offtaker's existing plant, under a 20-year gas sales agreement expiring in 2032. Commenting on the acquisition, Phillip Ihenacho, Chief Executive Officer of Seven Energy said "This acquisition marks a significant milestone for Seven Energy as we continue to deliver on our strategy to become the market leading independent gas distributor in south east Nigeria. The East Horizon pipeline is an important component of the energy infrastructure of the region and we are pleased to add this asset to our portfolio." The aggregate consideration of up to US$250 million will be payable by way of an initial payment of US$100 million in cash; the assumption of existing liabilities of EHGC, including approximately US$62 million of bank indebtedness; and deferred payments due on achievement of certain operational and contractual conditions that are expected to enhance the long term profitability of EHGC. It is expected that these operational and contractual conditions will be satisfied during first half of 2014. The cash component of the consideration is being funded using a new Accugas Limited medium-term loan facility of up to US$170 million and from SEIL's internal cash flows.(*Guardian)*

Nigeria's Diamond Bank said on Wednesday it will seek shareholders' approval to raise additional capital up to $750 million or its naira equivalent at its general meeting on April 24. In a notice to shareholders, the bank said a portion of the fresh capital will come from a rights issue to existing shareholders, without saying how much. *(Reuters)*

Nigeria's Fidelity Bank said on Wednesday its pretax profit fell to 9.03 billion naira ($54.75 mln) in 2013 from 21.34 billion naira the previous year. However, the mid-tier lender increased gross earnings to 126.9 billion naira from 119.1 billion naira in 2012, it said in a statement. Fidelity Bank proposed a dividend of 0.14 naira per share, which it will pay on May 2, down from 0.21 naira paid a year ago, but unchanged from the 0.14 naira paid in 2012 and 2011, according to Thomson Reuters data. *(Reuters)*

The Debt Management Office (DMO) has concluded arrangements to raise between N200 billion ($1.21billion) and N280 billion ($1.70billion) from the sale of FGN bonds in Q2 2014, its provisional calendar has revealed. Analysis of the calendar for the quarter showed that the DMO plans to offer three-year paper (13.05% Aug '16s) and 10-year instruments (14.20% Mar '24s) in the quarter. Additionally, the DMO also plans to launch a new 20-year benchmark in May and reoffer it in June this year. Experts believe the modest increase from the range of N200 billion in the previous to N270 billion is as a result of the continued delay of this year's budget. "The FGN and the National Assembly have still not agreed on the 2014 budget. Their priorities are very different, and recent party political changes in the make-up of the assembly are potentially a complicating factor, "said analysts at FBN Capital. On if the DMO can achieve its target for Q2, the analysts stated: "In Q1 the DMO raised N265 billion (gross), and we expect it will achieve its Q2 programme comfortably. Its last problematic auction came in June 2013 when it offered N85 billion and sold just N21 billion because the first bombshell from the US Federal Reserve on tapering had pushed up bids to levels it was not immediately prepared to accept." They added: "The total monthly bid averaged N163 billion in 2013 and N182 billion in Q1 2014. Local institutions have limited alternative investment choices. The offshore community will struggle to find equally attractive returns in emerging markets of comparable liquidity although some investors have exited as a result of tapering and on concerns for the naira exchange rate."The DMO has set a medium-term target of a 60/40 mix for the domestic and external debt of the FGN. Principally it has been guided by the rising cost of domestic debt service to N664 billion in the 2014 budget as well as the rate differential which favours foreign currency borrowing. *(This Day)*

New acquisitions made by FBN Holdings Plc during the 2013 financial year is presently frustrating timely submission of its year end reports and accounts for December 31, 2013 to the Nigerian Stock Exchange, NSE. Usually, quoted companies are required to submit their year end financial statement to the NSE latest three months after the end of the financial year. FBN had late last year concluded transaction for the acquisition of West African banking assets of International Commercial Bank (ICB) Financial Group Holdings in Ghana, Guinea, Gambia and Sierra Leone. It had also said at that time that it hoped that Senegal's transaction will also be completed by February 2014 on the receipt of regulatory approval from Banque Centrale des Etats de l'Afrique de l'Quest (BCEAO). In a notice to the NSE, the bank said that difficulty in finalising the accounts of the newly acquired West African subsidiaries is the cause of the delay being experienced in submission of its 2013 result. According to the bank, the non-finalisation of the subsidiaries accounts is delaying conclusion of the Group audit. It, however, said that the result would be ready for submission by April 15, 2014 when it might have finished harmonisation of the various accounts. "This is to enable the completion of the statutory review of the accounts of First Bank of Nigeria Limited and FBN Holdings Plc by the Central Bank of Nigeria," it said. It will be recalled that the bank had experienced similar challenges in submission of its third quarter result for September, 2013, which was later released on December 31, 2013. Explaining the delay then, the chairman, Mallam Bello Maccido, had attributed it to the changing structures of the Group. He added that the nine months result could not be released until it was approved by the Central Bank of Nigeria, CBN. "The holding company and the subsidiaries have a common year end that ends by December 2013. So as a holding company, our primary source of revenue is the dividend that comes from the individual subsidiaries, which we receive and in turn declare to our shareholders. The reason for the nine months audit is to ensure that all the subsidiaries get their accounts audited, get the necessary approvals and pass our dividend to us before December 3Ist. Dividends to shareholders will be distributed after the approval and publication of the full year 2013 results of FBN Holdings. *(Vangaurd)*

Seven Energy International Limited and its wholly-owned subsidiary, Accugas Limited have closed a $170 million 5-year medium-term acquisition finance facility with FBN Bank (UK) Limited and Ecobank Nigeria Limited. FBN Capital Limited acted as the structuring bank, sole initial mandated lead arranger, and financial modelling bank, as well as global facility coordinator, while Aluko & Oyebode acted as the lender's legal counsel. Royal HaskoningDHV Nederland BV represented the lenders on environmental and technical due diligence matters. Also, UUBO and Addleshaw Goddard acted as the Borrower's local and international legal counsels respectively. FBN Capital in a statement yesterday said the facility part-finances the acquisition of the entire issued share capital of East Horizon Gas Company Limited for a total consideration of up to $250 million. Commenting on the transaction, the Managing Director/Chief Executive Officer of FBN Capital Limited, Mr. Kayode Akinkugbe, said: "FBN Capital is very proud of the instrumental role it played in assisting Seven Energy to structure and arrange the financing for the acquisition." He went further to state that the: "FBN Holdings Group feels a strong sense of responsibility towards fostering growth in the power, gas pipeline and oil and gas sectors and we will continue to deploy our extensive debt arranging experience and structuring expertise in executing robust transactions in record time." n his part, Director and Head Debt Solutions, FBN Capital Limited, Patrick Mgbenwelu, said: "We appreciate the responsibility and trust Seven Energy has placed with FBN Capital to advise and arrange the financing for the acquisition of EHGC. "FBN Capital remains committed to further strengthening this relationship and supporting Seven Energy in realising its various financing goals and objectives." Speaking on the transaction, the Chief Executive Officer, Seven Energy, Phillip Ihenacho, said: "This is a landmark transaction for us. We are delighted to expand our midstream operations in Nigeria with this investment. "It is a perfect fit to our strategy of investing in core midstream infrastructure assets in the south east region of the country. I would also like to thank the entire team for their achievement in bringing this important financing transaction to a close." The Chief Financial Officer, Seven Energy, Bruce Burrows, commended the Lenders, FBN Bank (UK) Limited and Ecobank Nigeria Limited, for their support, and in particular, their dedication to ensure that the completion of the EHGC acquisition process was in line with the sponsors' timetable. *(This Day)*

Global rating agency, Fitch Ratings, has assigned Zenith Bank Plc's $1 billion Global Medium Term Note (GMTN) programme a Long-term rating of 'B+' with a Recovery Rating of 'RR4' and a Short-term rating of 'B'. The recovery rating was in accordance with Fitch's soft cap for Nigeria," the agency explained in a statement yesterday. Fitch noted that there is no assurance that notes issued under the programme "will be assigned a rating, or that the rating assigned to a specific issue under the programme will have the same rating as the rating assigned to the programme." Furthermore, it explained that the programme's ratings aligned with Zenith Bank's Long-term Issuer Default Rating (IDR) of 'B+/Stable' and Short-term IDR of 'B', which Fitch affirmed on 4 March 2014. "The programme ratings are sensitive to a change in Zenith's IDRs. The recovery rating is also sensitive to a change in Fitch's assumption regarding recoveries in the event of a default," it added.

Meanwhile, shareholders of Zenith Bank yesterday approved the N54.943 billion recommended for the 2013 financial year at the bank's 23rd Annual General Meeting (AGM) held in Lagos. Having recorded a profit after tax of N83.414 billion for the year, the directors recommended a dividend of N54.943 billion, which implies N1.75 per share.

Speaking at the AGM the shareholders commended the board and management of the bank for the impressive results. They also expressed happiness over the appointment of the bank's Group Managing Director/Chief Executive Officer, Mr. Godwin Emefiele as the next Governor of the Central Bank of Nigeria (CBN). According to them, the appointment clearly showed the confidence reposed in the management generally and Emefiele in particular. The shareholders also commended the succession plan in the bank, which has seen Mr. Peter Amangbo emerge as the GMD designate. "When Jim Ovia left, people were saying the bank might not do well. But Emefiele took the bank to an enviable height and now he has been appointed the CBN governor. Peter Amangbo, who has been an executive director, has been made the new MD. "This is a good succession plan showing the solid foundation Ovia laid for the bank. We are happy and expecting Amangbo to surpass the performance of Emefiele," Dr. Faruk Umar of Association for the Advancement of the Rights of Nigerian Shareholders (AARNS) said. In his address, Chairman of Zenith Bank, Steve Omojafor, said despite the challenging operating environment, the bank exploited the opportunities which translated into another excellent performance. "These results are once again, an eloquent testimony to the sound financial health of our bank and group. For the bank's total deposits was N2.079 trillion, representing 15 per cent increase over the previous year's figure of N1.802 trillion," he said. Looking forward, Omojafor said "as a bank, we are continuously monitoring developments both in the local and global economy and applying pragmatic solutions to remain on top." *(This Day)*

Economic News

The total amount of Deposit Money Banks' (DMBs') reserves with the Central Bank of Nigeria (CBN) stood at N3.7 trillion at the end of February, 2014, the central bank has said. According to the latest central bank money and credit statistics for February, the amount represents a decrease of N116 billion, compared to the N3.816 trillion recorded in January 2014. Bank reserves are DMBs' deposits with the central bank that are not to be lent out. It is held as part of risk management measures. The amount is expected to rise further as a result of the Monetary Policy Committee (MPC) decision to raise the Cash Reserve Requirement (CRR) for private sector deposits to 15 per cent. Data from the central bank as at December 2013 showed that out of the N7 trillion available funds, private sector deposit represented approximately 53 per cent, translating to N3.7 trillion. Applying the 300 basis points increase by the MPC means that about N111.1 billion would be quarantined from the financial system when the policy is implemented. Meanwhile, the data showed that broad money (M2), which generally is made up of demand deposits at commercial banks and monies held in easily accessible accounts declined further to N15.318 trillion as at February, from N15.465 trillion recorded in January. On annualised basis, the drop in broad money translated to a contraction of 13.42 per cent as against a growth target of 15.52 per cent for fiscal 2014. Also, Narrow Money (M1), which includes all physical monies such as coins and currency along with demand deposits and other assets held by the central bank also fell from N6.754 trillion the previous month, to N6.663 trillion in the review month. In addition, currency outside banks reduced from N1.333 trillion to N1.258 trillion in the month under review, while demand deposits which are funds held in an account from which deposited funds can be withdrawn at any time without any advance notice to the depository institution also reduced slightly to N5.375 trillion as at February, from the N5.420 trillion recorded in January. But credit to the private sector increased slightly from N16.668 trillion, to N16.373 trillion. Net domestic credit grew marginally by 0.86 per cent in February 2014, translating to an annualised growth rate of 5.15 per cent. The annualised growth in net domestic credit was significantly lower than the provisional benchmark of 28.5 per cent for fiscal 2014. The sluggish growth in aggregate credit was traced mainly to the decline in Federal Government, borrowing which contracted by 2.02 per cent in February 2014 or 12.14 per cent on an annualised basis. During the review period, money market interest rates remained within the Monetary Policy Rate corridor, oscillating in tandem with the level of liquidity. *(This Day)*

Nigeria's sugar industry is recording huge growth following the decision of four key players to pump $2.570 billion into the industry. This development follows on sharp increases in demand to 2 million metric tonnes (MT) as at the end of 2013, from 1.5 million MT recorded by the end of 2012, information from the National Sugar Development Council (NSDC) has shown. Dangote Sugar is coming up with $2 billion investment in six states in the country through its recently acquired Savannah Sugar plc in Numan, Adamawa State, North-East Nigeria. Its target is 1.5 million MT and expansion from current 6,500 hectares (ha) to 21,000 ha to produce 100,000 tonnes of sugar annually by 2018. HoneyGold Group, on the other hand, is to invest $300 million on two sites in Adamawa State, with the target of producing 200,000 tonnes of sugar annually; while Crystal Sugar Mills is currently investing $30 million to expand its operations to produce 60,000 tonnes of sugar per annum from its acquired 1,500 TCD sugar plant at Hadejia, Jigawa State. "Confluence Sugar Company is investing $240 million in Kogi State to produce 200,000 tonnes sugar per annum on about 37,000 ha of land at Ibaji," said Latif Busari, executive secretary, NSDC, in a recent release in Abuja. Similarly, the NSDC said total national sugar demand rose to 2 million MT as at end of 2013, from 1.5 million tonnes in 2012; while refining capacity utilisation rose to 75 percent, from 60 percent in the same period. Raw sugar imports dropped to 800,000 MT from 1.4 million MT. Africa's second-largest economy with $262 billion size and population of 168.8 million has great growth potentials and market. But its sugar industry was badly neglected in the past, with most of the demand met by imports. In 2010, while consumption was 985,675 MT, local production was merely 30,000 MT. Importation was 955,675, but this came with a huge cost of $482,615,875. In 2011, consumption rose to 1,139,410 MT, while production was merely 35,000 MT. Incidentally, importation totalled 1,104,410 MT as cost of these imports reached $657,123,950. However, in 2012, consumption became 1,108,980 MT, whereas production fell abysmally to 10,843 MT. Importation during this year was 1,098,137 MT as this cost the country a total of $517,222,527. Similarly, while per capita consumption was 7.1 MT in 2010, it was 7.6 MT in 2011 and 6.6 MT in 2012, data from NSDC has shown. "Nigeria has abundant natural resources actually to support sugar growth, but it was abandoned down the line because Nigeria had too much focus on oil," said Abdullahi Sule, managing director, Dangote Sugar Refinery, at an International Sugar Organisation (ISO) conference recently. However, the trend is changing as backward integration and other favourable government policies have driven investors – such as Dangote (which acquired 95 percent of Savannah Sugar), Bua, HoneyGold, among others – into huge investments in sugarcane, which is a basic raw material in sugar manufacturing. According to findings, sugarcane farmers, who previously complained of low patronage, are now encouraged to adopt modern and mechanised methods through extension services. "Nigeria's growing urban population and rising income levels are likely to drive demand for sugar in the coming years, as urban populations tend to consume more sugar than rural ones," said Julia Fioretti of Reuters in a recent article. But analysts still point at infrastructure challenge as an impediment to realisation of the industry target. "It will take long-term and huge investment in public infrastructure and human/material resources for the country to catch up with the current and fast growing demand," the United States Department for Agriculture (USDA) said in a recent report on the Nigerian sugar market. *(Business Day)*

The Federal Government will on Sunday release the country's new Gross Domestic Product figure, 15 years after the current one was released. The country is supposed to be releasing the figure every five years. The Minister of Information, Mr. Labaran Maku, disclosed the plan to State House correspondents on Wednesday at the end of the weekly Federal Executive Council meeting presided over by Vice President Namadi Sambo. President Goodluck. Jonathan is currently in Brussels, Belgium for the fourth European Union-Africa Summit. Maku quoted the Minister of Finance, Dr. Ngozi Okonjo-Iweala, as informing the council that the country was ready to rebase its GDP after over one year of hard work by the ministries of Finance and National Planning, the Chief Statistician of the Federation and international agencies like the International Monetary Fund, African Development Bank and the International Development Bank. Maku explained that with a new and reliable GDP figure that would be released, the government would be able to carry out proper planning for development purposes. He added that investors would understand better the indices of growth of the various sectors that make up the economy with the new figure. The minister said, "We received today briefing by the Minister of Finance that after nearly 15 years, Nigeria is now ready to rebase its GDP after more than one year of hard work by the ministries of Finance and National Planning, the Chief Statistician of the Federation and international agencies like the IMF, AfDB and IDB. "You will recall that the last time that Nigeria issued new statistics and the GDP figure was 15 years ago. And this is not supposed to be so as we are supposed to be doing this every five years. So, we hope that by Sunday, this new GDP figure will be released and the importance of this is that for the first time in 15 years, we will know scientifically what the new GDP figures are, the contributions of every sector to the economy, and we will be able to know the sectors that record the most progress and which ones are lagging behind. "The importance of rebasing the GDP is to ensure that after every five years, every nation wants to know how much progress the GDP has made. What are the sectors' contributions? What are the challenges they are facing? Which sectors are moving forward; which ones are lagging behind? "Inappropriate understanding of the GDP and the details of how the sectors are performing will affect policies. When the figures are hopefully released on Sunday, we will then be able to analyse sector by sector, and that will improve our budgetary planning and national planning, and indicate which sectors need added attention." Maku used the opportunity to restate government's position that checks by the Ministry of Health showed that no case of Ebola fever had been reported in the country. "Nigeria is prepared right now to curtail any outbreak, particularly given reports that few countries on the West Coast like Liberia, Sierra Leone and Guinea have reported cases of Ebola fever and given our proximity to these countries, Nigeria is ready; the ministry has taken every precaution, including getting vaccines and medicines to ensure that should there be any incidence in Nigeria, everything will be dealt with," the minister said. *(Punch)*

Nigeria's state oil firm NNPC has stopped processing at its 125,000 barrel per day Warri refinery, industry sources said on Thursday, raising the top African producer's reliance on imported fuels. Ecobank energy analyst Dolapo Oni said the outage was due partly to a "drop in crude oil supply due to vandalisation of the main crude oil feedstock supply pipeline". NNPC was not immediately available for comment. *(Reuters)*

Nigeria and Sao Tome and Principe plan to use non-conventional oil exploration technology in their joint offshore zone and hope to start oil production within 18 months, according to a statement issued by the countries. Sao Tome, a tiny former Portuguese colony in Africa's Gulf of Guinea, is surrounded by oil-rich neighbours but has so far failed to find oil after several years of prospecting. Oil executives say they were not hopeful for major finds in Sao Tome's waters although the northern part of the joint zone near Nigeria is generally seen as having more promise. "Important decisions have been taken about the area and the organisation, such as the approval of new technology for oil and gas exploration as well as production at the Block 1 via non-conventional methods that will allow production to start in an 18 months' time," according to the joint statement, following a council meeting on developing the area. It gave no details on what technology was envisaged. A senior source who attended the meeting said both parties wanted to do more to develop the acreage but denied that an agreement had been reached on using new technology. "The council was not conclusive," said the source. Nigeria pumps just under 2 million barrels of oil a day, making it Africa's largest oil producer. Sao Tome's government in February short-listed four companies, including Portugal's Galp Energia, to bid on two oil blocks in its exclusive economic zone, according to a statement released by state oil company ANP. *(Reuters)*

Nigeria will rebase its GDP on Sunday, the statistics office said, in a move that will boost its estimated size by anything from around 40 to 70 percent and is almost certain to push it ahead of South Africa to become Africa's biggest economy. The National Bureau of Statistics (NBS) will change the base year for calculating Nigeria's GDP to 2010 from 1990 to reflect changes in the economy of Africa's most populous nation, and more accurately assess the size of its current output. Most governments overhaul GDP calculations every few years to reflect changes in output and consumption, but Nigeria has not done so since 1990, meaning sectors such as the Internet, telephones and even the "Nollywood" film industry have had to be newly factored in to give a truer picture, sources say. When Ghana rebased in 2010, output jumped 60 percent. For Nigeria being the continent's number one economy could prove an irresistible magnet for investors. Nigeria's GDP only needs to go up by a quarter from a current IMF 2013 estimate of $292 billion to hit $365 billion, which would enable it to overtake South Africa, currently estimated by the fund at $353 billion. "The impact of a rebasing would likely have a positive impact on perceptions ... this would come at time when most investors are fairly downbeat on South Africa," because of its high combined fiscal and current account deficit, London-based economist for CSL Stockbrokers, Alan Cameron, said.

Nigeria has been growing as a destination for foreign investors owing to the size of its consumer market and increasingly sophisticated capital markets. Analysts say higher GDP means more consumption per capita, boosting its allure. "The globe is still looking at the next strong growth story outside China and India, and Africa is on their minds," said Abri Du Plessis, chief investment officer at Gryphon Asset Management, which has investments in Nigeria. "We are seeing good growth in the ... Nigeria story." It is already a growing market for consumer goods firms like Nestle, Heineken, Cadbury and Unilever, as well as construction material firms like Lafarge and Dangote Cement, owned by Africa's richest man Aliko Dangote. Much increased interest would be in manufacturing and service companies, which could further help Africa's top oil producer move away from its over-reliance on the black stuff. It certainly won't be the wonder cure for Nigeria's economic ills. For one thing, being bigger means expansion will slow. "The rebasing exercise will result in an increase in the country's market size, but it is likely to lead to a slower rate of real GDP growth," said Ecobank economist Gaimin Nonyane, from its current rate of 7 percent for the past five years.

It will be mixed for Nigeria's fiscal stance as well, improving the debt-to-GDP ratio, currently less than 20 percent, but expose a weaker tax base, so debt investors won't be moved. "Fixed income investors will probably not pay much attention to the GDP dynamics," said Standard Bank's Samir Gadio. Despite roaring growth in recent years and a bigger GDP, Nigeria will continue to trail South Africa in terms of basic infrastructure - power and roads - necessary to lift the bulk of its population of 170 million out of absolute poverty. And its legendary dysfunction - abysmal telephone and Internet quality, clogged roads, ports and airports, obstructive police and reliance on diesel generators for most of its power - mean it won't be replacing South Africa as a hub very soon. "South Africa is going to stay the entry point for funds into Africa. I don't think (it will move to) Nigeria," Rigaardt Maartens, a portfolio manager at PSG Online Securities, said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

CRDB Bank has posted robust growth in key performance indicators for the year ended 2013, while experiencing double digit broad based income growth. The bank's profit for the year under review jumped to 84.4bn/- compared to 80.5bn/- registered in the previous year despite the increment of expenses due to continued investment. The bank invested heavily in expansion of its network, whereby six new branches, four service centres and 66 new ATMs were established. Other development spending were directed to agent banking, Mortgage financing, China Desk and China Union Pay, introduction of Fast Account Opening (FAO). This was said in Dar es Salaam by the CRDB Bank Managing Director, Dr Charles Kimei, during the CRDB Capital Markets Day presentation to analysts and investors. The bank's investors who attended the three day conference came from South Africa, United States, UK, Kenya and locally. "Having CRDB Bank's investors from within and across the globe was a positive sign for the bank and the country in attracting more direct investment, as well as making vibrant trading activities in shares at the bourse," he noted. He added, "CRDB continued to register robust growth due to a number of factors including positive economic performance, strong management team and staff complemented by analysis done by high class professionals giving the bank a positive direction towards growth," Dr Kimei said. He added that the bank has also continued to command hefty assets growth that grew to 3.6tri/- in the year ended 2013 compared to 3.07tri/- of the preceding period. According to CRDB audited financial statements, the profit growth was largely attributed to increase in loans disbursement by 10.31 per cent driven by retail, Small Medium Enterprises and corporate loan growth. The banks loans, advances and Overdrafts increased to 1.99tri/- in the year ended 2013 compared to 1.80tri/- of the previous period. Also deposits during the period under review grew by 17.05 per cent mainly due to current and demand deposits growing by 347bn/- or 39.6 per cent. The net interest income grew by 14.22 per cent to 236bn/- compared to 206bn/- of the previous year, due to loans growth that has improved interest margins. Similarly, net fees and commissions grew by 24.33 per cent to 93bn/- from 75bn/- of the year before, due to general increase in transaction volumes, growth in outlets and ATM network and other alternative banking channel. In his opening speech, the Deputy Finance and Economic Affairs Minister, Mr Adam Malima, said CRDB Bank's outstanding performance was not only commendable, but also demonstrates the robust economic growth that the country is currently registering. "The CRDB Bank partnerships with the communication sector, particularly in mobile banking, has increased financial accessibility of excluded groups in the society," he said, adding that,"The banking sector should continue with research and development in mobile banking to ensure more Tanzanians access banking services.*(Daily News)*

Economic News

Tanzania aims to secure credit ratings from Fitch and Moody's Investor Services in the next three months ahead of a debut Eurobond it expects to launch in the 2014/15 financial year, the finance minister said on Monday. The east African country, which has said the bond could be worth up to $1 billion, initially planned to launch it in the financial year ending in June. It has since said it would aim for the first quarter of the next financial year. "We have a timeframe (for the rating) of the next three months," Finance Minister Saada Salum told Reuters on the sidelines of a Tanzania investment forum. "We want to do the Eurobond in the next financial year." She said Tanzania was seeking a rating from Fitch and Moody's. Although the government did not have an official stance, she said experts had suggested BB-plus -a sub-investment grade - as an appropriate level. Tanzanian officials have said the bond would support new infrastructure, citing the need for new roads, railways and ports. The country is also seeking to develop new gas finds. Since a successful Eurobond debut by another east African nation, Rwanda, last year, analysts say conditions have tightened on international debt markets, partly due to the U.S. Federal Reserve scaling back its bond-buying programme. While that stimulus was in full swing, investors had rushed into higher-yielding emerging markets. Tanzania's neighbour Kenya also has plans for a Eurobond. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

No Corporate News This Week

Economic News

ZAMBIA's metal exports in the total value decreased from K3, 631 million recorded in January to K3,082 million in February 2014. The overall contributions of metals and their products to the total export earnings in February and January 2014 averaged 74.0 per cent. Central Statistical Office (CSO) director John Kalumbi said the share of Non-Traditional Exports (NTEs) recorded an average of 26 per cent in revenue earnings between February and January 2014. Speaking at a media briefing in Lusaka, Mr Kalumbi said Zambia's major export destination in February 2014 was Switzerland, which accounted for 35.2 per cent. "The major export products to Switzerland were cathodes and sections of cathodes of refined copper accounting He said the major export product to China was cathodes and sections of cathodes of refined copper representing 46.9 per cent. Mr Kalumbi said the Democratic Republic of Congo (DRC) was the third major export destination, accounting for 9.3 per cent, with the major export products being sulphuric acid. Singapore was the fourth major export destination accounting for 6.2 per cent, with the major export products being precious stones, worked but not set which accounted for 79.1 per cent. Mr Kalumbi said South Africa was the fifth major export destination accounting for six per cent. The major export product to South Africa was semi-manufactured gold, non-monetary which accounted for 21.8 per cent. "These five countries collectively accounted for 82.1 per cent of Zambia's total export earnings in February 2014," he said. The Asian regional grouping was the largest market for Zambia's total exports, accounting for 38 per cent in February 2014. Mr Kalumbi said from Asia, China dominated the export market, accounting for 66.9 per cent, adding that other notable markets in Asia were Singapore, United Arab Emirates, India and Japan. He said Zambia's import products by category in February 2014 were capital goods, accounting for 42 per cent. Mr Kalumbi said the consumer goods category was second with 19.9 per cent followed by intermediate goods category with 19.3 per cent while raw materials were fourth with 18.8 per cent. In February and January 2014 the country had been a net importer of capital goods, contributing an average of 40.6 per cent of the total imports. *(Times)*

Zambia's energy regulator approved a 28.8 percent electricity price increase for mining companies in the African copper producer, effective on April 2. The Energy Regulation Board (ERB) said the bulk supply agreement tariffs between state power company Zesco and Copperbelt Energy Corporation would be adjusted to 6.84 cents per KWh from 5.31 cents per KWh. "All other mines supplied by Zesco have to adjust upwards to the new minimum tariff of 6.84 cents per KWh," it said in a statement. The regulator said the power supply agreements between CEC, one of the largest suppliers of power to the mines, and its mining customers would also have to be increased by the minimum tariff of 6.84 cents per KWh. "Therefore power supply agreement tariffs between CEC and its mining customers will rise by an average of 17 percent over and above the recommended minimum tariff of 6.84 cents per KWh," it said. Emmanuel Mutati, the president of the Chamber of Mines of Zambia, said the price increase had come as a shock. He said the chamber, which represents mining companies, would issue a comprehensive statement on Thursday. The ERB said it was considering disputes between Zesco, CEC and some mining companies over the higher electricity prices. *(Reuters)*

Africa's top copper producer Zambia is talking to investors this week about a possible second dollar bond, but investors say its days of achieving sub-6 percent yields are past and that it may have to pay more than 8 percent. Zambia's was one of the first in a wave of African dollar bonds to launch in recent years, and one of the best received, but it has underperformed other sub-Saharan African Eurobonds in recent months. That reflects the impact of U.S. stimulus withdrawal, which has pushed up yields across emerging markets, and a tumble in the price of copper as the economic outlook darkens for giant resources importer China. Zambia's kwacha currency has also hit record lows.
A roadshow for the new bond reaches its final leg in London on Thursday and Friday, according to Thomson Reuters news service IFR. The

yield for a new 10-year dollar bond should be at least 8 percent, said Stuart Culverhouse, chief economist at frontier markets broker Exotix. "It's more expensive than Zambia paid two years ago - maybe they should go a bit higher than 8 percent, given uncertainties about the global outlook and copper prices." Copper has dropped 20 percent in price to $6,700 a tonne, from $8,400 in Sept 2012. Zambia's debut $750 million 10-year bond was oversubscribed by a spectacular 15 times when issued 18 months ago at the height of investor excitement about frontier market debt. It benefited from investor demand for higher-yielding debt as the Federal Reserve's quantitative easing programme - which it has now started to wind down - depressed U.S. yields. The yield on Zambia's existing bond has risen by more than 200 basis points to 7.8 percent, according to Tradeweb, and has underperformed similar debt, the following graphic shows: http:// link.reuters.com/set57v New bonds usually command a premium to encourage switching from existing debt. "I would presume they would want to do a 10-year, a good starting point would be 8.25-8.50 percent," said Richard Segal, analyst at Jefferies. But a juicy yield will still bring demand for the B/B-plus rated credit, said Angus Halkett, emerging debt fund manager at Stone Harbor. "Zambia has widened quite a lot, you could argue it was too tight to begin with. There has to be a price at which people will come in and buy." *(Reuters)*

Zambia's Chamber of Mines said operators in the country won't be able to absorb higher power prices and asked the southern African nation's energy regulator to review a decision to raise tariffs. Africa's biggest copper producer after the Democratic Republicof Congo raised electricity prices for mines by about 29 percent starting yesterday, the Energy Regulation Board said in an e-mailed statement. There had been a "general outcry that mines should pay economic tariffs in accordance with the burden they impose on the system," Chairman George Chabwera said. Zambia's mines use about 68 percent of the country's electricity while less than a quarter of the population has access, according to Copperbelt Energy Corp. Hydropower accounts for more than 90 percent of the nation's supplies, according to the company, which buys from state-owned Zesco Ltd. and sells to companies including the local units of Vedanta Resources Plc (VED) and Glencore Xstrata Plc. (GLEN) "It's just a double whammy," Emmanuel Mutati, president at the Chamber of Mines, said of the tariff increase coupled with copper prices that have fallen 9.8 percent this year. Power accounts for about 15 percent of total mining costs in the country, he said today by mobile phone from Kitwe. The price increase to a new minimum of $0.0684 a kilowatt-hour from an average $0.0531 before "is not sustainable at all," the industry group said in an e-mailed statement today. "The chamber strongly appeals to the Energy Regulation Board to review its decision to increase tariffs to the mining sector as this will exert excessive pressure on the mining companies," it said. *(Bloomberg)*

Zambia's decision to increase electricity prices by almost 29 percent for mining companies is likely to hit operations in Africa's second largest copper producer, the Chamber of Mines of Zambia said. The bulk power supply agreement tariffs between state power company Zesco and Copperbelt Energy Corporation were increased this week to 6.84 cents per KWh from 5.31 cents per KWh. "Mining companies will not be able to absorb this cost, especially the high cost producing companies. The tariff increase is not sustainable at all," said the Chamber of Mines of Zambia, which represents the mining firms. Copper exports account for more than 70 percent of Zambia's foreign exchange earnings and mining is a major employer in the southern African country of over 13 million people. A nearly 10 percent decline in copper prices this year have already hit mining companies operating in Zambia, which include First Quantum Minerals, Vedanta Resources Plc, Glencore Xstrata and Barick Gold Corp. The companies declined to comment. "The mines are operating just above the break-even point and we should be mindful that the tariff hike does not distort their cost structure," said Noel Nkhoma, an analyst at the Economics Association of Zambia. However, Christopher Mubemba, the director of generation and transmission at Zesco said the current tariffs that the mines were paying could not meet the power company's costs. "If we are able to improve our income we will be able to give the mines the power that they need and in good quality," Mubemba told Reuters. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Zimbabwe

Corporate News

CFI HOLDINGS says trading performance deteriorated in the 5 months ended 28 February with revenue declining by 9 percent to US$39,4 million, a company official has said. Goup chief executive officer Mr Steve Kuipa told a shareholders' meeting Friday that while revenue was down on prior year of US$43,1 million, margins also eased 1,2 percent during the period due to the impact of restrained margins in the poultry and specialised divisions. "The specialised division volumes were subdued in the first 5 months relative to prior year owing to capitalisation challenges. The delay in the finalisation of the recapitalisation deal and the subsequent abrupt cancellation of same by our targeted investment partners negatively impacted the business' production planning processes, resulting in a constrained performance during the period," Mr Kuipa said. The group is currently in discussions with three suitors interested in Victoria Foods and these were at an advanced stage. This follows the pulling out from a potential agreement by Grindrod Trading Limited, which withdrew its interest from purchasing the milling company. CFI also terminated discussions with another suitor who had been identified for the purposes of underpinning the investment into a new abattoir for the group's poultry business. Mr Kuipa said that the group is in negotiations with a local investor for an investment into Agrifoods. "An indicative offer has already been received and the Board is evaluating options for moving forward the investment in order to underpin the capital expenditure and working requirements for the business," said Mr Kuipa. CFI is banking on the transfer of its 953 hectares held by Crest breeders which was scoped into the Greater Harare municipal boundaries in July 2012. The land is valued at about US$40 million. The group is working with realty and land development consultants in a bid to explore ways of beneficiating the land. "The group owes local banks US$13,3 million and is currently in discussions for a potential debt for land swap in efforts to rationalise its debt levels. "The remaining land will be beneficiated through undertaking a low cost residential development project," Mr Kuipa told shareholders. Trading for the poultry division was mixed in the year to December last year but demand for stock feeds and eggs has remained firm. The group's retail business had a very good first quarter performance underpinned by surging volumes in agro-input sales. The improvement was on the back increased suppliers' support and a promising rainy season which overall encouraged farmers to spend in the efforts to bolster opportunities for a better yield and harvest. *(Herald)*

INSURANCE and property company Old Mutual and the National Social Security Authority last week purchased Treasury Bills worth $30 million that were floated by the Reserve Bank of Zimbabwe. Treasury officials told The Herald Business that Old Mutual bought $20 million 365-day bills while NSSA bought $10 million 90-day bills. The 365-day bills have a half-year coupon and a yield of 10 percent while the 90-day bills have a yield of 7 percent. The sale comes in the same week the central bank floated $103 million TBs spread over 3-5 years at a rate of 2 percent per annum with prescribed asset status, liquid asset status and are tax exempted. The TBs were expected to go towards clearing FCA balances owed by the central bank. Government has prioritised the recapitalisation of the RBZ. Capitalisation of the central bank is an essential condition for it to resume its role as a Banker to Government and eventually its Lender of Last Resort role. The issuance of debt instruments to local financial institutions and other players who were owed by the RBZ is expected to restore confidence in the bank and in the financial sector. Retiring the central bank's $1,35 billion debt is a confidence building measure and restoration of lender of last resort will be key in enhancing the role of the RBZ in promoting stability in the financial sector. In his 2014 National Budget statement Finance and Economic Development Minister Patrick Chinamasa said the RBZ's domestic debt stock of $754 million will be addressed through issuance of 5-year Government paper while the external debt component amounting to $596 million due to external sources will be addressed as part of the Government's overall External Debt Resolution Strategy. He said that the debt instruments shall be in the form of Government securities that shall be accorded Tier One Capital Status. Minister Chinamasa said after servicing the RBZ debt the second stage is to raise between $150-$200 million to capitalise the central bank, in order for it to provide liquidity support to the financial sector as we proceed to ensure that it effectively plays its Lender of Last Resort role and re-discount market instruments when the need arises. The resolution of Zimbabwe's debt overhang is key to normalising Zimbabwe's relations with the international financial institutions and bilateral creditors. The debt overhang has become one of the serious impediments to the country's developmental agenda, according to Minister Chinamasa *(Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

CALEDONIA Mining's Blanket Mine in Gwanda's gold production was flat in 2013, with final quarter output down 3.3 percent on lower gold prices and a three day maintenance shutdown. The depressed gold prices pushed gross profit down 27 percent in the year compared to last year despite the slight production increase of 0.14 percent, the Canadian-based junior miner said on Monday. Production rose slightly to 45,527 ounces in 2013 compared to 45,465oz in the prior year, but gross profit was 27 percent lower at $30 million from $41 million. On quarterly basis, the group said it produced 11,429 ounces compared to 11,821 ounces during the corresponding period last year. Gross profit for the quarter dropped by more than 50 percent to 4.5 million from 9.7 million. The company said that development and exploration activity at Blanket continued over the period. "Production is expected to increase to 48,000 ounces in 2014 and 52,000 ounces in 2015," the company said. "Further increases in production are expected following the completion of the No. 6 Winze Project, which is intended to provide access to deeper resources below 750 meters." Exploration at Blanket below 750 metres has continued and results so far have been encouraging and the down plunge extent of the Blanket 4 Ore body has now been intersected with eight boreholes, all of which returned payable gold values, it added. Caledonia said it was considering additional acquisition opportunities in the country but this will depend of the results of the ongoing evaluation and the investment climate in Zimbabwe.*(New Zimbabwe)*

BOTSWANA Stock Exchange listed Sefalana Holdings bid to buy starafrica corporation's 33 percent stake in Tongaat Hullet Botswana collapsed after the parties failed to agree on price, sources close to developments said. "While a positive outcome had become most certain, Sefalana developed cold feet in the last minute and it was largely due to disagreements over the price," said the source. In a note to shareholders recently, starafrica said an offer had been received from the Botswana Stock Exchange listed company interested in its Tongaat shareholding. It said the company had offered to buy starafrica's 33,3 percent shareholding in Tongaat Hulett Botswana valued at BWP 51,2 million (about $5,8 million) and "the transactions will be completed and the proceeds from sale received by 30 April 2014." While no official comment could be obtained from Sefalana by the time of going to print, it last week issued a cautionary statement advising shareholders that negotiations with "a third party" in the region had collapsed. "The company previously reported that it had entered into negotiations with another third party in the region," said Sefalana on March 26. "Discussions with this third party have now been concluded and shareholders are hereby informed that the company will no longer be pursuing this transaction." No comment could be obtained from starafrica. Sefalana is a holding company with interests in retail, manufacturing, property and vehicle sales. It operates Sefalana Cash and Carry, Sefalana Hyper and the Shoppers brand. starafrica resolved to sell some of its assets to settle part of its $49,2 million debt and the sale of the Tongaat Hulett Botswana was expected to lower the company's debt. An offer has also been received for its transport and logistics company Bluestar Logistics. Starafrica Corporation has disposed of other non-core businesses, namely Polyfim Plastics, Highfield Bag, retail outlets in Gwanda and Hwange, Arthur Garden Engineering and Grant Chemicals which have been hampering the company's financial performance. Management has shifted its focus to the core business of sugar refining. The company reported that substantial progress had been made on the plant upgrade at Goldstar Sugars Harare with commissioning of the plant scheduled for April 30 this year. Sugar refining operations remain suspended due to the ongoing plant upgrade project and will restart in May after the commissioning of the new plant.*(Herald)*

ECONET Wireless prepaid service subscribers are now able to access a maximum of $500 worth of loans using cell phones under Econet's mobile phone savings account. The mobile phone-based loan facility is being rolled out by Econet's subsidiary Econet Service under its mobile money transfer service EcoCash to prepaid service customers. According to Econet Service, to be eligible the clients must be holders of EcoCash's mobile phone account EcoCashSave and be active for at least three consecutive months. This comes after about $20 million was raised from the mobile phone savings account three months after its inception with the number of accounts closing in on the one million mark. In line with regulatory requirements, the EcoCashSave loans will be extended in partnership with a financial institution, Steward Bank, which is also a subsidiary of Econet. EcoCash chief executive Mr Cuthbert Tembedza said immediately, Econet's prepaid customers can now access up to $500 loans through their phones without the need for security. "There is no application form required, you can access a loan from a minimum of $5 to as high as $500," said Mr Tembedza. He said this will further enhance financial inclusion. "It is only right to do so because for some people, the difference between life and death is only $10," he said. Clients can access loans for a period of 30 days, but Mr Tembedza said plans were underway to extend the loan tenure in due course. The EcoCash CEO said borrowers will be charged 5 percent handling fee and no other charge will be applicable. Steward Bank managing Director Mr Kwanele Ngwenya said there was need to encourage the culture of saving as this was what helped build the economy right from the bottom. "We have $20 million sitting in that account. "We are saying your money is our commitment and with (almost) one million accounts you can come and borrow as well," Mr Ngwenya said. Mr Ngwenya said the loan facility will bring huge convenience and relief to customers in need of emergency funds. In order to access the loans applicants must be EcoCash customers who saved a minimum of $5 in the last three months, have at least $5 balance in an EcoCashSave account, be active on the EcoCash platform, have an active Econet Wireless Zimbabwe sim card and be above 18 years. Further, customers expenditure on Econet service such as airtime and data service as well as transaction frequency on EcoCash will determine the loan threshold they qualify for. Mr Tembedza said the launch of the EcoCashSave account marks the third pillar of financial inclusion, credit with the earlier one, Econet Service introduced being mobile money transfer, savings and insurance cover for farmers. *(Herald)*

Sino-Zimbabwe Cement Company is confident of meeting its targeted production capacity of between 700-1 200 tonnes per day following the completion of the first phase of the company's plant upgrade, a company official said. The plant renovations were being carried out in three phases and the first phase has already been completed. In an interview with The Herald Business yesterday, IDC public relations advisor Mr. Dereck Sibanda confirmed the development. Sino Zimbabwe Cement is a joint venture company between the Industrial Development Corporation of Zimbabwe and China Building Materials Corporation, which started operating in 2001 in Gweru. The joint venture has completed a massive facility upgrade, with $4 million dollars invested in the project by the Chinese co-shareholder to boost output and reduce pollution. "The upgrade of the plant will boost clinker production at the Gweru plant to about 1 200 tonnes per day. "The amount invested went towards refurbishments of the cement mill, the rotary kiln as well as renewing and automating ancillary equipment," said Mr. Sibanda. In the manufacture of portland cement, clinker are lumps or nodules produced by sintering (bonding) limestone and alumino-silicate (clay) during the cement kiln stage. He said more upgrade work is scheduled for this year. Mr. Sibanda said the latest technology would help the cement company reduce emissions that pollute the environment. Sino-Zimbabwe Cement Company was last year fined by the Environmental Management Agency for air pollution. The completion of the upgrade of the rotary kiln will see the company improving its energy consumption and reducing its carbon footprint.

In addition the modern high temperature and bag filter system will see the company significantly reduce its dust emissions. This is a major consideration to the company as it seeks to demonstrates its commitment to protect the environment. In an interview last year Sino-Zimbabwe Cement Company general manager Mr. Dereck Moyo said that the company would retrench 59 workers since some of the plant's manual interventions would be eliminated in areas that had been automated. Moyo said the refurbishment and upgrading of the Sino-Zimbabwe Cement Company plant would result in the plant becoming high-tech. He said the plant's demand for manual manpower had been significantly reduced while the requirement of highly technical staff had increased. The company was supposed to engage an additional 54 artisan level technical staff to cater for the increased requirement for technical skills. Mr. Moyo said they were going to employ other staff on fixed term contract basis to cater for other requirements. *(Herald)*

United States-based Raptor Resources Holdings which owns Dodge barite mine in Shamva has acquired 100 percent stake in a Chitungwiza-based quarry mining company, Derbyshire Stone Quarry. Raptor Resources Holdings is a natural resources company focused on mineral and metal resource acquisition, exploration and development. Derbyshire Stone Quarry will be managed by, WGB Kinsey and Company which is Raptor Resource's strategic partner. Raptor Resources business development Vice president Mr. Louis Schlegel confirmed the acquisition of Derbyshire Stone Quarry. "Production products for Derbyshire Quarry include 10mm stone, 20mm stone, quarry dust, crusher run, river sand (washed), pit sand, and decomposed granite. The company is located in a prime residential growth zone within close proximity to major road projects," said Mr. Schlegel. The Derbyshire Stone Quarry is the largest indigenous sand and stone quarry in the Harare area as part of the agreement Raptor acquired a stone stock pile inventory valued at more than $440 000. In addition Derbyshire Quarry had a debtor book or cash in bank of not less than $75 000 and in return Raptor offered new management contracts for key employees. Raptor Resources Holdings is the holding company of Mabwe Minerals which is also wholly owned by TAG Minerals (another subsidiary to Raptor Resources). The company expressed its intentions to expand its operations in the country when Mabwe Mineral

Holdings, acquired mineral and metal rights for 110 hectares (272 acres) at its Dodge barite mine in Shamva. Mabwe minerals is engaged in mining and commercial sales of industrial minerals and metals. The company mines barite, a crystalline mineral of barium sulfate (can be white, yellow or colourless) that is used in paint manufacturing and is mostly used as industrial mineral and is also a chief source of barium chemicals. The mineral is mainly used in the manufacture of paint. Raptor is currently focused on viable hard assets, seasoned mining companies and developing greenfield resources featuring high value minerals and metalsIn the first quarter of 2014, the company, through its Zimbabwe affiliate, TAG-Z is pursuing a new mine targeting nickel and copper. Raptor Resources Holdings owns 90 million shares of Mabwe Minerals or approximately 64 percent of its issued and outstanding shares of common stock. *(Herald)*

Economic News

THE banking sector yesterday witnessed the biggest equity transaction since dollarisation when a high-profile foreign investor, Atlas Mara Co-Nvest, moved to inject US$210 million into ABC Holdings to acquire a majority stake in the banking group. This is a strong sign of confidence in efforts by the Government to turnaround the economy. The investor immediately pledged to uphold the country's indigenisation law, proposing to sell part of its equity to ABC chief executive Doug Munatsi and his local partners. Market watchers say the deal will restore hope and confidence in Government's bid to attract investors at the same time showing the efforts of the new Government to turn around the economy. Zimbabwe has for more than a decade been hit by negative perception, which has affected its ability to attract investment. Under the transaction, Atlas Mara has secured agreements to acquire at least 50.1 percent of the issued shares in ABC at a price per share of 82 cents, which translates to a premium of 90 percent. At the transaction price, Atlas will acquire ABCH for US$ 210 million, the biggest equity transaction in the country since dollarisation. As part of its intended positive impact in the turnaround of the economy, Atlas Mara will assist with the injection of US$100 million in additional capital in ABC, US$40 million of which will be deployed in Zimbabwe. It will also mobiles credit lines and long term financing in excess of US$500 million in the next five years.
In a statement the group said it believed the proposed combination with BancABC and ADC is consistent with Atlas Mara's strategic objective of building the premier sub-Saharan financial services group. Particularly relevant are BancABC's strong brand and multi-country banking platform, its well-respected management team and exciting growth prospects, and ADC's pan-African vision and execution expertise. "Atlas Mara looks forward to empowering the existing management teams of both BancABC and ADC to drive future growth and expand across sub-Saharan Africa." Mr. Bob Diamond's Atlas Mara Co-Nvest will pay a total US$210 million to acquire a majority of ABC Holdings and make a voluntary public takeover offer (by way of an exchange offer) for all outstanding African Development Corporation shares bringing the total value of the deal to US$265 million. Of the initial amount, Zimbabwean shareholders will be paid US$40 million in cash and US$25 million Atlas Mara shares. Mr. Munatsi, upon completion of the transactions, will join the Atlas Mara Group Executive Committee. Atlas Mara is committed to, following completion of the transactions, provide up to $100 million of equity to BancABC within the first 100 days, to drive its growth going forward, as well as support BancABC's management in obtaining additional liquidity, including raising capital. "Atlas Mara's vision and strategy is to build a leading Pan-African banking platform by partnering with and investing in strong African Banks and African Entrepreneurs," said the statement. Atlas Mara was formed by Atlas Merchant Capital led by Mr. Bob Diamond who is a former CEO at Barclays plc and Mara Group Holdings founded by Mr. Ashish Thakkar, Africa's youngest billionaire. Atlas Mara listed on the main market of the London Stock Exchange in December 2013 after raising $325 million.

Atlas Mara said it was committed to complying with Zimbabwe's indigenisation laws and will soon be seeking approval for its indigenous plan. Under the plan, a certain percentage of shares in the local subsidiary will be acquired by Mr. Munatsi and his local partners. "Through this investment, (Atlas Mara) demonstrate that Zimbabwe is a safe and attractive investment destination to the international community and capital markets," said this firm as it pledged to ease Zimbabwe's liquidity challenges. Speaking at the annual results presentation last week, Mr. Munatsi said the group would raise tier I capital of $100 million and increase minimum capital in each subsidiary to between $50 million and $100 million by 2015. The group will also arrange credit lines of $200 million to $300 million. Finance Director Mr. Bheki Moyo noted that the banking group was well capitalised with Zambia and Zimbabwe meeting the stringent capital requirements while in Tanzania the capital adequacy ratio at 13,18 percent was within the regulatory threshold of 12 percent. The transactions are expected to be funded through proceeds of Atlas Mara's previously completed IPO and the issuance of Atlas Mara shares. Atlas Mara shares and warrants have been suspended from the London Stock Exchange with immediate effect. The combination of the three groups will create an entity with a highly scalable growth platform across the SADC region, an important growth region with annual GDP of over $640 billion, ranking it amongst the top 20 GDPs worldwide and a well-positioned banking group capable of offering a broad range of banking products, including corporate banking, treasury services, retail and SME banking, asset management and stock broking.

Mr. Diamond, Co-Founder and former CEO of Barclays plc, said: "When we founded Atlas Mara, we did so with the intention of identifying and partnering with exceptional multi-country African financial services companies. "Our objective is to build Africa's premier financial services group leveraging the access to capital, liquidity and funding that we at Atlas Mara can provide. I am delighted that we will be merging with such high quality organisations as BancABC and ADC." "Our future growth will be based on expanding on Dirk Harbecke's vision at ADC and on the foundation created by Munatsi and his team at BancABC, who have built a fast-growing, prudently-managed, African banking institution." Mr. Ashish J. Thakkar, Director and Co-Founder, said: "With this transaction, Atlas Mara is well-positioned to collaborate in a synergistic manner with other partners in sub-Saharan African countries and to expand the combined group's portfolio of banking products and value added services. With the combination of BancABC's regional expertise, ADC's initial platform and Atlas Mara's global experience, we are confident we can build a true African financial services institution that addresses the needs of our people across the continent and creates a meaningful and lasting positive impact." In the short to medium term ABC will seek to grow market share to 5 percent-10 percent in all banking operations by 2015. Mr. Munatsi also said they are targeting cost to income ratio of under 50 percent in all banking operations by 2015. The group declared a dividend of 2.1cents after posting a 49 percent increase in profit to BWP198 million compared to BWP133 million.*(Herald)*

Zimbabwe has issued $103 million of Treasury bills to seven banks as the government repays debt stemming from the central bank's seizure of foreign-currency accounts, according to a person with knowledge of the matter. The Treasury bill issue represents an acknowledgment by government of the debt, said the person, who asked not be identified because the information is private. Finance Minister Patrick Chinamasa last month confirmed that a Treasury bill sale is taking place, without providing further details. The government announced in November that it planned to offer Treasury bills to settle $1.35 billion in debt, which accumulated after the central bank raided foreign-currency accounts in 2006 and 2007. The bank owes $754.3 million to domestic creditors and $596 million to lenders outside Zimbabwe, the state-controlled Herald newspaper reported. In 2012, the central bank failed in its first auction of Treasury bills since the country abandoned its currency and adopted the dollar and other currencies in a bid to curb surging inflation four years earlier. The central bank previously printed money to pay government debts, fueling inflation to an estimated 500 billion percent, according to the International Monetary Fund. Foreign banks that operate units in the southern African nation include the U.K.'s Barclays Plc (BARC), Old Mutual Plc (OML) and Standard Chartered Plc (STAN), Togo's Ecobank Transnational Inc. as well as South Africa's Standard Bank Group Ltd. and Nedbank Group Ltd.*(Bloomberg)*

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