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	29-Jan-16	5-Feb-16	Local	USD	31-Dec-15	Local	USD
Botswana	DCI	10440.28	10366.34	-0.71%	-0.85%	10602.32	-2.23%	-3.11%
Egypt	CASE 30	5986.78	6202.22	3.60%	2.86%	7006.01	-11.47%	-11.48%
Ghana	GSE Comp Index	2004.12	1972.19	-1.59%	1.54%	1994.00	-1.09%	-4.34%
Ivory Coast	BRVM Composite	289.74	293.00	1.13%	3.74%	303.93	-3.60%	-1.71%
Kenya	NSE 20	3773.17	3833.07	1.59%	2.91%	4040.75	-5.14%	-5.02%
Malawi	Malawi All Share	14440.24	14414.69	-0.18%	3.84%	14562.53	-1.02%	-7.96%
Mauritius	SEMDEX	1843.03	1857.27	0.77%	4.63%	1,811.07	2.55%	2.89%
	SEM 10	353.86	356.77	0.82%	4.68%	346.35	3.01%	3.35%
Namibia	Overall Index	850.58	866.10	1.82%	1.53%	865.49	0.07%	-3.06%
Nigeria	Nigeria All Share	23916.15	23501.87	-1.73%	0.19%	28,642.25	-17.95%	-17.06%
Swaziland	All Share	327.81	333.76	1.82%	1.52%	327.25	1.99%	-1.20%
Tanzania	TSI	4263.44	4208.50	-1.29%	1.67%	4478.13	-6.02%	-6.14%
Zambia	LUSE All Share	5553.74	5553.62	0.00%	1.50%	5734.68	-3.16%	-4.79%
Zimbabwe	Industrial Index	103.07	101.67	-1.36%	-1.36%	114.85	-11.48%	-11.48%
	Mining Index	19.53	19.53	0.00%	0.00%	23.70	-17.59%	-17.59%

CURRENCIES

Currency	29-Jan-16 Close	5-Feb-16 Close	WTD % Change	YTD % Change
BWP	11.12	11.14	0.14	-0.90
EGP	7.75	7.81	0.72	-0.01
GHS	4.06	3.93	-3.08	-3.28
CFA	604.00	588.76	-2.52	1.96
KES	101.70	100.39	-1.28	0.12
MWK	719.40	691.55	-3.87	-7.01
MUR	35.90	34.58	-3.68	0.33
NAD	15.85	15.90	0.29	-3.13
NGN	199.00	195.19	-1.92	1.08
SZL	15.85	15.90	0.29	-3.13
TZS	2,182.00	2,118.53	-2.91	-0.12
ZMW	11.30	11.13	-1.48	-1.69

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana will widen its budget deficit to 3.8 percent of gross domestic product in the fiscal year beginning April 1 as demand wanes for its main export, diamonds. The shortfall of 6.05 billion pula ($530 million) compares with a deficit of 4.2 billion pula, or 2.8 percent of GDP in the year ending March 31, Finance Minister Kenneth Matambo told lawmakers in his budget speech on Monday in Gaborone, the capital. That was the first deficit in four years. Botswana's economy has been battered by falling prices for diamonds and other commodities it produces, such as nickel, copper, coal and iron ore. Growth is forecast to rebound this year to 4.2 percent from an estimated 1 percent in 2015, Matambo said. Revenue is set to decline 6.5 percent to 48.4 billion pula in the coming year, while expenditure is forecast at 54.4 billion pula. The government plans to tap its foreign-currency reserves and borrow more from local and foreign markets to fund the deficit, Matambo said. Future deficits will be restricted to 4 percent of GDP to prevent the nation "sliding onto an unsustainable fiscal path," he said. *(Bloomberg)*

Egypt

Corporate News

Egypt's biggest lender, the state-owned National Bank of Egypt, provided more than $2.5 billion to cover import payments in the last three months as the country faces a currency crisis, Chairman Hisham Okasha told Reuters in an interview. Egypt, which depends heavily on imports, has been suffering from a worsening dollar crunch since a 2011 uprising drove away foreign investors and tourists, both major sources of hard currency. In its latest effort to curb dollar spending on imports, Egypt announced on Sunday it would raise tariff rates on a series of goods from Feb. 1"During November, December and January we opened letters of credit worth more than $2.5 billion to meet import payments," Okasha told Reuters on the sidelines of a banking conference in Sharm al-Sheikh. In December, the central bank said it sold $7.6 billion in previous weeks to help importers pay for goods. It was not clear whether NBE's dollar injection was part of the central bank's $7.6 billion.

No comparative figures for letters of credit opened were immediately available as banks are not required to disclose them. The central bank has been keeping the pound artificially strong at 7.7301 pounds to the dollar, burning through its reserves which tumbled to around $16.4 billion in December from $36 billion in 2011. In order to fight a black market the central bank imposed a cap of $50,000 a month on dollar deposits at banks, making it harder for importers to open letters of credit and clear cargoes. It later raised the cap to $250,000 but only on specific imports of essential goods, capital machinery and manufacturing components and medicines. Okasha also said his bank aims to increase its deposits and loans portfolio by around 15 percent by the end of 2015/16. The bank's loans portfolio was around 140 billion pounds in June 2015, while deposits were 447 billion pounds. "Deposits reached more than 485 billion pounds by the end of December 2015 while loans reached around 178 billion pounds," Okasha said. *(Reuters)*

Egyptian dairy firm Arabian Food Industries Co. (Domty) is planning an initial public offering (IPO) on the Cairo bourse in March, Chairman and Managing Director Omar El Damaty said on Wednesday. Food is seen as a fast-growing sector in the Arab nation of about 90 million people and is drawing growing investor interest. "The initial public offering for Domty on the Egyptian bourse will be in March," El Damaty told Reuters by telephone, declining to provide more details. Market sources said Domty planned to raise about 1 billion Egyptian pounds ($127.7 million) through the listing. Domty is the latest in a flurry of IPOs, mergers and rights issues on the Cairo exchange since late last 2014. Economic reforms introduced by President Abdel Fattah al-Sisi have lifted investor confidence, following four years of political and economic turmoil since the Arab Spring uprising. Egyptian foodmaker Edita's listing of 30 percent of its shares in April was heavily oversubscribed. Cheesemaker Arab Dairy drew keen foreign interest before being bought eventually in March 2015 by Egyptian financial services firm Pioneers Holding. El Damaty's family owns 70 percent of Domty, which was founded in 1989, and a Saudi investor owns the rest. It has two factories in the 6th October district near Cairo and plans to start producing yoghurt and cartoned milk, alongside its cheeses and juice.. *(Reuters)*

A subsidiary of El Sewedy Electric has signed a $484.5 million contract to build three power stations in Angola but the deal is "not yet in effect", the Egyptian firm said in a bourse statement on Wednesday. The contract between subsidiary El Sewedy Power and the Angolan government is subject to approval by Angola's president and a specialised court, it said. "The contract involves supplying, building, operating, financing and maintaining the stations. The project will be done during 2016 but the contract is not yet in effect and is suspended on certain conditions, including the president's approval," it said. *(Reuters)*

Egypt's second-largest state lender, Banque Misr, expects to receive a $100 million loan from China Development Bank in February to finance small and medium enterprises, its chairman told Reuters in an interview. Banque Misr is also considering issuing eurobonds, Mohamed Mahmoud Eletreby said, without giving a timeframe.*(Reuters)*

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Economic News

Egypt has raised tariff rates on a wide range of imports, the official Gazette said on Sunday, the latest effort by the authorities to curb dollar spending on imports as the country struggles through a currency crisis. Egypt, which relies heavily on imports, has been facing a shortage of foreign currency since a 2011 uprising drove tourists and investors away -- major sources of hard currency. It has already taken other measures to curb imports and aims to reduce its import bill by 25 percent in 2016 from $80 billion in 2015. Head of Egypt's customs authority Magdy Abdel Aziz said the new tariffs could raise Egypt's customs revenue by around $128 million in the second half of 2015/16. "The customs on household appliances, electronic devices, clothing, shoes, crystal, and plastics increased from 30 to 40 percent," Abdel Aziz said. "The decision is aimed a protecting national industry and stopping the draining of foreign currency," he said. The official gazette, in a decree dated January 26, published a list of hundreds of products ranging from food and clothes to toiletries and electric equipment. The new tariffs will be implemented on Monday, Feb. 1. The document did not say how much the tariffs were raised by but it listed products with tariffs starting from 5 percent up to 40 percent. Ahmed Shiha, head of the importers' division at the Cairo Chamber of Commerce, was sceptical about the decision, saying that the tariffs could discourage imports.A reduction in imports could limit revenues from customs duties. "This is just the latest in a series of attempts to prohibit imports," Shiha said.

Egypt, which is resisting pressures to devalue the pound, has been rationing dollars through monthly auctions and is keeping the pound artificially strong at 7.7301 pounds versus the dollar. Its foreign reserves fell to around $16.4 billion in December from $36 billion before the 2011 uprising. The central bank has given priority of the dollar resources to importing essential goods over luxuries. Many importers have reported that the lack of dollars has left their goods piling up at ports. To prevent importers from sourcing their dollar needs on the black market, the central bank has limited the amount of dollars companies are allowed to deposit in banks, making it harder for importers to open letters of credit and clear cargoes. To ease pressure on importers, the central bank this month increased the monthly limit to $250,000 from $50,000, but only on specific imports of essential foodstuffs, capital machinery, manufacturing components and medicines. *(Reuters)*

The Egyptian pound held steady against the dollar at an official foreign currency auction on Sunday but strengthened on the black market. Egypt, which depends on imports for its food and energy, is facing a foreign currency crisis and authorities are under increasing pressure to devalue the pound. But the central bank surprised markets when it strengthened the pound by 20 piasters in November and has held it steady ever since. The central bank sold $39.1 million at a cut-off price of 7.7301 pounds to the dollar on Sunday, unchanged from the previous auction. The official rate is still far stronger than the black market rate which, strengthened to around 8.75 from 8.78 on Thursday. To help relieve a dollar shortage that has seen imports of essential goods piling up at ports, the central bank on Tuesday raised the cap on foreign currency deposits at banks fivefold to $250,000. The cap, implemented a year ago with a $50,000 limit, aimed to counter the black market for dollars. Egypt has been starved of foreign currency since a popular uprising in 2011 ousted autocrat Hosni Mubarak and drove tourists and foreign investors away. Its foreign currency reserves have tumbled from $36 billion in 2011 to $16.4 billion, and the country has been rationing dollars through the weekly dollar auctions to banks, keeping the pound artificially strong. The bank's Monetary Policy Committee raised benchmark rates by 50 basis points last month, citing inflationary pressures. *(Reuters)*

Egypt's M2 money supply was up 18.6 percent at the end of December from a year earlier, the central bank said on its website. The money supply stood at 1.9 trillion Egyptian pounds, it said. Following is a table of the latest Egyptian M2 money supply figures in trillions of Egyptian pounds, according to the central bank's website (www.cbe.org.eg): Dec 2015 Nov 2015 Dec 2014. Domestic liquidity (M2) 1.905 1.877 1.607. *(Reuters)*

Egypt expects to receive a $1 billion World Bank loan approved in December once outstanding paperwork is finalised and is negotiating to secure more aid from Saudi Arabia, International Cooperation Minister Sahar Nasr said on Thursday. Egypt has been negotiating billions of dollars in aid from various lenders to help revive an economy battered by political upheaval since the 2011 revolt and ease a dollar shortage that has crippled import activity and hampered recovery. The first $1 billion tranche of a three-year, $3 billion loan from the World Bank to support Egypt's budget was approved by the lender in December and was expected to arrive soon after. But Egyptian media has questioned whether the money would come as the programme is linked to the government's economic reform programme, including plans for value-added tax (VAT). Egypt's new parliament, which held its first session last month, ratified the vast majority of economic laws passed by presidential decree during the three years in which Egypt did not have a legislative house. But it has yet to ratify the government's economic plan or the World Bank loan itself. "We are just working on submitting the required documentation. It is nothing. We are normal. There is nothing (to say) about it," Nasr told Reuters in a telephone interview. "We need all the documentation, any law, any decree that we put we have to submit in English ... Decrees on subsidies, laws for the establishment of industrial zones, fiscal reforms ... I thought I would wait for parliament to ratify everything meanwhile." The World Bank told Reuters in December that the first tranche was focused on "10 prior actions for policy and institutional reforms" already implemented. The second and third tranches are linked to additional reforms the government plans. "The whole reform programme will need to be done and not just the VAT being out. We need to have executive regulation in place and be operational," said Nasr, an ex-World Bank official.

Nasr said a $500 million loan for budget support from the African Development Bank, part of a $1.5 billion three-year programme also signed in December, had been transferred. Since those loans were approved Egypt has secured multi-billion-dollar aid commitments both from China and Saudi Arabia and signed major investment deals with Russia. Egypt was in talks with Saudi Arabia to secure more aid, Nasr said, declining to give details. Egypt was also working to iron out the details of a Saudi pledge to invest $8 billion in Egypt but Nasr said she was **taking time to approve** projects that were ready to go. Egypt has previously signed preliminary deals on big-ticket investments that were later downsized or delayed. Nasr said the government was still negotiating the details of a Saudi pledge to provide Egypt with petroleum aid over five years. Egypt signed an initial three-month deal with Riyadh to meet immediate needs while talks were ongoing. "I wanted to make sure the three months are covered and to give myself time to make an even better deal for a five-year plan," she said. Egypt spends roughly $700 million a month on petroleum product imports. While it has benefited from plummeting global oil prices, a forex shortage has made it harder for import-reliant Egypt to finance shipments. Last month, a BP tanker carrying liquefied natural gas was diverted from Egypt in what traders said was a sign that the currency crisis was jeopardising energy supplies. BP and the government denied any payment problems and said the shipment was delayed by mutual agreement. Nasr said the shipment was delayed because Egypt had managed to secure its needs more cheaply elsewhere. "If we get a better deal at a better rate for this month, we will take the better rate," she said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

No Corporate News This Week

Economic News

Heightening concerns of economic meltdown have caused the Bank of Ghana to halt its continued belt tightening monetary policy in a bid to spur growth. Economists have raised concerns about the combined tight monetary and government's fiscal stance, saying it stunts economic growth in favour of price stability. Data from the Monetary Policy Committee (MPC) of the Bank of Ghana show a slowdown in real growth of credit to the private sector, resulting in the consistent quarterly decline in the GDP growth in 2015. The MPC on January 25 maintained its main interest rate at 26 per cent, citing balanced growth and inflation risks as fiscal consolidation and improvements in the energy sector provided impetus to rein in inflation pressures. An Economic analyst at Databank, Mr Courage Kingsley Martey, said the MPC's decision to hold the policy rate unchanged at 26 per cent despite uncertainty about the second-round effect of the petroleum price hike was an attempt to balance inflation concerns with GDP growth. Due to the faster pace of monetary tightening since August 2015, real growth in private sector credit has slumped to 2.3 per cent as at November 2015 from 13.8 per cent in June 2015. Consequently, growth in real GDP dipped to 3.6 per cent in the third quarter of 2015 from 3.8 per cent in the second quarter of second of 2015 down from 4.2 per cent in the first quarter of 2015.

This tightening compelled banks to reduce their exposure to the private sector due to the deteriorating loan book quality which resulted in higher Non Performing loans (NPLs) ratio from 11.2 per cent in June to 14.1 per cent as at November 2015. The annual growth rate in total assets of the banking sector also slowed down from 33.4 per cent in June to 21.5 per cent as at November 2015, reflecting the sharp slowdown in loan book expansion from 35.1 per cent in June to 20.9 per cent as at November 2015. With the slower growth rate in credit expansion, the knock-on effect was always going to be evident in the behaviour of aggregate demand and real GDP growth. Ultimately, growth in the real economy also slowed down consistently from 4.2 per cent in the first quarter of 2015 to 3.6 per cent in the third quarter of 2015. These dynamics, the Databank analyst say, present a nexus between monetary policy stance and the real sector of the economy provided a stronger case for the MPC to take a pause on monetary tightening despite the unanticipated hike in petroleum prices in January 2016 and its upside risks to inflation. "The latest decision by the MPC to pause its monetary tightening cycle is a reflection of the authorities' concerns about Ghana's growth outlook relative to the government's 2016 projection of 5.4 per cent", Mr Martey emphasised.

The Bank of Ghana's effort to smoothen the flow of foreign currency to reduce seasonality in the depreciation cycle is quite laudable because this has been a major factor in the activities of speculators and market agents. The Chief Executive Officer of the Institute of Chartered Economists Ghana, Mr Daniel Anim-Prempeh, has called for the establishment of a hybrid of inflation control mechanism where the fiscal policy must synchronise with monetary policies. He said since the Bank of Ghana had been able to use its policy tool to achieve marginal stability, the fiscal authorities must also focus on driving down cost since inflation in the country is largely cost push. "The Bank of Ghana as a research and banker to the government need to advise the fiscal authorities on driving down cost by reducing the government's overbearance in the domestic market," he said. That, he said, would make loanable funds available to the private sector and that would ultimately drive down the interest rates and lower the cost of borrowing to the private sector. The decision not to hike the policy rate despite the upside risk to inflation from the higher petroleum prices will also require that the BoG continues to monitor and regulate the Ghana cedi liquidity on the interbank market through the Repo arrangements to tame the demand pressures. This is expected to anchor exchange rate and inflationary expectations while also accommodating the growth outlook, barring unanticipated adverse shocks. In the past, exchange rate expectations have been driven by the market awareness of acute foreign exchange shortage during the first half of the year before inflows are significantly improved in the second half. *(Ghana Web)*

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Kenya

Corporate News

Mid-tier lender, Family Bank, is eyeing nine more branches to bring its network to 100. Over the weekend, the bank opened a new branch in Wote Town, Makueni County. The opening of the branch, which was witnessed by Makueni Governor Kivutha Kibwana brings to 91, the number of branches. Family Bank Managing Director Peter Munyiri said, "We will continue to fulfill our mandate to our customers ensuring that we enhance our product offering," said Munyiri. Having opened three branches in Mlolongo, Maua and Kahawa West towards the end of last year, the bank wants to open nine more branches with the aim of inching closer to attaining tier one status. "We will be opening more branches this year to attain our target of 100 branches, and which will mark the final stretch of phase one of our expansion," said Munyiri. *(Standard Media)*

More than 5,000 large depositors with the collapsed Imperial Bank may have to wait longer for their deposits after shareholders moved to court to challenge their pay out. The bank's shareholders were Thursday allowed to proceed with a judicial review on the directive to have the depositors paid out, a move they say will liquidate the bank under receivership. In the application filed Wednesday at the Nairobi's Millimani High court, the shareholders have sought to prevent the Central Bank of Kenya (CBK), the Kenya Depositors Insurance Corporation (KDIC), Kenya Commercial Bank (KCB) and Diamond Trust Bank (DTB) from 'undertaking any activities that lead towards liquidation of IBL.
They also sought to stop the entities from making any further payouts as well have information access to assist in bringing the bank back on its footing. READ: Imperial Bank owners to give CBK Sh10bn. In December, CBK tasked the Kenya Commercial Bank and Diamond Trust Bank to pay all depositors with Sh1 million and below as the remaining 5,700 depositors were to receive their deposits by end of March 2016.
Led by their representative Anwar Hajee, the shareholders are seeking to stop any further transfer, assigning or disposing of the bank's assets and be formally involved in any stakeholder dialogues which they claim they have been left out of.

"Of grave concern of the applicants is the fact that the respondents have moved to the said exclusion of and transfer process as envisaged in the Kenya Deposit Insurance Act and regulation 15 of the Kenya Deposit Regulation 2015 without complying with the applicable legal requirements and as they fast-track the process, the clear direction that the respondents are taking is effectively liquidating the bank," The application will be another blow leaving depositors in the middle as tension between depositors and the CBK after the former failed to push through a demand to hold the deposits for three years until the bank recovers. The bank went under receivership in October 13, last year leaving the fund managers and banks which had invested Sh2 billion in it with a fate of getting only get 5 per cent return on their five year investment. One Bread baker, Kenblest which owns 12.5 per cent of Imperial Securities has seen its fortunes tied to the troubled bank.
The same fate befell the Kenya Tea Development Agency's (KTDA) Sh2.3 billion as well as the Center for Justice and Environmental Action (CJEA), Mombasa. The Insurance Regulatory Authority (IRA) has disclosed that insurance firms had a total of Sh1.5 billion in the ill-fated lender. KCB said it had an immaterial exposure of less than Sh200 million which was in the fallen financial institution. *(Nation)*

NAIROBI: More than 1,500 employees of East Africa Portland Cement Company (EAPCC) risk losing their jobs. The cement maker is entangled in a protracted struggle for 13,000 acres of land in Mavoko, Machakos County, with squatters who are said to have purchased EAPCC's land from shadowy cartels. "The land that the squatters have occupied harbours our mines. Those working in the mines constitute 25 per cent of our entire workforce, and they are the most threatened with lay-off," Managing Director Kephar Tande said. The company's woes are deepened by the fact that foreign investors like Lafarge, which owns 42 per cent stake in Portland, have started getting alarmed by the wrangles that the land case is creating. The company management also estimates it has suffered a Sh200 million loss in revenue for the last six months due to the tussle. Board Chairman William Lay blames the land-grab to cartels that have political clout since even the police have been unable to stop them. "Our workers were barred by the squatters from accessing the mines and one was actually beaten as police watched. The Kenya government owns 52 per cent of EAPCC through the Ministry of Industrialisation, and we are wondering why they are not intervening to help the company. All our correspondence with the Ministry of Internal Security asking for police protection have failed," Mr Lay said. See also: Chinese firm defends environmental record on SGR project Despite the squatter issue, the company managed to post a profit before tax of Sh7.3 billion for the year ended June 30, 2015. This was an improvement from Sh385 million **loss it suffered the previous** year. The company also managed to sell two parcels of land in Athi River to the Standard Gauge Railway (SGR) project at Sh9.4 billion. It was also forced by the Government to part with another parcel for Sh836 million to pave way for the same SGR project. *(Standard Media)*

Economic News

Kenya sees its budget shortfall narrowing to 6.9 percent of gross domestic product in the fiscal year beginning July 1 as it boosts revenue collection, the Finance Ministry said in a draft budget policy statement. The deficit is forecast to narrow from 8.1 percent in the current fiscal year, the ministry said in a statement on Monday on its website. Spending is set to decline by 4.5 percent to 1.91 trillion shillings ($18.7 billion) following a projected 46.9 billion shillings revenue shortfall. It also plans to curb domestic borrowing by nearly a quarter to 168.2 billion shillings in favor of external financing, which will increase to 346.5 billion shillings from an earlier projection of 340.5 billion shillings. The government is trying to keep spending in check after facing a slowdown last year following repeated Islamist attacks that hurt its key tourism industry. Growth is set to recover this year to 6 percent from 5.6 percent in 2015. "Kenya's macro economic performance remains strong in the face of headwinds from the global economic slowdown," according to the statement. In 2016-17, President Uhuru Kenyatta's government proposes to boost spending to 2.1 trillion shillings, or 29 percent of GDP, according to the statement. Revenue collection in East Africa's biggest economy is expected to reach 1.5 trillion shillings from a projected 1.3 trillion shillings this year. Treasury plans to plug a spending deficit with loans of as much as half a trillion shillings in 2016-17. It seeks to raise 310.7 billion shillings in external funding that year and tap the domestic market for the remaining amount. The robust economic growth will be underpinned by continued investment in infrastructure, construction, mining, lower energy prices and booming agricultural output, the Treasury said. *(Bloomberg)*

Kenya's shilling was little change early on Thursday, staying firmly in a range that has held since November, with corporate demand for dollars and inflows of foreign exchange both subdued. By 0649 GMT, commercial banks quoted the shilling at 102.15/35 to the dollar, compared with Wednesday's close of 102.28/30. One trader said earnings from tea exports and inflows from charities were helping match needs of oil firms, telecoms and other companies seeking dollars. "But it is small amounts," he said. Central bank said it planned to mop up Sh8 billion ($78.35 million) in excess liquidity from the money markets. The bank uses repurchase agreements (repos) and term auction deposits to absorb the excess liquidity, making it more expensive to hold dollars, which in turn lends . *(Business Daily)*

WEEKLY AFRICAN FOOTPRINT

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Malawi

Corporate News

No Corporate News this week

Economic News

Malawi should see economic growth pick up to more than 4 percent in 2016 from about 3 percent last year as the country recovers from a drought caused by the El Nino weather pattern, its finance minister said. Agriculture accounts for almost a third of Malawi's economy and provides the livelihood of 80 percent of the population. Last year, the country suffered floods, then a drought that has hit production of the maize crop across southern Africa. "We don't think the weather will be as bad this year as last. Growth could be higher than 4 percent in 2016," Goodall Gondwe told Reuters in an interview late Monday. Malawi's central bank in September was forecasting growth of 5.4 percent in 2015 and 6.5 percent in 2016 after a 6.0 percent expansion in 2014, but the weather has cast doubt on those forecasts. The International Monetary Fund said in September 2015 growth would slow to 3 percent. Impoverished and land-locked Malawi must also contend with a collapsing currency. The kwacha has been laid low by a loss of donor funds, falling export revenue from the key crop, tobacco, and a general loss of faith in African currencies as commodity prices fall. Since the government of President Peter Mutharika assumed office in May of 2014, the kwacha has fallen more than 300 percent, to 715 to the dollar from around 160. Combined with a poor maize harvest, the weakening kwacha has pushed inflation to 25 percent from 18 percent in March last year, with accelerating food prices heaping misery on lower-income households. The United Nations World Food Programme reckons about 2.8 million Malawians, 16 percent of the population, face hunger. But Gondwe said black market rates - often a useful exchange rate gauge in poor, developing economies - indicated the kwacha's decline was nearing its end. "We think the kwacha will stabilise this week or next week," he said. "If you go to the black market area you will find that the difference between the black market rate and the official rate is not much. Which means that it has reached its equilibrium."

Malawi is also grappling with a loss of donor funds to support its budget in the wake of a scandal over two years ago dubbed "cashgate" in the local press. Led by Britain, Malawi's former colonial ruler, donors withheld direct aid to the southern African nation over the scandal in which top government officials siphoned millions of dollars from the public purse. Donor aid has usually accounted for 40 percent of Malawi's budget. In 2012/13, before "cashgate" erupted, the government got $550 million in grants, equivalent to about 14.4 percent of gross domestic product. It fell by $360 million to $190 million the following year. It has not reached pre-scandal flows since then. "That is a policy which we must accept. We have seen the last of budgetary support from bilateral governments," Gondwe said. Donor aid has not completely dried up but now by-passes the budgetary process. "It is not passed through us," Gondwe said. "The money will be passed to the account of a commercial bank and they will take that money and buy things that we want and say 'here it is.'" He said the government was tightening its belt and civil servant wage increases this year would not be "too liberal", but big job cuts were not planned. "Things like traveling we have cut very severely," he said. "The luxury of having free cars and things like that, we will have to cut." *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

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Nigeria

Corporate News

Guinness Nigeria Plc, the country's second-biggest brewer, said half-year profit fell as an economic slowdown hurt beer consumption. Net income declined 66 percent to 1.2 billion naira ($6 million) in the six months through December, the Lagos-based unit of London-based Diageo Plc said in a statement published on the Nigerian Stock Exchange website on Monday. Revenue dropped 10 percent to 49.8 billion naira. Nigeria, Africa's biggest economy, is facing a squeeze in consumption as the nation of more than 170 million people suffers from a slump in crude oil prices that has reduced the country's main source of revenue. The nation's economy probably grew 3 percent last year, the slowest pace since 1999, according to the International Monetary Fund. Guinness Nigeria shares retreated 3.7 percent to 111.20 naira by the close of trading in Lagos, its biggest decline since Jan. 19. The shares are down 7.6 percent this year, compared with a 26 percent decline by larger competitor Nigerian Breweries Plc, part owned by Heineken NV. *(Bloomberg)*

The Ghanaian Ministry of Trade and Industry has announced that it is set to commence investigations into allegations raised by some Ghanaian cement manufacturing companies over Dangote Cement's operations in the country. Diamond Cement has been complaining for months of undue competition from Nigeria's Dangote cement. The development is said to have reduced Diamond cement's annual production capacity of 1.8 million bags to 1.3 million bags. The Deputy Communications Manager at the trade ministry, Ahmad Nasir, said the ministry would comply with the recommendations of the Tariff Advisory Board of the ministry mandated to conduct the investigations.
"Diamond cement's point was that looking at the price of input into the manufacturing of cement, there was no way Dangote could produce in Nigeria, bring goods into Ghana, pay tariffs and still sell at a price lower than theirs. They are suspecting that something fishy was going on," Ahmad Nasir stated. "At this stage it is an allegation until it is investigated, no action can be taken, within two weeks or so, this issue should be dealt with," he added. *(This Day)*

MTN Group has hired a former top U.S. law enforcement official to help challenge a $3.9 billion fine imposed by Nigeria for failing to disconnect unregistered users, the Financial Times reported on Wednesday. Citing people familiar with the situation, the newspaper said former U.S. Attorney General Eric Holder pleaded with Nigerian officials last month on behalf of the telecoms company. Africa's largest mobile phone company was handed a $5.2 billion penalty in October, prompting weeks of lobbying that led to a 25 percent reduction to $3.9 billion. MTN, however, was still not prepared to pay the fine and launched a court challenge in December, saying the Nigerian telecoms regulator had no legal grounds to order the penalty. A judge in Lagos, Nigeria's commercial capital, last month gave MTN until March 18 to try to reach a settlement over the fine, which equates to more than twice MTN's annual average capital spending over the past five years. MTN spokesman Chris Maroleng was not immediately available to comment. Holder, who led the U.S. Justice Department from 2009 to 2015 and was one of President Barack Obama's longest-serving cabinet members, returned to law firm Covington & Burling, where he was previously a partner from 2001 to 2009. *(Reuters)*

But for the N23.7 billion gain realised from the sale of its remaining 15 per cent stake in United Cement Company of Nigeria (UCC) Limited, Flour Mills of Nigeria (FMN) Plc would have ended its nine months results period ended December 31, 2015 with a loss of about N3.9 billion. However, the company ended the period with a profit after tax of N19 billion, compared with N3.3 billion profit in the corresponding period of 2014. The unaudited report made available by the Nigerian Stock Exchange (NSE) on Wednesday showed that FMN's operations was negatively impacted by the challenging operating environment. Revenue grew by 8.2 per cent from N244 billion in 2014 to N264 billion in 2015.Cost of sale rose by 7.8 per cent from N219 billion to N236 billion, while marketing, distribution and administrative expenses soared by 43 per cent to N15.2 billion, from N10.6 billion. Similarly, net finance cost jumped by 38 per cent from N11.9 billion to N16.4 billion. The company made a profit of N23.7 billion from its remaining investment in UCCN. Consequently, it ended the nine months with a profit of N19 billion. According to FMN, despite the pressure on top line sales, coupled with operational and logistics issues in Apapa, the group and company succeeded in growing revenues by eight per cent year-on-year. The improved top line growth was impacted by devaluation of the Naira which led to rising input costs.

In addition, the decline in profit before tax was partly driven by higher financing costs. It is pleasing to note that a gain of N23.7 billion realized on sale of the remaining 15 per cent of the group's investment in UCCN was a big boost to the group's bottom line." However, commenting on the third quarter (September-December 2015) performance, FBN Capital said FMN recorded pre-tax and after tax losses of N4.3 billion and N5.2 billion respectively. "The losses compare with pre-tax and after tax losses of N2.1billion and N1.3 billion in Q2. Although sales grew by nine per cent year-on-year(y/y) to N86.1 billion, gross margin expanded by 153bps y/y to 11 per cent and operating expenses (opex) declined by 16 per cent y/y to-N4.3 billion, a 1,054 per cent y/y rise in other losses and interest expense of N5.1 billion proved more significant and were the key drivers of the losses," the firm said. *(This Day)*

FirstBank of Nigeria Limited, a subsidiary of FBN Holdings Plc, has thrown its weight behind the development of trade financing in Nigeria and beyond. This, according to the bank, informed the collaborative effort with FBNBank (UK) Limited, a subsidiary of FirstBank to sponsor the 7th Annual West Africa Trade & Export Finance two-day conference which commenced in Lagos on Wednesday. In a statement by the Group Executive, Treasury and Financial Institutions, FirstBank, Ini Ebong, the bank would continue to create and support initiatives that will create business opportunities and investments in Nigeria and the African continent. "We will continue to grow our mileages in developing trade and commodity finance across the continent," he said. FirstBank's Head, Structured Trade & Commodity Finance, Mr. Ikenna Egbukole will be a panel discussant on the topic: "Tracking trends within West African banking sector," at the event. "The progress FirstBank had made in trade finance is further buttressed by its consistent win of the 'Best Trade Finance Bank in Nigeria' by Global Finance Awards for seven years including 2015. FBN Bank (UK) Limited has also been named Best Trade Finance Bank in West Africa for five consecutive years by Global Trade Review Awards," the statement added. *(This Day)*

As part of efforts to assuage the fears expressed by international investors over its ability to redeem its Eurobond, Guaranty Trust Bank Plc (GTBank) has invited holders of its $500 million 7.50 per cent Eurobond initially due by May 2016, to tender their securities for redemption by the bank from yesterday. THISDAY learnt that the bank had received severally calls, mostly from foreign investors, who have continued to express concerns over its ability to redeem the Eurobond upon maturity in May this year, following the foreign exchange scarcity in the economy. But a statement from the bank yesterday requested that investors in the debt instrument should tender any and all of their securities for purchase by the offer or for cash, on the terms of, and subject to the conditions contained in a tender offer memorandum dated February 4, 2016 . The offer commenced yesterday and will end at the expiration deadline, according to the bank, stating that results of the offer are expected to be announced on or before February 11, 2016. However, it pointed out that if the expiration deadline would be extended, an announcement to that effect would be made no later than 9a.m. (New York City time), on the next business day after the previously scheduled expiration deadline. The bank however explained that through the offer, "it seeks to deploy its available United States dollar liquidity to the repurchase of the Securities ahead of the scheduled maturity in May 2016. This liability management exercise allows the bank to efficiently manage its liquidity by addressing in full debt maturing in 2016.

"The extent to which this goal can be achieved through the offer will depend on the number of securities that will be tendered in the offer, given the voluntary nature of the offer. The bank intends to maintain cash available to repay any outstanding securities not tendered in full at maturity." GTBank also stated that any securities purchased by the offeror would be surrendered for cancellation to the principal paying agent in respect of the securities. "If the offeror decides to accept valid tenders of securities pursuant to the offer, the total amount the offeror will pay holders on the settlement date for each $1,000 in principal amount of securities accepted for purchase pursuant to the offer will be an amount (rounded to the nearest US$0.01) equal to: the purchase price; and accrued Interest on such $1,000 in principal amount. "If, following acceptance of securities for purchase by the offeror pursuant to the Offer and following purchase of the relevant securities on the settlement date, a holder continues to hold in its account with the relevant clearing system less than US$200,000 in principal amount of securities, in order to ensure that it will be possible to trade any residual holding in the clearing systems such holder would need to purchase an additional principal amount of securities such that its aggregate holding amounts to at least US$200,000," the bank added. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

Nigeria's interbank rate dropped to 1.25 percent for overnight lending on Friday, from 3.5 percent last week, supported by increased liquidity from retired treasury bills and an expected injection of cash from December budget allocations. Traders said the central bank injected around 331 billion naira ($1.66 billion) in matured open market operation (OMO) treasury bills into the banking system on Thursday, while additional naira from the budget and refunds from deposits for foreign exchange purchases are expected to hit the system by close of business on Friday. Nigeria, Africa's biggest economy, distributes revenues from oil exports and taxes among its three tiers of government -federal, state and local- on a monthly basis, with the portion for state and local government passing through the banking system and providing liquidity. Commercial lenders' credit balance with the central bank opened at 461 billion naira on Friday and is expected to rise to about one trillion naira next week, when more cash is injected into the system by the central bank, traders said. "We expect to see the cost of borrowing in the market drop further by Monday because of the anticipated inflow of additional liquidity from the budget and refunds from the surplus from cash deposited for forex purchases," one dealer said. The secured Open Buy Back (OBB) fell to 1 percent on Friday from around 3 percent it closed at last week. *(Reuters)*

Nigeria's government is in talks for concessionary loans worth $3.5 billion from the World Bank and African Development Bank to help finance a planned record budget this year, Finance Minister Kemi Adeosun said. While discussions are going on, a formal request hasn't yet been made to the World Bank for $2.5 billion and the AfDB for $1 billion, Adeosun said by telephone on Sunday. The government plans to tie them to specific capital projects, she said. A request hasn't been made for assistance from the International Monetary Fund. President Muhammadu Buhari's government is seeking to spend its way out of an economic crisis triggered by a collapse in oil prices. Nigeria is Africa's biggest oil producer and relies on crude for almost all its exports and two-thirds of government revenue. Buhari has proposed boosting this year's budget to a record 6.1 trillion naira ($30.7 billion). Adeosun said on Jan. 21 that authorities will borrow about $5 billion in external debt from multilateral agencies and the Eurobond market to plug record budget gap of 3 trillion naira. Lawmakers in Nigeria's parliament will begin deliberations this week on the 2016 spending plan, Adeosun said on Sunday. Authorities will begin non-deal roadshow meetings with investors to sound out a potential sale of $1 billion of Eurobonds in February, she said. Nigeria has issued dollar bonds twice, most recently in 2013.
Crude oil prices have dropped about 46 percent since June last year and were trading as low as $35.14 a barrel in London on Monday. The West African nation's economy probably grew 3.2 percent last year, the slowest pace since 1999, according to a Bloomberg survey of economists. *(Bloomberg)*

Nigeria, reeling from the oil price plunge that has slashed vital revenues, has asked the African Development Bank for a $1 billion loan to help fund an increased budget deficit, the AFDB said on Tuesday. The bank said it was considering the loan to Africa's largest economy and oil producer, where the drop in crude prices has hit growth, and that an appraisal mission would visit soon to work with authorities. Nigeria is planning to borrow as much as $5 billion to help fund a deficit due to the slump in global oil prices, which have also sent its naira currency into a tailspin. Finance Minister Kemi Adeosun said this week Nigeria had held exploratory talks with the World Bank and looked at options to borrow from the AFDB and China Exim Bank. Earlier this month she said that about $4 billion might come from international institutions and the remainder from eurobonds. Nigeria expects a budget deficit of 3 trillion naira ($15 billion) in 2016, up from an initial 2.2 trillion naira ($11 billion) estimate. The budget, presented by the president at the end of last year, is sitting with parliament, which aims to pass it at the end of this month. At 6.08 trillion naira ($30.6 billion), it is a more ambitious budget than under the previous administration and will see capital expenditure tripled compared to 2015 to about 30 percent of the total. *(Reuters)*

Nigeria will replace crude oil swap agreements in March with a system under which it will directly sell crude oil to refiners and purchase refined oil products from them, the state oil company said on Tuesday. Nigeria, Africa's biggest oil producer, is almost wholly reliant on imported gasoline, kerosene and other petroleum products, despite exporting around 2 million barrels per day (bpd) of crude oil. Efforts to revamp the country's own long-neglected refineries have met with limited success. The Nigerian National Petroleum Corporation (NNPC) said in November that it would move away from swap agreements, also called "offshore processing arrangements" (OPAs), to improve transparency. "The crude-for-products exchange arrangement popularly referred to as crude swap will be replaced by a Direct-Saleâ€"Direct -Purchase (DSDP) arrangement which would take off next month," NNPC spokesman Ohi Alegbe said on Tuesday. Alegbe said this had been announced by Emmanuel Ibe Kachikwu, minister of state for petroleum resources, during an appearance before a parliamentary committee set up to investigate NNPC swap arrangements. "The minister stated that the DSDP option eliminates all the cost elements of middlemen and gives the NNPC the latitude to take control of sale and purchase of the crude oil transaction with its partners, adding that the initiative would save $1 billion for the federal government," said Alegbe. *(Reuters)*

Following the continued depletion of Nigeria's external reserves as a result of dwindling crude oil prices and huge demand for the green back, experts in the nation's financial sectors have stated that the federal government may sell its assets to foreign investors to shore up reserves. Data released by the Central Bank of Nigeria (CBN) last Friday showed that the nation's external reserves fell to $28.1 billion on January 28, the lowest level since 2005. On December 31, 2015, the reserves closed at $29.070 billion, reflecting a decline of 15.79 per cent year-on-year (YoY) from $34.52 billion a year ago. During the first 11 days of this year, the foreign reserves fell by $288 million, and stood at $28.782 billion on January 11. This, the analysts who spoke to THISDAY on the condition of anonymity said, the situation can only be remedied by the sale of the assets. Before the slide in the oil price, Chinese investors were said to have offered $70 billion for the Nigerian National Petroleum Corporation (NNPC) joint-venture interests. However, analysts at FBN Capital stressed that the valuation of these assets would have since fallen sharply as a result of the decline in crude oil prices. Speaking on how Nigeria got into this situation, the analysts blamed past governments for failing to build solid buffers when oil prices permitted. According to the analysts, "Because their Nigerian counterparts failed to build solid buffers when oil prices permitted, they are struggling to contain the depletion of reserves now that foreign exchange inflows have slumped. Oil and gas, both dollarized exports, earned $90.5 billion in 2013, and transfers (remittances), the second largest source of inflows, $22.2 billion. We fail to see what could take up the slack before the oil price recovers."

They added, "From a balance of payments (BoP) perspective, devaluation would not make much difference. A devaluation would boost certain non-oil exports, mostly agricultural, but these amounted to just $4.5 billion in total in 2013. Our chart puts gross inflows on the financial account into context. In the four quarters from Q3 2012, when Nigeria enjoyed the feel good factor from the JP Morgan listing, gross portfolio inflows reached $21.2 billion, net portfolio flows $18.9 billion, and oil and gas exports $94.9 billion. For direct investment, the gross and net figures for the same period were $7.3 billion and $5.2 billion." The CBN had recently stated that with the continued depletion of the foreign reserves, providing forex to the BDCs was no longer sustainable. The CBN Governor, Mr. Godwin Emefiele, had stated that between July 2014 and January this year, the country's external reserves had suffered a great pressure from speculative attacks, round-tripping and front-loading activities by players in the foreign exchange market. These, he pointed out, had led to a decline in the reserves from $37.3bn in June 2014 to $28bn currently. Manufacturers and foreign investors have been calling for flexibility in the foreign exchange policies of the CBN as businesses continue to suffer from the restrictive policies of the central bank. The Managing Director, International Monetary Fund (IMF), Christine Lagarde, had in a meeting with President Muhammadu Buhari earlier January stressed the need for flexibility with monetary policies in order not to deplete the reserves. *(This Day)*

Nigeria's debt burden rose by N1.31tn in one year, the Debt Management Office has said. Official statistics released by the DMO in Abuja on Wednesday showed that the country's total debt rose from N11.24tn as of December 31, 2014 to N12.6tn at the end of 2015. The N1.31tn increase showed that within a period of one year, the country's debt rose by 12.1 per cent. As of June 30, 2015, the country's debt burden stood at N12.12tn. This means that the federal and state governments grew the country's debt profile by N480bn in the first six months of last year. The total is made up of the external debt of the federal and state governments, the domestic debts of the Federal Government as well as the domestic debts of the states. In terms of segmentation, the external debts of both tiers of government rose from $9.71bn as of December 31, 2014 to $10.71bn as of December 31, 2015. This shows a rise of $1bn or growth rate of 10.37 per cent within the period. The domestic debt of the Federal Government, which is the biggest component of the debt burden, rose from N7.9tn as of December 31, 2014 to N8.84tn in the 12-month period. This shows that the domestic debt of the Federal Government rose by N932.97bn within the one-year period. It also means that the domestic debt of the Federal Government rose by 11.8 per cent.

The 36 states of the federation and the Federal Capital Territory held $3,369,911,154.54 of the country's external debt component, while the Federal Government's external commitments stood at $7,348,520,340.26. With $1,207,900,597.65, Lagos remained the most externally indebted state of the federation as it held 35.84 per cent of the country's subnational external debt. For 2016, the Federal Government expects to borrow N984bn from domestic sources and N900bn from foreign sources to finance the capital component of the budget. It will also set aside the sum of N113bn as a sinking fund towards the retirement of maturing loans, while N1.36tn has been provided for foreign and domestic debt service obligations. Our correspondents reported that the Federal Government spent a total of N2.95tn to service domestic debts for a period of five years from 2010 to 2014. The amount spent on servicing the domestic component of Nigeria's total debt rose from N334.66bn in 2010 to N846.64bn by the end of December 2014. The increase in the debt service obligation of the Federal Government showed an increase of N511.98bn within a period of five years. This means that in that time, the country's domestic debt service obligation rose by 152.99 per cent. The increase also reflected the rise in the size of the country's domestic debt portfolio, which moved from N4.55tn in December 2010 to N7.9tn as of December 31, 2014, an increase of 73.63 per cent. This means that while the domestic debt rose by 73.63 per cent within the period, the cost of servicing the debt rose by 152.99 per cent.

Some of the debts that had fallen due within the period, however, might have been liquidated. While reacting to the development, the Director-General, West African Institute for Financial and Economic Management, Prof. Akpan Ekpo, told one of our correspondents in a telephone interview, "It is unfortunate that the last government incurred so much debt. It is not healthy for the economy because a lot of the money was not used for capital projects. They were borrowing to meet recurrent expenditure to finance the budget, which was very wrong. "But we have sympathy for the new government because there is a deficit, which has to be financed. I suggest that to reduce the debt burden, we should reduce the debt service obligation of over N1tn. It is too high. We should then try and borrow externally from the African Development Bank or the World Bank because they have long repayment periods and concessionary terms. We should minimise borrowing domestically. "Then going forward, we should be very careful. I don't think the rising debt profile is good for the economy. And the money borrowed should be put into viable projects like infrastructure development. "This new government is in a dilemma. There is a deficit and they have no choice; they have to borrow. Also if the looted funds are recovered, they should be used to reduce the deficit." Prof. Sheriffdeen Tella of the Department of Economics, Olabisi Onabanjo University, Ago Iwoye, Ogun State, said, "The debts were actually accumulated by the last government at a time when the economy was going down, pretending that we were still having some money as it were. "This is not good for us. We should worry about it because of the situation now. It is more precarious for us to continue to accumulate debt. If the debt is long-term, it is okay; but it is likely going to be short and medium-term."*(Punch)*

The federal government's recent economic policy announcements show its response to the oil price shock is coalescing around state-led development to boost economic growth and import substitution to blunt the effects of declining oil receipts, Fitch Ratings has said. The global rating agency, in a statement yesterday, said though it was yet to be seen whether the associated measures adopted by the government would promote growth while containing fiscal pressure, it believed there are a number of downside risks. The emerging economic policy of the President Muhammadu Buhari government includes an increase in public spending and state-directed investment, revenue-side reforms, and accommodative monetary policy. The federal government aims to finance additional spending through revenue-side reforms, including improved tax collection and public finance management, and by increasing external financing. The fall in oil prices below the $38/barrel level assumed in the 2016 budget has increased the need for external financing, and the government recently announced it is looking to the World Bank and African Development Bank for additional lending and is exploring a Eurobond issuance sometime in the first half of 2016. Also, Fitch noted that the Central Bank of Nigeria (CBN) took a large role in implementing economic policy during last year's six-month wait for cabinet appointments. It introduced exchange controls and restrictions on foreign currency and resisted pressure for further naira devaluation. The CBN cut benchmark rates by 200 basis points in November and reduced the cash reserve ratio for commercial banks. "Overall, these policies present downside risks to Nigeria's sovereign credit profile, although there are various mitigating factors: Increased borrowing and higher interest payments would add to pressure on the fiscal position. But public debt is low, and the government is unlikely to fully execute its spending plans. Capital expenditure, for example, has constituted only about 20 per cent of total federal government spending in recent years and is estimated to have dropped to about 13 per cent for 2015. "Underspending would reduce the negative impact on the public finances, but also the boost to growth.

The government has indicated that it will use low energy prices to begin phasing out fuel subsidies in 2016, which would partly contain the deterioration in the public finances. "Unorthodox or unpredictable forex policy makes raising external financing more difficult, deterring both private investors and possibly multilaterals. The persistent spread between the retail and official interbank exchange rate indicates unmet demand for dollars in the Nigerian economy. "We think the drag on growth from the Nigerian private sector's inability to access sufficient hard currency will outweigh the benefits of planned fiscal stimulus, and that the CBN will struggle to defend the naira indefinitely. Erosion of fiscal and external buffers and policy uncertainty drove our revision of the revision of the Outlook on Nigeria's 'BB-' sovereign rating to Negative in March 2015, which we affirmed in September. "An economic policy response that contained fiscal pressures, kept debt levels manageable and carried out planned reforms would be positive for the rating. An inadequate response that failed to carry out growth-enhancing reforms and put debt levels on an unsustainable path would have a negative effect on the rating," it added. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

CRDB Bank has posted an increase in net profit of almost 46 per cent in 2015 to cement its position as the biggest bank in terms of balance sheet and branch network. The Dar es Salaam Stock Exchange (DSE) registered bank, which has a subsidiary in Burundi, announced a profit increase of 46 per cent to 139.28bn/- for the Group compared to 95.64bn/- of 2014. The bank's net interest income generated mostly to the profitability after contributing 390.99bn/- last year from 276.18bn/- of 2014. While, non interest income generated 180.32bn/- last year against 151.09bn/- of 2014, as fees and commissions contributing 143.96bn/-. CRDB, now with 199 branches in Tanzania and Burundi, has 2,651 staff. Its basic earnings per share climbed up to 53/- from 44/-. Despite a good performance, the bank share price, however, slid by 1.26 per cent since the beginning of this year to 395/- at close of the market last Friday. The profitability was also the results of ballooning of the loan portfolio that rose to 3.3tri/- at the end last year's last quarter from 3.0tri/-. The lending assists the assets growth after it grew to 5.43tri/- from 5.27tri/- to make it the largest amount to be ever reached by any financial institution in the history. On other hand, customers deposits also climbed to new record after reaching 4.14tri/- from 4.02tri/-. However, the non-performing loan ratio slowed down to 6.4 per cent from 7.0 per cent though the ratio is still higher than recommended benchmark of 5.0 per cent. The bank late last year announced plans to open branches in the Democratic Republic of Congo (DRC) and Zambia, in a move to beef up CRDB region expansion. In the last two years the bank opened 60 branches countrywide in two years and goal was to bring services closer to its customers. Moreover, the bank had opened more than 36 service centres as well as improving the mobile and internet banking services so that their customers can access the services wherever they are. *(Daily News)*

THREE counters dominated market turnover at the Dar es Salaam Stock Exchange (DSE) last week by 93.6 per cent. According to Zan Securities Weekly Wrap-ups, three counters are namely the Tanzania Breweries Ltd (TBL) by 84.35 per cent, Tanga Cement Company Ltd (TCCL) by 4.80 per cent and CRDB Bank by 4.45 per cent. During the week under review the Tanzania Cigarette Company (TCC) emerged as the top gainer within local listed companies. TCC stock price appreciated by 510 /- or 4.25 per cent, closing the week at 2,1251 per share. TCCL emerged as the top loser with stock price depreciating by 15.91 per cent or 420/- to close this week off at 2,220/- per share. Total market capitalization increased by 1.74 per cent compared to last week, closing at 20.10tri/-. Domestic market capitalization experienced a decrease by 0.02 per cent closing this week at 9.08tri/-. Comparatively, key benchmark indices were in both the green and red territory to close off the week. The Tanzania Share Index (TSI) capped at 4,263.44 points, lower by 0.02 per cent compared with 4,264.25 points posted last week. The All Share Index (DSEI) closed at 2,291.12 points, up by 1.78 per cent compared with last week closing at 2,2251.08 points. Similarly, the three sector indices closed off this week in both the green and red territory. Industrial and Allied experienced a decrease, closing at 5,681.80 points up by 0.39 per cent compared to previous week closing at 5,650.79 points. Banks, Finance and Investment Index experienced a decrease by 0.67 per cent to close at 2,867.05 points compared to last week closing at 2,886.34 points. Commercial Services Sector also experienced a decrease by 3.44 per cent to close the week off at 3,764.89 points compared to last week closing at 3,898.83 points. The equities performance is expected to bring in new market perception as Banks, Finance and Investment sector (NMB, CRDB and DCB) released results for the last quarter. *(Daily News)*

EXIM Bank announced pretax un-audited profit of 35.3bn/-for the year that ended December 2015, posting a robust growth of 46 per cent over previous year. Mr. Selemani Ponda, Group Chief Finance Officer of the bank attributed the growth to efficient management of funds resulting into a sustained growth rate of Net Interest Income and a higher Non-interest income getting contributed by Forex gains and fee income "On the backdrop of a rather challenging year marred by volatility in interest rates (that saw a high of 40 per cent+) and depreciation of the local currency to all time low, the performance of bank can be ranked as highly satisfactory" Chief Finance Officer added. The Net Interest income grew by 28 percent to 73bn/-from 57bn/- recorded the same period in 2015. The growth was largely driven by bank's focus on low cost deposits, banking on its large presence through 30 branches and effective management of funds. Further, Non-funded Income during the quarter increased by 25 percent to 50bn/- from 40bn/-recorded in the previous year. The growth was led by higher Foreign exchange margins and supported by other fee income backed by efficient delivery to its Corporate & SME business segments.

Total operating income rose 29 per cent, to reach 123bn/-from 95bn/-, riding on a sharp growth in fees and commissions which were up 29 per cent from 24bn/-to 31bn/-. Income from forex rose 29 per cent from 9.6bn/- to 12.4bn/-. Operating expenses rose by 20 per cent to reach 80bn/-.The Group's return on average equity amounted to 20.3 per cent, compared with 17.5 per cent in 2014 whereas return on average assets jumped up to 2.2 per cent, compared with 1.5 per cent in 2014. The international businesses contributed to four per cent to the Group profits as compared to a net joint loss from both the Subsidiaries. It is heartening to note that while bank's Comoros Subsidiary has been making good profits ever since inception, bank's forays in Djibouti showed remarkable performance during the year 2015 recording profit of 1.2bn/- . The Group expects both subsidiaries to continue to enhance their performance during the year 2016. Going forward, Exim Bank Group will continue to leverage on advancements in technology to drive financial inclusion and improve customer experience within the region. During the year, the Group rolled out new 'Chip & PIN' EMV Faida debit cards, from erstwhile 'magstripe' cards towards enhanced safety on usage by its customers. *(Daily News)*

THE government will consider listing at the Dar es Salaam Stock Exchange by 2024 entities that will be formed after restructuring of power utility firm, Tanzania Electric Supply Company. The government plans to form a power generation company by 2017 to manage electricity generation activities and a number of distribution companies by early 2021 under Electricity Supply Industry Strategy and Roadmap (2014/25). In a statement issued by the Tanzania Electric Supply Company Limited (TANESCO) it is stated that the aim of the roadmap is to increase locals' participation in the ownership of public companies through the DSE as well as enabling the companies to raise capital for investment particularly in electricity infrastructures. Currently, there are four major sources of funding for investment in the power sector namely the government, development partners, financial institutions and Tanesco itself. To bridge the financing gap while balancing investors and consumers interests, private capital investment becomes an important option. The unbundling of generation segment from transmission and distribution segments and establishment of the generation company to be owned 100 per cent by the government will be realised before the end of 2017. The existing Tanesco will continue to be responsible for transmission and distribution until when distribution is unbundled by June 2021. Distribution companies to be owned 100 per cent by the government will be established early 2021. Tanzania is envisioned becoming a middle-income country by 2025, implying that the income per capita has to increase from 640 US dollars to at least 3,000 US dollars. Consequently, the installed power capacity must increase to at least 10,000 Megawatts in 2025 from about 1,600MW currently in order to have adequate, reliable, affordable and environmentally friendly power. *(Daily News)*

Economic News

DESPITE month end tax and salary obligations, active investors' participation in the treasury bills was witnessed at the auction that attracted bids for over three times over subscription. The Bank of Tanzania (BoT) summary for the one year treasury bills auctioned last week shows an over subscription by 226.5bn/- with yields across all tenures remaining almost flat. The government offered 133bn/- for bidding but it attracted bids worth 359.58bn/- although in the end only 262.12bn/- was retained as successful amount. Major investors in the one year treasury bills are commercial banks, pension funds, insurance companies and some microfinance institutions. The two tenures, 364 and 182 days contributed about 99 per cent of the total bids while 91 and 35 had less one per cent. The 364 and 182 days offer attracted bids worth 270.20bn/- and 89.25bn/- respectively against 75bn/- and 50bn/- offered to the market for bidding while the 91 days offer attracted 122.44m/-. Yield rates for the 364 and 182 days offer was 18.80 per cent and 17.67 per cent compared to 18.80 per cent and 17.67 per cent respectively of the previous session held two weeks ago. The 91 days tenure interest rate was 8.84 per cent. The highest and lowest bid/100 for the 364 and 182 days offers were 85.45/82.01 and 92.50/ 91.35 respectively while for the 91 and 35 days tenor had 98.00/ 97.71. The minimum successful price/100 for the 364, 182 and 91 days offer were 83.20, 91.61 and 97.71 respectively. The weighed average price for successful bid for the 364 tenure was 84.21, the 182 days offer was 91.90 and 91 days offer was 97.84. *(Daily News)*

CONSTRUCTION of three big cashew nut processing factories is scheduled to start early in the 2016/17 fiscal year, with the country's processing capacity poised to rise to 30 per cent from the current 10 per cent. According to the Cashew nut Board of Tanzania (CBT) Director General, Mr. Mfaume Juma, the Cashewnut Industry Development Trust Fund (CIDTF) financed factories will be constructed in

Tunduru, Mtwara Rural and Mkuranga districts. "We are determined to increase the domestic capacity of cashew processing to at least 30 per cent," Mr. Juma told the Daily News in a phone interview from Mtwara yesterday, noting that currently less than 10 per cent of the country's cashew produce is processed domestically. He said consultants from the University of Dar es Salaam Business School have already submitted the initial draft of the factories' business plans, adding that their Ardhi University counterparts were expected to submit the structural drawings for the factories, soon. "We have engaged experts to ensure that the business is expertly executed," he said, inviting more Tanzanians to invest in the cashew industry, which he said offers huge business opportunities. Tanzania produces between 150,000 and 200,000 tonnes of cashew nuts, most of which is exported in raw form. The export of raw cashew however is widely ridiculed as an export of jobs for Tanzanians to foreign countries while denying producers of their rightful income due to the meagre prices that the raw produce attracts. Cashew nut farmers have this season received relatively good prices, ranging between 2,400/- and 2,900/- per kilogramme, according to the CBT chief. "Farmers under the warehouse receipt system have received good prices this season, as compared to their counterparts outside the system, who have sold their produce at 2,000/-. The planned factories with total processing capacity of 30,000 tonnes annually, Mr. Juma said, will be operated under the Public Private Partnership arrangement. "The factories will be operated under the PPP arrangement, we are determined to attract the best partners in these joint ventures." The regulator of the cashew sub-sector was optimistic of the bright future of the industry, saying there is a growing interest among prospective investors, "We are getting many prospective investors with interest in the cash crop...and they are all welcome because in cashew nut, there is huge business potential for tapping." *(Daily News)*

Tanzania's economic growth is expected to rise to 7.2 percent in 2016 from 7.0 percent last year, while budget spending for the fiscal year starting in July is likely to rise 2.2 percent, according to a document released by the finance minister. Finance and Planning Minister Philip Mpango presented the document outlining budget plans for 2016/17 to parliament on Monday. It is the first indication of spending plans under the new administration of President John Magufuli, who was elected in October. *(Reuters)*

Tanzania plans to lift spending on industrial and infrastructure projects but wants to cut the budget deficit, its finance minister said in an outline of the draft budget for 2016/2017, which will be the first under the new president, John Magufuli. Finance and Planning Minister Philip Mpango presented the figures in a document outlining budget plans for 2016/17 that was presented to parliament on Monday. The detailed draft budget will not be finalised until closer to July 1. Growth was expected to rise to 7.2 percent in 2016 from 7.0 percent in 2015, Mpango said in his budget draft, making it one of the fastest growing economies in Africa. The document is the first indication of spending plans under Magufuli, who was elected in October. The former public works minister promised to improve the African nation's creaking infrastructure and create more jobs. Under the plans, spending would rise to 22.99 trillion shillings ($10.6 billion) in 2016/17 from 22.49 trillion shillings, but the deficit would shrink to the equivalent of less than 3 percent of gross domestic product from 4.2 percent. Mpango said the government would hike government revenue collection and find savings through some austerity measures. Magufuli began his presidency with a series of high profile moves to slash wasteful government spending, such as scrapping official functions, and reining in corruption.

The finance minister said the government would borrow the equivalent of 1.78 trillion shillings, now worth roughly $817 million, from external commercial sources during 2016/17. Mpango said the goal in the medium term was to hit 8 percent growth. Financial aid and loans from development partners were expected to fall by 9.3 percent to 2.1 trillion shillings in 2016/17, Mpango's document said. Inflation was expected to remain in single digits and fall to 6.0 percent by June 2016 and stay between 5 and 8 percent in the medium term, the minister's guideline document said. Year-on-year inflation edged up to 6.8 percent in December. Spending would focus on industrial projects, new infrastructure to improve poor roads and a power shortfall, and a project to start gas exports. Tanzania says it has finalised land acquisition for a liquefied natural gas (LNG) plant. BG Group, being acquired by Royal Dutch Shell, along with Statoil, Exxon Mobil and Ophir Energy plan to build the plant in partnership with the state-run Tanzania Petroleum Development Corporation (TPDC). They aim to start it up in the early 2020s. *(Reuters)*

THE shilling made couple of gains against the dollar in the first trading sessions of the month that was largely buoyed by the end of month inflows from the corporate sector. Also, according to the CRDB Bank market highlights the local currency's stable condition was the result of strong demand for the hard currency by corporates in fulfillment of the end year obligations of tax and salaries. "As the end-of-month dollar inflows from the corporate sector as it works to meet its month end tax obligations slowed, Tanzania's shilling was stable against the dollar by the end of yesterday's trading session. The local currency closed at the levels of 2153/2193," the statement said. The interbank money market volume was recorded at 51.5bn/- with the shilling exchanged at the levels of between 16.0 per cent and 13.0 per cent. The NMB Bank e-market report shows that the local currency edged higher against the dollar on the first trading session of the month gaining at least four shillings, buoyed by weak demand for dollars and after month end shilling outflows.

Market closed at 2148/2198 levels. The first two days of the week saw the local money markets having a fairly stable liquidity with overnight lending rates at 14 per cent levels. The interbank money market volume was recorded at 51.5bn/- with the shilling exchanged at the levels of between 16.0 per cent and 13.0 per cent. Kenya's shilling was little changed in early trading on Wednesday, with limited corporate demand for dollars matched by modest inflows of foreign exchange from tea exports and charities. By 0721 GMT, the shilling was quoted by commercial banks at 102.15/35 to the dollar, compared with Tuesday's close of 102.25/35. The Ugandan shilling edged up on Wednesday helped by expectations of hard currency inflows from offshore investors into local Treasury debt. At 0829 GMT, commercial banks quoted the shilling at 3,465/3,475, slightly up from Tuesday's close of 3,470/3,480. *(Daily News)*

Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia increased the price of electricity for mining companies by 26 percent this year as Africa's second-largest copper producer seeks to attract investment in power generation, mining industry sources said. The ministry of energy told mining companies they will pay 10.35 U.S. cents per kilowatt hour from January 1, up from 8.20 cents per kilowatt hour previously, one mining industry source told Reuters. "This would have been acceptable if it only applied to emergency power imports but, as it is, some mining companies may be forced to shut down some processing plants," a second industry source said. Energy minister Dora Siliya declined to comment. Mining companies operating in Zambia include Glencore, Canada's First Quantum Minerals, Vedanta Resources and Barrick Gold. Zambia's government said in December it was talking to mining firms about increasing tariffs to meet the rising cost of electricity. The World Bank has recommended Zambia charge mining companies higher electricity tariffs to attract investment in power generation. *(Reuters)*

THE Kwacha is expected to continue being stable against the United States (US) dollar in the short-term, but with a risk of depreciation due to reduced greenback inflows following month-end tax payment by corporates, Zanaco notes. In its daily treasury newsletter, the bank says the local unit was anticipated to trade in the range of K11.25 and K11.35 on Friday. "In the short-term, the Kwacha will most likely remain steady with downside risk mostly emanating from a tapering of greenback supply after the month-end," the statement reads. On Thursday, the Kwacha, which was quoted at K11.25 and K11.27, unchanged from Wednesday's close, held steady against the dollar and it was anticipated to trade in a narrow band due to sluggish importer demand. "The Kwacha was firm on the day due to matched appetite for dollars among importer and exporter firms in a quiet trading session," the bank says. On the regional front, the South African rand appreciated from 16.19 on Thursday to 16.09 on Friday while the Nigerian naira remained unchanged at 199.25. However, the Kenyan shilling depreciated from 102.064 to 102.304, Botswanan pula from 11.507 to 11.516 and the Ghanaian cedi to 3.99 from 3.96. Meanwhile, copper price on the London Metal Exchange (LME) slipped on Thursday from a three-week peak hit the session before, dragged down by concerns the United States may hike interest rates again this year before markets in other regions have stabilised. Three-month copper on the LME had fallen 0.7 percentage point to US$4,560 a tonne , eroding 1.1 percent gains from the previous session when prices hit their highest since January 8, 2016 at US$4,595 a tonne. *(Reuters)*

Zambia has almost halved the tender sizes for government securities starting on Thursday as the southern African state reduces borrowing, the central bank said in a statement posted on its website. The tender sizes had been reduced to 450 million Zambian kwacha ($40 million) from 900 million kwacha and to 600 million kwacha from 1,000 million kwacha for government bonds per auction, the central bank said. The World Bank warned that Zambia will require tough action in 2016 to curb runaway expenditure, double-digit inflation and growing twin deficits. "They want to send a strong signal to the market that they want to reduce domestic borrowing," said economist Lubinda Habazoka of Zambia's Copperbelt University. *(Reuters)*

Zambia has resumed the issuance of new mining licences, renewal and transfer of rights which it suspended in August last year, its mines minister said on Thursday. Mines minister Christopher Yaluma said the government had since the suspension established new licensing regulations to improve the administration of mining and non-mining rights. "In view of this development, I wish to declare the resumption of the issuance, renewal and transfer of mining rights and non-mining rights with effect from Monday," Yaluma told a media briefing. *(Reuters)*

Zimbabwe

Corporate News

TSL Limited saw its profit after tax declining to $4,1 million for the year-ended October 31, 2015 due to a reduction in profit from operations. In the same period in 2014, profit after tax for the group was down from $5 million for the year 2014. Group chairperson Anthony Mandiwanza said notwithstanding the difficult operating environment characterised by local deflationary pressures and weak commodity prices globally, the group has posted a satisfactory set of results. He said the agricultural season was particularly difficult due to erratic rainfall season. Resultantly, national tobacco production was down 8% during the period to 199 million kg. He said the decrease in volumes coupled with depressed global prices translated into a reduction in national revenues. Revenue for the company was flat during the period under review from the same period in 2014 at $48,6 million while operating profit was down 8% to $6,8 million from $7,3 million. Mandiwanza said the strong performance registered in the logistics, real estate clusters and new initiatives in the agro trading businesses mitigated the decline in revenues and operating profit in the tobacco related businesses. "The steady performance by the group in 2015 is, in large measure, attributable to the diversity of its operations. While the agriculture related businesses were adversely impacted by the weather patterns, the logistics and real estate clusters fared well," he said. Mandiwanza said in 2016 the company would increase the growing of agro commodities based on offtaker agreements and improve the marketing and distribution reach of the company's products.
He said the company would build on the progress made particularly in the general cargo and ports businesses whilst ensuring that it retained its leadership position in distribution. Mandiwanza said group would leverage on its relationship with DB Schenker to grow volumes, open new international markets and access world class practices. *(News Day)*

COTTCO Holdings Limited says erratic rainfall caused by the El Niño phenomenon will reduce yields compared to volumes of the seed taken up by farmers this year. This comes on the back of declining national crop yield to 100 000 tonnes in the 2014/15 season from 135 000 in the 2013/14 season. "The late start of the planting season due to erratic rainfall caused by the El Niño phenomenon is likely to reduce yields compared to the volumes of the seed taken up by the farmers," Cottco board chairperson Cecilia Paradza said in a statement accompanying the group's financial results for the half-year ended September 30, 2015. The projected decline in yields also comes as government has donated free inputs to farmers to boost cotton production. In his 2016 national budget statement, Finance minister Patrick Chinamasa said farmers would receive free inputs for the next three seasons to improve production and yields. Paradza said government's free inputs scheme has seen 4 156 tonnes of seed being disbursed to farmers translating to 245 000 hectares. Cottco distributed 835 tonnes to farmers. Paradza said the combined government-Cottco programme covers 300 792 hectares. Paradza said the global lint prices continued to be bearish as global production and stocks on hand exceed demand. Revenue for the group was down $2,3 million during the period from $17,8 million in September 2014 due to the delay in the start of the ginning and sales offtake in the industry. The group expects sales figures for the full year to be lower than the comparable period in 2014 due to a 33% decline in volumes and lower lint prices. In the period under review, Cottco narrowed its loss to $8,1 million from $10 million. Borrowings for the group were 7% lower than the prior period at $54 million. Paradza said government had begun the process of rescuing Cottco by taking over its debts through the Zimbabwe Asset Management Company. *(News Day)*

Agro-industrial concern CFI Holdings was on Friday temporarily suspended from the Zimbabwe Stock Exchange to allow for the publication of audited financial statements for last year and investigations into trading done during a closed period, the bourse said. The conglomerate, has struggled in recent times, reporting a $3,8 million loss in the half-year to March last year from $5,5 million in the prior period. It has yet to announce its financials for the year ending September 2015. "CFI Holdings Limited was suspended with effect from 29 January, 2016," said a statement by the ZSE. "A trade of the Company's issued shares, which was executed on the ZSE during the closed period, was reported to the Securities and Exchange Commission of Zimbabwe. The ZSE temporarily halted trading in the Company's shares with effect from 27January 2016 pursuant to Paragraph 4.13.2 of the ZSE Automated Trading System Rules and Procedures pending finalisation of the due processes. The suspension of trading in the Company's shares was effected on 29 January 2016." Last September CFI reached an agreement to sell most of its Langford Estates in Harare South for $18 million to Fidelity Life Assurance, which will go towards paying off its debt to local banks. CFI officials were unavailable to comment. Its subsidiaries include Agrifoods, Agrimix, Crest Breeders International, Suncrest, Farm&City Centre, Vetco, Victoria Foods and Maitland. *(Source)*

Zimbabwe's largest platinum miner Zimplats on Friday reported a loss after royalties of $1, 7 million in the quarter to December from a profit of $5, 9 million previously. Revenue fell 11 percent to $96, 3 million on reduced sales and falling commodity prices. Platinum, Palladium, Gold and Rhodium (4E) sales volume were down two percent. Tonnes milled dropped by seven percent to 1, 5 million tonnes while 4E metal in concentrate also declined similarly to 126,000 ounces. Cash cost per 4E ounce increased by two percent to $620 from the previous quarter largely due to lower production volumes. Operating costs at $99, 8 million were marginally higher from $99, 3 million in the previous quarter. Overall, 4E head grade increased by one percent from the previous quarter due to better grade performance at Bimha and Mupfuti mines. Insurance proceeds of $4.2 million were confirmed as receivable in respect of the partial collapse of Bimha Mine in 2014. Zimplats, owned by South Africa's Impala Platinum Holdings (Implats), said re-development of the mine was on schedule to reach full production in April 2018 as planned. *(Source)*

Platinum miner, Zimplats has spent $12,2 million on the refurbishment of the Selous Metallurgical Complex base metal refinery project as the miner moves to comply with the Government's beneficiation policy. The project is expected to be completed at a total cost of $100 million. "A total of $12,2 million was spent on the refurbishment of the Selous Metallurgical Complex base metal refinery project and $9,9 million was committed as at December 31 2015," said Zimplats in its second quarter to December 31 report. Beneficiation is one of the four main clusters under Zim-Asset, with more than $3 billion required to complete a fully-fledged strategic and critical precious metals refinery for the country. Zimplats currently sends platinum concentrate to South Africa for processing, a development economic experts argue has prejudiced the country of potential revenue and jobs. The country exports raw platinum despite the fact that it has the second biggest platinum reserves after South Africa, which process the precious metal produced in Zimbabwe. Meanwhile, for Q2 Zimplats slipped to a $1,8 million net loss an after tax profit of $6 million in the previous quarter. Management attributed the dip in performance to weak international mineral prices.

The Impala Platinum subsidiary's ore production and 4E production during the period were one percent up respectively, revenue declined 11 percent to $96,3 million. "Revenue decreased by 11 percent from the previous quarter, mainly due to the drop in metal prices compounded by a 2 percent decrease in 4E sales volume," said Zimplats. "Operating costs were well managed and only marginally increased in comparison to the previous quarter." And the fall in international commodity prices compelled the miner to put on hold some of its capital expansion projects. For Q2, Zimplats paid to government royalties amounting to $2,3 million down from $2,7 million in the previous quarter. The platinum producer said re-development of its biggest underground operations at Bimha Mine, which collapsed in late 2014, was "progressing well" and expected to reach full production as planned in April. *(Herald)*

MUROWA Diamonds says it will more than double kimberlite diamond production to one million carats per annum following the commissioning of new equipment. It is currently producing 400 000 carats The company, which is managed by Zimbabwe Stock Exchange-listed RioZim recently commissioned equipment worth $6 million, being the first phase of the planned $60 million recapitalisation of the mine in the next four years. Murowa, located in the southern parts of Zimbabwe, is the country's sole kimberlite diamond miner. "We are going to witness an increase in production to more than one million carats and additional jobs have already been created," communication and external relations manager Mr. Lovemore Chimuka said. Speaking during the commissioning ceremony, Murowa Diamond board chairman Mr. Lovemore Chihota said the new investment was meant to strengthen the company's long term operations and cut down of operational costs in light of low commodity prices. "As part of our long term investment plan, this acquisition of latest equipment will go a long way in ensuring that we are able to continue mining sustainably. "In the past all equipment was owned and operated by mining contractors under a load and haul arrangement," he said. The machinery consists of excavators, dump trucks, bulldozers and graders." *(Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

THE Zimbabwe Power Company (ZPC) says expansion of Kariba Power Station, expected to add 300 megawatts into the national grid, is now 39% complete. The $533 million expansion project, which includes development costs to be met by ZPC, is being undertaken by a Chinese firm, Sino Hydro and is targeted for completion by 2018. To date, China Exim Bank has disbursed about $100 million, which is the project's first tranche under the engineering procurement contract (EPC) valued at $354 million. According to a paper presented at a consultative meeting in Bulawayo recently, ZPC said a number of projects it was carrying out were on course. "The Zimbabwe Power Company is undertaking a number of projects to address power challenges in the country. With the Kariba extension project, the construction in on schedule and is now 39% complete," said ZPC executive assistant Douglas Chingoka. Last year, ZPC managing director Noah Gwariro, disclosed that the power generation company had completed the drilling and blasting of four access tunnels. He said drilling and blasting was in progress to create the underground powerhouse and the head race tunnels, which would direct water from the lake to the turbines.

On the Hwange extension project, Chingoka said the initial activities were in progress and working towards financial closure for the main engineering, procurement and construction works. The project, if completed, would add 600MW into the national grid. On the Batoka project which is expected to add 1 200MW, Chingoka said feasibility studies were in progress. Chingoka said scoping studies for stage one units and stage twoturbines were concluded at the Hwange plant. The project would add 920MW when completed. ZPC is also running solar projects around the country. Chingoka said EPC contracts were signed for the three projects' sites and feasibility studies were in progress.
Since Friday last week, ZPC was generating 718MW against the national demand of about 2 200MW. Hwange and Kariba were producing 325MW and 315MW respectively. Harare, Munyati and Bulawayo were generating combined electricity of 78MW. *(News Day)*

A TEAM from the African Development Bank (AfDB) and the World Bank were in the country last week to fine-tune modalities on how Zimbabwe would clear its $1,8 billion arrears to the two institutions and the International Monetary Fund (IMF). Last week's visit was a follow up to the Lima meeting where Zimbabwe's plan to clear its arrears was approved by the three lenders. In October, Zimbabwe's plans to clear the $1,8 billion arrears to the financial institutions were approved in the Peruvian capital, Lima. The three institutions would make the decision after IMF's annual Article IV consultation, central bank chief John Mangudya said last week. "Right now, the AfDB and the World Bank are in town reviewing issues from the Lima meeting and looking at the possible strategies for arrears clearance. The committee that went to Lima are working on the package, Zimbabwe Economic Revival strategy. In the paper we are outlining the way forward after arrears clearance," Mangudya said. He said the debts' clearance was set to transform the building blocks towards economic transformation. It is expected that the move would unlock cheap lines of credit needed to reboot the economy. Local companies are in urgent need of long term capital for retooling. However, the facility is hard to come by locally due to the short-term nature of deposits. Mangudya added that Zimbabwe has to align its laws with the Constitution to build the confidence. (*News Day)*

About $1,5 billion in shareholder value was lost on the Zimbabwe Stock Exchange (ZSE) between January last year and January 2016, as the market continues to face challenges in a depressed economy. Market capitalisation for the month ended January stood at $2,79 billion this year compared to $4,35 billion in January 2015. Market capitalisation is calculated by multiplying a company's shares outstanding by the current market price of one share. During the month of January, 38 501 218 shares were sold while 19 092 766 were bought by foreign investors. The mining index stood at 19,53 points, the lowest since last year. The industrial index stood at 103,04 points, also the lowest since 2015. Turnover value for the market in January stood at $61 882 757 while turnover volume stood at 11 345 452. The industrial index opened the year at 114,35% points compared to 114,45% points on December 31 indicating a 0,09 point loss. A local analyst said although the performance was on the down side, it was still too early to raise alarm bells, as activity picks in the third month of the year. Leading brokerage firm MMC Capital said: "Nothing has changed, the performance shows economic weaknesses and also that there is no guidance from the policy makers." ZSE CEO, Alban Chirume told NewsDay last month that the performance of the market was mostly likely to be the same as last year, but the figures for January show that the year may be more bearish.

The mining index, which shows the performance of companies in the resource sector, gained 5,26% to 1,60 points compared to 1,52 points on December 31, 2015 due to the gains by in Bindura Nickel Corporation during trade on the first day. *(News Day)*

Zimbabwe plans to catch up on overdue debt payments by June so that it can obtain financial support from the European Union after the vice president met with EU officials. "We are engaging with the EU, and last week Vice President Emmerson Mnangagwa met their country representative here, as part of that re-engagement process," Finance Minister Patrick Chinamasa said in an interview Tuesday, declining to provide more details. "We believe that by June this year, we will have fulfilled our obligations and hopefully be eligible for fresh funding." The sub-Saharan African nation has struggled to access finance to support its ailing economy since it fell into default to the International Monetary Fund in 1999. Governments, including the U.S. and EU, imposed sanctions on President Robert Mugabe and senior members of his Zimbabwe African National Union-Patriotic Front party, citing allegations of human rights abuses and electoral fraud. The country has agreed to pay international lenders such as the IMF, World Bank and African Development Bank about $1.8 billion. Chinamasa wants the IMF to resume lending to the economically troubled nation this year.

"When we clear these arrears, we're expecting a corresponding commitment," Chinamasa said Wednesday in a briefing to business leaders and the World Bank, which agreed to lend Zimbabwe $32 million to fund water and sanitation projects. "Our problem is access to capital, affordable capital," he said. Zimbabwe owes multilateral banks about $7.1 billion, or 51 percent of gross domestic product, according to a World Bank report released Wednesday. Total debts amount to about $10 billion, said Chinamasa. The country is appealing for foreign assistance to help stave off a drought-induced food crisis that may compel the government to declare a national emergency, Mnangagwa, the deputy president, said on Wednesday in Parliament. "The matter is being discussed in cabinet and it's just a matter of time before we approach the United Nations and other organizations for help," Mnangagwa said. *(Bloomberg)*

Zimbabwe's economy will grow by 1.5 percent in 2016 and consumer prices will remain deflationary due to global and local constraints on its recovery, the World Bank said on Wednesday. The global lender said growth in the southern African nation this year would be slower than the government's estimate of 2.7 percent, while inflation would average -1.7 percent. "We expect deflation to continue this year," World Bank senior economist for Zimbabwe Johannes Herderschee said during a presentation of the bank's outlook on Zimbabwe. Zimbabwe is experiencing crippling power cuts, blamed for keeping potential investors away from an economy still struggling to overcome the impact of a steep 1999-2008 recession that saw it contract by nearly half. "The fundamentals for recovery are still strong but the headwinds are increasing. These headwinds and the brunt of economic corrections, both domestic and global, will likely be most deeply felt by the poor," the World Bank said in a report.

However, Finance Minister Patrick Chinamasa said he believed the government's growth target of 2.7 percent this year was still achievable, adding that Zimbabwe's economy remained resilient despite predictions of recession. A drought blighting southern Africa has hit Zimbabwe particularly hard. The former British colony finances its entire budget from taxes after international financial institutions stopped lending in 2000 after Zimbabwe defaulted on its debt. Chinamasa has previously said Zimbabwe will clear arrears of $1.86 billion owed to the World Bank, the International Monetary Fund and the African Development Bank in the first half of this year in a bid to access new financing. Chinamasa said that process was underway, adding that a World Bank team was in the country to discuss progress as well as brainstorm on a possible new country financing programme. "We are working now frantically to produce a country strategy paper which sets out what we need and what amounts we need to recover our economy," Chinamasa said. *(Reuters)*

Zimbabwe will allow foreigners to buy stakes of up to 49 percent in companies listed on its stock exchange as it tries to boost investment and revive its struggling economy, central bank governor John Mangudya said on Thursday. In a speech, he also said all investments by Zimbabweans abroad would require central bank approval with immediate effect and that banks would be penalised if they allowed external transfers not approved by the central bank. He also urged the creation of an Economic Crimes Court. "We have ... increased the threshold of foreign investors on the stock exchange from 40 percent to 49 percent in line with the indigenisation and economic empowerment policy," Mangudya said in a speech. The central bank chief said Zimbabwean companies and individuals had illegally transferred $1.884 billion in

2015, blaming this on lax foreign exchange controls since the country abandoned its currency in 2009 in favour of foreign currencies. The money was being transferred through non-remittance of export earnings, unapproved foreign investments, tax evasion and smuggling, he added. "This country needs to plug the leakages of foreign exchange for the economy to undergo durable and robust transformation," Mangudya said.

The Southern African nation is still struggling to overcome a steep 1999-2008 recession that saw its economy contract by nearly 50 percent, with problems exacerbated by a devastating drought and plunging prices for the commodities it exports. The former British colony finances its entire budget from taxes after international financial institutions stopped lending in 2000 after Zimbabwe defaulted on its debt. On Thursday, the central bank chief blamed low industrial capacity and tax revenues as well as a liquidity crunch for sluggish growth and said suppressed demand is feeding deflation. Mangudya said low commodity prices had hit exports, which fell 12.2 percent to $2.5 billion between January and November last year. Imports also declined 5.8 percent to $5.9 billion during the same period. On Wednesday, the World Bank forecast Zimbabwe's economy will grow by 1.5 percent in 2016, less than the government projects, and said consumer prices will remain deflationary due to global and local constraints on its recovery. *(Reuters)*

THE Reserve Bank of Zimbabwe (RBZ) has put in place stringent prudential measures to plug illicit financial flows, as it emerged that close to $2 billion was spirited out of the country last year by individuals and companies, worsening the liquidity situation. The new measures include, among others, getting rid of the concept of free funds, reporting of suspicious transactions and use of plastic money. A customer who wants to withdraw above $10 000 will now be required, with effect from today, to give the bank reasonable notice of at least a day. In his monetary policy statement delivered yesterday, RBZ governor John Mangudya said money was flowing out of the country dwindling the liquidity position of the economy. He said $864 million was externalised in 2015 by individuals under the auspices of free funds for various dubious and unwarranted purposes that included remittance of donations to oneself, offshore investments and externalisation of export sales proceeds by corporates through individual accounts leading to pervasive tax evasion and externalisation. He said $1,2 billion was externalised by companies in the form of export proceeds, high management and expert fees. "We are exporting liquidity. We need to put a stop to this behaviour. There is need for a fundamental shift to protect the integrity of the multicurrency system," he said. Mangudya said those in the habit of externalising funds have to stop warning "there will be too many skeletons and I won't be able to bury them".
"Let's draw a line in the sand and never cross it again," he said. Mangudya said banks have to report all suspicious transactions to RBZ before processing of the outgoing transactions. He said the ex-post reporting system was not useful, as the country was continuously losing money.
Mangudya in jurisdictions such as the US, they have resorted to the management of currency or cash transactions by enforcing maximum reportable cash limits that can be carried on person or withdrawn from financial institutions to guard against money laundering.

He said an individual with authority or interest over one or more financial accounts or securities or investments in a foreign country should report, through normal banking channels, to RBZ if the aggregate value of such accounts or securities at any point in a calendar year exceeds $10 000. He said going forward, any offshore investments would require prior RBZ approval. Mangudya said there has been an increase in service payments between related companies, especially holding companies and their subsidiaries or sister companies resulting in some corporates inflating service fees in order to externalise foreign currency. To remedy the situation, Mangudya said service payments should not exceed an aggregate of 3% of revenue and now required RBZ approval. Mangudya said any financial institutions found to be complicit by systematically turning a blind eye to any suspicious transactions or any of the prudential measures would be fined or penalised under the Money Laundering and Proceeds of Crime Act [Chapter 9:24]. Illicit financial flows occur in countries with weak legal and institutional frameworks. These outflows drain foreign exchange reserves, reduce tax revenues, cancel out investment inflows and worsen poverty. *(News Day)*

ALL diamond export sales proceeds of the amalgamated diamond producer in Marange would be accounted for by the Reserve Bank of Zimbabwe (RBZ) as government moves to plug leakages, governor John Mangudya said yesterday. Since the discovery of diamonds in Marange, little has trickled to Treasury coffers, unlike in other countries where diamond revenue contributes up to 30% of fiscal revenue.
Mangudya said unlike gold and tobacco, which have significantly contributed to the liquidity in the economy, diamonds have been a huge

disappointment. He said the Zimbabwe Consolidated Diamond Company (ZCDC) — an amalgamation of Marange Resources, Kusena and Gye Nyame — was long overdue and critical in enhancing transparency and accountability in the contribution of this precious mineral to fiscus and economic development. "All the diamond export sales proceeds by ZCDC would be accounted for by the bank in a transparent manner similar to gold under Fidelity Printers and Refiners," Mangudya said. He said RBZ's desire was to ensure that ZCDC grows and becomes what Fidelity Printers is to the central bank. "These two, FPR and ZCDC, should become agents for economic transformation in Zimbabwe," he said. Mangudya said ZCDC was close to securing $30 million long term and working capital financing to ramp up production. He said Aurex (Pvt) Limited would be capacitated to enhance value addition of diamonds supplied by ZCDC. Marange diamonds have not been contributing meaningfully to Treasury, with former Finance minister Tendai Biti complaining during the era of the inclusive government that a few individuals were benefitting at the expense of the economy. Biti said, then, that a coterie of individuals were looting diamonds and were not ashamed to flaunt their ill-gotten wealth. "Some of us (officials) who are benefitting are not afraid to flaunt our monies. We are buying all kinds of assets. I am a government minister and earning $800. How do I buy some of the assets that we are buying? People are now buying private jets because of our diamonds." *(Reuters)*

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