SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	11-Jul-14	18-Jul-14	Local	USD	Local	USD
Botswana	DCI	9181.38	9193.00	0.13%	-0.13%	1.54%	0.47%
Egypt	CASE 30	8457.23	8637.84	2.14%	2.14%	27.35%	23.43%
Ghana	GSE Comp Index	2365.72	2332.62	-1.40%	-4.22%	8.74%	-24.45%
Ivory Coast	BRVM Composite	236.38	237.13	0.32%	-0.44%	2.20%	0.46%
Kenya	NSE 20	4902.18	4910.60	0.17%	0.07%	-0.33%	-1.72%
Malawi	Malawi All Share	13418.05	13451.40	0.25%	0.32%	7.34%	14.13%
Mauritius	SEMDEX	2075.82	2078.19	0.11%	-0.17%	-0.84%	-1.54%
	SEM 7	400.81	399.09	-0.43%	-0.72%	-1.13%	-1.83%
Namibia	Overall Index	1120.47	1136.42	1.42%	1.49%	13.98%	11.86%
Nigeria	Nigeria All Share	42832.82	42891.82	0.14%	0.23%	3.78%	3.18%
Swaziland	All Share	297.16	297.16	0.00%	0.06%	4.02%	2.08%
Tanzania	TSI	3623.01	3713.44	2.50%	2.96%	30.59%	25.20%
Tunisia	TunIndex	4636.52	4654.77	0.39%	-0.96%	6.24%	1.27%
Zambia	LUSE All Share	6114.21	6117.56	0.05%	-0.10%	14.37%	3.46%
Zimbabwe	Industrial Index	186.78	185.93	-0.46%	-0.46%	-8.01%	-8.01%
	Mining Index	55.17	57.83	4.82%	4.82%	26.29%	26.29%

CURRENCIES

Cur-rency	11-Jul-14 Close	18-Jul-14 Close	WTD % Change	YTD % Change
BWP	8.72	8.74	0.25	1.07
EGP	7.13	7.13 -	0.00	3.17
GHS	1.87	3.40	2.94	43.93
CFA	481.25	484.90	0.76	1.73
KES	86.20	86.29	0.10	1.41
MWK	388.35	388.07 -	0.07 -	5.94
MUR	29.15	29.23	0.29	0.72
NAD	10.69	10.69 -	0.06	1.90
NGN	160.61	160.46 -	0.09	0.58
SZL	10.69	160.46 -	0.06	1.90
TZS	1,631.20	1,623.84 -	0.45	4.31
TND	1.70	1.72	1.37	4.91
ZMW	6.07	6.08	0.15	10.55

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

Abraaj Investment Management, an affiliate of United Arab Emirates's Abraaj Capital, has made an approach to buy at least a 51 percent stake in Egypt's snack maker Bisco Misr, Bisco Misr said in a statement on Sunday. "Abraaj Investment Egypt Limited have requested... to conduct (technical and financial) studies on the company with the intention of acquiring all its shares, with a minimum of a 51 percent stake," Bisco Misr said. Dubai-based Abraaj Capital, the Middle East's largest private equity firm, has been pushing to expand in emerging markets. It owns stakes in Egypt's Orascom Construction, budget carrier Air Arabia and supermarket chain Spinneys. Egypt has had more than three years of economic and political turmoil since an uprising in 2011 ousted president Hosni Mubarak. *(Reuters)*

Economic News

Cairo will welcome a delegation of the heads of major South Korean companies in August to research potential investment increases in Egypt, according to the economic adviser to the South Korean Embassy in Cairo. The adviser made his remarks during a meeting on Monday with Investment Minister Ashraf Salman and representatives of 11 Asian countries. Salman reassured the representatives of Egypt's economy, and he expressed his hope to deepen trade cooperation with China, Indonesia, Pakistan, India, Japan, Malaysia, Thailand, South Korea, Vietnam, and Singapore. Salman said that the government is reforming its finance and cash policies by unifying investment laws, regulating economic legislation, and speeding up the process of incorporating suggestions from associations and boards of directors, all of which aim to restore the confidence of international markets. "The Japanese ambassador invited the Egyptian government to attend the Investment Promotion Conference in Japan, to which only the seven largest African countries have been invited, in order to present opportunities for investments and large projects in Egypt," a Ministry of Investment press release stated. The Japanese ambassador mentioned that Japan owns 50 companies that operate in the Egyptian market in the field of automobile and electrical appliance production. He added that investors hope to enter into new fields like the agricultural and food industries.

The ambassadors of Pakistan and China in Cairo called on the Egyptian government to quickly complete an investment roadmap that includes all available projects and to conduct regular meetings and consultations regarding those plans. "We have companies that currently do not operate in Egypt that are ready to supply investments to power generation industries," said the Indonesian ambassador in Cairo. The Indian ambassador mentioned Indian investors' desires to discuss means to invest in new areas like solar energy. The Malaysian ambassador said that investors in his country hope to expand the extent of their investments in infrastructure, transportation, waste management, and "halal" products, in particular because of the presence of a large market for these types of products in the rest of the Asian Islamic countries. "We hope to increase cooperation with Cairo for religious tourism and increase Malaysian investments in energy and construction," he said. Thailand's ambassador indicated the presence of increasing interest in opportunities to invest in Egypt, especially in tourism. The vice chairman of the Australian delegation said that Australian investors hope to invest in agriculture and tourism. "A delegation of Vietnamese investors will soon visit Cairo to consider the investment opportunities available," said Vietnam's acting ambassador. Singapore's acting ambassador mentioned the large range of investments in Egypt from her country as well as Singapore's desire to identify promotional opportunities and increase trade cooperation. *(Daily News)*

The Egyptian government has commenced the process of revising economic legislation, including contract enforcement laws, the bankruptcy law, the finance market law and others, to ensure conformance to international law, according to Minister of Investment Ashraf Salman. The move comes as part of measures to improve business practices in Egypt, he said. "We are working to strengthen the finance sector and incentivise larger economic growth rates by facilitating measures to initiate activity and decrease the amount of time it takes to incorporate and grant licences to corporations, in addition to the legalisation of the informal economy," he said. During a meeting on Monday with Najy Benhassine, Executive Director of Trade and Competitiveness at the Word Bank, Salman explained that the government is planning to hold a number of conferences in which an investment roadmap for Egypt will be presented. The purpose of the roadmap is to mobilise Arab and global investment and launch a major development plan. According to a press release issued by the Ministry of Investment on Monday, Salman will consult with a delegation from the World Bank regarding development programmes in Egypt that are partially financed by the World Bank, and is exploring the possibility of the Bank providing funding for small- and medium-sized projects in the hopes of boosting growth. "We suffer from chaotic legislation and contradictory laws currently governing the economic environment. This hinders expansion and frightens investors.

All legislation must be reviewed and I think that the government starting to do this is a step in the right direction," said Mohamed Farid, Chairman of DCode Economic and Financial Consulting. Farid said that the government must improve business practices and enforce contracts, moves that help attract investment, solve the employment crisis and increase growth."We will work in cooperation with the World Bank to increase Egypt's economic competitiveness and improve mechanisms to develop the business climate," said Salman. He added that the government is struggling to reduce the budget deficit and confront poverty through "complete institutional cooperation". "We are persistent in supporting the Egyptian government's economic reform efforts, improving the investment climate, making funding and a 'one stop investment shop' available, and expanding to include all governorates of Egypt," said Benhassine. He added that the Bank is ready to provide support to development programmes in Egypt as well as proposals and studies regarding stimulus packages, making information available, research and development, integrating the informal sector into the formal sector, small- and medium-sized projects, and continuing to cooperate with the General Authority for Investment and Free Zones for institutional development. *(Daily News)*

Western consultants helping Egypt compile an economic reform plan say it needs at least $60 billion of investment to reach average GDP growth of 5 percent by 2018 and the same amount again to bolster its foreign reserves, senior officials said. The Egyptian officials said the country would seek dollar-denominated investments and loans from local and foreign investors, foreign governments and international lenders to fill the gap at a donor conference slated for the end of the year in Egypt. Finance Minister Hany Kadry Dimian disputed the idea that Egypt would need the amount cited by the three senior officials and confirmed by a fourth source who had seen the consultants' report. But Dimian did not provide alternative figures. The International Monetary Fund is expected to attend the conference and has discussed the possibility of extending a loan to Egypt, one official said."The prescription which Lazard put forward is not very different from the prescriptions of the IMF", said another official, which would suggest a deal could be reached quickly.

The officials, who requested anonymity due to the confidential nature of the plan, spoke to Aswat Masriya, a news website run by the Reuters Foundation which promotes independent journalism in Egypt. Reuters reported last month that international investment bank Lazard and U.S. consultancy Strategy& were drawing up plans to reshape Egypt's economy that could be used as the basis for reopening talks on a loan agreement with the IMF. Such a deal could help kindle confidence among foreign investors who have been unnerved by three years of turmoil and a host of other problems including costly energy subsidies and a lack of transparency in economic management. Just a month into office, President Abdel Fattah al-Sisi's government has enacted a series of subsidy cuts and tax hikes resembling IMF-type austerity measures which the officials said were part of the consultants' plan. The IMF has discussed the loan with officials from the United Arab Emirates, a top Egyptian businessman familiar with the situation said. The IMF declined to comment on the possibility of reaching a deal on a loan to Egypt. But it has previously said it was open and eager to restart negotiations which ousted Islamist President Mohamed Mursi, who was unwilling to impose unpopular reforms, had failed to conclude. Christopher Jarvis, the IMF's mission chief for Egypt, called the measures to cut subsidies and raise revenues "a home-grown plan and an important step forward."The Egyptian businessman said the UAE - the driving force behind the consulting project - had also sought advice on the economic reform plan from former PIMCO chief executive officer Mohamed El-Erian, who have made recent trips to both countries. El-Erian declined to comment. Asked about El-Erian, a source in the UAE familiar with the matter said: "He is one among many experts and organizations who are advising on a number of ideas and best practices under discussion." Prior to the 2011 revolt that ousted former president Hosni Mubarak, direct investment in Egypt came to $8 billion a year. In fiscal 2012-2013 the country drew in just $3 billion of foreign investment. Egypt's GDP stood at $262 billion in 2012, according to World Bank data. The UAE wants to ensure aid and investments are spent efficiently in a country where past leaders with military backgrounds have often mismanaged the economy.

The UAE, Saudi Arabia and Kuwait have extended a lifeline exceeding $12 billion in cash and petroleum products to help Egypt stave off economic collapse since Mursi's ousting last July. Saudi Arabia's King Abdullah called for "friends and brothers" to attend a donor conference for Egypt following Sisi's election in May. The final date for the conference has not yet been set, but Egypt's planning minister Ashraf al-Arabi said it "will certainly be held in Egypt before the end of the year." Egyptian officials said Saudi Arabia and the UAE had been preparing for the conference since at least April. They said Egypt expected its Gulf allies - who see the country as the frontline in the battle against Mursi's outlawed Muslim Brotherhood - to offer investments and petroleum products rather than cash transfers. Saudi Arabia and the UAE promised to give "aid to Egypt without a ceiling", one of the officials said. Cash transfers from the Gulf states have helped shore up Egypt's foreign currency reserves in recent months, which reached $16.687 billion in June. But reserves are still nearly half the level seen before the 2011 uprising against Mubarak as political turmoil has hit tourism and foreign investment. The officials declined to comment on the investment opportunities that Egypt was presenting to potential donors, but they said consultants from Strategy&, formerly called Booz & Company, had drawn up plans for restructuring the state-run media and textile sectors. Strategy&, owned by Price Waterhouse Coopers, and Lazard declined to comment. Egypt's central bank, which manages foreign reserves and participated in drafting the economic reform plan, also declined to comment. *(Reuters)*

Egypt's central bank raised benchmark interest rates on Thursday in an unexpected move seen as an attempt to hold down inflation less than two weeks after the government slashed subsidies on fuel and electricity. The central bank raised the overnight deposit rate to 9.25 percent from 8.25 percent and the overnight lending rate to 10.25 percent from 9.25 percent, it said in a statement. "A preemptive rate hike is warranted to anchor inflation expectations and hence limit a generalised price increase, which is detrimental to the economy over the medium term," the statement said. Egypt's economy has been battered by more than three years of political turmoil since a popular uprising toppled autocrat Hosni Mubarak in 2011, driving foreign investors and tourists away. The economy grew 1.2 percent in the first half of 2013/14, for too little to reduce widespread unemployment. The rate hike comes as a surprise to analysts. Five economists surveyed by Reuters this week had all expected the central bank to keep rates on hold. "The central bank's main mandate is price stability, so probably they went after that," said Mohamed Abu Basha, an economist at EFG-Hermes who participated in the poll. Inflation, which has been gradually declining after reaching a four-year peak of 13 percent in November, is expected to rise again next month after the subsidy cuts sent fuel prices surging.

Annual urban consumer inflation was steady at 8.2 percent in June but is headed for double digits over the coming months due to the energy price hike, analysts say, with the interest rate rise unlikely to contain inflation caused by such an event. "This is more of a price shock to the economy. It's not demand-driven inflation," Abu Basha said. Egypt raised mainstream fuel prices by up to 78 percent this month in a long-awaited step to ease the burden of energy subsidies on the state's swelling budget deficit. Despite billions of dollars in aid from Gulf allies in the past year, Egypt's economic recovery has been sluggish and growth forecasts for this year range between 2 and 2.5 percent, officials have said. "Investment which has been waiting for several years now may be slower than the government wants," Jason Tuvey, an economist at Capital Economics, said. "Investment will still recover, but the high cost of financing means it might not recover as quickly as we had previously hoped." *(Reuters)*

Egypt, the world's top wheat importer, said on Thursday reforms to its bread subsidy programme alongside an improved storage system should cut its import needs by as much as 30 percent. Supplies Minister Khaled Hanafi told Reuters a new smart card system for bread distribution launched in April is now operational in five provinces and should be implemented nationwide by October. "We took quick steps towards the new bread system and overcame a lot of the bureaucratic obstacles...," Hanafi said in an interview. "With the completion of the new system our imports will fall around 30 percent," he said. Egypt spends more than $4 billion a year on food subsidies, on which millions of poverty-stricken Egyptians depend. One cash-strapped government after another has resisted tackling problems in the system, fearful of a backlash from the public. But in an effort to rein in its budget deficit to 10 percent of gross domestic product in the next fiscal year, Egypt's new government slashed subsidies for car fuel and natural gas, increasing their prices by more than 70 percent earlier this month. President Abdel Fattah al-Sisi and Prime Minister Ibrahim Mehleb have not announced similar drastic cuts to the food subsidy system but reforms to the way the government hands out the subsidy have been in the making since April in an attempt to decrease waste and corruption.

Under the new system Egyptians use electronic smart cards for bread purchases and around 20 different subsidised goods at grocery stores across the country. The cards follow a points system which raises incentives for Egyptians to buy only as much subsidised bread as they need, helping reduce spending on wheat by as much as 5 billion Egyptian pounds ($699 million), Hanafi said. Food and energy subsidies traditionally eat up a quarter of state spending.

Officials say wheat consumption is kept artificially high in part by citizens who purchase subsidised loaves for the equivalent of one U.S. cent and feed them to their livestock because the bread is cheaper than animal feed. Under the old system, Egyptians only have the option of buying infamously poor quality rice, sugar, and oil but Hanafi said the list of items available to purchase would now be expanded first to 20 and then to 100 within months. Meat and poultry will be among the new products on the initial list. He said smart card holders would accrue points if they bought less than the quota of five loaves per family member per day, a number that officials hope can later be reduced. The points would allow them to purchase other subsidised goods. Hanafi, who retained his position after Sisi took office earlier this month, has been outspoken about the need to reform wasteful subsidies. Egypt imports around 5.5 million tonnes of wheat annually for its bread subsidy programme. The country also bought 3.7 million tonnes of local wheat in the 2014 season. Hanafi said Egypt's enhanced storage capacity should help it increase its local wheat purchases and cut waste. Egypt is making progress in increasing local storage capacity with the help of one of its major Gulf backers, the United Arab Emirates. The UAE has committed to funding silos that can store up to 1.5 million tonnes of wheat. "We purchased from farmers all the quantities that were available to us and we aim to buy 4 million tonnes next year," he said. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The Bank of Ghana is seriously considering a new directive that will compel banks to use the national switch to process and settle payment card transactions in the country. According to the Central Bank it has already begun discussions with the banks on the scope of the directive, which will help it to have total control over financial transactions that occur in the country. Mr. Archie Hesse, the Chief Executive of the Ghana Interbank Payment and Settlement System (GhIPSS) Limited -- a subsidiary of the Central Bank -- explained to the B&FT that the present arrangement where the use of international payment cards such VISA and Mastercard on a local account is processed and settled outside the realm of the Central Bank is inappropriate. He said the processing and settlement of financial transactions borders on national security, which should not fall on the blind side of the regulator. "Currently, settlement of local transactions via international schemes is done either by a bank or outside (jurisdiction), and that's what we are working on to ensure that settlement is done within the country and against Central Bank funds.

"If nothing else, the banks should settle their local transactions on the national switch," he said. The Central Bank established GhIPSS in 2007 to manage the national switch and other programmes to make payment faster, more accessible and more secure in order to facilitate business transactions. As of now, many operating banks in the country have issued VISA and Mastercards to their customers to widen access to their accounts and allow for Internet and point of sales transactions. The cards merely provide the means by which a customer's linked bank or other accounts can be accessed using an electronic funds transfer and point of sale terminal or ATM across the world. Mr. Hesse explained that the parameters of the Central Bank's control will be on payment cards that are issued and used on a local account. "Visa and Master cards have both local and international flavours, and the local flavour is the one that I am talking about. "When it is a local card against a local account, used in Ghana, it should be switch-processed and settled in Ghana. "It is a fact that we need to have control over the transactions from cradle to grave. We need to have records. If for example, there are some fraud parameters we need to include in our fraud system; and if it is localised in Ghana, we need to have control over it -- and at the moment we don't. "At the moment when it comes to the processing of VISA cards locally, it goes out of the country -- which is on our blind side -- and that I don't think that is right," he added. *(Ghana Web)*

Finance Minister Seth Terkper would this Wednesday present to parliament a mid-year review of the 2014 budget. Majority Leader Dr. Benjamin Kunbour announced this in parliament last Friday as part of business for next week. The review could see government revise its macro economic targets set in this year and announce some new policies to help stabilize the economy. The current economic difficulties facing the country have affected efforts to raise the required revenue to match government's operations. The country for first three months of this year failed to collect the 5.7 billion revenue target set out in the 2014 budget. This challenge has been influenced by declining prices of Ghana's traditional export commodities like gold and cocoa, and cut in funding by donor partners, because of the country's middle income status and concerns with the management of the economy. The challenge could see the finance minister also seek approval on how to spend some revenue coming in from other sectors of the economy. Ghana Revenue Authority for instance has had difficulties in meeting targets set for the various tax types because of recent energy crises that hit the country. A source close to the Authority has told Joy Business that the recent tax hikes have not even helped in improving revenue mobilized from businesses. Analysts see the review as one of the major interventions by government to help stabilize the economy. *(Ghana Web)*

WEEKLY AFRICAN FOOTPRINT

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Ghana partially removed fuel subsidies on Sunday, just three months after reintroducing them, to cut spending and restore macro stability. The west African country, an exporter of cocoa, gold and oil, is grappling with a persistent budget deficit and rising public debt, while the local cedi currency has slumped 30 percent since January. Ghana's government reintroduced fuel subsidies in April, without announcing the action, and the head of the Chamber of Bulk Oil Distributors told Reuters in June it had spent around $85 million since then in extra payments. The government has been under pressure from the International Monetary Fund and ratings agencies to cut spending and restore fiscal stability, and officials have indicated that cutting subsidies might be a way to achieve this. The end of the subsidies, which will take effect on Monday, will cause premium petrol to rise 23 percent per litre to 3.36 cedis (US$1.02). The cost of diesel and liquefied petroleum gas will rise 22 percent and 15.7 percent respectively, according to a statement by the National Petroleum Authority. The price of aviation turbine fuel will, however, go down 1.9 percent to 1.03 cedis. Energy Minister Emmanuel Armah Kofi Buah said in an interview, "These new prices mean that we have removed the subsidy relating to the price of the products as a first step. We are also taking a look at the rest of the subsidy, which covers foreign exchange differentials." He said the government was spending around 85 million cedis bi-weekly on total fuel subsidies. Last month, the country suffered a severe fuel shortage that lasted for a week, because the government delayed payments to importers to cover the gap built up due to its fuel subsidies. *(Reuters)*

Data available from the Ghana Statistical Service (GSS) has indicated that consumer preference for imported items rose in the month of June as level of import also continued to soar. This, according to the service had accounted for a rise in the inflation rate for imported items from 18.9 per cent in May 2014 to 19.1 per cent in June. The rates are about one and half times higher than the inflation rate for locally produced items which was 13.5 percent. The Government Statistician, Dr Philomena Nyarko stated that the inflation rate for imported goods has been on the rise since January 2014 recording a rate of 14.5 per cent. It rose to 15.6 per cent in February, then to 17.0 per cent in March. It later increased to 18.7 per cent in April and shot up again to 18.9 per cent in May. The high level of imports into the country has resulted in the decline in the value of the local currency which has partly contributed to the continuous rise in annual inflation. Meanwhile on the larger front, inflation for the month of June soared to 15 per cent, 0.2 percentage points up from the 14.8 per cent recorded in May. Inflation, which is measured by the Consumer Price Index (CPI), looks at the change in the general price level of goods and services that households acquire for the purpose of consumption. The monthly change rate for June 2014 was 1.6 percent, against the 0.9 per cent recorded in May 2014. The food component of the inflation basket recorded a rate of 7.9 per cent in June, which is 1.0 percentage point lower than the 8.0 per cent recorded in May 2014. The non-food group also recorded a year-on-year inflation rate of 20.3 per cent in June 2014, compared to 20.0 per cent recorded in May 2014. At the regional level, the Upper East Region recorded the highest regional year-on-year inflation rate of 18.3 per cent, followed by the Northern Region with 17.5 per cent. The Volta region recorded the lowest rate of 13.1 per cent.

The Bank of Ghana (BoG) has however attributed the upward trajectory of inflation to the reflection of the pass-through effects of adjustments in domestic petroleum prices, increased utility tariffs and transportation costs, as well as the sharp decline of the local currency, the cedi. Governor of the Bank, Dr Henry Wampah at the press after its Monetary Press Conference in Accra last week, said although headline inflation had slowed on a month-on-month basis, it continued to drift further away from the target band of 9.5±2 per cent. It subsequently projected a gloomy outlook for inflation for the remaining years explaining that "the persisting fiscal and exchange rate pressures have provided additional impetus to the worsening inflation outlook." "Other risks related to the inflation outlook include the recent rapid growth in monetary aggregates such as credit to the private sector and money supply. Our latest inflation forecasts which factor in possible petroleum price increases and liquidity conditions show that barring any significant shocks, inflation is likely to return to the target range of 9.5±2 percent by the last quarter of 2015," he explained. *(Ghana Web)*

Mr Seth Terkper, Minister of Finance, has revised macroeconomic indicators for 2014 because of domestic and global difficulties that had impacted adversely on the economy. "The developments in both the global and domestic economic environment have necessitated a revision of the macroeconomic framework and assumptions underlying the 2014 Budget," he said. Presenting the mid-year budget review to Parliament on Wednesday, Mr Terpker told the House that the current energy challenge, mounting inflation and interest rates coupled with exchange rate depreciation posed a strong downside risk to the achievement of the growth target. He also cited the challenge involving decline in gold prices, challenges in the implementation of some of the revenue measures, slowdown in economic activity occasioned by the energy crisis. He said government faced the challenge of implementation of the 10 per cent Cost of Living Allowance (COLA) to Government employees, implemented in May and slower-than-expected implementation of utility and petroleum price adjustments. In line with the challenges, he said, the overall real Gross Domestic Product (GDP), including oil, growth has been rundown from 8.0 per cent to 7.1 per cent while non-oil real GDP growth is down from 7.4 per cent to 6.6 per cent.

The Minister also raised end of year inflation target of 9.5 per cent to 13.0 (+2 or-2 per cent) with the overall budget deficit target up to 8.8 per cent of GDP from 8.5 percent. Gross International Reserves are pegged at not less than three months of import cover of goods and services. The total non-oil tax revenue have been revised downwards by GH¢ 948.0 million to GH¢ 18,712.3 million, equivalent to 16.3 percent of GDP. He added that the revised non-oil tax revenue for the year represents an increase of 38.1 per cent over the out turn for 2013. The oil revenue have also been revised upwards by GH¢ 707.1 million to GH¢ 2,416.5 million and grants have been revised upwards from GH¢1,130.7 million to GH¢1,390.8 million. Revenue and grants for the fiscal year have been revised upwards from GH¢ 26,056.5 million to GH¢26,230.3 million, equivalent to 22.9 per cent of GDP. The revised revenue and grants for the year represents an increase of 34.7 per cent over the outturn for 2013. The minister also told legislators that the estimate for total expenditure and arrears clearance have gone up by GH¢ 1,331.1 million from GH¢ 35,027.3 million to GH¢ 36,358.3 million (31.7 per cent of GDP) mainly on account of higher wages and salaries, interest payments, foreign-financed capital expenditures and subsidies. He said wages and salaries have been raised from GH¢ 8,967.8 million to GH¢ 9,218.9 million due the COLA approved for public sector employees. Mr Terpker also informed parliament that interest payments have increased from GH¢ 6,178.6 million to GH¢ 7,884.7 million while foreign-financed capital expenditure pushed up from GH¢ 4,525.8 million to GH¢ 4,748.7 million. Provision made for subsidies in the 2014 budget have been jumped to from GH¢50.0 million to GH¢618.8 million.

Estimates for VAT revenue and total tax revenue, transfers to the National Health Insurance Fund, the Ghana Education Trust Fund and the District Assemblies Common Fund are estimated to be lowering than earlier projected. But transfers to GNPC from the oil revenue have been surged from GH¢423.7 million to GH¢ 599.0 million. However, interest payments and subsidies, estimated spending on goods and services have been slashed from GH¢ 1,550.0 million to GH¢ 1,085.0 million and domestic financed capital expenditure have been revised downwards from GH¢ 1,491.5 million to GH¢ 1,241.5 million. According to him, given the revised revenues and expenditures estimates, the revised 2014 budget will result in an overall budget deficit of GH¢ 10,128.1 million, equivalent to 8.8 per cent of GDP, against the earlier estimate of GH¢ 8,970.8 million, equivalent to 8.5 percent of GDP. Mr Terpker the new budget deficit will be financed from domestic and foreign sources supported by excess amount from the stabilisation fund for debt repayment, adding that foreign financing of the deficit is projected at GH¢ 5,936.3 million whilst domestic financing of the Budget is estimated at GH¢ 3,856.4 million. An amount of GH¢385 million from the Stabilisation Fund would also be used to repay debt. The aim of the Supplementary Estimate is to seek Parliamentary approval to commit additional resources to fund additional expenditures resulting from the revisions made to the 2014 budget. He said: "We are requesting approval for a total amount of GH¢ 3,196,855,671 as Supplementary Expenditures." *(Ghana Web)*

Kenya

Corporate News

National Bank is facing a capital adequacy crisis following a delay by the Capital Markets Authority (CMA) to approve its Sh10 billion rights issue. The bank says it had budgeted to receive proceeds from the cash call by this month but it has now been forced to revise the schedule. NBK, which is 48 per cent owned by National Social Security Fund and 22 per cent by the Treasury, said that the delay has constrained its lending and deposit-taking capacity besides derailing its restructuring as well as expansion plans. "We are nearing our capital limits; we needed this money yesterday," said managing director Munir Ahmed. "In fact, if you look at our loan book once the half year results come out, there won't be a significant difference from the last quarter since there is as much as we can lend." NBK's loan book stood at Sh47.2 billion in March, having grown 19.4 per cent from Sh39.5 billion December. Its customer deposits grew 4.87 per cent to Sh81.7 billion in the same period. The bank's core capital at the time stood at Sh10.4 billion, having increased by more than Sh500,000 in one year. Its core capital to total deposit ratio was 12.3 per cent in March, just 1.8 percentage points above the threshold set by the Central Bank of Kenya.

The lender's total capital to total risk weighted assets (loans) ratio in the same period stood at 16.5 per cent, being two percentage points higher than the minimum requirement of 14.5 per cent. According to Mr Ahmed, the bank sent in their information memorandum to the regulator in mid-May after which they were asked to make some amendments which they claim to have made promptly. Normally, the CMA takes between two and three weeks to reach a decision on such applications. The authority declined to respond to the Business Daily's queries saying it does not discuss applications with the Press. "I am not aware of any pending issues on the side of the bank so I do not know why the application has been delayed," said Mr Ahmed. (*Business Daily)*

East African Cables said on Wednesday its pretax profit inched up by 2 percent to 326.5 million shillings ($3.72 million) on the back of higher sales. Revenue at the cable-maker jumped 17 percent due to higher volumes in new markets, the company said, without providing details of those markets. The company said it expects to complete the modernisation of its factory in the Kenyan capital, at a cost of 600 million shillings, in November this year. The factory upgrade will result in additional capacity and enable East African Cables to produce new products, the company said. *(Reuters)*

Kenyan mortgage firm Housing Finance posted an 18 percent leap in pretax profit for the first half to 677.78 million shillings ($7.72 million), thanks to a surge in non-interest income, it said on Wednesday. Non-interest income jumped 241 percent to 506.29 million shillings during the period, driven by the firm's building and insurance subsidiaries, Housing Finance said. The company said it also benefited from gains in its foreign exchange trading line. *(Reuters)*

Microsoft has signed a deal with Safaricom to offer mobile subscribers the ability to purchase Windows Phone applications (Apps) using their airtime. The deal has the potential to increase Safaricom's airtime sales, as well as the uptake of Nokia's Apps. Mobile phone users had to use credit cards to purchase Nokia mobile Apps from the App store, which will still remain one of the options available while paying for the Apps. The mobile operator billing is only available for Nokia Lumia devices on the Safaricom network. The price of Apps is set in Kenya shillings. "One of the contributing factors to the smart phones penetration has been the uptake of mobile apps that has transformed the way we interact. However, users have had challenges in accessing the apps due to limited payment options," said Kunle Awosika, Microsoft Kenya Country Manager.

To buy an app through mobile operator billing, a user will be required to go to the Windows Phone Store and select the application they would like to buy. The consumer will then be able to see the name of the app, the price, publisher, app size and payment method displayed. The service will allow users to download apps from the Windows Phone Store and make payments using their mobile phones opening a potentially lucrative revenue channel for the developer community. "A majority of Kenyan tech start-ups have challenges in developing and showcasing their apps, this platform will go a long way in enhancing growth of paid-for mobile services," said Safaricom CEO Bob Collymore. Available local apps and content that can be bought under this model include the Daily Nation's ePaper, Camera Pro+, Car Tracer, Find Me, FlashLight Elite Pro, MemoryGame, NumberTrack, Yoyo Paint, kTranslate and Pro,Paint+. Other popular global apps include MetroTube, Phototastic Pro, Nextgen Reader, Runtastic PRO, SoundClouda, Podcast+ Pro, Wordpress for Phone, Plants vs Zombies, Angry Birds Star Wars and PreSchool Essentials. *(Business Daily)*

Strong sales of cement and fertiliser boosted Kenya's ARM Cement's pretax profit 20 percent to 1.2 billion shillings ($13.68 million) in the first-half, it said on Friday. Total revenue jumped 16 percent to 7.6 billion shillings, after sales of cement rose by 10 percent and by more than a third in Kenya and Tanzania respectively, ARM said, attributing it to an improved distribution network. "The east African regional economies are growing briskly, and demand for cement, as well as the other products are expected to grow further," the company said. Its fertilizer line also posted good sales growth after the Kenyan ministry of agriculture endorsed one of its brands. ARM said it expects earnings to grow further in the second half mainly due to improving margins driven by investments in its factories in Tanzania and Kenya. ARM has invested a total of 15 billion shillings in a clinker plant in Tanga, Tanzania and a cement plant in the capital of Dar es Salaam. Both plants have a combined capacity of 1.8 million tonnes per year. The investments in ARM's production plants helped the earnings before interest, taxes, depreciation and amortisation (EBITDA) to hold steady at 24 percent in the first-half, defying pressure from higher costs of inputs like energy. Its earnings per share rose by 21 percent to 3.4 shillings. *(Reuters)*

Kenyan financial services company British American (Britam) raised 6 billion shillings ($68.4 million) through a corporate bond issue, doubling its initial target. The firm runs insurance, asset management and property development businesses, with operations in neighbouring Rwanda, Uganda and South Sudan. Market participants said the bond paid an interest rate of 13 percent although the company did not include those details in a statement seen by Reuters on Thursday. Investors offered bids worth 7.4 billion shillings, a 147 percent over the subscription level. It will use the funds for further expansion in Kenya and in neighbouring countries, an acceleration of property development and to increase investment in private equity, the company said. *(Reuters)*

Kenyan mortgage firm Housing Finance will raise additional capital in the next two years after it delayed its plans to issue a corporate bond due to high interest rates on offer, its chief executive said on Thursday. Housing Finance said this week it was forced to postpone its planned offering of a 20 billion shillings ($228.18 million) corporate bond after the yield on Kenya's benchmark 91-day Treasury bills rose to 11.438 percent at the end of June. Interest rates went up on the back of increased borrowing by the government last month, dashing hopes that Kenya's debut Eurobond - which offers a yield of less than 7 percent - would lead to an overall fall in borrowing rates for Kenyan companies. "The bond is not the only form (of capital-raising) and we are not constrained. We are comfortably funded," CEO Frank Ireri told journalists. The company, which held a successful cash call in 2010, sought shareholder approval in April to increase its authorised share capital, a possible hint as to how it plans to raise money next. Ireri, however, said the firm would look at all options. "We will definitely be raising capital in one way or the other," he said, adding this would follow an increase in capital requirements for lenders by the central bank, which will kick in at the start of next year.

In 2012, the central bank raised core capital requirements for banks to 10.5 percent of assets from 8 percent, and total capital to 14.5 percent from 12 percent, giving them two years to comply. Ireri said Housing Finance was also counting on its drive to boost its retail banking operation to mobilise deposits that can be used to lend to customers. The company is opening five new outlets and working on two new products. It started offering current accounts and savings accounts two years ago, diversifying from its focus on mortgage financing. Ireri said non-interest income, which surged 241 percent in the first half to 506 million shillings, was likely to grow to account for a bigger share of profit, thanks to demand for insurance products and for new houses. Housing Finance's non-interest income mainly comes from its property development subsidiary and its insurance agency. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

A poor wheat crop in Narok, which accounts for half of the country's total production, will push the price of the commodity up, putting pressure on the breakfast table of many households. The expected drop in output will see the price of bread and other related wheat products rise. The poor harvest is due to erratic rainfall experienced in April and May during the crucial development stage of the crop. Kenya is a net importer of wheat, bringing in two-thirds of the requirement to meet the annual consumption of 900,000 tonnes. It produces 350,000 tonnes annually. The Cereal Growers Association of Kenya has said the ongoing harvest in the region is below normal production. "We expect the prices to go up in the coming days as the shortage of the commodity is evident, judging from the current trend in Narok, which is the major wheat belt in the country," said CEO Anthony Kioko.

He said the shortage would not be quickly addressed because, unlike maize, which comes from neighbouring countries, there are no wheat imports from the region given that Kenya is the leading producer of the crop in East Africa. Of late, the cost of wheat imports has shot up because of a 10 per cent duty and increase in freight charges owing to the ongoing political upheavals in eastern European countries of Ukraine and Russia, the major producers of the commodity in the world. READ: Ukraine crisis now pushes animal feed prices up The cost of shipment has gone up from Sh25,800 ($300) to Sh29,670 ($345) per tonne, caused by an increase in insurance premiums as a result of wars in the region, according to the millers. In 2010, the cost of wheat flour went up following the scarcity of the commodity that sparked high international prices when Russia, the leading producer, placed an embargo on exports due to a severe drought. The food balance sheet report for May indicated that there were 543,800 bags of wheat, but which were mainly kept by farmers as seed. The price of a 90-kilogramme bag of wheat is currently trading at Sh3,600 from an average of Sh3,300 in March. *(Business Daily)*

The highest price for top-grade Kenyan tea rose at this week's sale to $3.64 per kg from $3.30 per kg last week, Tea Brokers East Africa said on Tuesday. Kenya is the world's leading exporter of black tea and the crop is a major foreign exchange earner for the country's economy, together with horticultural products and tourism. Best Broken Pekoe Ones (BP1s) fetched $2.42-$3.64 per kg from $2.22-$3.30 per kg last week. Best Brighter Pekoe Fanning Ones (PF1s) sold at $2.56-$2.92 per kg compared with $2.28-$2.68 per kg last week. Most of the tea offered at the Mombasa auction is from Kenya, but tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers is also sold. Tea Brokers said in its report buyers from Pakistan were dominant while Egyptian, Aghanistan and Sudanese buyers also lent support. *(Reuters)*

The top price of the benchmark Kenyan coffee grade was unchanged at $340 per 50 kg bag at this week's auction from the level at the last sale held on June 17, the Nairobi Coffee Exchange said on Tuesday. Kenya is a relatively small producer of coffee, but its beans are much sought after by roasters to blend with those of lower quality from other producing countries. The benchmark grade AA sold at $184-$340 per bag compared with $177-$340 last month, the exchange said after the auction. Grade AB coffee fetched $170-$258 per bag compared with $106-$268 at the last sale. The average price for all the 8,879 bags of coffee offered was $152.65 per bag. *(Reuters)*

The Kenyan shilling edged down against the dollar on Friday, within its recent tight range, and market participants said falling Treasury bills yield could put pressure on the currency. At 0700 GMT, commercial banks posted the shilling at 87.80/90, slightly down from Thursday's close of 87.70/80, but within the 87.50-88.00 range it has been stuck in for weeks. Traders said the shilling could take its cue from a drop in interest rates on Treasury bills, which have been coming off this month, after they rose by just over a percentage point last month due to higher weekly borrowing by the government. "There is an indication that rates may come off at least in the short run and that might affect the currency," Chris Muiga, a trader at National Bank, said. Lower interest rates normally make it slightly cheaper for banks to fund long dollar positions thus putting pressure on the shilling. But Muiga said the shilling was not likely to weaken past the 88.00 level, because the central bank has shown it is not keen on such a move by pumping in dollars into the market whenever the shilling has threatened to fall through that level in the recent past. "I don't think the market wants to test their resolve," he said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya's raw sugar production jumped 20 percent in the first-half of 2014, aided by improved supply of cane and factory capacity, the industry regulator said on Thursday. East Africa's biggest economy has an annual sugar deficit of around 200,000 tonnes, which is usually filled by imports from other producers in the Common Market for Eastern and Southern Africa (COMESA). Kenya is struggling to improve output due to relatively high production costs and poorly funded sugar factories. "The total sugar production between January and June 2014 was 321,945 tonnes compared to 267,915 tonnes in the same period last year," Kenya Sugar Board chief executive Rosemary Mkok told Reuters in an email. KSB said Kenya crushed 3.52 million tonnes of cane over the six months to June compared to 3.11 million in the same period of 2013. "The increase in the volume of cane crushed is attributed to improved cane availability as a result of expansion in area under cane in most sugar zones," Mkok said. Improved prices of cane, expanded factory capacity and timely payment to farmers has spurred interest in cane development, the regulator said.

Mkok said the east African nation's raw sugar production for 2014 is expected to climb by a revised 7 percent to 640,614 tonnes compared to 600,179 tonnes realised in 2013. "This projection is based on the assumption that the half-year performance in 2014 will double," the official said. The regulator had previously projected the country's 2014 raw sugar production to climb 17 per cent to 700,000 tonnes. Kenya has an installed factory crushing capacity of 30,109 tonnes of cane per day and expects an additional 3,000 tonnes to be added when a factory being constructed near the port city of Mombasa starts operations. The factory - Kwale International Sugar Company - is 25 percent owned by Mauritius' Omnicane. Kenya plans to sell a 51 percent stake in five sugar millers to strategic investors starting this month as it looks to complete reforms aimed at making its sugar industry more competitive. The regulator estimated the cost of producing a tonne of sugar at about $570 in western Kenya compared with $240-$290 in rival producers such as Egypt. The east African nation in February was granted a one-year extension of safeguards that limit sugar imports from COMESA to allow the country to improve the competitiveness of its sugar industry. The tariffs were scheduled to fall to zero in March, but Kenya sought an extension until 2015 to conclude reforms in its sugar industry. Mkok said improved surveillance has helped curb illegal importation of sugar into the country that threatens the cash flow of millers. "Importation of illegal sugar has eased out as evidenced by improved sugar sales by our mills and significant decrease in the stock levels. For instance, total sugar sales in January to June 2014 were 325,812 tonnes against 254,091 tonnes in a similar period 2013,â€ the official said. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

The Bank of Mauritius left its key lending rate unchanged for a fourth consecutive meeting and said it expects to maintain its monetary policy stance until the end of the year on the assumption inflation will remain stable. The Monetary Policy Committee, led by Governor Rundheersing Bheenick, maintained the benchmark interest rate at 4.65 percent, the Port Louis-based central bank said in a statement today. The key rate has remained unchanged since June 28, 2013, when it was reduced from 4.9 percent. "Against a background of subdued global and domestic inflationary pressures, the MPC unanimously decided to leave the key repo rate unchanged," the bank said. "The MPC foresees maintaining this monetary policy stance up to the end of this year on the assumption that headline inflation will stay at or below 4 percent and year-on-year inflation at or below 3.5 percent, leaving aside unexpected supply shocks." Inflation in the Indian Ocean island nation slowed to 3.3 percent in June from 3.4 percent in May, Statistics Mauritius said on July 7. Headline inflation was unchanged at 4 percent. Last month, the agency revised down its forecast for economic growth this year to 3.5 percent from 3.7 percent, citing a continuing contraction in the construction industry. "The best solution is to maintain the key rate as growth forecasts have been revised downwards, while inflation remained steady," Eric Ng, managing director of PluriConseil Ltd., an advisory firm, said by phone before the announcement. At the MPC's previous meeting in April, Bheenick and his two deputies, Yandraduth Googoolye and Issa Soormally, voted to increase the key repo rate by 50 basis points, according to minutes of the meeting published on May 12. *(Bloomberg)*

Nigeria

Corporate News

United Bank for Africa Plc's (UBA) audited 2013 full year results has shown the bank has maintained an incremental loan growth in the last four years. The bank's five-year financial summary reflected a steady, but gradual increase in its loan book. It showed that its loans and advances to customers climbed by 58 per cent in the past four years, to N937.620 billion in 2013, as against the N590.797 billion recorded in 2010. The bank has continued to increase loans to consumer, upstream oil and gas, manufacturing and the telecoms sectors. In fact, this made up 70 per cent of its loan books in 2013. Similarly, its customer deposit has climbed steadily in the last five years by 61 per cent, as it stood at N2.161 trillion in 2013, compared to the N1.245 trillion recorded in 2009.

According to Afrinvest Securities, "UBA remains a strong corporate force in the industry as evidenced in its 2013 results despite beckoning tight regulatory environment. "We maintain our N279.4 billion and N49.4 billion 2014 estimates for gross earnings and profit after tax representing 5.6 per cent and six per cent growth respectively. "Based on relative valuation, UBA currently trades at a marginal discount to its peers with a trailing P/E and P/BV multiple of 5.0x and 1.0x, compared to industry average of 6.7x and 1.1x respectively," Afrinvest added. However, UBA's 2013 results showed that its gross earnings was up by 20.2 per cent year-on-year to N264.6 billion in the year under review, from N220.1 billion in 2012, the bank's profit after tax was down by 14.9 per cent year-on-year to N46.4 billion from N54.8 billion in 2012. The growth in gross earnings was achieved on the back of a 23.8 per cent year-on-year growth in interest income in 2013. UBA's Group Managing Director/Chief Executive Officer, Mr. Phillips Oduoza said the 2013 results was largely driven by the surge in deposits. Oduoza said the bank has slowed down its aggressive expansion across the continent as it consolidates its operations in 19 different countries and meets commitments to fund large power projects in Nigeria. "We were expanding very rapidly and we initially thought we would expand further in Africa, but we've decided to stop and focus on consolidation," Oduoza said, adding that this was also why a proposed $500 million Eurobond was shelved. He had added: "We have 700 branches. That's a very large network. We've covered the major economies in sub-Saharan Africa."(*This Day)*

The Deputy Group Managing Director of Dangote Sugar Refinery Plc, Mr. Abdullahi Sule, has stated that the Dangote Group of companies generates 262 megawatts of electricity to address the chronic power outages from the national grid. Speaking recently at a Business Forum and Annual General Meeting (AGM) organised by the Nigerian Gas Association (NGA) in Lagos, Sule disclosed that Dangote Sugar generates 16MW, while the Dangote Cement at Obajana generates 135MW. Sule further stated that the Dangote Cement Factory at Ibese generates 111MW, with Dangote Sugar consuming about 9,000,000 Standard Cubic Metre (SCM) of gas monthly. The Dangote Sugar Refinery boss disclosed that the 1,320megawatt-capacity Egbin thermal plant system is similar to the power generation process at Dangote Group. According to him, the Egbin thermal plant applies heat through the combustion of gas to produce steam, which extracts thermal energy from pressurised steam, amongst other processes to generate power. He noted that despite the power reform carried out by the Federal Government and the huge gas reserves, Nigeria still lacks sufficient gas supply for domestic use. Out of the current yearly gas production of about 2billion cubic feet, Sule said about 40per cent is flared, adding however that there is now a 70per cent drop from the proportion flared before the power reforms.

He identified the consequences to include gas supply disruption to the few functional power generating companies and what he called "futile efforts of some state governments who commissioned oil majors to increase generation, and the approved construction of four thermal power plants (Geregu, Alaoji, Papalanto, and Omotosho) with a combined capacity of 1,234MW to meet its generating goal of 6,500MW in 2006." Sule also identified the huge investments required for gas project off-take and credit risk management issues for potential investors in the sector as part of the consequences. To realise the federal government's goals to increase power generation through gas, Sule called on the government to continue to "encourage use of gas due to its benefits, which positions it to compete effectively with other refined petroleum products." He pointed out that a conducive climate has been created for Power generation and distribution with the Independent Power Plants (IPPs). According to him, the government should also encourage more Independent Power

Producers (IPPs) to boost power, and provide the much needed support for economic growth, and guaranteed returns on investments. He also stated that the private sector has a critical role to play for the success of the gas to power projects, adding that they should explore and maximise the vast opportunities that abound in the gas sector, as well as gas to power projects. *(This Day)*

Exactly three months after its listing on the Nigerian Stock Exchange (NSE), the market capitalisation of Seplat Petroleum Development Company Plc has appreciated by N67 billion or 22 per cent. Seplat became the first oil exploration and production firm to be listed on the NSE on April, 2014. The company was also listed on the London Stock Exchange (LSE) following a successful $500 million initial public offering in the international markets. THISDAY checks revealed that by last Monday when Seplat marked three months on the NSE, its worth on the exchange appreciated from N318.707 billion to N387.317 billion. Market operators said the growth, which is a sign of demand for the shares, would continue as more investors take advantage of future prospects in the company. The Chairman of Seplat, Dr. Ambrosie Orjiako, recently assured shareholders that the future of the company is very bright. Speaking at the annual general meeting of the company in Lagos, orjiako said with consistent growth in production, reserves and profit and its dual listing on NSE and LSE, Seplat is now fully set for the next phase of building a sustainable long term business with substantial contributions to Nigeria's energy security. "Seplat has continued to delivery growth holistically since inception in line with our strategy. Operated crude oil production has grown significantly over a three years period of 2011 to 2013, from 11.5 million barrels in 2011 to 18.8 million barrels in 2013, with an exit gross production rate at 31 December 2013 of 61.7 thousand barrels per day," he said. He added: "Operated average daily production for 2013 was 51.4 thousand barrels per day, with total annual operated production of 18.8 million barrels.

SEPLAT recorded total revenues of $880.2 million for the year ended 31 December 2013, representing growth of 41 per cent over the 2012 figure." He said the company would strive to maintain its leadership position in the indigenous E&P industry in Nigeria and its focus in following its growth strategy to seek to ensure delivery of commitment not only to capital growth but also to remain profitable and dividend paying. Also speaking, the Chief Executive Officer of the company, Austin Avuru said Seplat's growth trajectory would remain on the upward because the company intends to keep production levels and revenue streams on the high by investing in new wells, improving infrastructure and monetizing its natural gas resources. "Seplat intends to continue development of its existing properties by improving operational efficiencies, investing in facilities and infrastructure to increase oil production and positioning itself to further monetise natural gas resources. "New developments from recent discoveries and the completion of identified development projects will also ensure that the company is well positioned to grow both reserves and production by converting contingent and prospective resources into commercial reserves," Avuru had said. *(This Day)*

Ecobank Transnational Incorporated (ETI) has notified The Nigerian Stock Exchange that EBI Investment Corporation Kenya Limited, a subsidiary of Ecobank Capital, has been granted an investment bank license by the Capital Markets Authority in Kenya. Ecobank Capital (registered as Ecobank Development Corporation) is the investment banking arm of the Ecobank Group, with operating offices currently in Abidjan, Accra, Lagos and Douala, including dealing membership of five African stock exchanges: the Ghana Stock Exchange, Nigerian Stock Exchange, Bourse Régionale des Valeurs Mobilières in Abidjan, Douala Stock Exchange and Bourse des Valeurs Mobilières d'Afrique Centrale in Libreville. Ecobank Capital's entry into Kenya follows its acquisition of the investment advisor Iroko Securities Kenya Limited in July 2013 and subsequent application to the Capital Markets Authority for an investment bank license in November 2013. Ecobank Capital joins a growing number of financial services institutions in Kenya which are moving into investment banking to complement their commercial banking services. *(NSE)*

Bharti Airtel Ltd. (BHARTI), India's largest mobile-phone operator, is targeting an 18 percent jump in its Nigerian customer base over the final nine months in 2014 after regulator pressure hampered growth early in the year. Airtel, as the company is known, plans to increase subscribers in Africa's biggest economy to 30 million by the end of the year, Segun Ogunsanya, 48, the head of the Nigeria unit, said in an interview yesterday in Lagos, the commercial capital. New Delhi-based Airtel had 25.5 million subscribers at the end of March, according to the Nigerian Communications Commission. Nigeria is the company's biggest market outside India. "I'm very very optimistic that there are no encumbrances against growth so I'm sure we're going to reach the 30-million mark," said Ogunsanya. "Despite the environment and the issues we face, I think we're still giving relatively good service to our customers." Airtel unseated Nigeria's Globacom Ltd. as the second-largest operator in the country during the three months through March, behind Johannesburg-based MTN Group Ltd., according to the NCC.

All three companies were fined by the regulator for not meeting quality service standards in January and banned from selling new SIM cards during March. Nigeria, Africa's most populous country with about 170 million people, is a target for mobile-phone companies even as power outages and frequent bomb attacks present challenges to doing business. The total number of connected lines increased to 177 million as of the end of April, compared with 170 million at the start of the year, according to NCC data. "We're very bullish about Nigeria," said Ogunsanya, who plans to spend about $300 million expanding Airtel's network and services in the country this year. "We have invested so much in marketing research to see what the customers want and we are delivering on those expectations." Bharti Airtel shares gained 0.1 percent to 336.6 rupees as of the close of trading in Mumbai. The stock has increased 1.9 percent this year, compared with a 21 percent increase by India's S&P BSE Sensex.*(Bloomberg)*

Nigeria's Wema Bank said on Thursday that its half-year pretax profit was 1.7 billion naira ($10.5 million) - up 266 percent from 464.7 million naira in the same period last year. Gross earnings rose to 12.5 billion naira during the six months to June 30, against 10 billion naira a year earlier, the regional bank said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Economic News

As at December 31, 2013, the gross loans of the eight strategically important banks (SIBs) in Nigeria amounted to a 7.1 trillion, representing 74 per cent of the entire industry's loan book, a report by Agusto & Co. has revealed. The Central Bank of Nigeria (CBN) had in 2013, designated eight banks as strategically important banks. By virtue of their size and systemic importance to the Nigerian banking industry, the apex bank deemed these banks as "too big to fail". This implies the regulator has placed stricter control and enforcements on these banks. The banks are: First Bank Limited, Zenith Bank Plc, United Bank for Africa Plc, Guaranty Trust Bank Plc, Access Bank Plc, Ecobank Plc, Diamond Bank Plc and Skye Bank Plc. Tagged, "2014 Industry Reports," the report exposed several challenges facing the banking, telecommunication, agric and other important sectors of the Nigerian economy and examined the financial condition of the eight banks vis-a -vis the industry.

According to the report, the total assets and contingents of the eight SIBs amounted to â‚¦19 trillion. This represents an 18 per cent growth over prior year and accounts for 72 per cent of the industry's total assets (2012: 69%). The portfolio of loans, the report revealed, was the largest earning asset class, forming 36.5 per cent of total assets and contingents. "Collectively, the SIBs' impaired loans amounted to â‚¦202.3 billion or 58 per cent of the Industry's impaired loans. This translated to impaired loans to gross loans ratio of 2.89 per cent, which is lower than the Industry average of 3.6 per cent."This would be in line with our expectations, given that the larger banks are more likely to book larger, blue-chip companies with better credit ratings. In addition, we would expect the SIBs to have greater capacity to invest in risk management, the report stated. The eight SIBs, the report stated, control vast resources in the banking industry, accounting for 72 per cent of total assets, 59 per cent of bank branches and generate 85 per cent of profit before tax (PBT). Agusto & Co also revealed that there is renewed appetite for lending with loan growth of 25 per cent in 2013 and most banks recording double digit growth, "however, credit penetration still remains low at 12 per cent of GDP (South Africa: 73%).

"The level of coverage for SIBs was good, with cumulative level of loss provisioning amounting to 92.5 per cent of impaired loans. This was higher than the Industry average of 88.2 per cent. The addition of regulatory reserves to loan loss provisions further enhances coverage to 168 per cent. In our opinion, the asset quality of the SIBs is good, "Agusto & Co. said. The report added that during the year ended December 31, 2013, the eight designated SIBs generated net earnings of â‚¦1.2 trillion, which represent a modest 6 per cent rise over prior year. "This accounted for 71 per cent of the entire Nigerian banking Industry's net earnings in 2013, while the other banks contributed 29 per cent. Similar to the industry, fund-based activities is the principal driver of earnings, forming 69 per cent of net earnings during the year, while commissions, fees & other income accounted for 31 per cent. Interestingly, the other banks' market share of non-interest income has increased gradually from 29 per cent in 2011 to 27 per cent in 2013, owing largely to their inability to compete effectively with the larger bank on loans and the need to drive revenue from other sources," it stated. *(This Day)*

In line with its goal to make the Nigerian stock market the leading platform to access capital in Africa, the Nigerian Stock Exchange says it is important for investors to have easy access to information about the Exchange and its products. To this end, the Exchange has upgraded its website, a statement by its Head, Corporate Communications, Nwando Ajene, has said. According to the statement, with a more contemporary design, the new site incorporates a more intuitive navigation and introduces several enhanced features along with sections that will provide access to information on the various products and instruments that are listed and traded on the regulated market. The statement quoted the Chief Executive Officer, NSE, Mr. Oscar Onyema, as saying, "The upgrade of the NSE's website fits well with our desire to become the leading platform to access capital in Africa. Nigeria is the largest economy in Africa and our goal is to leverage digital technology to provide capital market information to existing and potential investors." Onyema explained that the move was expected to enable visitors get a clearer view of the Exchange's activities and allows transparent access to a wide variety of information and data from any device with a functional browser. The Digital Marketing Manager, NSE, Mr. Clifford Akpolo, added, "Aside the new modern look, the site also has a dynamic search functionality that provides rich information for investors, issuers and dealing member firms. *(Business Today)*

Nigeria's naira firmed marginally on the interbank market on Monday after oil companies sold dollars to buy the local currency and dollar demand from importers slowed, traders said. The naira closed at 162.28 to the dollar, slightly firmer than Friday's close of 162.38. A unit of France's Total sold $42 million and China's Addax sold $8 million, boosting dollar liquidity and support for the local currency. "The naira should be range bound this week ... don't see it depreciating to 163 anytime soon, probably 162.70 to the dollar," one dealer said. The naira has traded around 162-162.50 in the last week. *(Reuters)*

Nigeria's government expects the economy to grow by 6.19 percent in 2014, accelerating from a 5.5 percent expansion last year, the statistics office said on Tuesday. It said the economy expanded by 6.2 percent in the first quarter compared with a year earlier as strong growth in the services sector offset a drop in oil production. Nigeria overtook South Africa as Africa's largest economy in April, after a rebasing of its calculation almost doubled its gross domestic product to more than $500 billion. *(Reuters)*

Nigeria's consumer price index (CPI) which measures inflation rose to 8.2 per cent in June compared to the eight per cent recorded in the previous month, the National Bureau of Statistics (NBS) has revealed. The NBS attributed the 0.2 per cent rise in headline index to marginal increase in food prices which went up to 9.8 per cent in June, up from 9.7 per cent previously. Core inflation also increased 0.4 per cent to 8.1 per cent in the period under review. Urban prices increased 0.2 per cent to 8.4 per cent in June while its rural component also increased by 0.2 per cent to 8.0 per cent in June. It said: "Prices were pushed higher as a result of higher prices in bread and cereals, meat, fish, and dairy groups. The price increases in the food sub-index were however weighed down by relatively slower increases in the oil and fat, fruits and vegetable groups. "Increases were observed in all non-food divisions which contribute to the core sub- index. The percentage change in the average composite CPI for the twelve-month period ending in June 2014 over the average of the CPI for the previous twelve-month period was recorded at eight per cent, unchanged from the average twelve month rate of change recorded in May 2014.

"The corresponding 12- month year-on-year average percentage change for the urban index was 8.1 per cent in June, marginally lower from 8.2 per cent recorded in the previous month while the corresponding rural index firmed at 7.9 per cent for the month of June," it added. Specifically, the statistical agency noted that on a month-on-month basis, the highest price increases were recorded in potatoes, yams, other tubers, bread, cereals, meat and fish groups. "The average annual rate of change of the food sub-index for the twelve-month period ending in June 2014 was 9.5 per cent, marginally higher from the average annual rate of change of the 12 month period ending in May 2014 at 9.4 percent," it added. *(This Day)*

Nigeria sold 100 billion naira ($618 million) worth of bonds with maturities ranging between three and 20 years at auction on Wednesday

at yields lower than previously, the Debt Management Office said on Thursday. The debt office sold 15 billion naira of three-year paper at 11 percent, lower than 11.35 percent at its June auction, and 50 billion naira of 10-year debt at 12.19 percent compared with 12.24 percent. A total of 35 billion naira of the 20-year debt note at 12.14 percent. The 3-and 10-year were reopenings of previous issue, while the 20-year paper was a new issue. Demand for the bonds was 263.91 billion naira. *(Reuters)*

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Tanzania

Corporate News

WOODSIDE Petroleum, Australian petroleum exploration and production company, will take a majority stake in Beach Energy's exploration project in western Tanzania. Woodside, which is looking to build its overseas assets, said it had taken a 70 per cent interest in the Lake Tanganyika South Block which included a production sharing agreement. The proposed work programme includes seismic studies with an option for future drilling and operatorship. Woodside chief executive Peter Coleman said the deal provided an opportunity for the oil and gas company to secure a large acreage footprint in an underexplored oil prone basin. Beach managing director Reg Nelson said the agreement was in line with Beach's strategy of getting in early to prospective areas. At 11.25am (AEST) Woodside shares were 3.5 cents lower at $41.42 and Beach Energy shares were 0.75 cents higher at $1.64. Woodside is the largest operator of oil and gas production in Australia and also Australia's largest independent dedicated oil and gas company. *(Daily News)*

Economic News

The Dar es Salaam Stock Exchange (DSE) plans to introduce new services that would enable investors to oversee operationalisation and get services of the market through mobile phone, internet and sms. According to the Exchange's Chief Executive Officer Moremi Marwa, the service is expected to be in place soon after the market has completed the procedures. He said in a statement that recently the bourse successfully went live with a new system from Securities and Trading Technology (STT). "This is another milestone to our national exchange – we have not only achieved to executed this in the shortest period possible but we also have managed to procure a system that seamlessly integrate our automated trading platform with the central securities depository and the National Payment System through SWIFT interface – this means we have now achieved a true Delivery versus Payment (DVP) and hence risk management assurance to our investors," he said. Furthermore, the system is more efficient, it is more scalable and flexible, which is line with their strategic intent of introducing new products and increasing accessibility to system through the use of mobile, internet and sms trading facilities. He said they are grateful for what they have achieved during a short period of time and that they are thankful to the STT team for partnering with them and making it possible to pull it off. Michelle Janke, MD of STT said: "I am extremely proud on this momentous occasion. Today the Tanzanian Exchange becomes STT's third Exchange to go-live with STT's integrated Exchange Solution.

The DSE is STT's first African exchange to go-live with our equities platform as well as our Central Securities Depository (CSD) system, and this was all accomplished within 8 short weeks." Meanwhile, on Thursday, DSE recorded a total turnover of 464.99m/- from 385,624 shares traded in 53 deals compared to the previous session which recorded a turnover of 127.61m/- from 183,678 shares traded in 156 deals. The report said on the Government Bond Market Board, seven year 10.08 percent bonds with face values of 5bn/- was concluded at 8.87, five year 9.18 percent bond with face value of 4bn/- was conducted at 9.11 and two year 7.82 percent bond with face value of 5bn/- was conducted at 8.01. The CRDB counter had 295,210 shares traded at the weighted average price of 325/- per share in 19 deals. While, the NMB counter had 46,533 shares traded at the weighted average price of 4,100/- per share in eight deals. TBL counter had 33,051 shares traded at weighted average price of 9,930/- per share in 7 deals, while the TCC counter had 500 shares traded at weighted average price of 11,210 per share in five deals. According to report, the DCB counter had 10 shares traded at weighted average price of 490/- per share in one deal, while the Maendeleo Bank counter had 400 shares traded at weighted average price of 600/- per share in one deal. The report said the Swissport counter had 9,550 shares traded at weighted average price of 2,640 per share in seven deals. NMG counter had 240 shares traded at weighted average price of 3,120/- per share in one deal. The Simba counter had 100 shares traded at weighted average price of 2,440/- per share in one deal. TOL counter had 20 shares traded at weighted average price of 490 per share in two deals, while the Tatepa counter had 10 shares traded at weighted average price of 650 per share in one deal. *(IPP Media)*

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TRADING

The International Monetary Fund said it has approved a plan to offer Tanzania policy support to help the government maintain economic stability and cut its fairly large current account deficit. The IMF expects the east African nation's economy to expand by 7 percent this year as well as in the medium term, with inflation, which stands at 6 percent, falling towards the government's target of 5 percent. Tanzania is expected to reduce its current account deficit gradually over the medium term, from the present 14 percent of gross domestic product, one of the largest in the region, the IMF said late on Wednesday. "This positive outlook is predicated in part on the authorities' intention to undertake further reforms to improve the investment climate and diversify the economic base," the fund said. The IMF said the country needed to create solid plans for the management of resources from natural wealth, such as natural gas from offshore fields, which is expected to start generating revenue for the government in the early 2020s. "The macroeconomic outlook remains favourable, based on the projected completion of a natural gas pipeline and adequate natural gas-fired power plants in 2014/15," the fund said. *(Reuters)*

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Zambia

Corporate News

No Corporate News This Week

Economic News

THE Ministry of Finance has not yet received any request to issue the US$1 billion agricultural bond from the relevant authority. Meanwhile, Government says it will continue to support programmes which contribute to the growth of accountability and efficient use of public resources. Secretary to the Treasury Fredson Yamba said the ministry is currently waiting for the proposals to determine whether the planned bond can be issued or not. "For now, we have not received a formal submission [from the Ministry of Agriculture and Livestock], but once we do that, we will analyse it and see if it is something that is sustainable going forward and then we can make a decision," he said in Lusaka on Monday. Mr Yamba said there is also need to look at various factors before a decision can be made. "We need to see what is available before we get some extra money. First, we need to utilise what is available and then look at other options going forward," he said. Commenting on the recently issued US$1 sovereign bond, Mr Yamba said Government has started disbursing funds to support various programmes. Mr Yamba, however, could not disclose the actual amount disbursed said, "We initially started with the road sector, injected money to recapitalise some institutions such as Indo Zambia Bank where we have shares and Zambia National Building Society to mention a few," he said. He said Government is interested in seeing that all institutions are up and running. "So we will do the best to ensure that these institutions are kept afloat and just to see that their business plans are reengineered a bit so that they are up and running, but as shareholders we take keen interest to ensure that they do not collapse," he said. Recently, Government through the Ministry of Agriculture and Livestock said it was considering issuing another international bond specifically targeted for the agriculture sector.

The latest Eurobond was set to be in the region of US$ 1 billion and could be issued before the end of 2014. Officials from the Ministry of Agriculture and Livestock said the Eurobond is relevant because it will specifically deal with financing challenges in the agriculture sector. On the use of public resources, Mr Yamba said Government is committed to greater accountability and efficient. Mr Yamba was speaking at a workshop on treasury, asset and liability management organised by the Development Bank of Zambia and Association of African Development Finance institutions in Lusaka on Monday this week. The five-day meeting which attracted 21 participants from development and financial institutions from nine countries is aimed at developing practical skills required for the management of various financial portfolios. Mr Yamba said there is need to understand risk management as it has a significant bearing on institutional performance and sustainability. He urged institutions to continue investing in human capital development to realise increased revenues. "It is important to understand that investment in human capital is vital for any institution to grow," he said. Earlier, Development Bank of Zambia director general Jacob Lushinga urged the private sector to position themselves to effectively compete on the international market. *(Daily Mail)*

Zambia's central bank said on Tuesday that measures introduced last month to stabilise the kwacha were only temporary and would be withdrawn "in a measured way" once policymakers saw that the threat of inflation was easing. In June, the bank increased its overnight lending rate for commercial banks to 10 percentage points above the benchmark policy rate from 6 percentage points in what analysts said was another bid to prop up the sliding kwacha. It also widened the scope of statutory reserve requirements for commercial banks. The tightening ended a five-month decline in the kwacha, which rallied from a record low of 7.25 to the dollar in late May to around 6.10 this week, but business leaders complained about the impact of sharply higher borrowing costs. The bank noted that interest rates had risen but stressed the need to keep inflation in check. "It was our view that the measures we have taken to restore stability in the financial sector are temporary and will be scaled back when it gets more evident that the threats to higher inflation have receded," it said in a statement. "This will be done in a measured way to ensure that we do not see a return to instability in the financial markets that we witnessed earlier in the year." *(Reuters)*

Zambia's central bank sold $532.5 million in the foreign exchange market between January and May this year to moderate the volatility in the kwacha currency, it said in a statement posted on its website on Thursday. The Bank of Zambia also said gross reserves climbed to $3.4 billion by the end of May from $2.7 billion last December, largely boosted by inflows from the country's second eurobond. *(Reuters)*

Zimbabwe

Corporate News

Bindura Nickel Corporation will save about $9 million annually in transport and logistical costs when the company re-opens its smelting plant next year, a company official said. Currently BNC is using 12 trucks per day to transport nickel concentrate to South Africa and the re-opening of the smelter is set to reduce the number to one truck per day. In an interview on the sidelines of the company's analyst briefing yesterday, BNC technical director Mr. Thomas Mashungupa said the revival of the smelter is going to reduce the company's transport and logistics costs. "The smelter is anticipated to be in operation in the first half of 2015 and the company hopes to save about $9 million since beneficiation would be done locally. "This move is also set to enhance the company's capacity to eliminate penalties on deleterious minerals found within nickel concentrate hence boosting revenue," said Mr. Mashungupa. Mr. Mashungupa said the smelter re-opening project has been approved by the shareholders with $26.5 million financing required. He said part of the funding will come from the cash generated by the company while the remainder will be raised through debt. BNC managing director Mr. Batirai Manhando added that the company continues to see unprecedented turnaround in its financial performance. BNC is also witnessing a significant improvement on its cash generating capacity following the introduction of a mining plan.

The company's revenue increased to $65 million for the year ended March 2014 from $1 million recorded during the same period last year due to an increase of nickel sales. Operating profit increased 30 percent to $17 million from $13 million recorded in the previous period. Mr. Manhando said during the period of care and maintenance, the company incurred losses and as a consequence, built up significance accumulated tax loss. He said in terms of IAS 12, the company has recognised these losses as an asset, resulting in a credit to the income statement of $7,3 million. "Prestart costs amounting to $3,4 million were capitalised in the first months of the year and an amount of $0,7 million was written back to profit following an independent review of the rehabilitation provision," said Mr. Manhando. As a consequence to the ramping up of production, a cash requirement for working capital was $10 million, of which $5 million was used to fund current operations, notably inventories. Total equity for the company rose to $27 million for the period from $3 million recorded in the comparative period last year mainly because profitability of the company has continued to see a significant improvement in equity. Total equities and liabilities for the company increased to $74 million for the period under review from $58 million in the prior period. Mr. Manhando said they are expecting a robust nickel price movement, a situation that comes at a time when BNC is considering developing its Hunters Road project. *(Herald)*

CALEDONIA Mining Corp said gold production at its Zimbabwean unit, Blanket Mine, rose in the quarter to June but the group has revised downwards the projected output for 2014. Production at Blanket Mine, a low cost gold producer, was up 9,6 percent to 11 223 ounces compared to the same period last year, the Toronto Exchange listed firm said. In the first six months, total output reached 21 464 ounces. "In light of the 21 464 ounces produced during the first six months of 2014, guidance for gold production in 2014 is reduced from 48 000 ounces to approximately 45 000 ounces." The average head grade is now expected to be lower than has been achieved in previous quarters while tonnes mined and milled in the second quarter did not increase sufficiently to offset the lower grade mined, although plant recoveries have remained strong. Caledonia is a mining, exploration and development company focused on Southern Africa. Its primary assets are a 49 percent interest in the Blanket Mine and a 100 percent interest in the Nama base metals exploration project in neighbouring Zambia. Caledonia had maintained its production guidance of 48 000 ounces in its trade update for three months to March although it had produced less bullion compared to the last quarter of 2013. In the three months to March, the firm produced 10 607 ounces of gold, representing a 7,2 percent decrease on the 11 429 produced in the last quarter of 2014. The figure was, however, an increase on the 10 472 ounces seen in the first quarter of 2013.

Production in the first quarter was affected by the achieved grade being lower than the targeted grade of 3,83 grammes per tonne due to a fault encountered on the ore body. Production on these panels was stopped and re-development was required to establish other panels at the required grade, Caledonia Mining said then. It also noted that production in February was adversely affected by unstable electricity supply and having to replace a winding rope on the number four shaft. Earlier this year, Caledonia said it would continue investing in the mine to boost production, which, for 2014, had initially projected 48 000 ounces and 52 000 ounces for 2015. In 12 months to December last year, gold production came in at 45 527 ounces, compared to 45 465 a year earlier, while the average realised gold price for the year was $1 402 per ounce compared to $1 666 in 2012. *(Herald)*

The competitions authority has sought the expertise of South African-based competition analysts to help them build a case against Econet, in a case that is likely to re-shape the future of the financial services sector, The Herald Business can reveal. Recently it emerged that Econet's long running dispute with the local banking industry attracted the ire of the Competitions and Tariffs Commission who began an information gathering exercise meant to establish if Econet had a case to answer with regards to flouting competition rules in its interactions with banks and suppliers. Econet has refused to give access to banks on the USSD platform used to channel mobile banking services preferring them to use its EcoCash platform. Only recently has Econet agreed to grant access to banks, but restricted banks to a separate USSD platform to the one the mobile operator uses, more-so at a significantly higher cost. Documents in our possession reveal that Econet wants to charge as much as 30c per SMS for a USSD session if it relates to mobile money transfer, a charge which banks feel is not only too high, considering that most mobile money transfers are low value payments of only a few dollars but also discriminatory against non-EcoCash users. It emerged that Econet charges between zero and five cents for all its other USSD services so the banks have been querying the 30c base line charge being demanded by Econet. Bankers maintain that such discriminatory pricing is tantamount to an unfair trade practice and is meant to make any bank mobile money transfer products uncompetitive relative to Econet's own offering. In an interview with The Herald Business yesterday, CTC assistant director (Competition)

Mr Benjamin Chinhengo confirmed the development. "We have a formal and informal corporation agreement with Zambia and South Africa in relation to competition investigations. We get assistance on certain areas of expertise whenever we may require one. "A team of experts from South Africa were in the country last week assisting CTC officials on analysing and assessing methods to be used during the preliminary investigations," said Mr Chinhengo. "We are still establishing and verifying facts at the same time doing interviews with complainants who levelled allegations against Econet." He said the telecoms industry is a highly technical area hence the need to consult experts on the investigations. Mr Chinhengo said a fully fledged investigation will commence once preliminary investigations are complete. "The experts have already met Econet officials to ascertain the facts around the allegations for them to develop a background position of the challenges they are being accused of by various business entities. In addition our officials are in South Africa for a technical course as we speak," said Mr Chinhengo. In a related matter, the CTC has roped in the experts to analyse whether the relationship between Steward Bank and Econet has resulted in anti-competitive practices. Recently some suppliers of Econet were "encouraged" to open accounts with Steward Bank in exchange for more favourable terms of trade, a move which banks say violates competition ethics. The commission, as part of the investigations, engaged the Reserve Bank of Zimbabwe and the Postal and Telecommunications Regulatory Authority of Zimbabwe as regulators of banks and mobile network operators to better understand the regulatory issues around mobile money business. *(Herald)*

FOUR companies listed on the Zimbabwe Stock Exchange (ZSE) have two weeks to pay up listing fees or face suspension as the bourse gets tough on defaulters. The companies, ART Holdings, Celsys Limited, Border Timbers Limited and RioZim Limited, have to pay up by July 29 or face suspension, ZSE chief executive officer Alban Chirume warned yesterday. ART owes $2 000, Celsys $3 000, Border Timbers $13 294,25 while RioZim owes $5 000. "In the event that the fees remain unsettled by 29 July 2014, the ZSE shall make an application for the suspension in the trading of the companies' shares on the ZSE," Chirume said. Chirume said the fees were due in June 2013 and the companies have breached Section 3.67 of the ZSE Listing Requirements which states that a listed company should pay its annual fees as soon as they are due. "Several unsuccessful attempts have been made to recover the above fees. Payment of annual sustenance fees is part of meeting continuing obligations to maintain a listing," Chirume said. Celsys is currently under suspension from trading on ZSE since 2012. Activity on ZSE is mainly driven by counters such as Delta, Econet, Innscor, BAT, OK and Hippo, among others, amid concerns by financial analysts that the market lacks depth as the current list of actively traded counters was narrow by international standards. The absence of market depth — the ability to sustain relatively large market orders without impacting the price of the security — militates against the luring of huge investments on the bourse. *(News Day)*

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Econet grew its subscribers by 4,1 percent in the first quarter of the calendar year to just over 9 million taking its market share to 65,3 percent. However, industry wide, mobile operators' revenue in the first quarter of the year declined 15 percent to $213,1 million from $249,99 million in the prior quarter, a Postal and Telecommunications Regulatory Authority of Zimbabwe quarterly sectoral performance report has shown. According to the report, total investment by mobile operators amounted to $27,9 million representing a 53 percent decline in investment from $59,09 million recorded in the previous quarter. Fixed telephone revenues increased by 0,7 percent to reach $38,1 million in the period under review while the average revenue per user per month for the fixed telephone sector declined 6,8 percent to $38,68 from $41,48 recorded in the previous quarter. Econet subscribers leaped 4,1 percent to 9 075 925, recording the largest subscriber market share of 65,3 percent which was a 1,3 percent improvement from the previous quarter. State-owned operator, NetOne experienced a marginal 1 percent growth in subscriptions to 2 356 815, the firm, however lost 0,1 percent of its market share to 17 percent.

On the other hand, Telecel registered a significant decline in subscriptions of 4,6 percent to 2 459 369 owing to the deactivation of 119 190 lines which had become inactive on their network. As a result, Telecel lost 1,2 percent market share, down to 17,7 percent. During the quarter under review, total mobile traffic declined 0,7 percent to 1,9 billion minutes from 2,4 billion minutes registered during the previous quarter. The intra-network traffic contributed 73,9 percent to the total traffic. Despite the promotions on on-net calls, the net-on-net traffic declined considerably by 16,9 percent to 1,4 billion minutes. "The decline in international and roaming traffic is evidence of the increased use of alternative communication platforms such as Whatsapp, Viber and Skype. The increase in the flow of traffic between VoIP operators and the mobile operators is commendable and could be as a result of the operationalisation of more interconnection agreements between Internet Access Providers and mobile operators," said the report.

Potraz says Econet had the highest mobile traffic market share of 49 percent from 47 percent registered in the prior year. Telecel's traffic sagged 1 percent to 31 percent while NetOne slumped by the same margin to 21 percent. The report said Zimbabwe's mobile penetration rate now stands at 106,4 percent, up 2 percent from 104,4 percent recorded in the last quarter of 2013. This was buoyed by a 1,9 percent surge in mobile subscribers to 13 892 109. Prepaid subscribers grew 1,9 percent to 13 609 161, while post paid subscribers swelled 2,6 percent to 282 948. Fixed lines jumped 7,2 percent to 326,183 while fixed tele-density grew 0,2 percent to 2,5 percent from the preceding quarter. The sub-sector also recorded an 8,1 percent decline in fixed to mobile traffic to 79 174 074 minutes from 86 156 888 minutes recorded in the prior quarter. Traffic from the fixed network to the VoIP operators increased by 73,6 percent to 270 508 minutes, attributed to the increase in the number of IAPs that TelOne has interconnected with. *(Herald)*

LISTED hotel and leisure group, African Sun, has begun a restructuring exercise meant to drastically cut its debt, chief executive officer, Shingi Munyeza, told the Financial Gazette's Companies & Markets. The debt restructuring could free at least US$3 million annually, which is currently going towards interest charges. Munyeza said he expected the debt restructuring process to be completed by year-end. "Once the debt restructuring is complete, we expect gearing to reduce to 23 percent. We then expect our net current liabilities to improve to US$5,96 million from US$10 million," he said. Currently, African Sun has a gearing ratio of 51 percent. "About US$3 million would be saved once this exercise in complete," Munyeza said. Over the years, borrowing costs have eroded the group's profit margins, triggering fears this could undermine the hotel and leisure group's going concern status. Already, the group has sold its 16,54 percent shareholding in Dawn Properties as part of the restructuring. It raised US$5,83 million from the disposal. African Sun chairman Bekithemba Nkomo told shareholders at the company's joint Annual General Meeting and Extraordinary General Meeting that the sale of its shareholding in Dawn would ease the cost of borrowings. Munyeza said the group would achieve a slight increase in turnover in 2014, buoyed by growth in the contribution of international markets.

However, domestic contribution would not increase much due to the current depressed economy. After suffering a loss of US$766 000 for the six months to March 31, 2014, from an after tax profit of US$900 000 during the comparable period the previous year, the group expects recovery during the second half of the year. During the period under review, the group's revenue was down four percent to US$25,3 million on same comparative period due to a decline in domestic volumes, which was precipitated by an underperforming economy. "Cost of sales were flat at US$7,6 million and we are negotiating win-win lease agreements going forward," he said. Munyeza said all major refurbishments were complete. "Future refurbishment will be funded through operating cashflows," he said. Finance costs were down 10 percent following debt reduction at the beginning of the year. Net debt decreased by 14,5 percent from September last year due to a reduction in borrowings amounting to US$5,14 million and reduced cash balances. Further interest reduction is expected after completion of debt reduction. Earnings before interest, tax, depreciation and armotisation were down 38 percent to US$2,17 million due to depressed revenue. Munyeza said revenues were this year expected to improve, buoyed by Ghana's Amber Hotel, which will contribute 12 percent of revenue, as well as conferencing facilities at Elephant Hills Resort in Victoria Falls. *(Financial Gazette)*

DIAMOND production at Rio Tinto plc's 78% owned Zimbabwean producer, Murowa Diamonds (Murowa), has grown by 20% in the second quarter of 2014 to 83 000 carats, offsetting a 34% slump in output in the previous quarter, latest figures show. In the first quarter of 2014, Rio Tinto's share of production at Murowa fell by 34% from the final quarter in 2013 to 69 000 carats due to lower grades. "First half carats recovered at Murowa were four per cent higher than the first half of 2013 due to improved throughput and processing previously stockpiled material," said Rio Tinto in a half-year statement. In the first half of the year, Rio Tinto's share of production at Murowa stood at 152 000 carats, up from 147 000 carats in the same period prior year. On a year-on-year basis, Rio Tinto's share of production in the second quarter of 2014 was 21% higher compared to the same period last year. Murowa produced 69 000 carats in the first quarter of 2013. In the first half, RioTinto produced a total 7,482 million carats-including output from the group's Argyle Mine in Australia and Diavik Mine in Canada which produced 4,92 million and 2,4 million carats in the year under review, respectively. Rio Tinto owns 100% of Argyle and 60% of Diavik. In June 2013, Rio Tinto reversed its decision to dispose of diamond operations after the market failed to meet its asking price. The move disappointed seven potential suitors who had been linked to the takeover of Rio Tinto's entire stake in Murowa. Murowa's operation is located near Zvishavane in South Central Zimbabwe and is owned 78% by Rio Tinto plc while the remaining stake is owned by Riozim Ltd, an independent Zimbabwean-owned listed company. The company said three kimberlite pipes were discovered on the mine site in 1997. "The resource has the potential to be expanded to 6-7 times its current production level. A review of the feasibility study for this expansion is currently underway, as are discussions with the Zimbabwean government on the required investment environment to support a project of this magnitude," said the company. *(Independent)*

Economic News

Zimbabwe's manufacturing sector has been hit hard by the sharp appreciation of the US dollar, the main currency in use, with the International Monetary Fund estimating an over-valuation of the country's exchange rate of between 17 percent and 24 percent. Thisaccording to the IMF makes the economy highly uncompetitive against imports. According to the full IMF Article IV Concluding Report, the CPI-based real effective exchange rate appreciated by 9 percent between June 2012 and December 2013. "The depreciation of the rand has been the main contributor to the appreciation of Zimbabwe's REER (with additional pressure coming from the depreciation of the kwacha in early 2014). This has brought pressure on import-competing businesses, adding to the difficult environment." South Africa accounts for around 42 percent of Zimbabwe's imports and 76 percent of exports.

Generally, Zimbabwean manufactured products endure high production costs, rendering them poor in terms of price competitiveness against imports. According to a previous study, the cost of raw materials and labour accounts for 60 percent of total production costs. As a result of the appreciation in the REER, the Ministry of Finance in its first quarter report warned that the current deflationary environment will persist. Overall IMF is now projecting GDP growth of 3¼ percent for Zimbabwe, down from the initial projection of 4¾ percent made in November 2013. Generally economic activity in the country sprang back strongly, and the economy averaged 10,5 percent growth during 2009-2012. However, the financial system over-expanded during the rebound, developing fragilities that now represent a drag on the economy. Moreover, the rebound phase has ended, and the IMF said Zimbabwe now needs to find durable drivers of growth. The IMF said there was need for Government to fully implement their revised fiscal plan for 2014. Government has identified revenue measures and expenditure cuts, and plans to roll over a fraction of domestic maturities falling due. If fully implemented, these measures could result in a budget surplus of approximately 1½ percent of GDP in 2014. *(Herald)*

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TOTAL costs of transacting on the Zimbabwe Stock Exchange have dropped marginally to 4,19 percent from 4,21 percent, according to new charges gazetted by the Ministry of Finance and Economic Development. The new charges were effected last Friday and will be applicable to June 30 next year. Thereafter, the new charges will come into effect with the total costs of transaction expected to further go down to 4,13 percent. Under the previous structure, total costs for buying and selling were 1,73 percent and 2,48 percent and the new structure will see stockbroking companies charged 1,69 percent and 2,44 percent on buying and selling respectively. The charges will further go down to 1,693 percent and 2,44 percent on either side with effect from July 1 next year.

Brokerage fees will be 0.92 percent from 1 percent. .The Central Securities Depositary levy will be charged at 0.12 percent on either side while the investor protection levy will fall away for the first year to allow for the business to stabilise. It will be re-introduced with effect from July 1, 2015at 0,1 percent on either side. Securities and Exchange Commission and the Zimbabwe Stock Exchange levies were pegged at 0,171 percent and 0,12 percent respectively. Stamp duty of 0,25 percent will be charged only on the buyer's side. Capital Gains Withholding Tax of 1 percent will be charged on seller's side. Every central securities depository shall pay a levy of 0,5 percent on monthly revenue to the Securities and Exchange Commission. "The levy shall be remitted to the Commission by not later the 10th day of the month following the months in respect of which the levy is paid," read part of the Statutory Instrument 108 of 2014 published of Friday. In addition, every licensed custodians and transfer secretaries will also be required to pay 0,5 percent and 0,35 percent of their gross monthly income to the commission respectively. *(Herald)*

Wildlife administrators in Zimbabwe asked the U.S. government to lift a temporary ban on ivory imports from the southern African nation immediately, the Department of Parks and Wildlife Management Authority said. The U.S. banned imports of ivory from Zimbabwe and Tanzania in February, citing concern over whether the elephant populations were sustainable. Zimbabwe sent the U.S. Fish and Wildlife Service information it requested to help make decide on the ban more than six weeks ago, Caroline Washaya-Moyo, spokeswoman for the authority, said by phone yesterday from Harare, the capital. As one of the so-called big-five African animals, elephants form an important part of Zimbabwe's hunting industry, which earned $360.1 million from 2005 to 2009, the authority said in a paper presented to a U.S. congressional hearing June 24. The authority says the 97,500 elephants in the nation, which is slightly bigger than the U.S. state of Montana, destroy trees and food supplies needed for other species. "As yet, no effort has been made to lift the ban that they based on what they said was inadequate information," Itai Hilary Tendaupenyu, the authority's principal ecologist, wrote in the paper. "Now that they have had time to view the information we provided, Zimbabwe would like to see the ban lifted immediately."The authority receives no direct funding from the government, Tendaupenyu said.

Elephant hunting contributes more than $14 million a year and "not less than 55 percent" of the income from sport hunting goes directly to the poor, rural communities where wildlife is often their only source of income, according to the report. This type of hunting generally takes place in areas that are too hot, dry and inaccessible for agriculture, it said. A client will pay about $30,000 in permit fees and for the hire of a professional hunter to get an elephant. A lion kill will probably cost a hunter about $55,000, according to the authority's guidelines. The big five game animals are lions, elephants, Cape buffalos, leopards and rhinos. Zimbabwe's elephant population is concentrated in the northwest of the country, the Zambezi valley and the southern Lowveld region, all areas unsuitable for agriculture, the authority said. "If hunting is no longer an economically viable form of land use, communities will choose pastoralism and unviable agriculture, which reduces habitat available for elephants," Tendaupenyu said. "Local communities will only find an incentive to protect elephants if they can derive economic value from such a resource."*(Bloomberg)*

THE Zimbabwe Stock Exchange recorded a 13 percent increase in income to $1,9 million for the year ended December 31 but the bourse said resolution of key issues by Government regarding debt, clarity on Indigenisation, Empowerment Act and re-engagement of the international community could play up economic performance and in turn boost revenue. The bourse's 2013 annual statement shows that surplus increased two percent to $338 182 from $332 506 the previous year. Total income for the year under review rose to $1,928 241 from $1,709 million. Trading levies, membership fees and non-membership fees at $1,014 million contributed 52,9 percent to the total income for the year while listing and corporate action fees at $0,632 million contributed 32,81 percent. In the report, ZSE chief executive Alban Chirume said the review of the investment strategy on the deployment of cash resources in the market resulted in the growth of interest income of 32,59 percent from $0,161 million in 2012 to $0,214 million in 2013. "The strong growth in interest income to $0,214 million resulted in contribution of 11,08 percent to total revenue compared to a contribution of 9,43 percent in the comparative period," said Mr. Chirume. The remaining contribution of 3,52 percent to total income was from gains arising from disposal of an investment portfolio and sundry income streams. The operating expenditure at $1,590 million was 15,47 percent higher than the $1,377 million incurred in the prior year. "This was largely due to expenditure related to significant projects initiated during the year which included the launch of the Automated Trading System and increased occupancy costs.

The expenses of the ZSE are generally of a fixed nature, hence keeping the cost base consistent demands ongoing management attention," said Mr. Chirume. He said the ZSE projects to save $0,072 million on occupancy if the bourse relocates to owner occupied property. The exchange has already bought property in one of Harare's affluent suburbs. Staff costs chewed up $730 479 while other expenses cost the bourse $776 762 in 2013 up from $498 387 in 2012. "Despite the higher growth of expenses compared to revenue, the total comprehensive income grew by 1,81 percent to $0,338 million compared to $0,333 million realised in the prior period. Capital expenditure for the period was $0,590 million which included the acquisition of property of $0,410 million," said Mr. Chirume. Mr. Chirume said resolving the debt overhang and attracting foreign direct investment are key importance going forward. "These, to a great extent, determine the perception that exists in the market on the level of political risk in Zimbabwe," said Mr. Chirume. *(Herald)*

ZIMBABWE'S year-on-year inflation rate for the month of June 2014 stood at -0,08 percent, gaining 0,11 percentage points on the May 2014 rate of -0,19 percent. According to ZimStat, this means that prices as measured by the all items Consumer Price Index decreased by an average of 0,08 percentage points between June 2013 and June 2014. The rise in inflation is marginal and could have been influenced by seasonal products and tobacco inflows but economists warn that Zimbabwe still faces weak aggregate demand. "We are witnessing a very stable price period and prices are not changing that much because people do not have much money to spend. "The percentage gain on year-on-year or month-on-month is a tiny figure, it's nearly a straight line. The marginal variation could be influenced by seasonal products," said economic analyst Mr. John Robertson. He said most workers are not being paid on time while others are not being paid at all and this is forcing them to spend less. He said the inflation could be slightly positive in the next few months although there is not enough production going on in Zimbabwe. Economic analysts say the low real disposable incomes were forcing consumers not to spend and this has suppressed demand for goods and services. University of Zimbabwe senior lecturer in the Economics Department, Dr Albert Makochekanwa said while on the demand side consumers do not have money to spend, retailers may be reducing prices in a bid to compete with cheap products imported especially from South Africa. "Suppliers may be trying to compete with their counterparts especially in South Africa where unit costs of production are relatively low leading to low selling prices.

"In Zimbabwe, unit costs of production are relatively high but suppliers and retailers may be forced to reduce prices to remain competitive," said Dr Makochekanwa. He said unless salaries increased, of which indications are that they may not in the short to medium term, the situation is likely to obtain. Economist Mr. Joseph Sagwati said the prevailing deflationary pressure signifies a correction and price resistance on the part of consumers. "Prices are low and not rising and this has created a deflationary environment which is becoming very hard to stimulate," said Mr. Sagwati. He said the co-operative pooling of resources that most individuals have adopted where they buy goods in bulk from South Africa shows consumers are resisting local prices. This has led to reduced business for local retailers leading to low prices. The month-on-month inflation rate in June 2014 was -0,03 percent gaining 0,11 percentage points on the May 2014 rate of -0,13 percent. This means that prices as measured by the all items CPI decreased at an average rate of 0,03 percent from May 2014 to June 2014. The month-on-month food and non-alcoholic beverages inflation stood at -0,12 percent in June 2014, gaining 0,18 percentage points on the May 2014 rate of -0,30 percent. The month-on-month non-food inflation stood at 0,02 percent, gaining 0,07 percentage points on the May 2014 rate of -0,05 percent. The year-on-year food and non-alcoholic beverages inflation prone to transitory shocks stood at -3,54 percent whilst the non-food inflation rate was 1,67 percent. The CPI for the month ending June 2014 stood at 100,73 compared to 100,75 in May 2014 and 100,81 in June 2013.

In its state of the economy for May, Finance and Economic Development Ministry said inflation, going forward, would be influenced by aggregate demand, international oil and food prices, as well as the country's real effective exchange rate against our major trading partners. The International Monetary Fund said the temporarily falling prices will benefit consumers with job security. By delivering a boost to aggregate demand, falling prices may contribute to eroding the country's negative output gap. Deflation could also correct the existing over-valuation in the real exchange rate, although that would require prices of non-traded inputs, notably labour and final goods to fall faster than the prices of traded goods. "Falling prices boost the real money supply and could alleviate somewhat the persistent liquidity shortages," said IMF. On the downside, the IMF noted that persistent deflation may increase the real burden of existing debt in a country that is already under financial stress. It also hurts producers and might further reduce Zimbabwe's productive capacity, if it leads to widespread company downsizing and closures. In the medium term, the IMF suggested that structural reforms that improve the business environment and stimulate domestic and foreign investment could offset the deflationary impulse. In the absence of monetary policy tools, authorities must avoid exacerbating the distortions and imbalances, for example, by resisting the impulse to restrict imports and by avoiding further public sector wage increases, which put pressure on salary negotiations elsewhere in the economy. *(Herald)*

The country's trade deficit narrowed to $1,76 billion in the six months to June from $2,37 billion last year, a decrease of 25,74 percent.
Latest data from ZimStat shows that imports amounted to $2,99 billion from $3,92 billion last year same period. Exports were at $1,22 billion from $1,54 billion last June. No improvement in the trade deficit is anticipated in the short to medium term as industry continues to be under-capitalised, continued economic uncertainty and concerns over the attraction of Zimbabwe as a predictable foreign direct investment destination. Economists are forecasting the trade deficit to close the year lower at $3,2 billion from $3,5 billion last year and to continue narrowing to around $2,66 billion. Imports are forecast to close the year at $7,06 billion and exports at $3,81 billion. The current account position is projected to end at a deficit of $3,64 billion an improvement from -$3,72 billion. *(Herald)*

Invest Zimbabwe, a local investment promotion company has developed a web-based concept to attract Foreign Direct Investment through marketing specific investable projects to foreigners who want to invest in the country's socio-economic sectors.
Though its web-portal, the company will feature detailed information on projects that require fresh capital. Other marketing platforms generalise investment information without providing specific details for each particular investable project. The concept has since been endorsed by Cabinet which said "the web-portal will be useful in addressing some concerns by investors and provide another channel for updating would be investors on efforts being made to improve the business climate". Concept promoter Mr. Ton Chirango told The Herald Business that little effort had been put on reaching out to investors with specific bankable projects as in most cases, potential investors were the ones approaching authorities seeking business opportunities. Through the initiative, Invest Zimbabwe will invite and identify investable project proposals that require equity funding. These projects will be posted on the web-portal in a summarised format with details such as amount needed for specific projects and their viability. "Before promoting any project, we must be satisfied about its feasibility and viability," said Mr Chirango.
Specific projects that Invest Zimbabwe seeks to commercialise include infrastructural projects that the Government intends to undertake, projects owned by private companies and individuals and projects that local authorities are planning to undertake. The company will pursue all marketing methodologies and techniques to expose the portal to the international community through advertising the portal in international newspapers and magazines in targeted capital cities worldwide, said Mr Chirango. Invitations will be made to international business correspondents to cover opportunities available in Zimbabwe. Invest Zimbabwe will also target specific equity funds with a focus on emerging markets while forging linkages with foreign business grouping. In addition, the portal will be advertised through billboards in selected capitals and arranging guest appearances on international TV's and radio programmes with focus on Africa. Further, the company will organise outward and inward investor missions as well as publishing a Zimbabwe Investment Magazine that will be distributed at global investment summits. The company will also develop downloadable apps on investment opportunities in Zimbabwe. Mr Chirango believes there is lack of substantial information in regards to the projects wherein investment can be readily made. "There is no outreach to lure investors," Mr Chirango said. "As Invest Zimbabwe, we therefore, seek to commercialise opportunities that are available in various sectors of the economy and attract equity investment into them. "While it is undisputed that, as a nation, we need a cognitive paradigm realignment

of our investments discourse, we believe there is need for us to go to the capitals of the world to tell the true story about Zimbabwean story which has been massively distorted and negatively exaggerated by the international media thereby curtailing out ability to attract foreign direct investment. As it stands, we are attracting investments but in trickles, not sufficient enough to sustain the aspiration of ZimAsset."*(Herald)*

Disclosures Appendix

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