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:

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- ⇒ **Egypt**
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- ⇒ **Kenya**
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- ⇒ **Nigeria**
- ⇒ **Tanzania**
- ⇒ **Zambia**
- ⇒ **Zimbabwe**

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	12-Dec-14	19-Dec-14	Local	USD	Local	USD
Botswana	DCI	9502.25	9509.42	0.08%	-1.60%	5.04%	-3.69%
Egypt	CASE 30	8715.92	8399.89	-3.63%	-3.62%	23.84%	20.07%
Ghana	GSE Comp Index	2306.73	2297.72	-0.39%	-1.15%	7.11%	-21.07%
Ivory Coast	BRVM Composite	246.61	248.51	0.77%	-0.45%	7.11%	-4.09%
Kenya	NSE 20	5124.80	4910.10	-4.19%	-3.99%	-0.34%	-4.52%
Malawi	Malawi All Share	14877.75	14878.29	0.00%	0.00%	18.73%	2.72%
Mauritius	SEMDEX	2085.33	2060.05	-1.21%	-0.76%	-1.70%	-5.88%
	SEM 7	390.76	383.97	-1.74%	-1.28%	-4.87%	-8.91%
Namibia	Overall Index	1055.13	1084.02	2.74%	2.50%	8.73%	-1.49%
Nigeria	Nigeria All Share	30763.38	30306.51	-1.49%	-4.08%	-26.67%	-36.17%
Swaziland	All Share	298.01	298.01	0.00%	-0.23%	4.32%	-5.49%
Tanzania	TSI	4614.06	4546.86	-1.46%	-0.41%	59.90%	48.81%
Tunisia	TunIndex	4932.04	5110.99	3.63%	3.13%	16.65%	2.99%
Zambia	LUSE All Share	6140.50	6091.72	-0.79%	-0.33%	13.89%	-0.07%
Zimbabwe	Industrial Index	167.34	163.00	-2.59%	-2.59%	-19.35%	-19.35%
	Mining Index	66.71	64.50	-3.31%	-3.31%	40.86%	40.86%

CURRENCIES

Cur-rency	12-Dec-14 Close	19-Dec-14 Close	WTD % Change	YTD % Change
BWP	9.27	9.43	1.70	9.06
EGP	7.13	7.13	- 0.00	3.14
GHS	1.87	3.20	0.77	35.71
CFA	525.84	532.30	1.23	11.68
KES	88.99	88.81	- 0.20	4.37
MWK	476.93	476.93	0.00	15.59
MUR	30.45	30.31	- 0.46	4.44
NAD	11.55	11.58	0.23	10.38
NGN	178.44	183.27	2.71	14.88
SZL	11.55	183.27	0.23	10.38
TZS	1,690.45	1,672.72	- 1.05	7.45
TND	1.85	1.86	0.48	13.26
ZMW	6.29	6.26	- 0.47	13.97

SECURITIES AFRICA

Botswana

Corporate News

Discovery Metals Ltd on Wednesday said it will suspend copper mining in Botswana within the next six months, citing a deteriorating world copper price. Australia-listed Discovery said an internal review over the economic feasibility of its 15,000-tonnes-per-year Boseto copper operation in northwest Botswana pointed to a soft market outlook for copper, where the price of the metal has dropped by $1,000 per tonne, or 15 percent, since January. The move to idle the mine comes as sector majors Rio Tinto and BHP Billiton continue to amass vast copper holdings in a push to capture a greater chunk of the $140 billion world market, putting pressure on smaller producers such as Discovery unable to compete on costs and shipping. Separately and in joint ventures, Rio and BHP intend to mine millions of additional tonnes of copper, despite seeing an over supplied market for the next few years. In June, Discovery reported its cash operating costs were averaging $2.86 per pound. Benchmark London Metal Exchange copper closed at $6,362 per tonne, or $2.88 a pound on Tuesday. A worldwide copper supply surplus of 300,000 tonnes is forecast in 2015 by Australia's Bureau of Resource and Energy Economics, equivalent to half a year's output by South Korea. Discovery shares tumbled by as much as 35 percent on Wednesday to just above 1 Australian cent. *(Reuters)*

Economic News

Botswana's central bank left its benchmark lending rate unchanged at 7.5 percent on Tuesday, saying inflation was forecast to remain within its medium-term target range of 3-6 percent. The bank also said the southern African nation's economy was estimated to have grown 5.2 percent in the 12 months to June this year. *(Reuters)*

Egypt

Corporate News

Egypt signed its first contract with foreign oil firms to extract gas using fracking, the same technique used in producing shale gas, a move that could unlock large reserves of energy. Texas-based Apache Corp and Shell Egypt will drill three horizontal wells in the Abu El-Gharadiq region of the country's Western Desert with investments of up to $40 million, said the Petroleum Ministry in a statement on Wednesday. The pilot project, as described by ministry spokesman Hamdi Abdel-Aziz, will involve the use of hydraulic fracturing, or "fracking", to retrieve the unconventional gas, embedded in underground rock formations. Egypt's technically recoverable reserves of unconventional gas are estimated at 100 trillion cubic feet (tcf), according to a 2013 report by the U.S. Energy Information Administration, higher than its reserves of conventional natural gas, which stand at 77 tcf. Egypt has become a net importer of natural gas in recent years as rising domestic consumption, particularly by the electricity sector, and dwindling exploration have created a shortage in the local market. Though the costs of extracting unconventional gas are higher than those of producing conventional natural gas, it is still less costly than importing liquefied natural gas (LNG), as the government plans to do starting in 2015, industry insiders told Ahram Online. "The cost of liquefaction, transport, insurance, regasification and general logistics associated with importing LNG mean that it would cost us some $14 per million BTUs (British Thermal Units)," says former Petroleum Minister Osama Kamal, "whereas producing unconventional gas here would cost $4-5 per million BTUs." Shale oil and gas has in recent years experienced a boom, notably in the United States, thanks to the development of new technologies. Egypt's government has been reviewing gas prices for foreign oil firms, including Apache and Shell, to encourage them to step up exploration and production. *(Ahram)*

Economic News

Egypt's market tumbled on Sunday as foreigners and Arab investors exited the market following global and regional losses, analysts said. Benchmark index, EGX30, dipped 5.23 percent to record 8,715 points, the lowest value in a month and a half. Daily stock turnover reached almost LE730 million. The new prices for the gulf stocks mean that Egypt's stock prices are not necessarily lower than the gulf, so foreign and Arab investors are revaluating their investment priorities, an analyst told Ahram Online. "Funds made losses as the drop in oil prices pulled down regional and global markets," Mohamed Radwan, head of equities at Cairo-based Pharos Holding, said. Although Egypt is benefiting from falling oil prices, institutions investing in the MENA region needed to compensate for losses made in Gulf markets, Radwan added. Institutions in Egypt's market, which made more than 30 percent of all trades, were net sellers to the tune of LE24 million, non-Arab foreigners were net sellers to the tune of LE25 million and Arab investors were net sellers to the tune of LE19.4 million. Egyptian investors were net buyers to the tune of LE44.4 million. An OPEC decision not to cut oil production in November, despite oversupply and falling demand, drove losses in global markets. The MSCI world equity index was down 1.41 percent, Saudi Arabia's index fell 3.27 percent and the Dubai index dropped 7.61 percent. Brent fell to 61.58 per barrel on Friday. Egypt's leading investment banks took the second biggest hit, falling 8.28 percent to LE16.23 per share. Ezz Steel dropped 9.2 percent to close at LE14.19. Market bellwether, Commercial International Bank (CIB) was down 4.15 percent to LE46.9 per share. Landline monopoly Telecom Egypt decreased by 3.72 percent to LE12.5 per share and Global Telecoms Holding fell 7.39 percent to LE3.67 per share. Real estate leading stock, Talaat Moustafa Group dropped 4.36 percent to LE9.69 per share and Palm Hills for development dipped 6.95 percent to LE3.76 per share. Broader index EGX70 fell 5.26 percent. *(Ahram)*

The Egyptian government signed a €344 million ($428.7 million) agreement on Sunday with France's ambassador to Cairo to fund the purchase of sixty-four trains for the third and fourth metro lines. The French government will provide Egypt with €172 million ($214.4 million) in a concessional loan to be repaid in 53 years with a 20 year grace period at an annual interest rate of 0.1 percent. The second half of the loan will come in the form of credit facilities by French credit company, Coface. France has already funded the construction of Egypt's three metro lines from 1979 to 2012, with loans amounting to around €1.2 billion, international cooperation minister, Naglaa El-Ahwany, said in a press release following the signing of the deal. France's net foreign direct investments in Egypt were $347.4 million in fiscal year

2013/14 while the volume of trade between the two countries was $3.1 billion in the same period, according to Egypt's central bank. *(Ahram)*

The Egyptian pound held steady at a central bank dollar sale on Sunday, but strengthened on the unofficial market after the government established a fourth weekly dollar auction. The bank offered $40 million and said it had sold $38.2 million at a cut-off price of 7.1401 pounds a dollar, a rate unchanged from its last sale on Thursday. The rates at which banks are allowed to trade dollars are determined by the results of central bank sales, giving the bank effective control over official exchange rates. In the unofficial market, the pound was trading at about 7.70 to the dollar on Sunday, stronger than Thursday's rate of about 7.74 to the dollar, one trader said. Sunday's sale is the first since the government announced it would add a fourth weekly auction to those it already holds on Monday, Wednesday and Thursday. The bank did not give a specific reason for adding the sale, but the central bank governor said last month he would take measures to calm the parallel market in the Egyptian pound, which has grown in recent weeks, but he gave no details or time frame for action. *(Ahram)*

Egypt's market continued to slide during Wednesday's session, hitting its lowest value in more than five months. Benchmark index, EGX30, sank 4.59 percent to record 8,124 points while daily stock turnover registered LE913.4 million. The Egyptian stock exchange has been falling all week on foreign and Arab investor selling, following global and regional losses resulting from the fall in oil prices. But Wednesday's session saw Egyptian investors who represent three quarters of all trades become net sellers to the tune of LE28 million while non-Arab foreign investors were net buyers to the tune of LE22 million. With the exception of Eastern Tobacco, which gained 0.02 percent to LE190.16 per share, all EGX30 stocks declined. Market bellwether, Commercial International bank (CIB), dropped 2.83 percent to LE44 per share and Egypt's leading investment bank, EFG-Hermes, dipped 5.04 percent to LE14.7 per share. The index's biggest decliners were Sidi Kerir Petrochemicals falling 8.5 percent to LE13.77 per share and real estate developer Palm Hills Development Company which fell 7.67 percent to LE3.29 per share. Real estate leading stock, Talaat Moustafa Group (TMG), fell 6.53 percent to LE8.8 per share and Six of October Development and Investment Company (SODIC) fell 3.81 per share. The markets second biggest cap, state-run Telecom Egypt, lead the telecommunications losses, dipping 6.71 percent to LE11.01 per share while Global Telecom Holding dropped 6.57 percent to LE3.17 per share. Broader index, EGX70, declined 4.09 percent. *(Ahram)*

Egypt's market closed a turbulent week on a high note as regional markets stabilise. The benchmark EGX30 index recorded 8,399 points after rising 3.39 percent with daily stock turnover reaching LE688.5 million. Regional and Gulf markets are stabilising following a downfall this week on the back of a decision by OPEC not to cut production, despite increasing supply and falling demand, leading oil prices to drop. The Saudi TASI climbed 8.9 percent, the Dubai DFM gained 13 percent, and Kuwait's index was up 1.9 percent. Egyptian and Arab institutions were net sellers to the tune of LE74 million while foreign institutions were net buyers to the tune of LE40.4 million. All EGX30 stocks were in the green, led by a 6.63 percent surge in Juhayna food industries to LE9.03 per share. Market bellwether, Commercial International Bank (CIB), gained 2.62 percent to LE46.98 per share and Egypt's leading investment bank, EFG-Hermes increased 4.1 percent to LE15.7 per share. The market's second biggest cap, Telecom Egypt, gained 2.57 percent to LE11.42 per share. *(Ahram)*

Egypt's finance ministry said on Sunday it aimed to boost economic growth to 4.3 percent and have a budget gap of 9.5 to 10 percent of gross domestic product in the 2015/16 fiscal year, as it pursues a structural reform programme. The government would reach those targets by extending new taxes and politically-sensitive cuts to energy subsidies introduced earlier this year, the ministry added in a statement. Nearly four years of turmoil since the uprising that toppled Hosni Mubarak has hit the economy, scaring off investors and tourists. Growth fell from above 7 percent in 2007/08 to below 2 percent in 2010/11 and has not exceeded 2.2 percent annually since. The government is targeting a budget deficit of around 10.5 percent for the current fiscal year ending June 30 and 3.5 percent economic growth. A Reuters poll forecasts economic growth of 3.3 percent this fiscal year as Egypt pushes ahead with big projects such as expansion of the Suez Canal. *(Reuters)*

A senior World Bank official on Monday called on Egypt to implement promised legal and bureaucratic reforms ahead of an international conference in March where the government hopes to attract more than $12 billion in investments. The government has said for months it

would amend investment regulations and create a one-stop-shop to help foreign investors avoid the country's bureaucracy. But investors say they have only seen the general outlines of those reforms and need details before they can plan new investments or expand existing ones in an economy battered by political turmoil since a 2011 uprising. "What we are asking them now is: what kind of reforms can you do between now and March?" Haleh Bridi, a regional director for the Middle East and North Africa, said in Cairo. "You need to demonstrate your seriousness by actually doing some of these things now. Let us see if that will happen... This would be a very important signal to the international community as to whether they can go beyond resolve, if they actually have the implementation capacity."

President Abdel Fattah al-Sisi's government in July cut energy subsidies and raised taxes, moves his predecessors avoided for decades for fear of a popular backlash. Sisi then placed infrastructure mega-projects like the development of a logistics and industrial hub around the Suez Canal at the top of his economic agenda, hoping to win back foreign investors and create jobs in a country with double digit unemployment. A consultant on the hub project said last week cumbersome government bureaucracy could hamper its chances of success. Bridi lauded the government's commitment to taking politically-sensitive steps. She described its economic agenda as "realistic" and "achievable". Egypt is aiming to increase economic growth to 6 percent within five years by fiscal year 2018/19 from below 2 percent in 2010/11, and to cut the budget deficit within that period to 8.5 percent of gross domestic product from more than 12 percent in the fiscal year that ended on June 30. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana must remove "ghost workers" from its public sector payroll before the European Union resumes budget support suspended a year ago, the EU ambassador to the West African country, William Hanna, said on Tuesday. EU grants worth up to 200 million euros ($250.14 million) could be crucial as Ghana seeks to recover from a fiscal crisis that has slowed the rapid GDP growth the country enjoyed for years due to its exports of gold, cocoa and oil. Hanna said the EU suspended aid because of the country's fiscal problems and any resumption depends on the outcome of government talks with the International Monetary Fund on a financial assistance programme and other factors. An IMF deal could be concluded by February, sources close to the talks said. But in August, the EU learned of a separate concern involving fake government workers whose presence, along with related problems, inflated the payroll, Hanna said. "If we are paying for people in Ghana it has to be real teachers, real nurses, not ghost workers," Hanna told Reuters. The EU launched a probe to determine the scale of the problem, Hanna said. He welcomed a government decision to address the problem with an inter-ministerial committee.

"The government has to not just address it but deal with it, identify the ghost workers, take sanctions against those who are responsible, remove those names from the list, clean up the database and stop these leakages," he told Reuters. Ghana has a large civil service relative to its 25 million population and its wage bill escalated sharply in the election year of 2012 due in large part to a government effort to harmonize public sector salaries. The rise pushed the budget deficit to 12.1 percent, prompting ratings agencies to downgrade Ghana. In other signs of its macro economic problems, inflation rose to 17.0 percent in November and the currency has fallen sharply since 2013. The IMF representative in Ghana, Samir Jahjah, said the government has worked since early 2014 to address payroll irregularities. For its part, the government says it has significantly reduced wages as a percentage of revenue. "Once the remaining details of their medium-term reforms are finalised and external financing assurances from bilateral donors and international institutions are confirmed, a financial arrangement to support Ghana's economic program would be agreed," Jahjah told Reuters. *(Reuters)*

Ghana has begun processing gas from its offshore Jubilee oil field through a pipeline project that could save the government $300 million a year on fuel costs even with the current steep drop in oil prices, state-owned Ghana Gas said on Wednesday. The Atuabo gas plant is supplying 50 million cubic feet of gas per day to nearby thermal power generators operated by the Volta River Authority (VRA) power utility in the western town of Aboadze, a statement said. It has also produced 3,000 tonnes of liquefied petroleum gas and condensate as by products. The project, financed by a loan from the Chinese Development Bank and delayed by several months, aims to ramp up production to 150 million cubic feet by the end of December. "Atuabo remains a vital cushion for the current unreliable gas supply from Nigeria and would remain in operation for the long haul," Ben Asante, director of technical operations at Ghana Gas, told Reuters.

He referred to the West African Pipeline Company, which has failed to deliver the anticipated supply of gas from Nigeria. Ghana suffers from an energy deficit that has led to power cuts for homes and businesses and helped slow economic growth in a country that has seen rapid expansion in recent years on its exports of gold, cocoa and oil. Two more gas fields are expected to come onstream by 2017 to add to Jubilee, which is operated by British firm Tullow Oil. The government is in talks with the Qatari government for the supply of natural gas and there are other private investments underway, including planned production by Italian energy firm Eni from the Offshore Cape Three Points (OCTP) block beginning 2017. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Kenyan sugar producers need to slash costs and diversify into products like ethanol to make the industry more competitive before import safeguards are removed next year, Agriculture Principal Secretary Sicily Kariuki said. Kenya in February was given a one-year extension to fully open up the sugar trade to the Common Market for Eastern and Southern Africa. The East African nation enforces a quota on the amount of sugar that can be imported duty-free from Comesa nations, helping protect its farmers whose cost of production of at least $570 a ton is more than twice as much as Egypt. The government wants the industry to move away from being a "traditional high-cost, single-commodity supplier to a competitive, multiproduct industry that is self sufficient," Kariuki said in an e-mailed response to questions on Dec. 11. "This will help diversify its revenue stream in tandem with its competitors." Sugar production accounts for 15 percent of output in Kenya's agriculture industry, which makes up about a fifth of gross domestic product. Output is forecast to climb 6 percent to 636,956 tons this year compared with last year, Rosemary Mkok, interim head of the sugar directorate at the state-run Agriculture, Fisheries and Food Authority, said yesterday by phone from Nairobi.

The outlook for production this year was cut from 698,351 tons after at least four sugar-processing factories from October temporarily stopped operating. Seven of the mills that were still working churned out a daily average of 1,344 tons of sugar against demand of 2,000 tons, according to Kariuki. The country usually fills an annual sugar deficit of about 200,000 tons with imports from the region. The country produced 475,708 tons in the nine months through September compared with 438,713 tons the same period last year, according to Kenya National Bureau of Statistics. The government is urging the adoption of other measures such as setting performance standards for millers, using more advanced technology to process the sweetener and paying farmers based on quality and not just weight, said Kariuki. The state can also contribute by boosting infrastructure to reduce post-harvest losses and cut shipment times, as well as supply affordable credit and subsidized fertilizer, she said. Plans by the Kenyan government to privatize five indebted state-run sugar mills have been delayed since at least 2011, according to the country's privatization commission. Kariuki declined to comment on the status of those planned transactions.*(Bloomberg)*

The Uchumi supermarkets rights issue was oversubscribed by 83 per cent equivalent to Sh1.6 billion against a target of Sh896 million, the regional retailer said Tuesday in a statement. "We are overwhelmed by the level of confidence our shareholders have demonstrated over the period of the issue despite a false start. This is a seal of approval by the market in the company's direction and as management we promise that the funds will be put into projects that will continue to create more value to our shareholders," said Mr Jonathan Ciano, the Uchumi Supermarket chief executive officer. He said in a phone interview that buyers of the Uchumi rights were evenly spread, adding that "the retail investors played a key role." The rights issue saw Uchumi sell 99 million ordinary shares at a discounted price of Sh9 each. The money raised through the cash call will be used to fund its expansion and refurbish the existing branches. The retailer has announced plans to open two branches in Kigali and another one in Musanze, Rwanda, early next year. The three outlets will have a combined staff of 400. "We expect to refurbish eight branches that will cost us (about) Sh200 million," Mr Ciano told the Business Daily in an earlier interview. Faida Investment Bank was the Lead Transaction Advisor on the issue. "Uchumi's current market levels provide a compelling investment opportunity for both institutional and individual investors. ''The participation of these investors in the rights issue and the level of oversubscription is a ringing endorsement of Uchumi's future and of Kenya's retail sector as a whole," said David Mataen, Faida Investment Bank Director for Corporate Finance. *(Business Daily)*

KCB will be City Hall's primary banker for the eight years repayment period of a Sh5 billion loan that the lender bought out from Equity Bank, fresh details of the terms attached to the debt have showed. All City Hall revenues (rates, charges, fees and any other receivables) will be deposited with the bank during this period. Details of the loan agreement also show that City Hall paid KCB Sh33 million as a buy-out fee for the remainder of the Sh5 billion loan that it had originally taken from Equity Bank in 2011. The fee is equivalent to one per cent of the outstanding debt. The Sh3.3 billion loan was transferred in September as City Hall faced threat of legal action by Equity Bank if it failed to pay the full amount as a lumpsum. The loan agreement also shows that the city government failed to secure a fixed interest repayment rate, and will instead pay a minimum 13 per cent interest that could rise should the government-set Kenya Banks' Reference Rate (KBBR) rise above 17 per cent. "Interest Rate" shall mean the prevailing Kenya shilling base lending rate of the Bank from time to time less four per cent per annum subject to a minimum rate of 13 per cent per annum," says the agreement signed between City Hall and KCB.

KCB also negotiated strict timelines within which City Hall should supply it with annual budget statements and medium debt strategy approved by the County Assembly as it aims to keep a keen eye on changes that may occasion default. In March, Equity Bank gave City Hall two weeks to repay the full amount owed failure which the county government would be taken to court and the county's file forwarded to the Credit Reference Bureau. Equity was only willing to extend this period if the county undertook to have the facility bought out by another bank." In the event that the county government desires that the loan be taken over by another institution, the bank will ensure an expeditious smooth transition of the same," the bank said in a terse letter written to the county. *(Business Daily)*

Cement maker Bamburi is locked in yet another legal battle with the taxman over a Sh492 million insurance refund. The Commissioner of Domestic Taxes wants the High Court to set aside a decision made by a KRA tribunal exempting a Sh492 million insurance refund given to the cement manufacturer from tax, following an audit of its operations between 2007 and 2011. The tribunal had in July this year ruled that Bamburi was entitled to the tax waiver, arguing that the refund was to be treated as sales proceeds and refund on depreciation of machinery. KRA has however faulted the local committee's ruling, and claims the decision to regard the entire refund as sales proceeds was wrong. It now wants the court to reverse the tribunal's decision and to allow it to treat the refund as taxable gains. "The (tribunal) erred in finding that the entire compensation should be regarded as sales proceeds and included in the written down value of the wear and tear schedule. The Commissioner of Domestic Taxes prays that its assessment arising from insurance compensation be upheld," the taxman has said in the appeal filed in court.

Bamburi is locked in another court tussle with the taxman after it was slapped with a Sh19.3 claim for alleged unpaid taxes on its CEO's housing allowance in 2009 and 2010. The sum was part of a Sh3.016 billion refund given to the cement manufacturer following a seven-month inactivity period in 2007 due to a fire at its Mombasa-based factory. Sh2.5 billion was a refund for loss of business and profits, while Sh563 million was for loss of its plant and machinery. The taxman, after assessing the Sh563 million receipt, deducted Sh71 million, but was stopped by the local committee from further taxing the remaining sum. The cement manufacturer maintains that the tribunal's decision to exempt the Sh492 million from further taxation was correct, arguing that the Commissioner of Domestic Taxes had applied provisions of the tax law that did not apply to such refunds. "Bamburi Cement reiterates that the tax treatment on the insurance compensation was in accordance with the Income Tax Act. The decision of the local committee was right in law and ought to be upheld by this court," Bamburi has said in its response. The taxman also wants to be allowed to slap Bamburi with a claim for a 27,000-tonne load of clinker—a cement component which the manufacturer sold to its Ugandan subsidiary Hima Cement at between of Sh6,300 and Sh6,750 per tonne. The Commissioner of Domestic Taxes has questioned the method used by the cement manufacturer in adjusting the price for the clinker sale to Hima. Bamburi however maintains that it provided an entire report on the clinker it sold to Hima and that it would be unfair to use a different method of calculation to force it to pay more tax. Justice Fred Ochieng will mention the matter on January 30. *(Business Daily)*

Billionaire businessman Karim Jamal moved 2.3 million shares of Uchumi Supermarket ahead of the retailer's rights issue that has recorded a 183.5 per cent subscription rate, the latest regulatory filings by the company have showed. The shares, traded in the five months to October, are worth Sh21.5 million based on Uchumi's prevailing share price of Sh9.3 on the Nairobi Securities Exchange (NSE).

Despite the transaction, Mr Jamal remains a top shareholder in the retailer with a 4.4 per cent stake alongside Treasury whose equity stands at 13.4 per cent. Uchumi's shareholding structure is expected to change significantly in the coming weeks after conclusion of the rights issue oversubscription driven by a section of shareholders seeking to boost their ownership in the retailer. The company, which sought to raise Sh895.8 million in the offer that opened last month, recorded a 64.3 per cent success rate under the original entitlement. This means that the oversubscription rate of 83.59 per cent was driven by application for more shares by a section of the retailer's investors, who will get a chance to raise their stake in the funds drive. It is not clear whether Mr Jamal sold the shares or merely moved them to another holding vehicle. The businessman has significant interests in a number of NSE-listed firms including power producer KenGen and Mumias Sugar Company. Besides his NSE portfolio, the businessman owns Starlit Insurance Brokers. Uchumi said it will allocate to investors additional shares from the rights issue on a pro rata basis. The retailer had priced the rights at Sh9 each offered on the basis of three shares for every eight held. Oversubscription of the rights issue despite lack of a significant discount on the trading price signals high confidence on the part of investors who applied for more shares.

Conclusion of the rights issue will reveal a new shareholder line-up. The latest filings show that the stock attracted more billionaire investors ahead of the cash call. Businessman Paul Ndung'u, for instance, in October bought 300,000 shares of Uchumi worth Sh2.7 million, equal to a 0.1 per cent stake. The businessman, who has interests in Kenya Airways, Unga Group, and Kenya Reinsurance Corporation, is also a shareholder of Mobicom, the former Safaricom dealer that is currently Telkom Kenya's main dealer .Mr Ndung'u is the latest high-net-worth investor to buy into the retailer.Others include investment banker Jimnah Mbaru who has 256,900 shares (0.1 per cent stake) worth Sh2.3 million. Mr Mbaru has reduced his ownership from the 756,989 shares he held in March last year. Nairobi governor Evans Kidero has 234,577 shares or a 0.1 per cent stake in the retailer. Uchumi's share price has halved over the past one year to the current level of Sh9.3 as weaker results and increased indebtedness weighed on the stock. The cash call was approved by shareholders in December 2012 and its delay has seen Uchumi struggle with supplier debts and stock-outs, forcing the retailer to turn to borrowing for working capital. Its latest debt include a Sh600 million one-year loan from KCB at an interest rate of 18 per cent, which will see the retailer incur an extra Sh108 million in finance costs. Uchumi's net profit rose 7.6 per cent to Sh384 million in the year ended June compared to Sh357 million a year earlier. The retailer says it will use proceeds of the rights issue to meet its working capital requirements as it plans to open eight branches in the region by next year.*(Business Daily)*

The High Court has stopped Equity Bank's planned rollout of thin SIM card technology until a case filed against the telecommunications regulator is heard, dealing a blow to the bank's entry into the lucrative mobile money business. Justice George Odunga on Thursday barred the bank from issuing the thin SIM cards following a case filed by Legal Advice Centre (LAC) which claimed that the Communications Authority of Kenya (CA) approved the technology before a full audit was done on its security risks. Equity Bank is seeking an entry into mobile phone based banking by issuing its own SIM cards to customers. The bank has already started issuing ordinary SIMs to customers who choose to join the Equitel network, but it is the plan to issue special thin SIM cards that are embedded on the primary SIMs that has caused concerns over privacy of customers' data. "The authorisation has been done without a full audit of the security of data or personal identification number (PIN) on the primary SIM card. The decision to permit the use of thin SIM technology prior to a complete satisfaction as to its security is improper use of regulatory power," the lobby said. The paper-thin SIM cards work by riding on the primary SIM which acts as a bridge, transmitting information to the mobile subscriber's phone.

The lobby wants the judge to reverse the communications regulator's decision allowing the use of thin SIM cards, arguing that a full audit on the security risks posed by the technology was not done prior to giving Equity Bank the green light to roll out the SIM cards. Mr Justice Odunga ordered the lobby group to serve the regulator and Equity Bank and appear before him on January 20 for further directions. The three parties are expected to have filed their responses by then. The communications watchdog awarded Equity Bank the licence in August after dismissing opposition from Safaricom, the industry's pioneer of mobile banking. The bank is expected to challenge the virtual monopoly that Safaricom has enjoyed in the mobile money transfer industry for about seven years. The thin SIM card is overlaid on the phone's primary SIM, allowing the user to access the mobile transfer services. Fears have been raised over the possibility of the thin SIM card intercepting data from the primary SIM card, which could expose personal data to third parties. Equity however maintains that the

cards are safe, as it argues that Groupe Speciale Mobile Association-—the international regulator—is yet to prove any such claims.LAC's suit follows another petition by a businessman who has opposed the use of the thin SIM cards over the security fears. Bernard Murage in his suit claims that the bank has not given proper assurance to its clients that their personal data will be safe.

"In the absence of data protection laws in Kenya I have no redress if there is intrusion of my privacy through the thin SIM technology," said Mr Murage. Justice Isaac Lenaola will deliver judgment on Mr Murage on notice, Equity and CA have maintained that the technology is safe, and is in use in several countries in the world. CA said in its response to Mr Murage's suit that there are laws to protect the bank's clients. LAC filed the suit after the communications regulator advertised a tender for consultancy services to evaluate the performance and security of the thin SIM cards. The tender bidding closed on November 12. The winning bidder will be expected to carry out the evaluation study for one year, but will also be tasked with developing standards on thin SIM cards in Kenya. LAC's executive director Gertrude Angote however believes the evaluation should have been done before authorising Equity's bid to roll out the technology. "There is real danger that unless this application is heard in a timely manner data on the primary SIMs of millions of mobile telephone customers including banks, utility companies and security agencies risk being compromised in an irreparable manner," Ms Angote added. *(Business Daily)*

Kenya's Uchumi Supermarkets has raised 895.8 million shillings ($9.89 million) in an oversubscribed rights issue to expand its operations in the east African region. The retail chain, which also operates in Tanzania, Uganda and Rwanda, received bids worth 1.64 billion shillings for the 99.5 million shares on sale at 9 shillings a piece, it said in a statement. The sale being 84 percent oversubscribed. Jonathan Ciano, Uchumi's chief executive officer, said the retailer would open more branches in a region where economic growth has averaged about 5 percent in recent years resulting in a growing number of middle class consumers with money to spare. "We also want to be able to adequately finance working capital for our subsidiaries with a consequent growth in market share and sales volumes," Ciano said. The new shares will be listed and start trading on the Nairobi Securities Exchange on January 7, Uchumi said. The retail firm reported a 7 percent drop in pretax profit for the year ended June to 452.7 million shillings. *(Reuters)*

Kenya's biggest power generator's 30 billion shillings ($331.13 million) rights issue will go ahead in the first quarter of next year after the government guaranteed to take up half the amount, a senior official said. Kenya Electricity Generating Co (KenGen), is 70 percent state-owned and wants to raise the cash to help the company restructure its balance sheet and for expansion. East Africa's largest economy is struggling with ageing energy infrastructure and to improve electricity supply aimed at curbing chronic power shortages that companies say have discouraged investments. KenGen had said in July it would make the cash call by end of this year, but this was held up pending the government's assurance that it would take up its share of the rights. Joseph Njoroge, the principal secretary at the energy and petroleum ministry said on Tuesday the power producer was awaiting regulatory approvals to launch the issue, and that the government had committed to taking up its shares. "If you start the process without government confirmation that it is going to take up its shareholding ... then it means that your process may not achieve the objectives that were set for it," he said. KenGen is seeking to expand its power production capacity to 3,290 MW by 2018 from 1,337 MW at present. The additional power would be largely from geothermal, as well as wind and coal. KenGen has also said it would explore all options including equity, debt and joint venture partnerships. The company's expansion plans are part of the government's aim of adding an extra 5,000 MW capacity by 2017 from about 1,664 MW now, in a bid to cut the cost of doing business. *(Reuters)*

Economic News

Kenyan billionaires are increasingly winning big-ticket contracts to mine coal and develop new power sources, edging out well-established global conglomerates that have dominated the industry. The list of deep-pocketed investors with high-level political connections who have bagged lucrative energy contracts includesCentum chairman Chris Kirubi (Lamu coal plant), businessman George Kariithi (Mui Coal Fields) and Zeph Mbugua of TransCentury, which is developing a 50-megawatt wind farm in Limuru, Kiambu. The group of local oligarchs has, however, battled to squeeze out global giants such as Tata Power, Toyota Tsusho, Samsung, Aldwych International and

Wärtsilä to win multi-billion-shilling tender. In most cases, the Kenyan dealmakers have teamed up with foreign companies, mostly from China, in consortia that pair local knowledge and networks with Beijing's formidable war chest to execute the capital-intensive projects. Mr Kirubi, whose company Centum recently won a multi-billion-shilling contract to build a coal powered power plant at the Kenyan coast, says the transition is being driven by an emerging middle class with higher disposal incomes that is ready to invest in energy. "The returns from energy are very good and the investment is guaranteed. It is a long-term investment and it is time Kenyans invested in infrastructure and reclaimed what is ours," said Mr Kirubi, who owns a 25.1 per cent stake in Centum.

The Jubilee Coalition is racing to develop an additional 5,000 MW by end of 2016 mostly through public–private partnerships, whetting the appetite of both local and foreign investors who are now locked in vicious tendering wars. Kenya's draft Energy Policy and Integrated Energy Plan requires the government to facilitate citizens to take part in the entire power production chain, including generation, building of power plants, as well as manufacture of energy-related equipment and appliances. Centum in September last year created Mvuke Power, a Mauritius-based special purpose vehicle, to steer its entry in the power sector, with a focus on geothermal and coal. The investment firm was in September awarded a tender to develop a 960-megawatt coal-fired power plant in Lamu as part of the Lamu Port South Sudan and Ethiopia Transport corridor (Lapsset) project. The Nairobi bourse-listed firm plans to develop the electricity plant at a cost of $2 billion (Sh180.4 billion) under a build, own operate (BOO) model. Centum teamed up with Gulf Energy, a local firm associated with Meru Senator Kiraitu Murungi, to place the bid to produce power at the cost of Sh6.82 per kilowatt hour (¢7.56), beating two other finalists, Shanghai Electric Power Company and HCIG Energy. London-based HCIG, which partnered with South African firm Liketh Investments, has moved to court contesting the tender award.TransCentury last week announced it was constructing a Sh11.7 billion ($130 million) 50 MW wind power plant. The investment firm, which started off as a 'chama' has grown to become a force to reckon with on the infrastructure development scene. The list of its founders includes Nairobi Securities Exchange (NSE) chairman Eddy Njoroge, investment banker Jimnah Mbaru, former Treasury permanent secretary Joseph Magari, ex-taxman Michael Waweru and businessman Peter Kanyago. Mr Mbugua, the chairman and a founder member of the infrastructure-focused firm, has recently shepherded TransCentury to deepen its stake in Kenya's power sector. He owns 16.2 million shares in the firm, a stake that is presently valued at Sh325.8 million.

The NSE-listed firm has teamed up with Chinese firm HydroChina and Aperture Green Power through its subsidiary Civicon, which will offer engineering services during installation of 33 wind turbines at the wind farm located 40 km north of Nairobi. Civicon is also part of a consortium developing 35 MW of steam power at Menengai geothermal field. The company is constructing the power plant for New York Stock Exchange-listed Ormat Technologies. Mr Mbugua reckons that Kenya's low level of access to electricity estimated at about a quarter of the population, low consumption per capita, and growing demand makes the energy sector one of the most lucrative to invest in. "The business outlook is positive for our core power and engineering businesses with a strong pipeline of projects underway in regional electrification, urban, industrial development and mining," said Mr Mbugua. "We want to enter into the power generation space as an independent power producer (IPP)," he added. The emergence of local oligarchs as formidable power producers comes at a time when national distributor Kenya Power has spent Sh10.6 billion to purchase expensive thermal electricity from foreign-owned IPPs. The billions paid to Aggreko and four other IPPs, including Tsavo Power, Iberafrica Power, Rabai Power and Thika Power, underlines the lucrative nature of Kenya's electricity sector and the interest that local firms have in it.

Mr Kirubi said the Centum-Gulf Energy consortium will deliver cheaper power at nearly a third of the Sh20 per kWh consumers are currently paying for diesel-fired plants. "Most of these deals were signed under unclear terms. The government has tried to renegotiate the tariffs in vain," he said. The increased interest in Kenya's energy sector is informed by the growing demand for electricity in East Africa's biggest economy and the relatively high pricing structure — which is foreign currency-denominated. Kenya also has one of the best structured bulk tariffs, according to Standard Bank analysts.The State helps power producers get partial risk guarantees (PRG) – which cover the risk of a possible government failure to meet contractual obligations to a project - from the World Bank and African Development Bank (AfDB). The government also provides letters of comfort to winning bidders to help them secure financing for the multi-billion-shilling deals. The deal is sweetened by the fact that IPPs are provided with a 20-year power purchase agreements (PPA) from Kenya Power. The energy race has also seen Kenyans seek a pie of the emerging coal mining industry that is expected to feed coal-fired power plants as well as manufacturing

industries. "We need to seek out joint venture partners because mining is capital-intensive and requires specialised technology," said Mr Kariithi, the millionaire businessman who in 2011 won the concession to mine coal in the Mui basin's blocks C and D. The two blocks are thought to have more than 400 million tonnes of coal reserves valued at Sh3.4 trillion ($40 billion), according to the Ministry of Energy estimates. Using his company, Great Lakes Corporation, which he co-owns with a New Zealand national, Ian See, Mr Kariithi has formed a consortium with Mr Yuxin and Mr Yusheng, the Fenxi Mining Industry Group. *(Business Daily)*

Kenya's Energy Regulatory Commission cut the maximum retail prices of petroleum products on Sunday saying the cost of importing refined products had fallen. Since 2010, every month the east African nation has set a cap on prices of petrol, diesel and kerosene, to protect consumers from unfairly high prices. But the system has angered consumers in recent months as local prices have failed to reflect the slump in the price of crude oil in global markets. The ERC reduced the maximum price of a litre of petrol in the capital Nairobi by 4.5 percent to 102.01 shillings ($1), but still far higher than the 70-80 shillings it retailed at in 2009, when the price of crude was at around the current levels. The commission also reduced the price of a litre of diesel by 3.67 shillings to 90.85 shillings and that of kerosene by 4.94 shillings to 71.37 shillings. Joseph Ng'ang'a, the director general of the ERC, said the weakening of the Kenyan shilling against the dollar had curbed the commission's ability to cut prices more. *(Reuters)*

Kenya's 2-year Treasury bond yield rose to 10.890 percent at auction on Wednesday compared with 10.764 percent at the last sale in July, the central bank said. The yield on the 15-year bond rose to 12.766 percent from 12.422 percent at previous sale in November, the bank said. The bank received a total of 27 billion shillings ($298.84 million) for the two bonds, and accepted 20.8 billion shillings. It had offered a total of 20 billion shillings. The weighted average yield on the 364-day Treasury bill was unchanged at 10.388 percent, the bank said. The average yield on the six-month Treasury bill rose to 9.517 percent from 9.450 percent last week, the bank said. Investors offered bids worth a total of 5.98 billion shillings for the six-month and the one-year bill, the bank said, adding that it accepted 5.1 billion shillings. Next week, the bank said it will offer Treasuries of all maturities worth a total of 12 billion shillings. *(Reuters)*

Kenyan stocks fell on Thursday driven by profit-taking across the bourse with Kenya Commercial Bank among the losers. The shilling was steady. The Nairobi Securities Exchange's main NSE-20 Share Index fell 1.8 percent or 90.69 points to close at 4,957.52 points, its lowest level since August 4. Traders said investors were booking profits on stocks that had made significant gains over the past year before the introductions of a capital gains tax on Jan. 1. Kenya Commercial Bank fell 6.3 percent to 52.50 shillings a share, while East African Breweries lost 2.9 percent to close at 302 shillings. On the foreign exchange market, the shilling closed at 90.40/50 to the dollar, from Wednesday's close of 90.35/45. Ian Kahangara, a trader at National Bank of Kenya, said there was light dollar demand during in a quiet day, typical of the trade before the Christmas and New Year's holidays. A trader at another commercial Bank said the security situation in Kenya could still undermine the shilling. Falling tourist numbers - a key source of hard currency inflows for east Africa's biggest economy - after a spate of militant Islamist attacks has put pressure on the shilling. Traders forecast the shilling, which has lost 4.3 percent to the dollar so far this year, to trade in the 90.00 to 90.60 range against the dollar in the next few days. On the secondary market, government bonds worth 1.6 billion shillings ($17.70 million) down from 1.9 billion shillings traded on Wednesday. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

Luxury hotel group New Mauritius Hotels reported an 11.6 percent increase in full-year pretax profit on Wednesday but said it expected a weaker performance this quarter due to unfavourable exchange rates versus the euro and South African rand. A 4.1 percent increase in tourist arrivals helped boost annual pretax profits to 488.85 million Mauritius rupees ($15.53 million) for the year to Sept. 30 from 437.83 million the previous year, NMH said. The company owns eight hotels in Mauritius, one in the Seychelles and another in Morocco. "Tourist arrivals in Mauritius grew by 4.1 percent with the Chinese market accounting for 70 percent of that growth," the company said. "The results for the first quarter should be lower than those of the previous year considering the prevailing unfavourable exchange rates of the euro and the rand," it said. NMH said its resorts in Mauritius performed better than the national average with their occupancy rate improving by 10 percent and revenue per available room up 5 percent. Earnings per share rose to 2.84 rupees from 2.34 rupees. *(Reuters)*

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

UBA Capital Plc (UBCAP), a Nigerian investment bank and asset manager, will halt its African expansion on concern about the spread of the continent's worst outbreak of Ebola. The company's shareholders voted today to stop its regional expansion and to transfer 402 million naira ($2.2 million) of proceeds from a rights offer into Nigerian infrastructure projects and working capital instead. UBA Capital also changed its name to United Capital Plc. "Events of the past one year in affected countries were not foreseen during expansion and fundraising plans," Chairman Chika Mordi told reporters in the Nigerian commercial capital, Lagos, where the company is based. The deadly disease has ravaged Guinea, Liberia and Sierra Leone in West Africa and has continued virtually unabated, with about 18,460 cases diagnosed and 6,840 deaths, according to the World Health Organization. Last month, Dangote Cement Plc (DANGCEM), Nigeria's biggest company, said it delayed a project in Sierra Leone until the crisis abates, while SIC Insurance Co., Ghana's second-largest insurer, said the company probably won't revive plans "anytime soon" to open offices in Liberia and Sierra Leone. "Companies are moving away from the countries hit by Ebola, so we can't be going there at this time," said Boniface Okezie, the national coordinator of the Progressive Shareholders Association of Nigeria, which holds a minority state in the company. *(Bloomberg)*

Customers of United Bank for Africa (UBA) Plc in the 18 African countries where the bank has operations can now receive transaction alerts on their twitter handle as direct messages. It is an innovative first from the pan-African bank and currently the only bank in Africa to offer this service. "What we have done is take social media banking to a new level. Twitter is increasingly becoming a popular means of communication especially among the young adults. As a highly innovative bank, we are giving the Millennials, who are increasingly banking with us an option to get transaction alerts on their preferred platform," UBA's Director, Information Technology, Rasheed Adegoke was quoted to have explained in a statement. Before now customers can only receive transaction alerts as text messages on their mobile phones and as e-mails. According to UBA, the twitter notification service would not however, replace the current SMS alerts system in place for all of the bank's customers, but will complement it for added convenience for all those who subscribe to the service. "UBA customers seeking to receive twitter powered transaction alerts through their twitter account should visit the UBA Group website or the UBA twitter page to register," it added. On the UBA Group website, customers will be requested to click owitter notification service page, and enter their account number then click on submit. Follow the displayed instructions to log into their personal account and enable access. Once this process is completed, the customer will start receiving transaction alert. In February 2014, a social media report by Alder Consulting had ranked the bank among the top three, in effective use of social media in Nigeria. UBA is active on Twitter, Facebook, Youtube, Instagram and Google plus and runs a corporate blog. "With a customer base in excess of seven million, UBA has invested heavily in building a robust and secure e-Banking platform that supports its e-banking operations globally through strategic partnerships with various local and international organisations. *(This Day)*

Economic News

Nigeria's benchmark stock index tumbled to an almost two year low as the outlook for Africa's biggest oil producer worsened with Brent crude trading below $60 a barrel. The Nigerian Stock Exchange All Share index (NGSEINDX) weakened 2.3 percent to 29,789.59 in Lagos, the commercial capital, its lowest close since Jan. 15, 2013. The gauge has dropped 28 percent this quarter, the worst performance in Africa. The naira depreciated 0.2 percent to 180.65 against the dollar at 3:03 p.m., extending its loss since October to 9.3 percent. "What we're seeing in the market is largely reflective of what we've seen with oil prices and the naira," Tajudeen Ibrahim, an analyst at Chapel Hill Denham Securities Ltd., said by phone from Lagos. "Fundamentally, many of the listed companies are still strong. It's just that investors' confidence is weak because of the outlook for oil prices and the currency." Policy makers in Nigeria, which derives 70 percent of government revenue from oil, have proposed spending cuts and devalued the naira last month amid declining foreign reserves. Fitch Ratings Ltd. today said

Africa's largest economy will suffer from worsening current account and fiscal balances and cut its 2015 growth estimate to 5.2 percent from 6.4 percent. Dangote Cement Plc (DANGCEM), controlled by Africa's richest man Aliko Dangote and the largest company on the bourse, fell 4 percent to its lowest close since March 2013. Eight stocks rose, 34 dropped and 153 were unchanged. *(Bloomberg)*

Nigeria's Islamist insurgency, tumbling oil revenue and a looming presidential election have turned the nation's stocks into Africa's biggest laggards. The country's main equity index lost 25 percent this quarter after tumbling to a 22-month low, the continent's largest retreat. The Nigerian measure dropped to 8.1 times estimated earnings Dec. 11, falling below Zimbabwe for the first time since Bloomberg started tracking the southern African nation in 2010. Tension in Africa's largest economy is escalating before polls in February pitting southern Christian President Goodluck Jonathan against former military ruler Muhammadu Buhari, a northern Muslim, with attacks by the Islamist militant group Boko Haram killing at least 450 people in November. Crude's plunge below $65 a barrel has deepened the rout as Nigeria needs a price of $126 to balance its budget, more than any other major developing-nation producer bar Venezuela and Bahrain, according to Deutsche Bank AG. "The government situation is somewhat chaotic," Mark Mobius, who oversees about $40 billion as the executive chairman of Templeton Emerging Markets Group, said by phone from Bangkok on Dec. 9. "You're going to get a lot of hesitation on the part of investors" until after the polls, he said. The Nigerian Stock Exchange All Share Index (NGSEINDX) decreased 1 percent to 30,763.38 in Lagos, the lowest level since January 2013. The gauge, which has dropped almost 30 percent from this year's high in July, fell 7.4 percent this week, the worst five-day decline since the week through Nov. 7. Its fall is the fourth-biggest among 93 stock gauges tracked by Bloomberg worldwide this quarter through Dec. 11.

The last time Nigeria held general elections in 2011, stocks declined 1 percent in the six months before the April poll and ended the year 16 percent down. Jonathan's victory triggered riots across the north that killed more than 800 people and led to the burning of churches, mosques and homes and was challenged by the runner-up. Investors are more concerned this year as increased attacks by Boko Haram "make these elections particularly fraught," Nnamdi Obasi, a senior analyst for West Africa at Brussels-based International Crisis Group, a conflict resolution organization, said in a report last month. Consumer and energy shares have been among the biggest drags on the benchmark index. Dangote Cement Plc, controlled by the continent's richest man, Aliko Dangote, has dropped 27 percent this year. The stock makes up about a quarter of the gauge's $58 billion market capitalization. FBN Holdings Plc, owner of the country's biggest lender, fell 47 percent amid higher capital requirements. The estimated price-to-earnings ratio for Nigeria is the lowest of nine of the largest markets in sub-Saharan Africa and compares with 8.14 times for the main measure of the stock exchange in Zimbabwe, where a decade-long recession that began in 2000 reduced the size of the economy by half.

Kenya's Nairobi All Share Index is valued at 11.4, while Russia's Micex Index is at 4.6 times estimated earnings as the economy teeters on recession amid international sanctions against the world's biggest energy exporter. Brazil's Ibovespa Index is valued at 10.3, while the MSCI Frontier Markets Index measures 9.1. The selloff in some consumer stocks and banks has been extreme even after accounting for a more difficult business environment amid lower oil prices, Joseph Rohm, who helps manage about $2 billion in Africa for Investec Asset Management, said by phone from Cape Town Dec. 10. "It's a better environment now for stock-pickers with a long-term horizon." Nigerian securities will rebound in 2015 if the political environment improves, Mobius said. The $1.8 billion Templeton Frontier Markets Fund (TFMAX) hasn't reduced its exposure to Nigeria during the recent downturn, he said. The latest data from Nigeria's stock exchange show foreign investors have been net sellers of the nation's shares and bonds on the whole. They pulled $273 million from the country in October, the most since February when central bank Governor Lamido Sanusi was suspended. Oliver Bell, a money manager at T. Rowe Price Group Inc. in London, said last month that the firm's Africa and Middle East fund has cut holdings of Nigerian shares to the lowest level since the fund's inception in 2007, even as he predicts the country's long-term investment case will stay intact.

"We're not seeing this as a buying opportunity at all," David Wickham, director of frontier and emerging-market equity at HSBC Global Asset Management, which has $850 million in frontier market shares, said by phone from London Dec. 10. "It's a pretty challenging period. Most investors, unless they're extremely contrarian, will sit back and wait." While Jonathan will probably win the elections, he is weakened by Boko Haram's Islamist attacks along with his administration's failure to curtail corruption and by senior party member defections to the

opposition, Sebastian Spio-Garbrah, managing director at New York-based consultancy DaMina Advisors LLP, said last month. Nigeria's economy, which relies on oil for more than 90 percent of exports and 70 percent of government revenue, is getting buffeted by Brent crude's more than 40 percent plunge since June to the lowest level in more than five years. The finance ministry, which had projected 6.35 percent economic growth in 2015, may reduce that forecast by about one percentage point next week, spokesman Paul Nwabuikwu said by phone Dec. 10 from the capital, Abuja. The central bank raised interest rates to a record 13 percent last month in a bid to stem capital outflows and defend the local currency, which dropped to a record low against the dollar on Dec. 2 and is heading for its biggest annual decline since 2008. The naira rose 0.7 percent to 180.15 per dollar, paring losses this quarter to 9.1 percent. "In the next 30 years, it's a fantastic place to be," said HSBC's Wickham. "Right now, it's a different story." *(Bloomberg)*

Nigeria's consumer inflation eased to 7.9 percent year on year in November from 8.1 percent in October, its statistics bureau said on Sunday. Food inflation declined to 9.1 percent from 9.3 percent. *(Reuters)*

Nigeria is suffering from a plummeting currency, steep budget cuts, corruption scandals and diving oil prices; yet all this is unlikely to decide a tight race for the presidency. In many other democracies, such turmoil would probably propel the incumbent from office. A likely rise in inflation in Africa's biggest economy is unwelcome for President Goodluck Jonathan, who is seeking re-election on Feb. **14 next year.** But many Nigerians appear willing to give him the benefit of the doubt, while others will vote according to regional, sectarian or ethnic loyalties in the most closely fought election since the end of military rule in 1999. Jonathan faces main opposition contender, ex-military leader Muhammadu Buhari, with the naira currency devalued 8 percent in the past month and a budget slashed by around 10 percent, both due to a near halving of world oil prices since June. Yet any undecided voters appear unlikely to be swayed by economic hardship whose immediate cause lies in global markets.

"We are really suffering from the high dollar, but you can't blame President Jonathan for that. He can't control the dollar," said Daniel Ibere, whose sales of electronic goods in Lagos's overcrowded Eko Idumota market dropped when he raised prices. Buhari is likely to benefit from a perception that Nigeria was ill prepared for the energy price shock because so much revenue from oil, its dominant export earner, has been lost to corruption under Jonathan's administration. He is regarded as a rare example of a graft fighter when president in 1983-85. When the central bank devalued the naira last month to save foreign reserves, the impact was felt instantly on the streets. Nigeria imports 80 percent of what it consumes. "Everyone is crying and complaining," said Ifeanyi Onuchukwu, a clothes wholesaler in the capital Abuja. Onuchukwu tried to raise his prices 10 percent, but the traders wouldn't buy his wares so he suffered losses. Economist Bismarck Rewane thinks inflation will hit double digits for the first time in two years by January. "That's a difficult situation for Jonathan. You really don't need this two months before an election," he said. But a bigger headache comes from allegations that billions of dollars of revenue have "leaked" at the state oil firm, according to ex-central bank governor Lamido Sanusi, among others. Jonathan removed Sanusi in February after he made the allegations.

Critics argue this is one reason why Nigeria failed to build up a savings cushion when oil prices were high. Buhari's campaign has focused on the economy and alleged corruption. "The lives of the poor are bled dry while those of the powerful soak in excessive abundance," he said on Thursday after winning the opposition ticket. This, however, may not be enough to sway an electorate divided along lines that for the most part have little to do with policy. Nigeria has been dogged by regional rivalries since independence from Britain in 1960. It suffered a catastrophic civil war in the late 1960s and even today, many Nigerians vote for candidates from their own area or an allied ethnic group. Those who can widen their geographical appeal gain a distinct advantage. "Policy has never been a great part of politics ... If you look at the last election, Buhari lost because he didn't win as many votes outside his area as Jonathan did outside his," said Anthony Goldman of Nigeria -focused PM Consulting. He added that the economic problems could cut either way, since "there's sometimes a 'better the devil you know' factor" in times of crisis in Nigeria, a generally conservative country.

The other factor is money. Vast patronage is often needed to get communities to vote for a candidate, so the incumbent who controls the oil wealth enjoys an advantage. This time money is running extremely low, and Nigeria's fiscal position always weakens around election

time. However, a parliamentary source said the funds needed to pay for campaigns on both sides had mostly already been stockpiled before the oil price crash, so the impact may be minimal. While Nigeria faces a more austere budget, its debt remains low, certainly when compared with the developed world. "Nigeria with its low debt ratios and fairly liquid markets has more capacity than most to increase borrowing ... to see it through a short-term price shock," says Razia Khan, Standard Chartered's Head of Africa Research. And since suitcases of dollars are the preferred means of delivering patronage - carrying funds in naira bills would require trucks - election spending is likely to increase the supply of U.S. currency in the short term. That bodes well for the naira, which has steadied in a week of electoral primaries. "Huge dollar spending by politicians on both the (ruling) PDP and (opposition) APC primaries saw the Lagos bureau de change markets awash with dollars," Business Day splashed on its front page on Friday. "This may have contributed significantly to the appreciation of the naira. " *(Reuters)*

Nigeria's two main oil worker unions will begin an indefinite nation-wide strike starting on Dec. 15, the unions said on Sunday. The Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) and Nigeria Union of Petroleum and Natural Gas Workers (NUPENG) said the strike would affect all levels of oil and gas operations from production to distribution. The unions frequently threaten strikes but do not follow through. A strike in September caused little disruption to Africa's biggest oil producer. Natural gas supplies through the West Africa Gas Pipeline (WAPCO) from Nigeria to Ghana were briefly halted but not long enough to hurt the economy. The workers are protesting over the government's inability to effectively maintain the country's refineries and reduce prices at the pump in line the 45 percent slump in global oil prices. They are also aiming to push the government to evolve new ways of combating pipeline vandalism and oil theft. *(Reuters)*

Nigeria has $3.1 billion left in its oil savings account, down 13 percent from $4 billion last month, after paying out revenue allocations for the month of November, the minister of state for finance said on Tuesday. Bashir Yuguda said Nigeria will distribute 628.8 billion naira ($3.48 billion) of revenues for November to its three tiers of government - federal, state and local. This was not covered by the 500 billion naira of revenue received, a figure that was down 7 percent on the previous month. The shortfall was plugged with oil savings, he said. "This was due to a drastic drop of 33 percent in export volume between September and October 2014 and a further drop in the crude oil price from $96.81 in September to $87.78 in October, impacting negatively on the revenue," he said. *(Reuters)*

Nigeria has slashed its forecast for economic growth in 2015 due to the plunge in global oil prices, the finance minister's budget presented to parliament on Wednesday showed. The ministry now sees Africa's biggest economy growing 5.5 percent in 2015, down from an earlier projection of 6.4 percent. Oil accounts for the bulk of government revenue in Nigeria, but global crude prices have almost halved over the last six months. The naira currency closed at a record low on Wednesday, down 3.6 percent on the day at 187.10 to the dollar, after the central bank said it would hold its last foreign exchange auction of the year on Wednesday, triggering strong demand from some importers. The currency rarely reacts to budget news. The 4.3 trillion naira ($23 billion) budget is based on a benchmark oil price of $65 a barrel, down from $77.50 this year, and a significant cut on previous budgets, Finance Minister Ngozi Okonjo-Iweala said. "This budget here has been a tough one. Nobody said things were going to be easy," she said later in a presentation on the budget at the finance ministry.

Revenue was seen at 3.6 trillion naira. The projected deficit for 2015 was 755 billion naira or 0.79 percent of GDP, low by global standards. The oil production forecast was set at 2.27 million barrels per day, down slightly from this year's assumption of 2.38 million. The figures were in line with earlier comments by the minister this month. Oil accounts for about 15 percent of Nigeria's gross domestic product but it makes up 75-80 percent of government revenues. Government finances have been hammered by the slide in world oil prices since June. "The budget seeks to protect the average Nigerian and ... the key is that we focus on diversification of the economy," Okonjo-Iweala said. "This country is a non-oil country and ... want Nigerians to begin to think of the country in that way." Yet efforts to diversify over the years have had mixed results, and oil dependency is seen as the Nigerian economy's biggest systemic flaw. Global investors have taken a growing interest in Nigeria, but they worry about its tendency to squander its oil windfall on bloated government spending and patronage. As usual the cost of running the government, difficult to cut at the best of times, makes up the lion's share of spending in 2015, some 2.6 trillion naira, against 634 billion of capital spending, which is easier to cut as it is often not fully implemented.

Okonjo-Iweala listed ways in which the treasury would attempt to claw back some extra non-oil revenue. These included stopping abuses of import waivers to save 36 billion naira, imposing a 10 percent surcharge on imports of new private jets, a 39 percent surcharge on luxury yachts and a 5 percent surcharge on luxury cars. The government also aims to earn an additional 460 billion naira over the next three years by improving tax collection. Since "all the price intelligence we have gathered from analysts predicts that the 2015 (oil price) will steady ... to around $65-$70 per barrel," there was no need to further cut the benchmark, she said. Some analysts saw this as over optimistic, however. "With today's oil price it doesn't look realistic. When your benchmark is $7 above current sale price, it's already under water," said Lagos-based economist Bismarck Rewane. The finance minister insisted Nigeria's debt profile remained healthy, with domestic borrowing around 570 billion naira, about the same as this year's. The country's combined domestic and external debt was 13 percent of GDP, or about $60.1 billion and $9.5 billion, respectively, she said. "We have these difficult times but we are not trying to borrow our way out," she said. *(Reuters)*

Nigeria's recurrent expenditure has been set at 2.6 trillion naira in the 2015 budget, while capital spending will be just 634 billion, the finance minister said on Wednesday, as she explained the budget shortly after delivering it to parliament. Nigeria's external debt stock stands at $9.5 billion, while domestic debt is at $60.1 billion, Ngozi Okonjo-Iweala said. *(Reuters)*

Nigeria's central bank has barred banks from holding their own funds in dollars in order to end speculative pressure on the ailing naira currency, the governor said on Thursday. Godwin Emefiele told Reuters in a phone interview that he believed the current naira band, set last month, was "appropriately priced at this time", signalling a will to defend the currency, although it is currently trading below the band. "We do not want speculators in this market any longer," he said. "The banks are not supposed to hold any funds (in dollars) of their own. They are supposed to buy and sell currency on behalf of customers." The naira has been battered in recent months by the plunging oil price. Despite heavy intervention in the market, the central bank has failed to keep the currency in the new band it set on Nov. 25 when it devalued the currency by 8 percent in a bid to halt the slide in its foreign exchange reserves. Asked whether or not the bank would devalue again, Emefiele told Reuters: "As the need arises, action will be taken. But we believe the currency is appropriately priced at this time." The naira fell to a record low of 188.85 to the dollar after the governor's comments, well outside the bank's target band. In its latest effort to try and support the currency, the bank issued a circular overnight stipulating that dealers had to reduce the percentage of "shareholders funds" that they could hold in dollars from 1 percent to zero.

"We are seeing some elements of speculation in the market by some banks who think the level will re-adjust further, and that is not our view," Emefiele told Reuters. On the day of the devaluation the central bank also raised interest rates by 100 basis points to 13 percent to support the currency. "We are maintaining a tight monetary policy," he said. Since devaluation the bank's target band has been 5 percent plus or minus 168 to the dollar, but some traders doubt the devaluation went far enough given the bleak outlook for oil prices. Despite the new restrictions imposed overnight, Emefiele said the bank wanted to reassure the market that "if there is genuine demand ... for dollars for legitimate purposes ... it will be met." Brent crude recovered 3 percent to above $63 a barrel on Thursday, extending a rebound from five-year lows this week but it has nearly halved since June, posing problems for Nigeria, Africa's biggest oil producer. Nigeria has slashed its forecast for economic growth next year owing to weak oil prices, according to the budget Finance Minister Ngozi Okonjo-Iweala presented to parliament on Wednesday. She expected oil to average around $65-$70 a barrel in 2015. Oil accounts for about 15 percent of Nigeria's gross domestic product but provides 95 percent of foreign exchange and 75-80 percent of government revenues. The weak naira will also probably fuel inflation, which has been stable in single digits for two years. The impact on inflation is expected to be felt in January, a headache for President Goodluck Jonathan who will seek a second term in elections scheduled for the following month. *(Reuters)*

Nigeria sold 53.50 billion naira ($289.97 million) worth of sovereign debt at an auction on Wednesday, where yields climbed more than 200 basis points across the board on paper with maturities ranging between 3-year and 20-year. The Debt Management Office (DMO) said it sold 7.5 billion naira in the 3-year debt note at 15.49 percent, compared with 12 percent at the previous month's auction. The debt office had initially offered 10 billion naira of the 3-year bond. It sold 18 billion naira worth of 10-year paper at 15.2 percent, against 12.8 percent at the previous auction, while a total of 28 billion naira of the 20-year note was sold at 15.49 percent, compared with 13 percent last month.

The debt office sold less that the initially advertised amount of the 10-year note, but more of the 20-year bond -- it DMO had initially offered to sell 30 billion of the 10-year bond and 25 billion naira in the 20-year. Nigerian bond yields have been on the rise since the central bank hiked the benchmark interest rate to 13 percent, while concerns on falling global oil prices have led to sell off by offshore investors in Nigerian debt. *(Reuters)*

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Tanzania

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

Barrick Gold Corp said on Thursday it would suspend operations at its Lumwana copper mine in Zambia following passage of legislation that raises the royalty rate on open-pit mining operations in the country to 20 percent from 6 percent. The Toronto-based miner had said it would consider such a move if the legislation passed. The new plan, expected to go into effect on Jan. 1, eliminates corporate income tax, but imposes a 20 percent gross royalty on revenue without considering profitability. "The introduction of this royalty has left us with no choice but to initiate the process of suspending operations at Lumwana," Kelvin Dushnisky, the company's co-president, said in a statement. "Despite the progress we have made to reduce costs and improve efficiency at the mine, the economics of an operation such as Lumwana cannot support a 20 percent gross royalty." Barrick said major workforce cuts are planned, beginning in March, following the legally required notice period. The transition of the mine to care-and-maintenance status will be completed in the second quarter of 2015, it said.

In the absence of a modification to the new royalty plan, Barrick said it expects to record an impairment charge related to Lumwana in the fourth quarter of 2014. Lumwana's current net carrying value is about $1 billion. Separately, First Quantum Minerals Ltd's president told Reuters the new royalty rate could be a "massive disincentive" for investment if it does not come with some form of capital relief, and would prompt every miner in Zambia to review its plans. First Quantum President Clive Newall said the miner does not yet know the details of the royalty plan, and so cannot comment on how it will react. Some jurisdictions offer tax breaks to miners that are still earning back their capital costs. First Quantum, which operates Zambia's largest copper mine, Kansanshi, and has been commissioning its new Sentinel mine, is expecting more detail in the next few days. Last year Barrick booked a $3.8 billion impairment charge to write down Lumwana's value due to higher costs and a drop in profit due to a pullback in metal prices. Barrick acquired the mine, located in northwest Zambia, via its C$7.3 billion ($6.3 billion) acquisition of copper miner Equinox in 2011. The mine supports nearly 4,000 direct jobs in the area and produced some 138 million pounds of copper in the first nine months of 2014, Barrick said. *(Reuters)*

Economic News

Copper futures edged higher on Friday on the possibility of a supply disruption in Africa and higher oil prices. Barrick Gold Corp said on Thursday it would suspend operations at its Lumwana copper mine in Zambia if legislation is passed to lift royalties on open-pit mining operations to 20 percent from 6 percent starting Jan. 1, 2015. A trader in Sydney said investors were becoming increasingly sensitive to supply-side disruptions amid signs of global tightening. The copper market recorded a deficit of 62,000 tonnes in the January to October period, which follows a surplus of 281,000 tonnes in the whole of 2013, according to the World Bureau of Metal Statistics (WBMS). "We're hearing questions asked about where the fundamentals are heading in the new year," the trader said. Lumwana produced 117,000 tonnes of copper in 2013, according to Barrick's website. "The introduction of this royalty has left us with no choice but to initiate the process of suspending operations at Lumwana," said Kelvin Dushnisky, the company's co-president. Three-month copper on the London Metal Exchange had firmed 0.5 percent to $6,348 a tonne by 0700 GMT, after losses of 0.82 percent in the previous session. The most-traded copper contract on the Shanghai Futures Exchange reversed earlier losses to close 0.78-percent higher at 45,500 yuan ($7,311) a tonne. The Shanghai contract was initially weighed down by data showing China's new home prices fell again in November before falling in step with the LME contract. Shanghai lead rose around 2 percent, partly recovering from a 4-percent loss recorded on Thursday. Nickel slipped 0.3 percent to $15,991 a tonne, above a one-month low touched in Thursday trading. Investors fear a weak rouble may tempt Russia to increase exports of nickel, which is sold in dollars. Russia-based Norilsk is the world's largest nickel producer. The Nickel market was in surplus in the January to October 2014 period, with production exceeding apparent demand by 148,000 tonnes, according to WBMS. *(Reuters)*

Zimbabwe

Corporate News

South Africa-based financial group Nedbank plans to rename its local unit MBCA Bank to Nedbank Zimbabwe next year, businessdaily has learnt. Nedbank holds a 74 percent stake in MBCA, one of the six foreign-owned banks operating in Zimbabwe. Charity Jinya, MBCA's managing director, neither denied nor confirmed the plan. "It is currently too early to confirm our plans on rebranding. We will advise you once definitive plans are in place," she said. This comes as two years ago, MBCA embarked on a partial rebranding exercise by changing its predominantly blue colour to green, a colour also used by Nedbank. At the time, the bank's spokesperson Dedrey Mutimutema said they were partially rebranding in line with Nedbank's strategies. "Our plan is to align our activities, make up, and design with the rest of the Nedbank group," she said. The country's other foreign-owned banks are British-owned Barclays, Standard Chartered, Stanbic Bank — a unit of South Africa's Standard Bank group — pan-African Ecobank and AfrAsia Zimbabwe Holdings Limited. Recently, MBCA indicated that it hoped for a positive outcome on its indigenisation compliance discussions with Zimbabwean authorities, as the group sought to comply with the country's empowerment law — compelling foreigners to cede 51 percent shareholding to black locals. In condensed financial results for the half year ended June 30, 2014, Willard Zireva, MBCA chairman said all processes for the institution's indigenisation were on course. "The bank's indigenisation plan was acknowledged by government and management is currently finalising the operational modalities prior to implementation," Zireva said.

However, there has been confusion over the implementation of the policy as various government officials have been interpreting the policy differently —resulting in most companies delaying to comply with the Act. The Bankers Association of Zimbabwe (Baz) recently revealed that foreign banks were yet to comply with Zimbabwe's indigenisation policy due to authorities' postponement in approving their compliance plans. This is despite government's pressure for the institutions to conform to the law compelling foreigners to cede majority shareholding to black locals — with former Empowerment minister Savior Kasukuwere having given them several ultimatums. According to Baz, there are 21 banks operating in the country, 15 indigenous and six foreign-owned. Meanwhile, MBCA recorded a 11 percent decline in profit in the six months to June from $2,1 million registered in the prior period due to an increase in employee costs on the backdrop of flat-lining interest income. Interest income for the period stood at $7,8 million from $7,9 million in prior comparative period. Loans and advances were up 29 percent to $100 million. Deposits also grew to $160 million from $131 million, the bank said. Employee costs rose to $5,1 million from $4,6 million while interest expense declined to $2,1 million from $2,3 million. *(Daily News)*

Economic News

Zimbabwe will engage the World Bank on its plans to audit the civil service, as the country moves to curb its excessive recurrent expenditure, Finance minister Patrick Chinamasa said. This comes as nearly 100 percent of government's revenue is going towards civil service wages, with Chinamasa recently acknowledging that 81 percent of his 2015 national budget will foot government employees' salaries. Also, the International Monetary Fund has insisted — through a recommended staff monitored programme — that Zimbabwe audits its civil service to weed out ghost workers and reduce its wage bill. "We need to know the state of affairs, who is who within the payroll and if they are giving us value for money. "We need to ascertain whether they are any duplication and if they are skilled people are in the right places," the Treasury chief said yesterday. "I would want to see what options are there from a technical point of view…. it's an exercise which we cannot prescribe solutions without basically knowing what we are dealing with," he said.

He added that government will seek funding to finance the exercise while it will also rely on the World Bank's technical assistance. Chinamasa noted that the newly-established Zimbabwe Reconstruction Fund would give him flexibility to fund some government programmes such as the government employees' audit. He noted that the last civil service audit — carried out during former Finance minister Tendai Biti's reign three years ago — was not completed. "I want to think that the political situation was poisoned for that exercise

to be completed. But now, I don't see any problem with coming up with a comprehensive exercise," he said. According to recent reports, government workers increased from 319 000 in 2009 to 554 000 this year. Recently, renowned economist Tony Hawkins said Zimbabwe had a high public spending to gross domestic product ratio of 31 percent compared to a sub-Saharan average of 24 percent, leaving its economy with no fiscal space. "In other words it is essential to cut spending since the gap cannot be closed by revenue measures," he said.WB to audit Zim civil service. Meanwhile, the World Bank (WB) — together with other developmental partners — plans to advance Zimbabwe $100 million as part of strategies towards financial re-engagement with the hard-pressed southern African country.

The money would be channelled to the newly-established Zimbabwe Reconstruction Fund (Zimref), created to expand WB's economic activities and capacity building. Kundhavi Kadiresan, WB's country director, said "contributions coming from many developmental partners have amounted to $40 million. "We expect in the coming year to easily increase it to $100 million," she said, adding that "the main purpose of this fund is to basically help us to expand our activities here and it will go beyond technical assistance, capacity building and analytical work." She said, for the first time, the fund would also include investment projects. "We will be working very closely with government on some of the priority areas which the Finance minister Patrick Chinamasa has actually spelt out in helping them implement ZimAsset. So this cross fund will allow all those areas both in terms of policy priorities and investment projects for the government," she said.*(Daily News)*

THE closure of Cargill's local cotton business and the folding of the Cotton Company of Zimbabwe (Cottco), may lead to the collapse of the country's cotton industry which has been facing a number of viability challenges over the years. Cotton experts have blamed upside down policies for the demise of the sector, but said with the collapse of the two cotton businesses, the industry's woes could mount. They argued that government should have bailed out companies, particularly Cottco which was responsible for setting-up input credit scheme for cotton producers in 1992, most of them smallholder farmers. Cargill in October announced that it was closing its local cotton business due to operational challenges. The company, which had contracted over 20 000 farmers under its contract scheme, said it had significantly suffered from low cotton output, depressed margins as well as high levels of breach of contractual obligations by cotton farmers. Cottco recently applied to the High Court of Zimbabwe for a provisional order placing it under judicial management. The company has a debt of US$56 million which attracted an interest bill of US$16,8 million in the full year to 31 March 2013 and finance costs of US$6 million per year. Cottco had also reduced the number of contracted farmers from 100 000 to around 70 000 farmers.Cotton Growers and Marketers Association chairman, Morris Mukwe, said the recent events had shaken the cotton industry and called on government to get involved in finding a lasting solution. "As an association we have been moving around the country and we were in Chipinge recently and observed that the Chinese companies were failing to meet the demand. They cannot fill the gap left by the two companies.

"Also one finds out that the cotton seed for planting is not available in retail shops and only the ginners/ contractors have access to seed. It is like a cartel in which ginners force farmers into credit, thus ginners have a monopoly when it comes to seed," Mukwe said. He also highlighted that the recent developments may further decrease the output of cotton production which has been on a downward trend with the 2014 season recording an output of 140 000 tonnes, down from 145 000 tonnes the previous season in a country that has the potential to produce 600 000 tonnes. Cottco's inputs credit scheme is credited with being the largest single factor in the expansion of the cotton crop and the significant economic development seen in many of Zimbabwe's communal areas, with ginneries in areas such as Gokwe, Sanyati and Muzarabani which led to infrastructural and commercial development and increased employment and business opportunities. Agricultural economist, Peter Gambara, said it was clear that over 98 percent of the cotton grown in the country was contracted by members of the Cotton Ginners Association and that Cottco and Cargill were among the biggest buyers in the industry. Therefore, he said, their absence meant that the level of support to farmers this year would be reduced. "This translates to a decrease in the area under cotton that will be grown this year. However this might be offset by the fact that government will be supporting cotton as part of the Presidential Input Scheme this year," Gambara said.

"The impact to the future of cotton is therefore not very rosy, as a lot of farmers were used to getting inputs from cotton ginners. This is also against a background where there were complaints from the cotton merchants that the default rate among cotton farmers was already too

high. This is what is said to have lead to the collapse of Cottco in the first place. "As for the future of the industry, there seems to be lax or poor monitoring of the sector by Agricultural Marketing Authority (AMA) as far as implementing agreed principles. There are suggestions that companies that had not invested anything into the growing of the crop as required by SI 142 of 2009, were being allowed to go and buy cotton sponsored by other companies, thereby contributing to the high default rate. The answer therefore lies in tightening the screws on the sector to protect those who have put their monies into the sector." He added that withdrawal of cotton ginners would further burden the government in terms of financing the industry. "If we continue to see more cotton ginners withdrawing due to high default rates, then the burden to sponsor the crop will fall back on government and the farmers themselves. However we cannot ignore the fact that the government is already over burdened and does not have the necessary resources to do so. Banks have already been shy to finance this sector due to its numerous problems that include poor world prices, unreliable rainfall in the major growing areas and high default rate," said Gambara.

Gambara suggested that AMA, farmer unions and Cotton Ginners Association should go back to the drawing board and save the sector. Over the years, cotton farmers have been left poorer as prices have tumbled to as low as US$0,20 per kilogramme. Zimbabwe Farmers Union president Abdul Nyathi said although Cottco's input credit scheme had previously led to the development of areas like Gokwe and Sanyathi and an improvement in the livelihoods of the small scale producer, of late the contract system had reduced farmers to mere labourers. "The cotton sector is faced with the worst scenario because farmers rely on these contractors but unfortunately they have been reduced to labourers (as) there are no profits to be realised because of the poor producer prices and high input costs," Nyathi said. The 1999/2000's record crop of 353 000 tonnes saw Cottco finance 76 000 growers on the scheme to the extent of US$836 million. Since its inception, ten years ago, a total of US$8,6 billion dollars, in nominal terms, or US$30 billion in today's money, has been allocated to the scheme which has benefitted a total of 608 000 members in that period. *(Financial Gazette)*

The National Bank of Canada (NBC), Canadian's sixth largest bank, will acquire a 9,5% stake with the aim of further increasing its shareholding in the near future. ABL said having NBC as a shareholder would enhance its growth plans and strategic vision which has been clearly validated by favourable responses from existing investors, including Singaporean private equity firm Intrasia Capital and French partner PROPARCO. "This is very exciting news indeed as it demonstrates ABL's already-stated commitment to Africa, including Zimbabwe. While this strategic partnership may not translate immediately into an injection of liquidity, it shows our faith in the Zimbabwean economy and country, and we shall continue to pursue avenues to grow our business here," ABL chief executive officer James Benoit said. ABL said the strategic move would further help the bank in its initiatives to have new shareholders on board for its Zimbabwe operations and would support its efforts to secure the fortunes of AfrAsia Zimbabwe Holdings Limited. "We have continually invested in developing our bank to become a significant player in the region, in Africa, as well as internationally. We are honoured to partner with a renowned financial institution such as NBC.

This partnership will give us an impetus for further growth and will reinforce the position of AfrAsia Bank in international markets," Benoit said. The president and chief executive officer of NBC, Louis Vachon, said the bank was pleased to partner with ABL. "This investment will be the first by the National Bank of Canada in Africa. We believe fast-growing and emerging economies offer attractive market opportunities," Vachon said. NBC is an integrated provider of financial services to retail, commercial, corporate and institutional clients and offers a complete range of services, including banking and investment solutions, securities brokerage, insurance and wealth management. AfrAsia Bank Zimbabwe has been facing liquidity constraints with depositors failing to withdraw their monies. In his maiden monetary policy statement, Reserve Bank of Zimbabwe governor John Mangudya said AfrAsia Bank Zimbabwe, alongside MetBank, Tetrad and Allied Bank, were under the close supervision of the central bank as they were facing liquidity and solvency constraints. Mangudya said the central bank was satisfied with efforts being done by AfrAsia shareholder who raised $10 million which improved the bank's capital to $19, 20 million. Last month, AfrAsia Bank launched an Investor Information Memorandum outlining its strategies targeting local and international investors. It said the exercise had received an expression of interest for an equity raise from well-known private African equity firms, international investors and banks. In 2011, ABL bought 35% in the then Kingdom Financial Holdings Limited founded by Nigel Chanakira. It renamed the group AfrAsia Zimbabwe Holdings. ABL increased its shareholding to over 50% last year. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Economist and technical advisor to the Chamber of Mines David Matyanga recently told the Parliamentary Portfolio Committee on Mines and Energy during a 2015 post-budget analysis meeting that the challenges in the gold mining sector could be attributed to continued decline in gold price and high operating costs. "In the past three months, the industry has witnessed 30% decrease in price from monthly averages of $1 671 per ounce in January to $1 140 per ounce in December 2014," Matyanga said. "In the outlook, the price is projected to remain depressed, ranging from $1 000 to $1 200 in the next 12 months," he said. Matyanga said gold production had been on a free fall with monthly average output having fallen by 5% from 1 229 kilogrammes (kg) to 1 166kg in 2014. "If no immediate measures are taken, the likelihood of production reaching 1 990kg levels is very slim, and in the extreme mines will go under care and maintenance to preserve the assets. While the reduction in the royalty of gold from 7% to 5% in the mid-term fiscal policy was reviewed as a positive move, the continued decline in the price of gold had eroded and purported benefit as the sector's embedded and high cost structure (compounded by high electricity charges) remains beyond the reach of many companies," he said. The economist said most companies continued to make losses in the region of between $60 and $100 per ounce. "It is against this background that the gold mining industry had appealed to government to intervene and compliment industry efforts in averting the current challenges," he said. Some of the intervention measures he mentioned were reducing Fidelity Printers and Refiners charge to 0,5% compared to 0,3% charged by Rand Refinery in order to save up to $12 per ounce and guaranteeing availability of electricity. "We urge the expedition of the exercise as the stress the industry is going under cannot be sustained any longer," he said. Matyaka also appealed for a downward review of mining fees and charges which were not addressed by the 2015 budget.*(News Day)*

The World Bank said on Wednesday it planned to raise up to $100 million to help Zimbabwe fund economic reforms, in its first such initiative in the southern African country for 15 years. Zimbabwe has not received direct budget support from the World Bank and other multilateral institutions since 1999, following disputes over unpaid debts and policy differences with President Robert Mugabe's government. The move follows a thawing in relations between Western nations and Zimbabwe, which has renewed a staff programme with the International Monetary Fund and saw the European Union lift sanctions imposed more than a decade ago. Khundavi Kadiresani, the World Bank's representative for Zimbabwe, Malawi and Zambia told reporters Western nations had pledged $44 million towards the Zimbabwe Reconstruction Fund and she expected the amount to reach $100 million in 2015. The World Bank had only provided technical assistance to Zimbabwe since 2011, but that was about to change, she said. "The main purpose of this fund, ZimRef, is basically to help us expand our activities here," Kadiresan said. "For the first time we will also have activities including investment projects." Finance Minister Patrick Chinamasa said he would use some of the money to reform money-losing state-owned companies and carry out an audit of workers employed by the government. Chinamasa said last month the state wage bill would take 81 percent of the government's total budget in 2015, leaving little for infrastructure. *(Reuters)*

The countries say the move promoted illegal sale of cigarettes and would prejudice their economies. The WHO Framework Convention on Tobacco Control (WHO FCTC) will be held in three months time at the United Nations offices in New York as the world marks the two-year anniversary of tobacco plain packaging that was introduced by Australia. Deemed to be "the world's toughest anti-smoking law" measures, Australia's plain packaging laws prohibit the use of all trademarks, logos, fonts, and colours, on tobacco products and was introduced to allow the use of standardised huge graphics discouraging smoking. However, despite the introduction of the law, a survey by the Australian Institute of Health and Welfare has shown a slight increase in youth smoking among 12-17 year olds, with smoking rates up from 3,8% to 5% between 2010 and 2013, representing an increase of 32%. Although Zimbabwe's tobacco industry has not yet reported a decline in tobacco sales volumes due to tough tobacco laws, an increase in illegal sales which has the potential of prejudicing the economy has been reported by KPMG in October. However, the resistance from some Sadc member states, where tobacco is a major contributor to economic livelihoods has probably not received the attention or answers required on the impact of increasing legislation to their economies. Zimbabwe employs thousands of people in the tobacco industry. Tobacco alone contributes 10,5% of the gross domestic product. Last year, Zimbabwe contributed 44% of all tobacco exports from Sadc as Zimbabwe, Tanzania, Mozambique, Zambia and Malawi contributed 15% of all the global exports of tobacco leaf in 2013. *(The Standard)*

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