SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	12-Jun-15	19-Jun-15	Local	USD	Local	USD
Botswana	DCI	10594.89	10607.78	0.12%	1.11%	11.64%	8.25%
Egypt	CASE 30	8626.46	8576.71	-0.58%	-0.53%	-4.09%	-10.11%
Ghana	GSE Comp Index	2359.43	2368.85	0.40%	-0.33%	3.56%	-23.04%
Ivory Coast	BRVM Composite	273.95	272.62	-0.49%	0.33%	5.63%	-1.08%
Kenya	NSE 20	4765.02	4778.63	0.29%	-0.61%	-6.53%	-13.55%
Malawi	Malawi All Share	15990.07	15993.45	0.02%	0.59%	7.44%	16.01%
Mauritius	SEMDEX	1975.05	1987.04	0.61%	0.71%	-4.18%	-13.70%
	SEM 10	376.10	380.23	1.10%	1.20%	-1.44%	-11.24%
Namibia	Overall Index	1106.69	1093.34	-1.21%	-0.17%	-0.43%	-5.55%
Nigeria	Nigeria All Share	33621.75	33257.90	-1.08%	-1.94%	-4.04%	-12.51%
Swaziland	All Share	305.80	305.80	0.00%	1.05%	2.58%	-2.69%
Tanzania	TSI	4731.74	4808.70	1.63%	-0.38%	6.21%	-17.25%
Tunisia	TunIndex	5632.63	5750.14	2.09%	2.67%	12.97%	9.37%
Zambia	LUSE All Share	5842.71	5835.19	-0.13%	-1.69%	-5.28%	-18.11%
Zimbabwe	Industrial Index	152.20	152.90	0.46%	0.46%	-6.08%	-6.08%
	Mining Index	46.54	40.28	-13.45%	-13.45%	-43.83%	-43.83%

CURRENCIES

Cur-rency	12-Jun-15 Close	19-Jun-15 Close	WTD % Change	YTD % Change
BWP	9.81	9.72-	0.98	3.14
EGP	7.61	7.61-	0.05	6.70
GHS	4.25	4.28	0.73	34.57
CFA	580.98	576.26-	0.81	6.79
KES	95.42	96.28	0.90	8.12
MWK	431.30	428.85-	0.57-	7.39
MUR	33.82	33.78-	0.10	11.03
NAD	12.36	12.23-	1.04	5.42
NGN	196.79	198.52	0.88	9.69
SZL	12.36	198.52-	1.04	5.42
TZS	2,140.21	2,183.25	2.01	28.35
TND	1.93	1.92-	0.57	3.29
ZMW	7.23	7.34	1.59	15.66

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

Angola's consumer inflation rose to 8.86 percent year-on-year in May from 8.23 percent in April, data from the statistics office showed on Monday. On a month-on-month basis, prices rose 1.21 percent after a 0.85 percent increase previously, the agency said on its website. *(Reuters)*

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Egypt

Corporate News

Egyptian cable maker El Sewedy Electric said on Sunday it had entered into an agreement to develop a 50 megawatt solar energy power plant in the Upper Egypt region. El Sewedy formed the Egyptian Company for Solar Energy Development, a subsidiary that it will invest about $75 million in, which will be in charge of developing, funding, owning and running the power plant, the cable maker said in a statement to Egypt's stock exchange. The plant will be built in Aswan, around 800 km (500 miles) south of Cairo. Egypt is aiming for renewable energy to contribute 20 percent to the country's overall energy usage by 2020. "El Sewedy will sell the energy produced from the plant to the Egyptian Company for Transporting Energy at a price of 0.1434 for kilowatt per hour," the company said. Egyptian President Abdel Fattah al-Sisi told an Abu Dhabi energy conference in January that Egypt aimed to build solar and wind energy plants over the next three years with the aim of producing 4,300 megawatts.*(Reuters)*

The chief executive officer of Egypt's EFG-Hermes, one of the Middle East's largest investment banks, said on Sunday the firm was well capitalised for future growth plans, as it launched a wholly-owned subsidiary in leasing services. Karim Awad also told Reuters that sub-Saharan Africa, particularly eastern Africa, was of interest to the firm. "We are studying the opportunities that we have over there and we will tackle it once we're ready ... (opportunities) primarily in corporate advisory and private equity," Awad said. "We believe the company is well capitalised today for our growth plans. We have a lot of strong growth plans for the future whether here in Egypt or in other markets outside, we believe we're well capitalised in order to take advantage of those opportunities," Awad told Reuters in an interview. He made the comments after launching EFG-Hermes Leasing, which aims to provide leasing services to large corporates and small and medium enterprises across Egypt. That subsidiary has already signed two leasing facilities with Lebanon's Bank Audi and Qatar National Bank (QNB), the subsidiary's executive chairman said. He added the subsidiary would have a portfolio size of 900 million Egyptian pounds ($118 million). EFG-Hermes says nearly a third of its $3 billion of assets under management is in Saudi Arabia. Awad praised the decision to open Saudi Arabia's bourse to direct foreign investment. "The step to open up the market was the right step given the size of the market relative to other markets that are already on the foreign investors' screen," said Awad.

The firm posted a first-quarter net profit of 181.55 million Egyptian pounds, up from 161.04 million pounds in the same period last year. "We remain very optimistic about the remainder of the year given our pipeline of transactions whether it is on investment banking or asset management or private equity as well as our brokerage market shares," Awad told Reuters. EFG advised Egyptian foodmaker Edita's public tranche of a secondary share issue on the Cairo bourse earlier this year, and is advising Emaar Misr's Egypt bourse listing. "The UAE is going to also be a market where we're going to be bringing companies public hopefully in the fourth quarter and beginning of next year." Egypt froze plans for a 10 percent tax on capital gains in May, reversing a central component of its economic reform agenda that investors had criticised. Asked what he thought about the decision to delay the capital gains tax for two years, Awad said: "I think it was a move that was important for a lot of the retail and local institutional investors. At the end of the day what we wish to see the stock market see during the coming period is a lot more inflows from foreign institutions as well."*(Reuters)*

Egyptian Petrochemicals (ECHEM) is planning to complete technical and financial studies of its proposed $2bn complex to produce propylene and its derivatives. The propylene complex will be built on its land in Alexandria. Daily News Egypt cited a senior ECHEM official as saying that the complex will utilise the abundant amount of propane in the region."The purpose is to produce value-added products through different phases to cover local demand and export surplus," the official added. Alexandria-based Egyptian Natural Gas Company (Gasco) will supply propane to the facility, which is expected to produce 250,000t a year of propylene, which will be processed into intermediate as well as final derivatives. The propylene complex is planned to be completed by 2020. ECHEM said it will submit the technical and financial studies results to Boubyan Petrochemicals. In February, ECHEM and Boubyan Petrochemicals signed a memorandum of understanding to set up petrochemical and phosphate fertiliser projects worth around $6.8bn. As part of the partnership, a petrochemical and refinery plant, formaldehyde plant and phosphate and compound fertiliser complex will be built. The formaldehyde facility in Kafr El-

Sheikh will produce 70,000t of urea formaldehyde, polyvinyl acetal, phenol-formaldehyde and melamine-formaldehyde. It will utilise 30,000t of methanol a year. Planned to be built in Abu Tatur in New Valley, the Phosphate Misr and Abu Qir Fertilizers phosphate and compound fertiliser complex will produce 500,000t of phosphoric acid and phosphate fertilisers. *(Egypt.com)*

Egypt's Emaar Misr has priced its initial public offering at 3.8 Egyptian pounds ($0.4980) per share, parent firm Emaar Properties said on Thursday. Emaar said earlier this month the offer would be priced at between 3.5 pounds and 4.25 pounds per share. Emaar Misr is floating 12.99 percent of the company, amounting to 600 million shares. Of these, 510 million have been allocated to institutional investors. This tranche was 11 times oversubscribed, Dubai-listed Emaar said in a statement to Dubai Financial Market. The remaining 90 million shares will be offered to other investors until June 25 and Emaar Misr is likely to list on the Cairo bourse around July 2. Some of the sale proceeds will help fund Emaar Misr's developments in Egypt and buy land. Emaar Misr appointed EFG Hermes and JP Morgan as the joint global coordinators and joint bookrunners for the Offer. *(Egypt.com)*

The biggest stated-run bank, National Bank of Egypt has agreed to secure US$91 million finances for one the private sector oil firms, a senior source from the bank revealed. The source declined to mention any further details about the name of the firm before the bank would sign the final contracts. NBE is also studying several financing schemes, the source added to Amwal Al Ghad on Wednesday. *(Egypt.com)*

Economic News

Egypt's New Suez Canal will open on Aug. 6, its overseer said on Saturday, a project President Abdel Fattah al-Sisi sees as a potent symbol of national pride and a major chance to stimulate an economy suffering double-digit unemployment. The army began work 10 months ago on the $8 billion canal, flanking the existing, historic 145-year-old waterway and part of a larger undertaking to expand trade along the fastest shipping route between Europe and Asia. The Suez Canal is a vital source of hard currency for Egypt, particularly since the 2011 uprising that scared off tourists and foreign investment. "The digging and dredging works will conclude on July 15. The opening of the New Suez Canal will be on Aug. 6, according to the orders of the Egyptian people and the Egyptian president," Mohab Mameesh, chairman and managing director of the Suez Canal Authority, told a news conference in Ismailia. "Once President al-Sisi orders the start of navigation on Aug. 6, ships will be able to go through the canal." Mameesh said the new canal would reduce navigation time for ships to 11 hours from about 22 housing, making it the fastest such waterway in the world. The new and old canals are connected by four small channels. Eighty five percent of dredging works have been completed, with 219.3 million cubic meters of sand excavated from a total of 258 million cubic meters, Mameesh said, adding that the new waterway would be fully secured. "They are not only digging or dredging works, but also preparing the maritime path to be valid and secure for global navigation. We will not allow any ship to pass unless it has navigational security," he said. The existing canal earns Egypt around $5 billion per year, a vital source of hard currency. The new canal, which will allow two-way traffic of larger ships, is supposed to increase revenues by 2023 to $15 billion, Mameesh said. The government also plans to build an international industrial and logistics hub near the Suez Canal that it expects will eventually make up about a third of the Egyptian economy.. Mameesh said he hopes a law designed to ease red tape for investors in the new Suez industrial hub will be enacted this week, adding that the new canal and the hub projects could help Egypt to realize an extra $100 billion in revenue per year. *(Reuters)*

The first phase of a food security system designed to preserve locally harvested wheat is expected to save Egypt $200 million annually, the chief executive of the company designing it told Reuters on Sunday. Blumberg Grain, a family-owned firm specialising in food storage systems in emerging markets, signed a $28 million contract with the Egyptian supplies ministry last December to modernise wheat storage at 93 sites across Egypt. The first phase of the project will modernise 105 of the once open-air storage pits used for grain storage in Egypt, with "state-of-the-art" warehousing systems. Each modernised warehouse system will see a reduction of post-harvest losses to less than 5 percent, down from an excess of 40 percent of production, David Blumberg, Chief Executive of Blumberg Grain, Middle East and Africa, told Reuters. A second phase of the project involve the modernisation of a further 207 of the open-air pits. The advanced technology "will allow for screening, drying, cleaning, grading and bagging of wheat", a statement from Blumberg Grain and the supplies ministry said. "This will enable a processing capacity of 3.7 million metric tonnes of wheat per year and create 750,000 metric tonnes of static storage capacity." Farmers have long complained that much of their crop is lost after they deliver it to the government's "shewan" -- open-air plots of land on roadsides protected by nothing but barbed wire. Birds eat the grain, and then corrupt local officials mix the wheat with rocks to make up for the losses. *(Reuters)*

The Central Bank of Egypt (CBE) raised Sunday morning the offering of treasury bills to $700m, according to a statement from the CBE to banks. Dollar liquidity collected through the offer will be used to repay the value of a previous offer raised by the CBE in May 2014, worth $725.5m. CBE will allow local banks and foreign institutions to subscribe to the dollar bills with a minimum of $100,000 and its multiples. "Offers of dollar bills are considered a good chance for banks working in the Egyptian market to invest their dollar liquidity in a guaranteed area by the government with an appropriate return in light of the absence of other investment aspects for this liquidity," said Osama El-Manialawy, first assistant General Manager of Funds sector in one of the banks. "Other available alternatives are a few joint loans raised between long intervals of time in global finance markets with low risky returns." He added that returns of dollar bills in the local market are determined according to several indicators, most importantly dollar liquidity in the market and alternative available investment opportunities for banks and local and foreign financial institutions, as well as the state's credit rating. The average return of the first offer of the bills reached 3.87% according to El-Manialawy. *(Egypt.com)*

Egypt's trade balance deficit recorded a 10.9 percent hike at Mrach-end, registering 26.7 billion EGP ($3.47 billion,) compared to 24 billion EGP in the same period a year earlier, state-statistical body announced in a Tuesday report. Egypt's Central Agency for Public Mobilization and Statistics (CAPMAS) attributed the increase to a 15.7 percent decline in exports while imports fell by 0.5 percent in this period. "Exports fell to 15.21 billion EGP in March, down from 18.04 billion EGP in March, 2014," the report said. The drop was mainly driven by a lower value on outputs such as crude oil and petroleum products, in addition to textiles and clothes, and potatoes. Meanwhile, the value of imports added a slight 0.5 percent to hit 41.9 billion EGP during March, compared to 42.91 billion EGP in the corresponding month last year due to a slip in the value of some commodities such as organic and non-organic chemical materials, wheat, steel, iron, in addition to crude oil. In February, the trade shortfall recorded a 4.3 percent growth to reach 21 billion EGP, compared to 20.2 billion EGP in the same period a year earlier. *(Egypt.com)*

Egypt's revenue from the Suez Canal rose to $449.6 million in May from $422.1 million in April, a government website said on Thursday. The canal, the fastest shipping route between Europe and Asia, is one of Egypt's main sources of foreign currency. *(Egypt.com)*

Egypt's cabinet approved a draft 2015/2016 budget that projects a deficit of 9.9 percent of gross domestic product, narrowing slightly from an expected gap of 10.8 percent in the current fiscal year. The draft, which has yet to be approved by the president, sees a big increase in expenditure on social welfare programmes. "Achieving social equality and improving the standard of living for those in need is the focal point of this budget," Finance Minister Hani Qadri Dimian said in a cabinet statement. The draft budget projects a total of 431 billion pounds in expenditure on social programs, or about 49 percent of total public expenditure and a 12 percent increase on the current fiscal year. Growth was projected at about 5 percent versus a projected 4.2 percent in the fiscal year ending on June 30. Projected public revenues stand at about 612 billion Egyptian pounds($80.26 billion), a 26 percent increase. Projected expenditure is 885 billion pounds, up 20 percent. The budget also earmarks 38.4 billion pounds for bread and commodities subsidies. The projected deficit of 281 billion Egyptian pounds compares to 240 billion pounds that was approved in the 2014/2015 fiscal year budget. Political turmoil since the 2011 uprising that ousted Hosni Mubarak has hurt Egypt's economy and hit investor confidence. The government has been walking a fine line between trying to cut its deficit whilst luring investors and restoring growth. "The economic situation is witnessing gradual improvement and this is reflected in the increase in growth...and the ratings by international agencies," Dimian was cited as saying in the cabinet statement.

But he also said "responsibility must be borne towards completing economic reforms". Cairo has received billions of dollars in grants, loans and petroleum products from Gulf Arab allies since former army chief Abdel Fattah al-Sisi overthrew President Mohamed Mursi in 2013 following protests against his rule. The aid has proven to be a lifeline for Egypt's economy but the government is also working on implementing long-awaited reforms. The draft budget earmarked 2.2 billion pounds in grants. Egypt introduced painful reforms last July, slashing energy subsidies by 40 billion Egyptian pounds, which has led to steep rises in the price of fuel and electricity. Projected revenues from taxes in the current draft budget stood at 422 billion Egyptian pounds. Spending on public investments stood at 75 billion pounds. The cabinet statement said the government targeted decreasing the deficit to 8.0-8.5 percent of GDP in 2018/2019 as well as lowering public debt to 85 percent of GDP. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

No Corporate News This Week

Economic News

Positive results are starting to flow from Ghana's fiscal consolidation plan that includes an aid deal with the International Monetary Fund and a decision by the European Union to renew budget support, President John Mahama said on Friday. Mahama cited a slowdown in the increase in the inflation rate as an example of improvement and said the currency, which has fallen to a record low against the dollar, was being hurt partly by speculation. "We are beginning to see the start of fiscal consolidation," Mahama told reporters. He said he intended to run for a second four-year term in 2016 if selected by the ruling National Democratic Congress to face opposition leader Nana Akufo-Addo. Since Mahama came to power in 2012, the government has faced a fiscal crisis that has seen a slowdown in growth in an economy that had expanded quickly on exports of gold, cocoa and oil. Inflation rose in May to 16.9 percent from 16.8 percent the previous month, while the currency has fallen at least 22 percent this year on top of a 31 percent decline last year. What Mahama called a "tight economy" leaves the government open to opposition criticism compounded by power shortages that have angered voters and sapped business confidence. In addition, 150 people died last week in an explosion at a gas station and floods caused by seasonal rains that exposed the capital's inadequate drains and infrastructure problems. Given the slate of problems, stabilising the macro economy is fundamental not just to the government's re-election prospects but to helping Ghana, a stable democracy, regain its place as one of Africa's brightest economic prospects. Mahama took responsibility for the flooding and said the government was taking steps including dredging drains and encouraging people on low-lying land to move to safer ground. "It is not the time to lay blame and if it is there is enough to go round," he said, citing the "failure of multiple institutions" as a reason why the floods proved so serious. The European Union on Friday said it would resume budget support of 161.38 million euros ($181.84 million) to Ghana after suspending aid in 2013. The EU was satisfied with the IMF deal and a government plan to tackle irregularities in the payroll including ghost workers, EU Ambassador William Hanna told Reuters. "It is a vote of confidence in Ghana. They have satisfied the criteria. We trust that they will stick to the IMF programme," Hanna said. The aid would be money for health, decentralisation and environmental policy reform. *(Reuters)*

Ghana's annual producer price inflation eased to 19.0 percent year-on-year in May from a revised figure of 19.5 percent the month before, the national statistics office said on Wednesday. The figure is high compared with average inflation in the region and shows the fiscal challenges facing Ghana. The West African country began a three-year International Monetary Fund in April designed to restore fiscal stability. *(Reuters)*

Ghana's cocoa regulator Cocobod will seek a syndicated loan of $1.8 billion to finance cocoa purchases in the 2015/16 season which opens in October, up from $1.7 billion this season, two senior government officials said.
Cocobod, which is struggling to fill international cocoa contracts this season due to an unexpected drop in output, will meet with banks during a roadshow in London next week, the sources told Reuters. *(Reuters)*

Ghana's unadjusted economic growth rate rose sharply to 4.1 percent year-on-year in the first quarter of 2015 compared with a revised figure of -3.8 percent in the same period last year, the statistics office said on Wednesday. The agriculture sector, helped by livestock, recorded the highest growth rate at 7.4 percent year-on-year. The industry sector contracted by 0.9 percent and services, especially data usage for cell phones, grew at 4.7 percent, government statistician Philomena Nyarko told a news conference. "Most industries have put in place measures this time around to ease the impact of the power crisis facing the country," Nyarko said, adding that the impact of blackouts on the economy was more severe in 2014 than this year. The government forecasts 2015 GDP growth of 3.9 percent, lower than the average for sub-Saharan Africa, after years in which the country was among the continent's fastest growing economies due to its exports of gold, oil and cocoa. The International Monetary Fund has extended a package worth nearly $1 billion to restore fiscal stability to the West African country, which faces a steep debt-to-GDP ratio and a currency that has fallen sharply since the start of 2014. Ghana's annual producer price inflation eased to 19.0 percent year-on-year in May from a revised figure of 19.5 percent the month before, the statistics office said. *(Reuters)*

Ghana's revenues from gold mining fell 17.4 percent to $3.8 billion in 2014 on output decline and low market prices, the West African country's chamber of mines said. Ghana, Africa's second largest gold producer behind South Africa, exported 3.16 million ounces of the metal last year, slightly lower than the 3.19 million ounces produced in 2013, the chamber said in a briefing note on Wednesday. Overall, Ghana's mineral revenues dropped 16.7 percent. Gold accounts for nearly 98 percent of cumulative metals receipts, the chamber said. Production went down at almost all the major mines, including Gold Fields' operations at Tarkwa and Newmont Mining Corporation's Ahafo mine, it said. Manganese also dropped 32 percent in 2014 to 1,353,486 tonnes mainly due to the failure of a major client to lift the metal in the third quarter, it added. Ghana is grappling with a prolonged electricity crisis, resulting in blackouts and a reduction in power supply to bulk users including the mines. "Disruptions to the supply of electricity have had to date grave implications for the operations of the mines, their employees, government and host community members," the chamber said. *(Reuters)*

The floods that devastated Ghana's capital, Accra, this month have subsided. Now borrowing costs are rising as investors fret that fixing the damage will add pressure to government finances already strained by low oil prices and the smallest cocoa harvest in five years. The West African country's dollar bonds, which had the best returns after Gabon in the first five months of the year out of nine sub-Saharan African sovereign nations tracked by Bloomberg indexes, have lost 3 percent since June 3, when flooding resulted in almost 200 deaths and left thousands homeless. Only Zambia's debt performed worse in the period. Yields on Ghana's $1 billion of securities due August 2023 climbed to a four-month high this week. The rise in yields comes as Ghana prepares to sell as much as $1 billion in Eurobonds, two months after the nation obtained almost the same amount in loans from the International Monetary Fund. While President John Dramani Mahama pledged to take measures to prevent annual flooding, his government is bound by the IMF agreement to narrow a budget shortfall just as it faces the slowest economic expansion in 20 years and inflation at a four-month high. That's disturbing investors, who doubt the government's ability to stick to fiscal targets.

"Government will have to commit more funds to help the situation," Courage Kingsley Martey, an economist at Accra-based Databank Group Ltd., said in a telephone interview on June 15. Investors "are going to price the country's financial difficulties which have been exacerbated by these floods into the yield," he said. Storm drains and gutters overflowed on June 3 during the heaviest day of rain in six years and about 150 people were killed in an explosion at a gas station where they had taken refuge. The crisis underlined years of shortfalls in infrastructure spending that has failed to keep up with a growing urban population and economic expansion. Repairing the flood damage and preventing a repeat may cost "hundreds of millions of dollars," Mahama said on June 13. The government is targeting a fiscal gap of 7.5 percent of gross domestic product this year compared with 9.3 percent in 2014. Last year, Ghana shelved a $600 million project to improve the city's drainage network and expand the sewer system. "The cost of the flooding adds to Ghana's large external financing needs, and can weaken policy focus from the fiscal consolidation being envisaged under the IMF program," Raza Agha, an economist at VTB Capital Plc in London, said in a reply to e-mailed questions. "The flooding raises social pressures at a time when high inflation, a weakening currency, high borrowing costs and low growth are already exerting a heavy toll on the population."

The government plans a Eurobond sale, the third in three years, after the IMF conducts a review of the economy this month, Mahama said June 13. The World Bank pledged to guarantee those securities and other bonds with a maturity of 10 years or longer, he said.
Cocoa output from the world's second-biggest producer of the chocolate ingredient may drop 25 percent from last year, according to Ecobank Transnational Inc. That's curbing revenue from the commodity that was the biggest source of Ghana's foreign exchange in the first

quarter. The nation produces about 100,000 barrels of oil a day from its Jubilee field, operated by Tullow Oil Plc, and started exporting in 2010. "I'm still wary of Ghana; they spent their money like drunken sailors with the idea that the Jubilee field was going to solve all their problems," Ray Zucaro, who helps manage about $380 million at Los Angeles-based SW Asset Management, said by phone on June 10. "If they were able to get a guarantee, it would basically take out your credit risk." Without it, Ghana would have to pay up, said Holger Siebrecht, who helps oversee $350 million of emerging market debt at Acadian Asset Management LLC.. "We'll stay out of that credit," Siebrecht said by phone from Boston on June 10. "But everything has a price. If the yield's attractive enough, there will be investors that are tempted." *(Bloomberg)*

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Kenya

Corporate News

Old Mutual says it has received all regulatory approvals for the acquisition of a further 37.3 per cent of UAP Holdings. Following completion of this acquisition, which is expected within the next two months, Old Mutual will hold a stake of 60.7 per cent in UAP. This follows announcements by Old Mutual in January that it had acquired 23.3 per cent of UAP Holdings, and intended to purchase a further stake held by the Abraaj Group, AfricInvest and Swedfund of 37.3 per cent. Old Mutual Kenya Group CEO Peter Mwangi confirmed this during a workshop organised by both Old Mutual Kenya and the UAP group to commence the merger operations. "A majority stake in UAP, combined with the existing Old Mutual businesses in Kenya, will provide the group with the scale and product breadth to capitalise on the significant growth," Mr Mwangi said. UAP Holdings Group MD Dominic Kiarie said Old Mutual brings on board global connections and expertise, infrastructure as well as access to financial resources that will enable UAP compete effectively. *(Standard)*

BAI Co. of Mauritius's stake in British American Investments Co. of Kenya is being sold to help pay creditors and policyholders after the Mauritian investor was placed under conservatorship, PricewaterhouseCoopers said. The administrators expect to raise 12 billion rupees ($340 million) from the sale of BAI Co. (Mtius) Ltd.'s assets, which include a 23.9 percent stake in Britam, Mushtaq Oosman, a special administrator at the auditing firm based in Port Louis, said Wednesday. Shares in Britam, Kenya's second-biggest publicly traded investment company, closed at 21.50 shillings in Nairobi, valuing the stake at about 10 billion shillings ($102 million). "We have initiated the process of selling off" BAI's assets in Kenya, Oosman said in an e-mailed response to questions. "Assets are being sold to realize the dues to banks, various creditors and policyholders as far as possible." Mauritian regulators in April appointed PwC to take charge of BAI after a run on Bramer Banking Corp., or BBCL, the Indian Ocean island-nation lender owned by BAI, prompted the central bank to withdraw its license. Dawood A. Rawat and Moussa I. Rawat, who are directors of the two Mauritian companies, have since resigned as directors of Britam Kenya. Britam Kenya Chief Executive Officer Benson Wairegi didn't immediately respond to an e-mailed request for comment. Prime Minister Anerood Jugnauth said April 3 Bramer's banking permit was withdrawn "following strong evidence that BBCL is engaged in a Ponzi scheme which exceeds 25 billion rupees." Britam Chairman Francis Muthaura said that month the Kenyan company's operations were running as normal. BAI Co. is the biggest shareholder in Britam of Kenya, according to data compiled by Bloomberg. PwC has no fixed timeline for the sale of the stake, Oosman said. "Further work is being done to maximize" the amount that is received from the sale, he said. Britam Kenya said in April that the State Insurance Co. of Mauritius would take over the stake in BAI held by Dawood Rawat "to secure the interests of the local and international shareholders." *(Bloomberg)*

Centum has reported a 160 per cent growth in annual net profit to Sh7.9 billion, helped mainly by a huge gain that the NSE-listed investment firm booked from the sale of its stake in insurance group UAP. The firm earned Sh5.2 billion from the sale of its 13 per cent stake in UAP Holdings to Old Mutual, making a gain of Sh2.8 billion over the book value of the stock. The company also exited two investment funds (Helios and Nigeria-based African Capital Alliance) in a Sh500 million transaction, from which it reported a gain of about Sh100 million. "The sale of our UAP stake definitely contributed positively to our bottom line but it was not the only contributor to the good earnings," said Centum CEO James Mworia after the release of the company's results on Wednesday. "All our investment lines such as dividend and interest income went up with total returns increasing to Sh9 billion from Sh6.8 billion in the previous year. Even without the UAP sale, we were still going to do well." The company plans to exit investments in which it holds minority stakes. Centum's total assets in the financial year to March 2015 increased to Sh72.3 billion from Sh29.6 billion the previous year, representing a jump of 144.2 per cent.
Old Mutual in January acquired 23.3 per cent of UAP Holdings for $97.6 million (Sh9.5 billion), being a combined stake from investment firm Centum and businessman Chris Kirubi, who is also a director of Centum. The transaction, which this week received regulatory approval, earned Mr. Kirubi about Sh2.8 billion. Old Mutual's buyout effectively made UAP a subsidiary of the financial services group. Exiting UAP supplemented Centum's other positive revenue inflows from sectors such as energy, first moving consumer goods, financial services and the lucrative real estate. The company holds a total portfolio worth Sh68.9 billion. Interest income grew by nearly four-fold to Sh1 billion while dividend income from its investment in associates and subsidiaries grew by 57.6 per cent to Sh725 million, boosting the

company further. Fund management income (including from its subsidiaries Nabo Capital and Genesis Kenya) grew 140 per cent to Sh639 million, while realised gains (which includes the UAP sale) grew from Sh993 million to Sh7.1 billion. Centum's loan and advances stand at Sh11.06 billion while its consolidated liabilities grew from Sh9.32 billion in 2014 to Sh33.8 billion as at the end of March this year. *(Business Daily)*

Standard Chartered Bank has entered Banc Assurance business as it seeks to diversify its revenue streams. The bank joins a growing list of lenders entering insurance following changes in banking regulations, opening the door for both local and international banks. StanChart has entered into non-exclusive distribution agreements with AIG Kenya Insurance and Pan Africa Life Assurance. The subsidiary will offer general and life insurance products. "It has taken us close to six months of intricate system integration with our partners to ensure that we bring to the market products that will add value to our clients' aspirations," said Lamin Manjang, the bank's chief executive. Standard Chartered joins lenders such as Barclays, I&M, KCB, Equity and NICin the business. KCB said it earned Sh155.2 million pre-tax profit from its unit last year, its first full year of operation. Equity Insurance Agency posted a pretax profit of Sh396 million while NIC recorded Sh26.3 million. Barclays Bank, through its Africa group outfit, recently acquired a controlling stake in First Assurance for Sh2.9 billion. Banks are banking on their financial strength, wider outreach and public confidence to penetrate the insurance sector which has been dogged by the collapse of some insurers.

Currently insurance penetration is below four per cent in the country compared to access to banking services at 67 per cent. "Through our extensive branch network, we are going to offer full financial planning to our clients based on the close-knit relationship we enjoy. Customer profiling will culminate in holistic financial planning and solutions," said Mr. Manjang. The entry of banks in the sector has however not been smooth with some of the insurers accusing the lenders of forcing customers to take up insurance products from particular firms, ultimately denying them the freedom to go for conveniently priced options. The Insurance Regulatory Authority has said it is working on regulations to guide how banc assurance will be operated. Other services being offered by banks are investment banking and custodial business. Standard Chartered acquired Barclay's custodial business in 2010 underlining its appetite for diversification. *(Business Daily)*

Kenya's Centum Investment Co said on Thursday its 6 billion shillings ($61 million) bond was 38 percent oversubscribed. Investors offered 8.31 billion shillings for the five-year bond, which has a fixed-rate component as well as an equity- linked one. It will be listed on the Nairobi Securities Exchange. â€œThe bond uptake is mostly by local investors and is a strong indicator of Kenyans' confidence in the Centum growth strategy," James Mworia, chief executive of the company, said in a statement. The cash will be used to fund Centumâ€™s investments in financial services, energy and real estate. The equity-linked note, which will offer investors higher returns based on the movement of the company's net asset value, received demand worth 3.48 billion shillings, Centum said. Pretax profit for the company, which invests in listed and private firms, jumped 120 percent to 8.82 billion shillings in its year ended in March. *(Reuters)*

Economic News

Kenya's central bank said on Monday it was in the money market to mop up 8 billion shillings ($82 million) in excess liquidity. By absorbing excess liquidity, the bank makes it costlier to hold dollars, which in turn supports the shilling. The bank has set the cap for its repurchase agreements at 10 percent and 12.50 percent for its term auction deposits. *(Reuters)*

Kenya's Williamson Tea and Kapchorua Tea both reported a loss for the year to March 2015, blaming weak prices caused by a glut in supplies globally and in Kenya but forecast a recovery on lower output. Tea earnings, one of Kenya's main sources of foreign exchange, have slumped this year owing to a global glut, hurting earnings for both big companies and smallholder farmers. Williamson reported a full-year loss 227.6 million shillings ($2 million) compared with a 740.7 million profit a year earlier. Kapchorua had a 22.8 million shilling loss from a 126.0 million shilling profit the previous year. "Prices have been weak through the year as large unsold tea stocks from other producers within Kenya have provided buyers with the unwelcome luxury of too much tea," the firms, which share directors, said in a statement. "We expect to see better prices as we enter the new financial year due to less tea available in the market as result of lower crop production." However, both companies secured an operational profit. Williamson reported a profit from operations before tax of 193.9 million shillings from 614.6 million shillings a year earlier. Kapchorua said profit from operations before tax was 76.8 million shillings compared with 108.0 million shillings. The operating profit resulted from forward purchased of their tea output from long-standing buyers, the firms said. The Williamson board recommended a final dividend payment of 40 shillings per share funded by reserves, while Kapchorua's board recommended a 5 shillings dividend. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's consumer inflation quickened to 19.5 percent year-on-year in May from 18.8 percent in April, data from the National Statistical Office showed on Thursday. *(Reuter)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

Air Mauritius said on Thursday it had swung to a full-year pretax loss, blaming the weakening euro, but said it had taken steps to reduce its costs with the aim of restoring profitability in this financial year. Mauritius is a popular holiday destination, famous for its azure waters, white sandy beaches and luxury spas, but the European economic slowdown has weighed heavily on tourism. Â Â Â The Indian Ocean island's national carrier posted a pretax loss of 22.89 million euros ($26 million) in the year to March against a pretax profit of 8.6 million euros a year ago. "The results ... have been significantly impacted by the depreciation of the euro. The EUR/USD parity moved from 1.38 at the start of the financial year to 1.08 at 31 March 2015," the airline said in a statement. Compared to the previous year, the net negative impact of the weaker euro was 25.6 million euros, the company said. Air Mauritius said the number of passengers carried went up by 3 percent to 1,370,423, but this could not mitigate the loss. However, it was implementing measures to boost traffic on its network in the wake of fiercer competition on major routes. Air Mauritius said it was "taking all necessary steps to further reduce its cost base. The Company is committed to restore profitability for the next financial year." The results were released after the stock market closed and the company's stock had was unchanged at 11 rupees. *(Reuters)*

Economic News

Four-year Bank of Mauritius Notes fetched a 4.29 percent yield at auction on Tuesday, the central bank said. The bank offered 3.5 billion rupees ($99.94 million) worth of the debt but accepted bids for 3.025 billion at yields ranging from 4.07 percent to 5.50 percent. The paper is due on June 17, 2019 and had a coupon rate of 4.07 percent. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

GlaxoSmithKline Consumer Nigeria Plc has rewarded its shareholders with cash dividend of N717.5 million and bonus issue of one new share for every four shares for the year ended December 31, 2014. The dividend and bonus issue were approved by the shareholders at the company annual general meeting in Lagos last week in Lagos. The company recorded a turnover of N30.52 billion showing an increase of five per cent over what was recorded in 2013. Profit before tax and after tax fell by 36 per cent and 37 per cent to N2.75 billion and N1.85 billion respectively. However, total assets grew from N26.2 billion to N27.96 billion. Speaking at AGM, Chairman of the company, Mr. Edmund Onuzo said although the year 2014 was quite challenging, the company remained to ensuring that its shareholders get the best returns on their investments. "While operating expenses were well managed, the company recorded an exchange loss of N893 million as a result of the Naira devaluation by Central Bank of Nigeria(CBN) in the last quarter of 2014. Furthermore, an increase in cost of goods sold of N1.234 billion as a result of the sale of brands by the GSK group to Lucozade Ribena Suntory (LRS), added to the decline in profit, Onuzo noted.

According to him, despite the decline in profitability, the Board recommended a dividend of N717.5 million, which translated into 75 kobo per share. He said the company will continue to deploy appropriate marketing strategies and retool its route to market model to focus more on the different categories of its diverse businesses. The shareholders approved the dividend and bonus and commended the board and management for the results. For instance, the Chairman, Ibadan Zone Shareholders Association of Nigeria, Chief Sola Abodunrin, said "We very happy that GSK is giving us bonus this year after a long time. We are also happy that they are giving us a dividend of 75 kobo per share despite the difficult circumstances, devaluation of the naira and reduced profit. GSK is a good company with good products and we really want them to tap into these potentials to further grow the company. We agree that GSK performance has impacted positively on the socio-economic status of Nigeria and we want that to continue." *(This Day)*

Managing Director of Custodian and Allied plc Mr Wole Oshin has said that the company had within its 20 years of existence, accumulated N50 billion assets. Oshin, who stated this at a public lecture to mark the company's 20th anniversary in Lagos, said annual earnings of the company stood at over N25 billion, while pension assets managed by the company is in the excess of N160 billion, making the company to be comfortably within the top bracket of eminent players in Nigeria's other financial services sector." In the 2014 full year result published recently, Custodian and Allied posted a profit after tax of N4.5 billion for the year, representing an increase of 26.23 per cent over the N3.603 billion recorded in 2013. Oshin also informed that the company recorded a 17.8 per cent growth year-on-year in owners' fund complemented by a total equity of N22.48 billion as at December 31, 2014. To preserve the company's treasured ideals, ethics and values, he pointed out that the management would continue to favour an organic growth approach; while not foreclosing opportunities for inorganic growth where such present itself and is adjudged credible and profitable. Oshin emphasised that the company is committed to sustainable development of its environment through proper governance and risk-management methods.

"We are a best practices company that has consistently delivered superior performance and do not engage in unhealthy practices capable of negatively impacting the general financial sector. We provide professional service whilst embracing our ethical value system, delivering service to our numerous clients and at the same time reaching out to the general public with products designed with all classes of clients in various business groups in mind", he stated. He assured that the company would continue to exceed expectations by constantly pushing the frontiers of innovation, service delivery, technology as well as processes in delivering tailor-made, customer-focused products and services to its customers while ensuring that every stakeholder derives maximum value from the Custodian franchise. Also speaking, the company's chairman, Chief Michael Adeojo, said the 20 year period has been an interesting journey with several layers of challenges unfolding in the wake, amidst individual and team sacrifices, unrelenting commitment to excellence and unrivaled zeal to succeed. He added that Custodian and Allied comprising Custodian and Allied Insurance Limited, Custodian Life Assurance Limited, Custodian Trustees and CrusaderSterling Pensions Limited is today the delight of all critical stakeholders; a shining example among peers for all that is true, just and fair in its chosen field of endeavor, and beacon of light for numerous clients. "With history being a reliable tool for understanding the past, analysing the present and forecasting the future, may I crave your indulgence to take a quick peep into the immediate future of our company. "I see a company growing from strength to strength, a company with a foothold on the continent, a company that is every client's delight and desire on the strength of unparalleled service offering and superior process," he stated.' *(This Day)*

South Africa's Standard Bank, said on Wednesday it will publish the list of loan defaulters in line with a new directive by the central bank. Stanbic IBTC would be among the first banks to publish such a list after the regulator ordered lenders in April to crack down on non-performing loans to forestall a repeat of a 2009 industry bailout that cost the government $4 billion. The new plan requires banks to give bad debtors three months to square their accounts, following which they would be named in Nigerian media and barred from taking part in currency and government debt markets in Africa's biggest economy. Stanbic said in a statement that in addition to publishing a list of defaulters by the end of August, it would also use legal and other means to recover non-performing loans. While issuing its order, the central bank did not give an estimate of the level of non-performing loans held by banks. In 2009, the central bank rescued several banks that had lent mainly to the oil and gas sector just before crude prices collapsed, triggering a near-collapse of eight commercial banks. *(Reuters)*

First Bank of Nigeria Limited, a subsidiary of FBN Holdings Plc, has unveiled FBNBank Guinea, formerly registered as International Commercial Bank (ICB), Guinea. The unveiling, it said in a statement, comes after the agreement reached by FirstBank and International Commercial Bank Financial Group Holdings Ag (ICBFGH) for the acquisition of a 100 per cent equity interest in ICB Guinea. The launch further consolidates FirstBank's position as the largest corporate and retail banking financial institution in sub-Saharan Africa (excluding South Africa) with presence in Ghana, Gambia, Guinea, Senegal, and Democratic Republic of Congo as well as presence in the UK and Representative Offices in Johannesburg, Abu Dhabi and Beijing. The expansion represents FirstBank's strategic objective to maintain significant market share, expand its pan-African footprint and diversify earnings while delivering value to shareholders. FBNBank Guinea is strategically positioned to foster greater collaboration and provide better service for the country's public and private sector clients, and the general public at large. The Bank leverages FirstBank's international network, business expertise, which is part of the diversified synergies of the FBN Group to offer innovative, convenient and secure banking services to its customers and better seize the emerging opportunities in the local market.
Speaking on this development, the GMD/CEO of FirstBank, Bisi Onasanya, said the launch of FBNBank Guinea fulfills one of the critical stages of our ambition to steadily broaden and build a more diverse footprint across Africa. "We are committed to developing a multi-local business model that broadens our geographic revenue base while providing enhanced service delivery to our new customers and equity participation to local investors." The Managing Director, FBNBank Guinea, Akeem Oladele said "Having built value for Nigeria over the last 120 years, FirstBank through FBNBank Guinea is poised to do even more in the Guinean financial market. FBNBank Guinea will provide customers with a bouquet of banking solutions that make their financial lives more convenient and stress-free whilst providing a delightful service experience". "Given our heritage and market leadership at FBNBank, we are committed to co-creation; to listen and input feedback received from our customers in the development of products and services that are relevant", Oladele added. *(The Nation)*

Transcorp Ughilli Power Limited, the power generating and investment subsidiary of Transnational Corporation of Nigeria Plc, increased its capacity from 342 megawatts as of December 2014 to 610MW at the end of 2014, the company's Chief Executive Officer, Mr. Adeoye Fadeyibi, said. The figure represents a 78 per cent increase year-on-year and a 300 per cent increase from the takeover figure. This was contained in the company's annual report for the year, which was presented to the shareholders at its Annual General Meeting on Wednesday, a statement by the company said. According to the statement, the report details outstanding progress during the first full calendar year of operations at Ughelli Power Plant, the group's power generating asset and Nigeria's largest gas-powered generating company. "We are strengthening our part of Nigeria's energy chain," Fadeyibi told the shareholders. He went on the outline the company's short-term, post-acquisition operational strategy, which is based largely around the recovery of installed capacity. The statement also acknowledged a report by financial advisory firm, Renaissance Capital, in which it predicted that Transcorp Plc would more than quintuple its profitability by 2017 in part because of the outlook for Transcorp Ughelli Power. It quoted RenCap as saying, "We believe the government's determination to make centralised electricity supply a reliable source of power for the economy, at half the price of the currently widely used diesel generators, is sufficient reason to see a bright future for the asset.

The Group President and Chief Executive Officer, Transcorp Plc, Mr. Emmanuel Nnorom, expressed satisfaction with the performance of Transcorp Ughelli Power, stressing that the management and staff were committed to the company's objectives. He said, "Our team is excited and united. Ade (Fadeyibi) has done a fantastic job of assessing existing generating assets at Ughelli and determining a course of action for total recovery and as a result, we are on track to achieve 850MW per day by year-end 2015, which represents a major contribution to the country's total energy output." The statement added that during the TUPL Board meeting on Tuesday, Transcorp Plc Chairman, Mr. Tony Elumelu, predicted significant long-term growth, saying, "We are determined to produce a quarter of all power generated in Nigeria and we are clearly on track to achieve this, thanks to the cohesiveness of the leadership team and the hard work of the staff, driven by the TUPL CEO."*(Punch)*

Oriental Energy Resources Limited (OERL) and its JV Partners, Afren Energy Resources and Addax Petroleum have announced the completion and flow testing of their first development well, Okwok 13 in the OkwokMarginal Field in OML 67. The companies stated that the completion followed an extensive field appraisal programme, the acquisition and processing of a 4-component OBC seismic and the approval of the Field Development Plan (Okwok FDP) by the Department of Petroleum Resources (DPR) in early 2014. It was learnt in a statement issued on Thursday, that the Okwok-13 development well was drilled in early 2015 to a total measured depth of 9,002 feet and was completed as a horizontal producer in the LD-1B Lower reservoir with over 1500ft pay section. According to the statement, "Following the completion, the well was successfully tested to reconfirm commercial deliverability and reservoir connectivity. "A facility-constrained rate of 5,400bopd, 24.5 deg API was tested on 36/64 choke with GOR of 355scf/bbl and wellhead pressure of 1,248psi. The test data showed no evidence of depletion and preliminary analysis indicates significant reserves addition is confirmed by this well." They noted that the well would be suspended in readiness for regular production when the planned Mobile Offshore Production Unit (MOPU) and the Okwok crude oil sales export pipeline are installed.

The Okwok wellhead jacket was installed in late 2014 and "this permitted the drilling of this first development well." The pipeline to transport Okwok processed crude over the 15kilometre distance to Oriental's Ebok Terminal has been procured and is currently awaiting installation. The statement quoted the Oriental Chairman, Alhaji Muhammadu Indimi, as saying: "I am extremely pleased with the results of the testing of the Okwok-13 well at a rate over 5000 barrels per day of quality Nigerian crude oil, as it further confirms the commercial viability of the Okwok Field. "The company looks forward to bringing Okwok production online within a short time. Produced Okwok crude will be stored for export in the Ebok Terminal Floating Storage and Offloading (FSO) Veer Prem operated by the Oriental JV." Okwok is the second asset that Oriental and its partners are developing under Farmout from ExxonMobil. The Oriental JV also operates the nearby EbokField development where a number of major technological innovations were deployed. The Ebok field currently produces over 30,000 bopd and is believed to be the largest offshore ESP operation in Africa. Founded in 1991, Oriental Energy Resources Limited appreciates the opportunity provided by the federal government with the support of the DPR to be an Indigenous Upstream Exploration and Production operator and the company disclosed that it is proud to be among the leaders in this laudable programme. *(This Day)*

Group Managing Director/Chief Executive, Lafarge Africa, Mr. Guillaume Roux has revealed that the company incurred financial losses of about N2.5 billion as a result of the insurgency in the north-east region of the country. He said the deficit, which was incurred between November last year and April 2015 followed the inability of the company to meet sales projections due to the restiveness occasioned by activities of the Islamic sect, Boko Haram. He however, admitted that normalcy had since returned to its operations. Speaking to journalists in Abuja shortly after a meeting with the Presidential Initiative on the North East (PINE) held to finalise discussions on the role the cement company will play in the long term economic development of the North East, he said supporting the security, recovery and stability of the region had become critical to the future of its over $100 billion business expansion drive particularly in the northern region. He said:"Today we have up to 8.5 million tonnes in the country and we want to double that capacity in the next five years, we are expanding in Calabar and we want to expand in the north-so this project of $100 billion expansion in the north is key because there's a market, its key because there's growth and it's been an essential project for us. "And we believe that the assets and plants we have in the north is very strong, very competitive and we want to make sure the right conditions are there: there are. And there are a number of right conditions, security is essential-without security obviously we cannot invest. The economic development is essential, so we need to help.

He said:"I can assure you what we've done in the past...if we have to be there in the next fifty years we have to participate in the defined initiatives to create jobs, to help education improve, to create other facilities and infrastructure. It's good business to do that and we are very happy to have very good partners to support this development." Essentially, the proposed areas of partnership include contributing to the enhancement of entrepreneurship in the area, collaborating to develop modular solutions tommeet the demand for schools, providing solutions to attract and retain required talents, particularly in medical and education and to make existing training center available in support of skill development in the area as well as developing cost-effective solution to accelerate the rebuilding of homes and public facilities. Roux said the company had demonstrated its commitment to business expansion in the region through the ground breaking of an expansion project that was meant to grow Ashakacem capacity from the current one million metric tonnes to four million metric tonnes. He said:"Lafarge is a long term investor and this necessitates uninterrupted operations despite the insurgency that we have witnessed in recent times. Of course, we see security as a key ingredient for our continued operations and this is why we are a willing ally with PINE in restoring normalcy and rebuilding the region."

Also speaking at the occasion, Chairman of PINE who also chairs the Special Committee on the Resettlement and Rehabilitation of Internally Displaced Persons (IDPs), Prof. Soji Adelaja commended Larfage for identifying with Federal Government efforts to empower the region. He said: "It's only natural that they come to the table and we come to the table as we are planning for the north east to say what can you do for us in the process of building the north east. "So I think Nigeria has been good for them offering them the market but in addition to offering them the market it's about helping to abate the security situation that has been critical to their operation. It's an effort of the company to step out and say we believe in the future of this region and we would work with infrastructure to help establish the future of the region." *(This Day)*

Economic News

A report by African Economic Outlook (AEO) has revealed that foreign direct investment (FDI) in Nigeria and a couple of other African countries are expected to reach $73.5 billion (N14.553 trillion) in 2015, underpinned by increasing greenfield investment from China, India and South Africa. The AEO presents the current state of economic and social development in Africa and projects the outlook for the continent. The AEO is a product of collaborative work by three international partners: the African Development Bank (AFDB), the OECD Development Centre and the United Nations Development Programme (UNDP). The AEO pointed out that foreign direct investment is diversifying away from mineral resources into consumer goods and services and is increasingly targeting large urban centres in response to the needs of a rising middle class. The report also observed that African sovereign borrowing is skyrocketing adding that remittances have increased six-fold since 2000 and are projected to reach $64.6 billion in 2015 with Egypt and Nigeria receiving the bulk of flows. "Conversely, official development assistance (ODA) will decline in 2015 to $54.9 billion and is projected to diminish further. More than two-thirds of states in sub-Saharan Africa, the majority of which are low-income countries, will receive less aid in 2017 than in 2014. Despite significant improvements in tax revenue collection over the last decade, domestic resource mobilisation remains low. "Financing the post-2015 development goals will depend on the capacity of African policy makers and the international community to harness these diverse funding options and exploit their potential to leverage additional finance. The financial landscape has changed considerably in Africa since 2000. Private external flows in the form of investment and remittances now drive growth in external finance," AEO stated.

Meanwhile, THISDAY findings revealed that investment in the Nigerian retail market has reached an all time high, attracting over N200 billion in the last two years owing to rising purchasing power and the huge potential of the nation's economy. Experts believe investors are flocking to the sector as a result of Nigeria's potential, a large population, positive macro-economic growth and a strong appetite for consumer goods. Findings by Oxford Business Group (OBG) made available to THISDAY revealed that both foreign and local investors are dramatically expanding their domestic retail footprint in the country. According to OBG, "By the end of June 2012, Shoprite the continent's biggest retailer opened its fifth shop in Nigeria, and another two in 2013. Shoprite, has outlined plans to open up to 700 stores in the country, and Massmart, South Africa's second-largest retailer and partly owned by Walmart, has announced that it intends to increase its presence from two to 20 stores. "Also, Spar, Europe's largest retail network, has partnered with Nigeria-based Artee Group to tap into the local market, cutting ribbons at a new outlet in Lagos and one in Abuja. Looking ahead, the firms aim to increase their Lagos network and expand into Port Harcourt and Ota in Ogun state."

The Managing Director and Chief Investment Officer of FBN Capital Asset Management Limited, Mr. Michael Oyebola, has highlighted Nigeria's position as the top foreign institutional funds destination in West Africa. He made this known in a presentation titled: "Nigeria: West Africa's most viable destination for US institutional funds," during the 2015 edition of the Africa Institutional Funds and Managers' Series (AIFMS), held in New York recently. Oyebola stated that Nigeria has a compelling investment business case, despite the socio-economic challenges she is contending with. He noted that Nigeria continues to show great potential in core areas of interest to traditional institutional fund managers, while her burgeoning middle-class and status as Africa's largest economy following her Gross Domestic Product (GDP) rebasing, establishes her as the sub-region's most viable investment destination. He also highlighted the country's ongoing revival in agriculture, its vast and untapped power resources, a progressive financial services sector, the untold potential which remains in oil and gas, as well as a vibrant telecoms and ICT industry, among other investment-stimulating factors. According to him, "in agriculture the investment opportunities which exist in food processing and storage facilities, crop production, and animal husbandry due to a huge domestic demand are many, while in the power sector, the nation's gas agenda facilitates a potential for aggressive gas-based industrial growth." Furthermore, he noted that crucial to the successful performance of institutional fund investment from the US and other continents to Nigeria, was partnership with leading investment and asset management firms in the sub-region to ensure knowledge and expertise of the local operating environment. In 2014, FBN Capital was recognised as the Best Investment Bank in Nigeria for the third year running by Global Finance Magazine. Its Asset Management subsidiary, FBN Capital Asset Management also emerged as the best Asset Manager in Nigeria at the EMEA Finance African Banking Awards. It received the World Finance Banking Awards as the Best Investment Bank in Nigeria and the EMEA Finance African Banking Awards as the Best Local Investment Bank in 2013. *(This Day)*

The Central Securities Clearing System Plc (CSCS) has revealed that its income grew by 18.69 per cent in 2014, with total earnings of N8.2 billion in the year, as against the N6.94 billion it generated in 2013. Managing Director, CSCS, Mr. Kyari Bukar, stated this in an address he delivered at the 2014 annual general meeting of the organisation. This feat, Bukar said was achieved through fees earned from clearing and settlement services provided to capital market participants, interest on fixed deposits and debit instruments in which the CSCS had invested as well as sales and subscription from other service offerings. The CSCS' operating expenses also stood at N2.48 billion in the year under review, with a variance of 14.52 per cent, when compared with the N2.12 billion spent in 2013. "These expenses were judiciously incurred in shoring up and maintaining our capital and human resources in pursuit of our objectives. We closed the year on a profitable note with our profit after tax up by 19.1 per cent from N3.74 billion in 2013, to N4.62 billion in 2014," he added. The CSCS 2014 annual report showed that the volume of its e-rights recorded in the year under review climbed to 41.86 billion, representing an increase by about 260 per cent from the previous year. Among other initiatives in 2014, the CSCS boss revealed that the organisation last year developed a biometric enrolment and verification system (CEVS). According to him, the system had been presented to the Securities and Exchange Commission. "We are happy to report that the CEVS has gone live and we are optimistic that the initiative would boost investor' confidence in the area of security of investors' identity, increase efficiency and liquidity in our market. The record of investor biometric enrolment has increased from 1,256 in 2013 to 8.696 as at the end of December 2014," he added. The board recommended a total dividend pay-out of N1.350 billion to shareholders of the company. This represented 27 kobo per share to shareholders. Also, the Chairman of the CSCS, Mr. Oscar Onyema, assured that the company would continue to work to be in strong position to benefit from any improvement in the country's economic conditions. "We are poised to continue both investment and acquisitions to provide logistic solutions to the business," he said.*(This Day)*

Nigeria's privatisation of 10-independent power plants (IPPs) that could fetch up to $5.6 billion is stalling due to a lack of gas supply, the

chief executive of Aiteo Power and Gas said. "A lack of gas is stalling the deals," Ransome Owan told a power conference in Lagos late on Tuesday. Africa's biggest economy broke up its monopoly on power generation and distribution by privatising the sector two years ago, hoping to attract foreign investors. *(Reuters)*

Nigeria plans to sell 120.52 billion naira ($606 million) of 3-month, 6-month and 1-year Treasury bills on June 24, the central bank said on Wednesday. The bank said in a statement it would sell 31.19 billion naira worth of the 3-month paper, 39.33 billion naira of the 6-month bill and 50 billion naira in the 1-year debt next week, using the Dutch auction System. At an auction later on Wednesday, the bank is offering 143.64 billion worth of Treasury bills of tenors ranging between 3-month and 1-year. In addition, a total of 80 billion naira worth of Treasury bonds with maturities between 5-year and 20-year are also on offer at the same auction. The results of both auctions will be published the Thursday. *(Reuters)*

Nigeria's Geometric Power will build a 1,080 megawatt power plant jointly with General Electric, with the first phase of the project generating 500 MW expected to be completed in 2019 at a cost of $800 million. Geometric Power CEO, Bart Nnaji said the firm had also appointed London-based Standard Chartered Bank as financial advisers for the first phase of the plant. Africa's biggest economy broke up its monopoly on power generation and distribution by privatising the sector two years ago, hoping to attract foreign investors, but the amount of power produced has stagnated at around half total capacity. "We have a 1,080 megawatt project ... (in partnership) with General Electric. The power goes to the national grid. What we are doing is to build up power projects in this way," Nnaji, a former Nigerian minister of power, told Reuters late on Tuesday on the sidelines of a power conference in Lagos. Nnaji said the firm was in discussions with some Chinese, European and U.S. investors and expected financial close by year-end. Construction would start early next year. Geometric Power, which has a 141 megawatt captive power for industrial use in Abia State, said the new plant would also be located in Abia State, southeast Nigeria. Nigeria, with a population of around 170 million, has installed power capacity that fluctuates between around 6,000 to just over 7,000 MW, but experiences severe electricity shortages that are crippling its growth. Some of the older plants, sold in October 2013, are in dire need of an upgrade while the fledgling generating firms lacking the cash as distributors struggle with non-paying consumers and inadequate gas supplies required to keep the plants running. Nigeria is also in talks with Russia's state-owned Rosatom to build nuclear power plants.*(Reuters)*

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Tanzania

Corporate News

TANZANIA is now set to launch its long awaited Eurobond to fund major infrastructure projects after concluding negotiations with the Moody's and Fitch Ratings for credit rating. The Minister for Finance and Economic Affairs, Ms Saada Mkuya Salum, said in her budget speech here last week that the government would sign agreements with the two credit rating agencies before the end of the month. "Talks between the government and Moody's and Fitch Ratings for credit rating have been concluded. We hope the government will sign agreements with these companies before July 2015," she said. A credit rating is an evaluation of the credit worthiness of a debtor, especially a business entity or a government, but not individual consumers. The evaluation is made by a credit rating agency of the debtor's ability to pay back the debt and the likelihood of default. The credit rating represents the credit rating agency's evaluation of qualitative and quantitative information for a company or government; including nonpublic information obtained by the credit rating agencies' analysts. The credit rating is used by individuals and entities that purchase the bonds issued by companies and governments to determine the likelihood that the government will pay its bond obligations. A poor credit rating indicates a credit rating agency's opinion that the company or government has a high risk of defaulting, based on the agency's analysis of the entity's history and analysis of long term economic prospects.

Minister Salum did not say how much the bond would be worth, but she was quoted by media recently as saying the amount of the Eurobond will be determined by the assessment of the credit raters where the country expects good credit rating on the back of sustained economic growth and sound fiscal policies. However, some observers say Tanzania will need to raise up to US1 billion for purposes of financing infrastructure projects, particularly roads and railway networks Tanzania is inching closer to join the middle-income countries group after enjoying a robust growth of the economy that has pushed down poverty and boosted people's income. The East Africa's second largest economy registered a seven per cent growth rate of the economy last year which boosted the total output of the economy to 79.1 tri/, equivalent to a per capita income 1,724,416/- or 1,038 US dollars. According to World Bank classifications, for the current 2015 fiscal year, low income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method of 1,045 US dollars or less in 2013. Middle-income-economies are those with a GNI per capita of more than 1,045 US dollars but less than 12,746 US dollars. Ms Salum had told earlier saying some investors predict a somewhat similar score to Mozambique. According to information posted on the Trading Economics website in February, Standard & Poors credit rating for Mozambique stands at B+ and Fitchs credit rating for Mozambique is B.

Some prominent economists and analysts have, however, called upon the government to suspend the process until next year, on grounds that the country might not secure a good score. "There are lot of political risks and economic challenges at present. We have a general election in October and the situation seems to be tense," said Professor Honest Ngowi, of Mzumbe University. The Eurobond process in Tanzania was originally launched in 2008, but was postponed due to the global financial crisis and launched again in 2012 with the intention of issuing the Eurobond during the 2012/13 financial year. Ghana is the first African beneficiary of debt relief to tap international capital markets, after it floated a 750 million US dollar 10-year Eurobond in 2007. Since then, other countries such as Senegal, Nigeria, Zambia and Rwanda have followed suit. Nigeria has, since its debt-relief of 2004, twice raised money from Eurobonds; first in 2011 with a 500 million US dollar 10-year Eurobond and then in 2013 when it issued a 500 million US dollar 5-year bond at a yield of 5.375 per cent and a 500 million US dollar 10-year bond with a yield of 6.625 per cent. Last year Kenya raised a record 2.0 billion US dollar Eurobond, the largest debut for an African country in the sovereign bond market. *(Daily News)*

CRDB Bank Plc, Tanzania's second-biggest lender by market value, will use the proceeds of a rights offer that opens next week to fund expansion in eastern and central Africa, a spokesman said. The bank, based in Dar es Salaam, announced on Tuesday it is seeking to raise about 152 billion shillings ($68 million) by selling 435.3 million shares at 350 shillings each to existing stockholders from June 26. CRDB plans to add five new branches in Tanzania, two in neighboring Burundi and start operations in the Democratic Republic of Congo, Finance

Director Frederick Nshekanabo said in an e-mailed response to questions Wednesday. "Our new target market is Congo," Nshekanabo said. "The move to Congo will start as soon as the Burundi operation breaks even, and we expect Burundi to break even in 2015-16." Congo is Africa's fourth-most populous nation, with 68 million people. About 11 percent of the population have an account at a financial institution, among the 10 lowest rates on the continent, which has 54 countries, according to World Bank data. Equity Group Holdings Ltd., Kenya's largest bank by market value, last month announced it plans to acquire a stake in ProCredit Bank Congo, the country's seventh-biggest lender. CRDB has more than 90 branches across Tanzania, according to its website. Last year, it more than tripled total assets to 104 billion shillings from 32 billion in 2013. In Burundi, the lender has four outlets and a mobile one. The unit recorded a loss of 3.58 million shillings in 2014, compared with a 3.4 million-shilling loss in 2013, the bank says in its annual report. Shares in CRDB have climbed 5.8 percent in the year to date to 455 shillings at the close in Dar es Salaam on Wednesday. The stock has underperformed a 13 percent increase in the Tanzania All Share Index over the same period, according to data compiled by Bloomberg. *(Bloomberg)*

Economic News

TANZANIA Breweries Limited (TBL) services are set to improve following completion of a major Information and Communication Technology (ICT) project connecting the headquarters' office and its 12 branches throughout the country. The TTCL's Chief of Sales and Marketing, Mr. Peter Ngota, said in Dar es Salaam at the weekend that the system of communication will connect the branches with the headquarters, thus guaranteeing smooth and safe transmission of information and data. The project involves the connection of the 12 TBL branches by Tanzania Telecommunication Company Limited (TTCL) with voice, internet and data network, an initiative that will increase efficiency in service delivery. The branches which were connected with the headquarters include Arusha, Moshi, Mwanza, Ubungo, Mwenge, Konyagi, Masaki, Bukoba, Shinyanya, Iringa and Tanga.

"With the multiprotocol Label Switching Virtual Private Network (MPLS VPN), TBL branches are connected with voice, internet and data, thus increasing efficiency and productivity," he said. Also the network connection of the branches means less paper works while assuring smooth, time saving and cost efficient services. "We have so far connected many corporate entities and institutions both from public and private sectors," he said, adding that TTCL has for the past three years increased capacity to serve its customers in areas of data, voice and internet. So far, over 200 offices under the Prime Minister's Office, Local Government and Regional Administration have been connected with TTCL's optic fibre. Also connected include hospitals, various government's institutions, banks, telecommunication companies, among others. TTCL manages and operates the National ICT Broadband Backbone (NICTBB) on behalf of the government through the Ministry of Communication, Science and Technology. The infrastructure will enhance usage of ICT applications for sustainable socioeconomic development, including implementation of e-government, e-learning, e-health, and e-commerce. ICT is one of the government's priority areas that will enable the country achieve her development objectives. In recent months, TTCL has taken measures to strengthen its services such as improving its customer service centres in terms of number and strengthen their capacity electronically. *(Daily News)*

Tight liquidity has continued to affect investors' decision on government securities resulting into weak performance below expectations of the amount planned to be raised. In the treasury bills (TBs) auctioned by the Bank of Tanzania (BoT) in Dar es Salaam received bids worth 29.7bn/- against 135bn/-. Commercial banks are the leading investors in the short term government paper. Others are pension funds, insurance firms and few microfinance institutions. The BoT Associate said recently that most investors including commercial banks and corporate clients are fulfilling annual tax obligation for the financial year 2014/15 thus slashing the amount that was destined for investments in the government securities. The same situation was witnessed in the previous one year treasury bills where the government ended up fetching only 49.5bn/- against 135bn/- offered to the market. The weighted average yield to maturity across all tenures increased significantly compared to the previous treasury bills auction conducted two weeks ago. The BoT summary shows further that a total of 65bn/- was sold in 364 days period, 52bn/- for 182 days, 15bn/- for 91 days tenure and 3bn/- for 35 days offer. With the exception of 35-day bid that received the same amount sought to be raised, the remaining offers were undersubscribed, the weak performance as it was in the previous session. The 364-day attracted bids worth 17.4bn/- but at the end only 1bn/- emerged as successful amount; for the 182-tenor, a total of 7.8bn/- was total amount tendered and 2.7bn/- was retained as successful bids. For the 91-day, the government accepted 1.5bn/- as successful bids the same amount tendered. The weighted average interest rates on the 364 days increased to 12.98 per cent compared to 12.64 per cent of the preceding session. On 182 days, interest rate rose to 11.53 per cent from 11.40 per cent while the 91 days offer, it changed slightly to 7.35 per cent from 7.37 per cent. *(Daily News)*

Tanzania's current account deficit narrowed 23 percent in the year to April, helped by a drop in the bill for oil imports and improved performance of the tourism and manufacturing sectors, its central bank said on Thursday. The gap narrowed to $4.046 billion in the 12 months to April from $5.255 billion in the same period last year, the central bank said. "This development was largely contributed to by an increase in the export of goods and services, coupled with a decrease in imports of both goods and services," the Bank of Tanzania said in its latest monthly economic report. Earnings from tourism, the main foreign exchange source, rose by 10.4 percent due to more visitor arrivals. Imports of goods and services fell to $13.378 billion from $13.881 billion previously, while total exports rose to $9.412 billion from $8.556 billion previously. "The outturn was mostly driven by a decrease in intermediate goods, particularly oil and fertilizers," said the central bank. Oil imports fell by 24.4 percent to $3.215 billion in line with falling crude oil prices. Earnings from gold, the other main source of foreign income, fell to $1.434 billion from $1.561 billion a year ago, reflecting lower export volumes and global prices. Tanzania, which has a population of over 45 million, is Africa's fourth-largest gold producer after South Africa, Ghana and Mali. Export earnings from manufactured goods rose to $1.341 billion from $1.086 billion previously, led by sisal products. The value of traditional exports such as tobacco, coffee and cashew nuts rose to $904 million from $852.1 million a year ago. Gross official foreign exchange reserves held by the central bank in the year to April amounted to $4.04 billion, or about four months of import cover, the central bank aid. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

THE 'controversial' listing of Ikulileni Investment Plc was withdrawn on Monday after failure to meet the Lusaka Stock Exchange (LuSE) minimum subscription requirements. Ikulileni Investment Plc, incorporated and registered in Zambia last year, owns 11.9 percent of MTN Group Limited's Zambian unit at a share sale valued at almost US$97 million and was scheduled to list on the LuSE on June 16, 2015. "The offer was subject to the minimum subscription condition prescribed by the listing requirement of the LuSE, and set out in the Prospectus, being met. This condition was ultimately not met. Accordingly, Ikulileni Investments is not in a position to proceed with the offer and the potential listing," a termination of the offer and potential listing notice yesterday reads. However, the refund of monies to applicants will start during the course of the week. On April 30, 2015, Ikulileni Investment Plc issued the combined prospectus and pre-listing statement for subscription, and concurrently Munyati Buffalo Zambia Limited, one of the company's existing shareholders, made an offer for sale of ordinary shares in the company to the Zambian public and selected international investors. The listing was preceded by an offer for subscription by the company of 7,849,057 ordinary shares and an offer for sale of 5,279,220 ordinary shares by Munyati Buffalo Zambia Limited at the offer price of K26.50 per subscription share and sale share. But, according to the notice, the withdrawal entails that all shares needed to be subscribed after opening on May 4 and closing on May 29. "…Applicants are advised to contact their broker or banker through which, or visit the receiving agent branch at which, they submitted their application form. Alternatively, applicants may contact [Stanbic Bank Zambia Limited, the lead manager, placement agent… and Pangaea Securities Limited, the sponsoring broker," the notice read in parts.

Canada's First Quantum Mineral hopes Zambia's government and mining firms will settle on a tax regime that will encourage investment in Africa's No.2 copper producer, a senior executive said on Thursday. Matt Pascal, First Quantum's director of operations, said although it was "disconcerting" that there had been many changes to Zambia's mining taxes over the last five years, he hoped a common ground between the two parties could be reached. Pascal said Zambia faced falling ore grades compared with the Democratic Republic of Congo - Africa's top copper producer - and needed to come up with a stable tax regime that would encourage mining exploration and discovery of new ore bodies. "Zambia needs a lot of exploration. We don't have the ore grades in Zambia that we have in Congo, so it does make it that much more difficult," he told Reuters on the sidelines of a mining and energy conference. "We are heartened by the fact that the current government has expressed the willingness to talk to the industry and come up with a rational tax going forward that will be conducive to further investments and the sustainability of the mines." First Quantum last year postponed $1 billion worth of investment in Zambia due to a tax dispute with the government. "As it stands at the moment the projects are still on hold. We will review that as things develop," Pascal said.

Zambia's decision to increase royalties for open pit mines to 20 percent from 6 percent and those for underground mines to 8 percent from 6 percent in January met with an outcry from unions and producers, forcing the government to review the plan. Initially, the government set the royalty tax rate for open cast and underground mining at 9 percent in April but on June 5 it said it would reduce the underground mining tax to 6 percent from July 1 as it was more expensive than open cast mining. The fall in copper prices was a major challenge to First Quantum's operations but that had been mitigated by lower costs of inputs such as fuel, Pascal said. Other foreign companies running mines in the southern African nation include Glencore, Barrick Gold Corp and Vedanta Resources. *(Reuters)*

Economic News

Zambia's finance minister has asked parliament to almost double the country's external borrowing limit to 60 billion kwacha ($8 billion)in 2015 to finance development projects as a financing gap has emerged. Chikwanda said total 2015 revenues were expected to decline by 2.1 billion kwacha below the budget projections and expenditure was projected to increase by 13.3 billion kwacha above the budgeted level.

"I will be requesting the house to increase the ceiling for external borrowing from the current 35 billion kwacha to 60 billion kwacha," finance minister Alexander Chikwanda told parliament on Tuesday. The budget deficit had increased to 20 billion kwacha from the earlier projected 18.5 billion kwacha in the 2015 budget, he said. "Our debt is still very much within sustainable levels, even with the new intended borrowing. This may entail borrowing at commercial rates," Chikwanda said. The slowdown in the global economy had led to weaker commodity prices, hitting output of the cooper producer. The estimated GDP growth for 2015 had been revised down to 5.8 percent from 7 percent, he said. *(Reuters)*

Zambia's plan to plug a gaping budget deficit by more than doubling foreign bond issuance is sending dollar-borrowing costs to five-month highs. It could get worse, according to Oliver Saasa, a consultant who was briefed about the plan to raise as much as $2 billion in Eurobonds by a Finance Ministry official. The southern African nation may have to pay as much as 10 percent for the new debt, about 2 percentage points higher than yields on existing securities, he said. Zambia's finance ministry said last week the deficit would swell to more than 6 percent of gross domestic product, compared with a previous target of 4.6 percent,
after the government exceeded budgeted expenditure and reversed a planned increase in mine taxes at a time when low copper prices are crimping revenue. That's optimistic, according to the International Monetary Fund, which said in a report on Tuesday the shortfall could widen to 7.7 percent even with proposed spending cuts and a government salary freeze. "I don't know how they could get it so terribly wrong," Saasa, the chief executive officer of Premier Consult Ltd. and a director at Stanbic Bank Zambia Ltd., said by phone from Lusaka, the capital, on Tuesday. "They are definitely going to get very expensive," he said, referring to the planned Eurobond sale.

Yields on Zambia's $1 billion of dollar notes maturing in April 2024 jumped 21 basis points by 3 p.m. in London on Wednesday to 8.03 percent, the highest since January 22. That compares with 6.34 percent for similar-maturity Nigerian dollar debt, 6.79 percent for Kenya and 9.44 percent for Ghana. The southern African nation may start meeting investors over the planned sale in the first week of July, Saasa said. Finance Minister Alexander Chikwanda said Wednesday he has told parliament of the government's intention to finance the 2015 deficit by selling Eurobonds. He declined to comment on how much Zambia plans to raise or give details on timing. "If we go to the bond market we'll go to the bond market," he said. Chikwanda cut this year's economic growth target to 5.8 percent from a previous estimate of more than 7 percent. Zambia will save an estimated 5 billion kwacha ($673 million) through "rationalizing" spending by starting new projects only when current ones are completed, he said.

The country is Africa's biggest copper producer after the Democratic Republic of Congo. The metal, which accounts for 10 percent of Zambia's gross domestic product, more than 70 percent of export earnings and 12 percent of government revenue, according to the IMF, has dropped 14 percent over the past year in London. Elections next year pose the risk that Zambia may renege on promises to cut spending, the Washington-based Institute of International Finance Inc. said in a report last month. Increased external borrowing may lift Zambia's annual debt-servicing costs to about $500 million, from $150 million, Chikwanda said. Moody's Investors Service last month cut its outlook on Zambia's Eurobonds to negative, citing increasing debt costs as one of the reasons. In its report, the IMF expressed concern that Zambia's increased reliance on external funding may place too great a burden on state finances and urged the government to avoid "excessive" foreign debt. Other measures, including tax increases, should be used to narrow the budget shortfall, the IMF said. "It would be prudent to limit debt-financed spending to critical public infrastructure projects," the Washington-based lender said. "If the deficit is not reduced, the fiscal position will become unsustainable." *(Bloomberg)*

ZAMBIA'S current levels of budget deficit of K20 billion poses a risk to macroeconomic stability and growth, World Bank senior country economist Philip Schuler has said. Mr Schuler said rising fiscal deficit makes the economy more vulnerable at a time when world financial markets are becoming more turbulent. He said at the launch of the World Bank brief titled: "Making Mining Work for Zambia: The economic environmental and health nexus of Zambia's copper Mining," on Wednesday that discipline and dedication is considerable required to reduce deficit reduction, given the likely pressures to increase spending in an election year. "How can we manage fiscal challenges in years ahead? The current level of deficit of six percent or more poses a risk of macroeconomic stability [as], this kind of deficit and borrowing cannot go on for long. It poses a risk to sustainability on public finances," he said. He said the wage bill negotiations should adhere to the goal of containing real growth in total personnel spending and selectivity in launching capital projects would make an important contribution. Mr Schuler also said implementing cost recovery in fuel pricing is an immediate priority and reducing costly farm subsidies would create fiscal space to expand the coverage of cash transfers targeted at the poor.

He said enhancing Government's systems for cash management, revenue administration and public procurement would increase the efficiency of Government spending. Mr Schuler, however, said Government will require tough choices in the months and years ahead to reduce the deficit and rebalancing spending to support inclusive growth. Preliminary data showed that the 2014 budget deficit was six percent of gross domestic product on cash basis. "When the 2015 budget was prepared, the authorities targeted a deficit of 4.6 percent of GDP as a first step along a path of gradual deficit reduction. "But by early 2015, it became clear that if the budget was not adjusted, the deficit would more than double due to areas carried over from 2014. New areas triggered by subsidies of fuel prices, reduced revenue caused by lower copper prices and higher interest payments caused rising interest rates," he said. *(Daily Mail)*

Zimbabwe

Corporate News

THE South African Reserve Bank (SARB) has given Zimbabwe's biggest telecommunications company, Econet Wireless, the greenlight to start cross-border mobile money remittances to Zimbabwe. EcoCash is an innovative mobile payment solution run by Econet Wireless. Under the recently SARB-licenced dispensation, the EcoCash platform will now enable expat Zimbabweans to send money back home. The money can be sent straight into Econet's mobile money wallets in Zimbabwe. EcoCash already caters for financial transactions such as sending money intra-network, buying prepaid airtime and paying for goods and services. "EcoCash and its South African partners have finally secured approval from the South Africa Reserve Bank to start a cross border remittance service from South Africa," Econet Wireless said last week. The mobile company, however, said it would take several weeks for the service to be fully established, adding that it would "be up and running by the end of next month". "The approval, which took over 18 months to secure, will come as a major relief for Zimbabweans working in South Africa, as it takes out the hassles and challenges of sending money to relatives. "It will be as accessible, quick and convenient as making a 'cash-in' to EcoCash in Zimbabwe," the telecoms firm said. The company predicted that the new service would "fundamentally alter the pattern of remittances", hoping that the innovative "micro-remittance" solution would "stimulate increased remittances into Zimbabwe which will help ease liquidity challenges in the economy". *(New Zimbabwe)*

DAIRIBORD Zimbabwe Holdings Limited (DZHL)'s newly-commissioned sterilised milk plant in Chipinge is expected to contribute between 18% and 20% to the group's revenue streams. The plant, which was refurbished at a cost of $4 million and commissioned last Friday, has the capacity to produce 24 million litres of sterilised milk per annum. Speaking at the commissioning ceremony in Chipinge, DZHL managing director Thompson Mabika said the company was now optimistic of satisfying local demand at more than 1,5 million litres of milk per month. "The old machinery was worn out, and it was now inefficient and had a lot of breakdowns so we have really replaced the old capacity with new machinery which has the capacity to do two million litres per month," he said. "I estimate will be able to sell 1,5 million litres per month and going forward Sterimilk production will contribute between 18% to 20% to the group's revenue." Mabika said Manicaland Province produced the bulk of the company's milk supplies. "In 2002 the province produced about 12% of what was being produced in the country, in 2009 it produced 11% of what the country was producing and in 2015 we estimate that this province will produce almost 20% of what is being produced in the country," Mabika said. Speaking at the same event, DZHL group chief executive officer Antony Mandiwanza said Sterimilk contributed 18% to the group's total revenue. He said the Sterimilk brand had a huge market in Botswana, Mozambique and Zambia. "This investment together with other initiatives to stimulate milk production by our company and the government of Zimbabwe in future will buttress and enhance product availability in both domestic and regional markets," Mandiwanza said. "Through this investment our focus now shifts to promoting milk production in this area which is natural region one and presents best prospects for low cost per litre." He said the resuscitation of the dairy industry was a major challenge that required the direct guidance and support of government, adding that the private sector was expected to play a catalytic role. *(News Day)*

Rainbow Tourism Group (RTG) has launched an online auction website that allows users to bid for accommodation, conferencing and banqueting packages. Speaking at the launch of Online Auctions yesterday, RTG chief executive officer Tendai Madziwanyika said the website was a way to provide innovative services to encourage travel within the country. "We think that this will give Zimbabweans that excitement, to say that we can actually take part in the local domestic tourism industry and can actually afford to visit our own destinations around the country," Madziwanyika said. Users are required to sign up for the service and once they have signed up they will be able to bid by offering a particular price based on a set incremental amount that is higher than the existing bid or offer price. The platform allows multiple users to place their bids over a period ranging from an average of one to 48 hours for shorter horizon bookings and one week to a few weeks for longer horizon bookings for the particular auction listing. Alternatively, the website allows users to choose a "Buy Now" option which allows them to make an immediate purchase with set price being offered. Payment methods to purchase the different packages online will be through Visa, Mastercard, ZimSwitch, EcoCash and Telecash. Once payment has been confirmed on the website, the user is expected to make the payment within an hour. "This is just the launch of our seven or eight properties, but the next phase which is actually very soon would be incorporation of our RTG virtual partners onto the platform," Madziwanyika said. "At a click of a button, our local people would be able to access our RTG options and be able to see rates from over 40 hotels and lodges from all over the country." On what led to the creation of this online bidding website, Madziwanyika said RTG was motivated by global platforms and the need to be innovative. "We believe because of the hardness of our economy at the moment companies have a choice either to accept the environment as it is or to say we want to create a future that we desire," he said. "We do not want to lie down and die, but to create a future and the only way we believe we can do that is through innovating." *(News Day)*

STRUGGLING building materials group, PG Industries Zimbabwe, is seeking to have its suspension from the Zimbabwe Stock Exchange (ZSE) lifted after successfully implementing its scheme of arrangement, the Financial Gazette's Company & Markets can report. The company was suspended from trading its shares on the local bourse in January last year after breaching ZSE listing requirements. Section 1,7 of the listing requirements stipulates that any company undertaking a scheme of arrangement, normally aimed at restructuring its balance sheet, must be suspended from trading its shares on the stock exchange. It further stipulates that readmission to the bourse can only be accepted after implementing the scheme of arrangement in full. PG's scheme of arrangement received sanction of the High Court in April this year. Now, the secured lenders scheme of arrangement has been fully implemented. Of the US$5,3 million owed to secured lenders, US$4,33 million has been paid off through property sales or debt swap while the remaining balance of US$965 082 was restructured to a three year loan facility which would attract 12 percent interest per annum. Company secretary, Kudakwashe Wanika, said it was now appropriate for PG Industries to resume trading its shares on the stock exchange after implementing the scheme of arrangement. "The secured lenders' scheme has been implemented in full," said Waniwa. "The conversion process for the debentures and accrued interest has commenced. It is envisaged that shares will be distributed to debenture holders by June 30, 2015.The company will shortly be re-engaging the ZSE with a view to lifting the suspension." Apart from PG Industries, three other companies — Celsys, Cottco and Phoenix — are also suspended from trading on the ZSE. PG has over the years been struggling to fund working capital in spite of previous capital raising initiatives.

In a bid to boost its working capital position, PG Industries had to rely on short term expensive debt to fund operations. This resulted in decreased sales and consequently persistent losses. In December 2014, PG Industries restructured operations as part of the scheme of arrangement. It closed three of its branches, leaving its network at 15. The decision to reduce its network was in response to reduced business in some parts of the country caused by subdued demand for building materials and related products. The country has been affected by a liquidity crisis that has now entered its fourth straight year. It has left many firms tottering on the brink of collapse or folding altogether, and consumers, many of them out of employment after their companies shut down, failing to purchase most of their requirements for housing projects. The group has been haemorrhaging for the past six years. Consequently, the group's main shareholders, TA Holdings and ABC Holdings, wrote off their investments in the company to avoid the exposure on their earnings. There are 63 counters that are listed on the local bourse. Four counters are suspended, leaving 59 active counters. A liquidity crunch in the economy has forced many firms to de-list. A total of 16 companies have de-listed from the ZSE since 2009, when the country adopted a hard currency regime to escape the troubles of hyper inflation and a daily erosion of the domestic currency's value. Eleven of these companies de-listed from the ZSE last year alone, primarily due to liquidity challenges that have resulted in companies failing to raise money on the stock market and attracting new investors to inject fresh cash. *(Financial Gazette)*

BOB Diamond's co-founded Atlas Mara Limited has sold its 10,1% stake in Brainworks Capital, a Zimbabwe-focused private equity and advisory firm as it intensifies the disposal of non-core assets. In a notice yesterday, Atlas Mara said the stake would be sold for $8,72 million which represents a multiple of 1,4 times Brainworks' 2014 reported book value. "This transaction is consistent with Atlas Mara's focus on its sub-Saharan African banking operations and strategy of selling non-core investments acquired in connection with its acquisition of ADC African Development Corporation AG," it said. The transaction means that Brainworks, founded by George Manyere and Walter Kambwanji, is valued at over $80 million. Atlas Mara said ADC Financial Services & Corporate Development, its indirectly wholly-owned subsidiary, had entered into an agreement with a third party to dispose of its Brainworks stake. In return, ADC Financial Services and Corporate Development would get approximately $3,1 million in cash and 665,195 Atlas Mara ordinary shares. "The implied price per Atlas Mara share of $8,46 was determined based on the 90-day volume weighted average price as at the date initial transaction terms had been agreed by the parties. The transaction is subject to selected closing conditions and is expected to be a by June 30 2015," Atlas Mara said. Last year, Atlas Mara — founded by Diamond and billionaire entrepreneur Ashish Thakkar — bought a controlling shareholding in pan African banking group BancABC and ADC as part of its strategy to set up a premier financial services company in sub Saharan Africa. Atlas Mara's vision is to create sub-Saharan Africa's premier financial services institution through a combination of its experience, expertise and access to capital, liquidity and funding. "The implied price per Atlas Mara share of $8,46 was determined based on the 90-day volume weighted average price as at the date initial transaction terms had been agreed by the parties." *(News Day)*

Struggling ferrochrome producer Zimbabwe Alloys is close to sealing a deal with a consortium of local and a foreign investors who could inject over $50 million in the company, The Source has established. The firm, which was placed under final judicial management in 2013 due to poor performance attributed to the closure of its four furnaces, poor global metal prices and escalating costs, has been struggling to remain afloat. At the time ZimAlloys was placed under administration, its net asset position stood at $71 million while net current liabilities were at $36,7 million. Its plight was worsened by the government's ban on chrome ore exports in 2011 to promote local refinery. The ban was lifted last week, paving way for producers — most of whom were tottering on the brink of collapse — to resume exports. In the absence of capital to revive operations, ZimAlloys has since last year been recovering chrome from its dumps estimated at four million tonnes and worth $2,7 million, through a Chinese firm in a bid to boost revenue. An official familiar with the developments who declined to be named said due diligence and viability checks had been completed and that the investors were satisfied with the state of the company. "We are close to securing investors and it's a consortium of foreign and local investors who want to take over the whole company. The deal should be completed in the next month or so," said the official. The deal should be finalized in the next three months, the official added. The investment and recent lifting of chrome ore ban by government will see the company upgrade its Lalapanzi plant near Gweru to produce 7,000 tonnes of concentrate per month per month while the plant at Sutton Mine in Mutorashanga would also be upgraded to about 14,000 tonnes.

The initiatives were part of a 2013 plan to breathe life into the company, and were expected to generate $46,6 million in revenue per annum, with an estimated operating profit of $13,6 million. ZimAlloys is in the meantime targeting to increase its recoveries to between 500 and 800 tonnes per month up from the current 300 tonnes after the Chinese firm recently brought in more equipment, according to the official. Zimbabwe has three smelters that are in operation — Zimasco, Afrochine and Xin Yu while five others, Oliken, MonaChrome, ZimAlloys, Maranatha and Wel Mine were closed due to low chrome prices. ZimAlloys is owned by Benscore Investments, which holds 83 percent equity; Spain's Cometal SA; Cometal Trust Zimbabwe and Rosenmarket Investments, with 10 percent, five percent and two percent shareholding.*(The Source)*

Hwange Colliery Co. of Zimbabwe plans to export 50,000 metric tons of coal to neighboring South Africa this year and it's gauging interest from buyers in Europe and Asia, the head of the company said. "We are looking at Eskom, but the problem is the issue of price and logistics in terms of how to transport" the coal, Managing Director Thomas Makore said on Thursday in an interview at his office in Hwange, 730 kilometers (454 miles) west of the capital, Harare. Eskom Holdings SOC Ltd. is South Africa's state-owned power utility. "We are targeting Eskom, steel and the chrome industries in South Africa," said Makore. "There is also interest from a number of countries in Europe; there is Turkey, Germany and there is also India." The company plans to mine 500,000 tons of coal, of which about 200,000 tons will be produced by Mota Engil Ltd. of Portugal. In March, Hwange Colliery signed a contract to supply 9,000 tons of coke to Glencore Plc. The company is also taking steps to move into coal liquids, diesel and ammonium nitrate. "Our production for this year is better than 2014, our sales are better than 2014," said Makore. *(Bloomberg)*

Economic News

Zimbabwe's consumer prices fell by 2.7 percent in May year-on-year compared with a 2.65 percent drop in April, the statistical agency Zimstats said on Monday On a month-on-month basis, prices were down by 0.19 percent in May compared to 0.89 percent decline in May.

(Reuters)

Year-on-year inflation for the month of May stood at -2,70% after shedding 0,05% points from the April statics, figures released by the national statistics agency show, as the economy continues in deflationary mode. In April annual inflation was -2,65%. Deflation occurs when the inflation rate falls below 0%. "This means that prices as measured by the all items CPI (consumer price index) decreased by an average of -2,7% points between May 2014 and May 2015," Zimstat said yesterday. It said the year-on-year food and non-alcoholic beverages inflation prone to transitory shocks stood at -3% while the non-food inflation rate was -2,56%. The CPI for the month ending May 2015 stood at 98,03% compared to 98,22% in April 2015 and 100,75% in May 2014. Month-on-month inflation rate in May 2015 was 0,19% gaining 0,7% points on the April 2015 rate of -0,89% This means that prices as measured by the all items CPI decreased at an average rate of -0,19% to May 2015 from April 2015. *(New Zimbabwe)*

ZIMBABWE is losing about $1 billion annually on infrastructure deficiencies and current expenditure on development is not enough to encourage the country's economic recovery, the African Development Bank (AfDB) has said. Presenting a paper at the 5th Buy Zimbabwe Summit in Victoria Falls on Wednesday, AfDB resident country representative for Zimbabwe Mateus Magala said addressing Zimbabwe's infrastructure challenges will require sustained expenditure of almost $2 billion per year over the next decade. "Zimbabwe spends around $0.8 billion per year on infrastructure between the government budget, parastatals, donor spending, and Foreign Direct Investment (FDI). About $0.7 billion a year is being lost while infrastructure needs an estimated at $14 billion to 2020 with heavy emphasis on rehabilitation, more than half of which is needed for the power sector," said Magala. "The main sources of inefficiency are under-pricing in the power, water, and roads sectors and poor financial management of utilities.

"If Zimbabwe could align operational inefficiencies with reasonable developing country benchmarks, these measures alone would almost double the existing flow of resources to the infrastructure sectors." Magala said the country's poor spending on infrastructure comes against a macroeconomic backdrop of shrinking GDP per capita by an average of over 40 percent between 1990 and 2010, and further sharp declines between 2009 and 2012 to present. Closing the infrastructure gap would add 2.4 percent to the annual country's GDP growth, he said, adding urgent action to address the challenges was needed. Magala said in Africa, four percent of the GDP is invested in infrastructure, compared to 14 percent for countries like China. With adequate infrastructure, African firms could achieve productivity gains of up to 40 percent. *(New Zimbabwe)*

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