SECURITIES AFRICA

For week ending 07 September 2012

Weekly African Footprint

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

Currencies:

	7-Sep-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.14	0.00	0.22
DZD	79.43	-0.77	5.57
BWP	7.47	-1.39	1.34
CFA	501.50	-4.20	1.37
EGP	6.08	0.18	1.06
GHS	1.91	-1.45	17.66
KES	82.88	0.43	-0.82
MWK	266.62	-0.39	64.17
MUR	29.28	0.27	4.06
MAD	8.74	-0.33	1.87
MZN	28.70	0.70	7.49
NAD	8.19	-1.06	0.59
NGN	156.58	-0.99	-2.00
ZAR	8.35	1.15	2.20
SZL	8.22	-0.98	0.93
TND	1.59	-0.24	6.55
TZS	1,546.83	-1.22	-0.87
UGX	2,475.18	-1.39	1.14
ZMK	4,910.61	0.83	-2.13

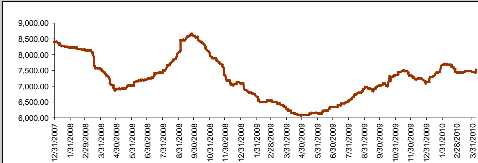
Source:oanda.com

African Stock Exchange Performance:

Country	Index	31-Aug-12	07 September 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,311.15	7,321.93	0.15%	0.48%	5.04%	2.55%
Egypt	CASE 30	5,332.25	5,542.75	3.95%	4.20%	53.02%	52.06%
Ghana	GSE All Share	1,025.90	1,035.97	0.98%	0.67%	6.91%	-10.73%
Ivory Coast	BRVM Composite	146.80	147.36	0.38%	-1.17%	6.11%	-1.27%
Kenya	NSE 20	3865.89	3899.62	0.87%	0.88%	21.67%	23.21%
Malawi	Malawi All Share	5,967.20	5,977.33	0.17%	0.17%	11.32%	-32.45%
Mauritius	SEMDEX	1,686.45	1,695.46	0.53%	-3.75%	-10.22%	-17.18%
	SEM 7	328.64	330.72	0.63%	-3.66%	-5.60%	-12.92%
Namibia	Overall Index	879.00	896.00	1.93%	2.62%	6.92%	5.87%
Nigeria	Nigeria All Share	23,750.80	24,838.70	4.58%	5.82%	19.82%	22.49%
Swaziland	All Share	284.32	284.32	0.00%	1.52%	5.92%	5.49%
Tanzania	DSEI	1,449.11	1,454.62	0.38%	1.74%	11.62%	12.73%
Tunisia	TunIndex	5,267.20	5,198.24	-1.31%	-2.39%	10.08%	3.85%
Zambia	LUSE All Share	3,732.53	3,698.32	-0.92%	-1.22%	-11.31%	-8.64%
Zimbabwe	Industrial Index	132.27	137.37	3.86%	3.86%	-5.82%	-5.82%
	Mining Index	89.04	88.20	-0.94%	-0.94%	-12.41%	-12.41%

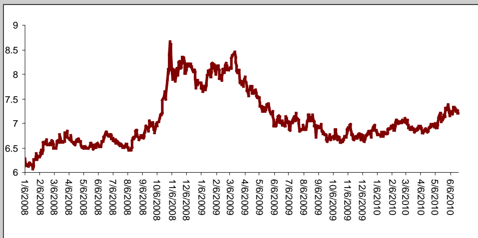
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



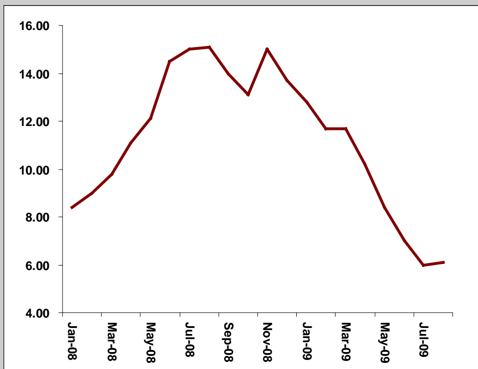
Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-7.631	-16.259	-10.748
Current account balance (USD bn)	-0.825	-1.873	-1.304
GDP based on PPP per capita GDP	13,416.66	14,020.58	15,258.17
GDP based on PPP share of world total (%)	0.039	0.04	0.04
GDP based on PPP valuation of country GDP(USD bn)	24.186	25.568	28.149
GDP (current prices)	79.44	86.58	97.92
GDP (Annual % Change)	-10.347	4.124	8.542
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave onsumer Prices(Annual % Change)	8.35	6.39	5.95
Inflation-End of Period Consumer Prices (Annual %)	6.65	6.21	5.73
Population(m)	1.80	1.82	1.85

Source: World Development Indicators

CPI Inflation



Source: SAR

Stock Exchange News

The DCI ended the week 0.15% in the green at 7321.93pts. AF Copper traded 255 jogjer at 35t. BOD was up 11.11% at 30t. Engen rose by 4.17% at 625t Sechaba traded 3.93% higher at 1,455t. BIHL lost 0.48% at 1.030t. Stanchart was down 0.51% at 975t. Turnstar traded 1.255 lower at 158t. Cresta gave-up 5% to end at 95t.

Corporate News

No Corporate News this week

Economic News

In July 2012, Botswana's diamond exports dropped 61% (on y-o-y basis) to USD million, reports say.

The country's diamond exports in the period January – July 2012 dropped 31% USD billion, reports add. *(Diamond World)*

The Bank of Botswana (BoB) has upgraded its estimates of second quarter diamond exports by 16% to P7.9bn (N$8,5bn), giving the three months to June 2012 the third highest quarterly figures on record, Mmegi Business has reported. From an initial P6.79bn reported earlier this month, the Botswana central bank on Friday revised the second quarter exports to P7.85bn, up nearly 10% on the first quarter exports of P7.15bn. At that level, the second quarter exports are only eclipsed in value by the P10.1bn recorded in the third quarter of 2011 and the P9.9bn for the second quarter of the same year. The BoB explained that published diamond figures were initially for only rough diamonds before data for polished exports was incorporated. In May, the bank revised its first quarter estimates of diamond exports from an initial P5.99bn to P7.15bn, again citing the subsequent addition of polished diamond exports.

At their second quarter level, the growth in the value of diamond exports lends itself well to stronger second quarter growth, as a 7.8% drop in mining restrained the economy in the first quarter. Contributing more than a third to national output, growth trends in mining generally chart the direction of economic growth. Within mining, diamond activities shadow other sectors in terms of contribution. The central bank is expected to release second quarter GDP figures on September 28. Meanwhile, preliminary figures peg July diamond exports at P2.04bn, being down from the unrevised June figure of P2.72bn. Year-on-year, the July exports are 90% down from P3.88bn, a figure reached during the record-breaking gallop in diamond exports and prices last year. Thus far this year, rough and polished diamond sales have vacillated

almost on a month-by-month basis, with various factors at play such as economic slowdowns in the Euro zone and the US, underlying demand, the depreciation of the Indian Rupee against the US dollar and the deceleration of the Chinese economy. Diamond industry experts are generally agreed that the rest of the year will equally be unpredictable although many hold confidence in market fundamentals showing a long-term supply and demand mismatch. *(Informante)*

Botswana has climbed up a rung in the World Economic Forum's Global Competitiveness Report, breaking a three-year streak of declines in the world's most authoritative comparison of economies by competitiveness. Released yesterday, the 2012/13 Global Competitiveness Report (GCR) ranked Botswana 79th out of 144 countries across a range of economic indicators assessing basic requirements for investors, efficiency enhancers as well as innovation and sophistication factors. The perception survey samples views on 12 pillars representing the essence of the criteria used by investors in their decisions to move capital.

From a positive start in the survey when the country rose 20 places between 2007 and 2008, Botswana's ranking in the report slid from a high of 56 in 2008 to 66 in 2009, 76 in 2010 and finally 80 for 2011.The latest ranking bucks the trend of previous years and comes in the midst of a high-level, multi-sectoral push for higher competitiveness, coordinated by a committee of Cabinet. GCR researchers noted that Botswana's performance for 2012/13 was amongst the strongest in Africa, after continent leader, South Africa and fast rising Rwanda."Among Botswana's strengths are its relatively reliable and transparent institutions with efficient government spending, strong public trust in politicians and low levels of corruption, the GCR researchers noted.

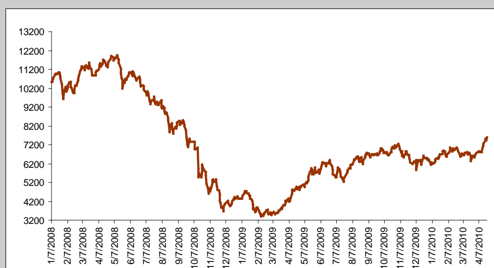
"Botswana moves up one place to 79th, one of the top five economies in the region." However, the researchers were quick to note weaknesses in the country's macro-economic environment, which was scored 4.5 points down in the 2012/13 GCR down from 4.6 points in the 2011/12 GCR. The macroeconomic environment pillar measures government budget balance, gross national savings, inflation, general government debt and country credit rating. The country is expected to significantly improve its performance in this pillar given the balancing of the budget this year which also allowed the reduction of both domestic and external debt, the general decline in inflation and maintenance of lofty credit ratings. While the macroeconomic environment concerned GCR survey respondents, it was the non-fiscal pillars which weighed Botswana's scores and eventual ranking down.

"Botswana's primary weaknesses continue to be related to its human resource base," the researchers noted."Education enrolment rates at all levels remain low by international standards, and the quality of the educational system receives mediocre marks. "Yet it is clear that by far the biggest obstacle facing Botswana in its efforts to improve its competitiveness remains its health situation."The rates of disease in the country remain very high and health outcomes are poor despite improvements in fighting malaria and reducing infant mortality."An analysis of the country's performance across all pillars indicates that it scored highest in the institutions pillar, being ranked 33rd out of the 144 countries. The institutions pillar assesses factors such as property rights, judicial independence, ethical behaviour of firms, organised crime, strength of investor protection and others.

Within this pillar, Botswana was ranked the 21st best country in the government spending indicator and 15th worldwide in efficiency of legal framework in challenging regulations. The country was also ranked 22nd worldwide in the public trust in politicians indicator and 31st of the 144 countries in the (non) diversion of public funds category. Botswana also performed well in the labour market efficiency pillar, scoring highly for professional management, (lack of) brain drain and the ratio of women in the labour force. The country's poorest performances were in health and primary education, technological readiness, market size, business sophistication and higher education and training. The Cabinet-committee led initiative to push up the country's competitiveness has identified several trouble spots which are being cleared through a variety of initiatives involving both public and private sector leaders. *(Mmegi)*

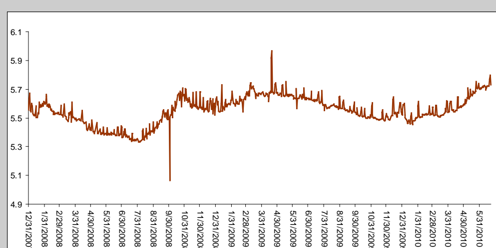
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-2.354	-2.836	-2.72
Current account balance (USD bn)	-4.424	-5.912	-6.227
GDP based on PPP per capita GDP	6,147.12	6,393.94	6,676.47
GDP based on PPP share of world total (%)	0.658	0.666	0.681
GDP based on PPP valuation of country GDP(USD bn)	471.509	500.25	532.801
GDP (current prices)	2,450.41	2,664.41	2,868.74
GDP (Annual % Change)	4.7	4.498	5.008
GDP (US Dollars bn)	187.956	208.458	228.934
Inflation- Ave onsumer Prices(Annual % Change)	16.24	8.45	8.00
Inflation-End of Period Consumer Prices (Annual %)	9.96	8.00	8.00
Population(m)	76.70	78.24	79.80

Source: World Development Indicators

Stock Exchange News

The EGX30 index advanced by 3.95% this week at 5,542.75pts. OCI ended the week 4% higher at EGP 288.05. Elswedy rose by 5% to EGP 23.95. NSGB was up 26% at EGP 31.61. Telecom Egypt lost EGP 0.02 to end at EGP 14.08. Orascom Telecom ended 1% higher at EGP 3.68.

Corporate News

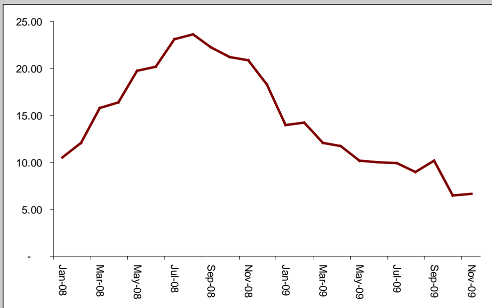
Egypt's El Sewedy Electric, the Arab world's biggest listed cable maker, reported an 82-percent drop in second-quarter net profit on Monday. Net income tumbled to 30.6m Egyptian pounds from 169.5m in the same quarter a year earlier, the company said, without giving a reason for the decline. Analysts say political turmoil in Sewedy's main Middle East markets, especially Syria, has led to weaker demand that forced it to cut some production. *(Reuters)*

Egypt's Orascom Construction Industries reported a 28% drop in net income for the second quarter, in line with analyst forecasts, pulled lower by start-up costs at its Algerian and U.S. fertiliser plants. Net income fell to USD 119.4m from USD 165.2m a year earlier, Egypt's biggest listed company said in a statement, which also blamed a higher effective tax rate because of a bigger contribution to earnings from its European operations. OCI, which announced a USD 1.4bn fertiliser investment in the United States late on Wednesday, said droughts in that country had reduced yields, making it necessary for farmers to increase acreage. "We expect strong demand for fertilizer products in the upcoming harvesting season and we expect prices to remain firm for the remainder part of the year," Chairman Nassef Sawiris said in a statement on Thursday.

The company said it expected its new Sorfert Algeria business to begin exports this month after entering production and its Egyptian Fertiliser Company had completed a stoppage to overcome bottlenecks. OCI has sought to attract projects from across the Middle East to offset a slowdown at home since Egypt's leader was ousted in 2011. With Turkish groups among its main rivals in the Gulf, OCI's competitiveness was blunted by a 20% increase in the Egyptian pound's value against the Turkish lira over two years. Earnings before interest, tax, depreciation and amortisation at the construction business represented 11% of sales, down from 13% a year earlier, the company said. OCI said its construction business would increase its focus on infrastructure programmes in Saudi Arabia and Iraq after reporting a 9.2% decline in its consolidated backlog from the first quarter to USD 5.89bn.

The net income figure was in line with the average forecast from 13 analysts polled by the company. Revenue fell 8.5% to USD 1.349bn, below the average analyst forecast of USD 1.427bn. The company's shares are up 41% this year. Investment bank EFG Hermes cut its rating on the stock to "neutral" from "buy"

CPI Inflation



Source: SAR

on Wednesday citing the strong share price performance. Sawiris said on Wednesday he expected the split of OCI's fertiliser and construction businesses to be completed next month. *(Reuters)*

Qatar said yesterday it would invest USD 18bn in tourism and industry projects along Egypt's Mediterranean coast over the next five years, the latest pledge of support to an economy hammered by a year and a half of political turmoil. The projects include USD 8bn for gas, power and iron and steel plants at the northern entrance to the Suez Canal and USD 10bn for a giant tourist resort on the Mediterranean coast. Egypt's stock exchange closed at a 14-month high yesterday on optimism that a new government with a clear popular mandate will secure investments and donor aid to stave off a balance of payments and budget crisis.

Cairo last month formally asked the International Monetary Fund for USD 4.8bn in emergency funding. “We spoke with His Excellency President Mursi and agreed to invest USD 8bn on a power plant, natural gas and iron steel,” said Qatar's Prime Minister, HE Sheikh Hamad bin Jassim bin Jabor al-Thani. “This will be in a integrated complex in East Port Said.” HE Sheikh Hamad bin Jassim was speaking at a joint news conference with Egyptian Prime Minister Hisham Qandil shortly after meeting the country's newly elected president, Mohamed Mursi. He said the investments in the Port Said projects would extend over five years. Qatar announced three months after the popular uprising that toppled Hosni Mubarak that it was interested in investing near Port Said, but the plan had lain dormant since then.

In the last few months, Egypt has received more than USD 5bn in loans and pledges, including USD 2bn in direct budget support from Qatar and loans from Saudi Arabia and the Islamic Development Bank. Qatar deposited USD 500mn in direct budget support at the Egyptian central bank in August and said it would pay the remaining USD 1.5bn over the coming three months. “We agreed on the following dates. At the end of this month will be one portion, the end of October another portion and the end of November another portion,” HE Sheikh Hamad said *(Gulf Times)*

Economic News

Egypt's foreign reserves increased by USD 705m in August, resuming their rise after having fallen the month before, the central bank said on Sunday. Net international reserves rose to USD 15.13bn at the end of August from USD 14.42bn at the end of July, it said on its website. Egypt's reserves plunged by more than half during the year after Egypt's 2011 popular uprising, which scared away tourists and investors, two of Egypt's main sources of foreign currency, before inching up again in April, May and June. *(Reuters)*

The Egyptian pound inched lower on Monday to its weakest in more than seven and a half years after the central bank released data on the country's foreign reserves which some economists said showed an underlying weakness. The pound ended at a weighted average of 6.1015 to the U.S. dollar on Monday, its lowest since December 30, 2004. On Sunday it was last bid at 6.097. EFG Hermes said in a note on Monday that the central

bank seemed committed to a policy of allowing the pound to decline gradually. The weakening indicated that "the central bank is moving relatively more aggressively than we expected suggesting that our end-2013 forecast of EGP 6.40 may be realized earlier," the note said. EFG had now revised its forecast for the pound to fall to 6.25 to the dollar by the end of 2012 instead of its previous forecast of 6.10.

The central bank has spent more than USD 20bn to support the pound since last year's popular uprising chased away tourists and foreign investors, two of its main sources of foreign exchange. Economists said higher foreign reserves included one-off items, such as a USD 500m loan from Qatar and a 513m euro-denominated treasury bill, that concealed a continuing drain on the country's balance of payments. The pound has lost less than 5% of its value against the dollar since the uprising that toppled Hosni Mubarak in February 2011. Egypt last month formally requested a USD 4.8bn loan from the International Monetary Fund to help it plug a balance of payments deficit worsened by the uprising. *(Reuters)*

The Obama administration is close to a deal with Egypt's new government for USD 1bn in debt relief, a senior U.S. official said on Monday, as Washington seeks to help Cairo shore up its ailing economy in the aftermath of its pro-democracy uprising. U.S. diplomats and negotiators for Egypt's new Islamist president Mohamed Mursi - who took office in June after the country's first free elections - were working to finalize an agreement, the official said. Progress on the aid package, which had languished during Egypt's 18 months of political turmoil, appears to reflect a cautious easing of U.S. suspicions about Mursi and a desire to show economic goodwill to help keep the longstanding U.S.-Egyptian partnership from deteriorating further. The United States was a close ally of Egypt under ousted autocratic President Hosni Mubarak and gives USD 1.3bn in military aid a year to Egypt plus other assistance.

Obama ultimately called for Mubarak to step down as he faced mass protests in early 2011 but the U.S. president was criticized for taking too long to assert U.S. influence. Washington, long wary of Islamists, shifted policy last year to open formal contacts with the Muslim Brotherhood, the group behind Mursi's win. Mursi formally resigned from the group after his victory. Analysts say that one way the United States could influence the direction of policy in Egypt, a nation at the heart of Washington's regional policy since a peace treaty was signed with Israel in 1979, would be through economic support as Cairo tries to stave off a balance of payments and budget crisis. Obama first pledged economic help for Cairo last year. Obstacles remained to completing the debt relief deal - which is reported to involve a mix of debt payment waivers and complicated "debt swaps" - and it was not immediately clear when an agreement might be announced.

But even as the negotiations proceeded in Cairo, Washington has also signalled its backing for a USD 4.8bn loan that Egypt is seeking from the International Monetary Fund and which it hopes to secure by the end of the year to bolster its stricken economy. IMF chief Christine Lagarde visited Cairo last month to discuss the matter. Egypt's military-appointed interim government had been negotiating a USD 3.2bn package before it handed power to Mursi on June 30. Mursi's government then increased the request. Lagarde said the IMF would look at fiscal, monetary and structural issues,

promising that the IMF would be a partner in "an Egyptian journey" of economic reform. *(Reuters)*

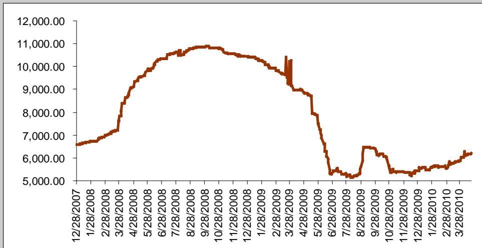
Egypt's central bank is expected to keep its overnight interest rates on hold at a monetary policy meeting later on Thursday despite continued slow growth and declining inflation as it pursues continuity under a new government. All 10 economists in a Reuters survey forecast that Thursday's meeting would conclude with overnight rates unchanged at 10.25% for lending and 9.25% for deposits. "Inflation is lower, but the uncertainty factors cited in the decision after the last meeting still hold to a large degree," said Giyas Gokkent, an economist at the National Bank of Abu Dhabi (NBAD).Egypt's urban consumer inflation eased to 6.4% in July, its lowest in six years, driven by a smaller increase in food prices. Core inflation, which strips out more volatile items and is used by the central bank to help set interest rate policy, slowed to 6.34% from 7.04% in June.

Egypt's finance ministry estimates the economy grew by only 2% in the year to end-June, as it struggled to recover from the turmoil of a popular uprising, and projects growth of 4 to 4.5% in 2012/13. State finances are under strain, partly because of the weakening in growth and higher social spending since the uprising. Egypt has requested a USD 4.8bn loan from the International Monetary Fund and hopes for a deal by the end of this year. Two measures the government may have to take are reducing energy subsidies and allowing the Egyptian pound to depreciate, both of which would feed higher prices. The currency hit its weakest level in more than seven and a half years, of above 6 to the U.S. dollar, earlier this week.

"Unfortunately, Egyptian economic adjustment (fiscal and external balances) that is necessary is also likely to have a one-off inflationary impact when adjustment comes," Gokkent said. The central bank has kept its benchmark overnight deposit and lending rates steady since November, when it unexpectedly raised rates for the first time in more than two years. At its last meeting on July 26, it said there was a risk that growth rates could slow further because of Egypt's political transformation, weak investment and the challenges facing the euro zone.*(Reuters)*

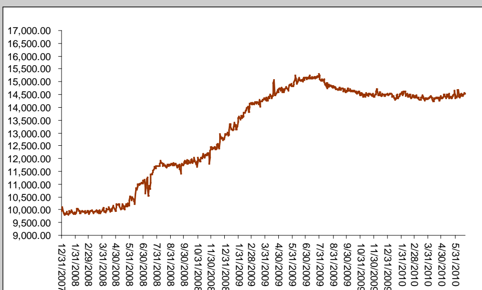
Ghana

Ghana Stock Exchange



Source: Reuters

GHC/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-12.662	-15.439	-9.157
Current account balance (USD bn)	-1.869	-2.362	-1.732
GDP based on PPP per capita GDP	1,571.83	1,633.76	1,979.53
GDP based on PPP share of world total (%)	0.051	0.052	0.052
GDP based on PPP valuation of country GDP(USD bn)	36.322	38.718	48.111
GDP (current prices)	638.80	645.71	778.16
GDP (Annual % Change)	14.761	15.302	18.913
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave Consumer Prices(Annual % Change)	18.46	10.15	8.43
Inflation-End of Period Consumer Prices (Annual %)	14.56	9.21	8.00
Population(m)	23.11	23.70	24.30

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The Composite Index grew by 10.07 points from 1,025.90 to 1,035.97 points while the Financial Index increased from 861.37 points to 871.80 points. Top gainers were ETI (10.00%), FML (4.18%), UTB (3.13%) and GGBL (0.84%). Top losers were EGL (-50.00%), SG-SSB (-2.22%) and TOTAL (-1.25%).

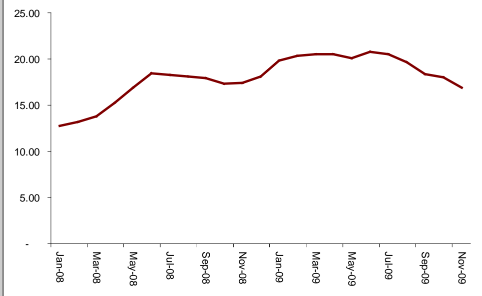
Corporate News

The Ghana Commercial Bank will enhance service delivery, roll out more electronic-based products and leverage on its wide branch network to increase its market share, the bank's Chief Operating Officer, Mr Kojo Addae-Mensah said on Monday. Speaking on the sidelines of the launch of GCB's 158th branch at Abeka-Lapaz, Mr Addae-Mensah said, the bank was keeping pace with the increasing customer demand for innovative products and the bank's efforts to offer a differentiated service would enable it reclaim the top position in the banking industry. He said the bank had been opened in the community to offer the necessary financial support and products to meet customers' business and development needs and to increase shareholder value.

Mr Addae-Mensah said the new branch had a huge potential, looking at the business, churches, schools, mosque and hotels. He assured customers of the company's readiness to respond to their financial needs. He said as a bank, GCB was behind the driving force for much of the success of most businesses in the country. He said the bank's electronic banking services were currently one of the best in the world and urged customers to take advantage of the alternative channels. He said the bank since July this year launched the e-banking promotion nicked the "Experience and Win" and is rewarding more than 400 customers using ATM daily. "Apart from our 158 branches and 15 agencies, GCB has 205 operational ATMs across the country with another 50 of the ATMs to be deployed later in the year," he added. *(Peace FM)*

Economic News

Ghana would produce gas in commercial quantities by February 2013, Mr Victor Kofi Sunu-Attah, Project Development Manager, Ghana National Gas Company has said. When Liquefied Petroleum Gas (LPG) from the national Gas project is finally on board, it will also meet national demand and eliminate periodic gas shortages in the country, Speaking to journalists at the on-going media training workshop on oil and gas in Accra, Mr Sunu-Attah explained that the natural gas project would not only generate employment for Ghanaians but would create new infrastructure to support a vibrant petroleum and petrochemical industry. He said with the mechanical completion of the gas



Source: SAR

plant by close of 2012, the first gas would be transported to the Volta River Authority, early next year for the Authority to use.

Mr Sunu-Attah noted that the gas project holds lots of prospects for Ghana and that it would provide a new economic growth pole for the country starting with the Western Region. The Project would provide the opportunity for a more competitive pricing of indigenous gas generation of much lower cost power, secure competitiveness of Ghanaian industry, accelerate economic development and also support strategic objective of becoming a petroleum processing hub. “It would resume Ghana’s strategic role as preferred exporter of power in the sub-region while replacing wood fuels and avoid de-forestation. There would also be flotation of shares of Ghana Gas that would ensure economic and social benefits from broadening ownership in the country’s natural resources”.

Mr Sunu-Attah said Ghana Gas Company established in July 2011 by late President John Evans Attah-Mills had been charged with the responsibility to build, own and operate natural gas infrastructure required for gathering, processing, transportation and marketing of gas resources to industry in a safe, cost effective, responsible and reliable manner. He announced that among the strategic and operating objectives of the gas project within the short term was to focus on developing a Gas Infrastructure Project to process and pipe Jubilee Phase (1) one gas to Takoradi Thermal Plants in Aboadze. This seeks to build the Early Phase Gas Infrastructure Project by the end of 2012 which would comprise a fully integrated and profitable gas business to serve the Ghanaian and export markets.

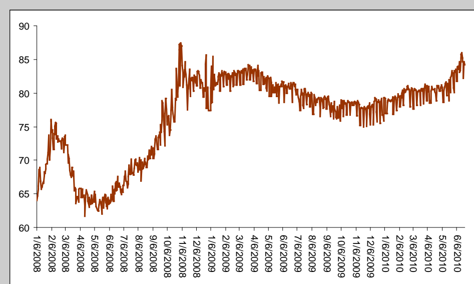
Sites had been acquired at Domunli consisting of Bonyere, Egbazo, Kabenlasuazo, Ndumsuazo, Bokakole, and Atuabo, Esiama, Inchaban, and Prestea, all in the Western Region, to prepare and build requisite infrastructure for gas operations and controls centers, incorporating helicopter surveillance fleet for protection of the gas facilities and petro-chemical plants. Preparation of commercial and technical agreements for purchase, gathering, processing, transport and delivery of natural gas; would also begin with commencement of commercial operations on completion of the early phase of the project. “Ghana has the needed infrastructure both in human and natural resources to make the gas industry more vibrant to the total benefits of Ghanaians”, Mr Sunu-Attah assured. *(Ghana News Agency)*

Kenya

Nairobi Stock Exchange

Source: Reuters

KES/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-8.098	-6.348	-5.734
Current account balance (USD bn)	-2.447	-2.188	-2.33
GDP based on PPP per capita GDP	1,750.82	1,817.49	1,902.47
GDP based on PPP share of world total (%)	0.091	0.093	0.094
GDP based on PPP valuation of country GDP(USD bn)	62.826	66.353	70.647
GDP (current prices)	841.95	944.07	1,094.40
GDP (Annual % Change)	2.486	4.024	4.972
GDP (US Dollars bn)	30.212	34.466	40.64
Inflation- Ave Consumer Prices(Annual % Change)	12.00	7.77	5.00
Inflation-End of Period Consumer Prices (Annual %)	11.50	7.19	5.00
Population(m)	35.88	36.51	37.13

Source: World Development Indicator

CPI Inflation

Stock Exchange News

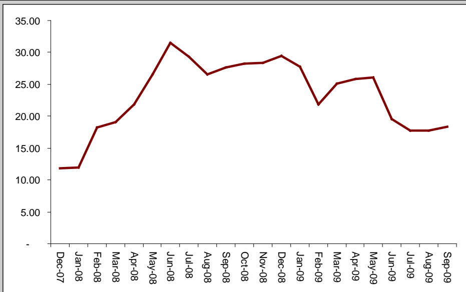
The NSE 20 index gained 0.87% to close the week at 3899.62pts while the NASI settled at 85.90pts. NIC Bank ended 6.2% higher at KES 35.25. Foreign activity was significant in KCB and Equity Bank this week as the shares closed at KES 26.25 and KES 22.25 respectively. EABL edged up 1.8% to close at KES 230. Pan Afirca rose by 12.15 to finish at KES 41.75. Uchumi increased by 5.70% at KES 16.05. SGL lost 5.56% at KES 21.25.

Corporate News

Top executives of Kenya Airways have seen their pay rise by 24% in a year that also saw the airline report drops in profit and share prices. Details in the national carrier’s annual report show that the annual pay of executive directors rose from Sh66m to Sh82m in the year ended March 2012. KQ’s annual report lists its executive directors as Titus Naikuni (CEO) and Alex Mbugua (group finance director)—and this means they shared a monthly package of Sh6.83m, up from last year’s Sh5.5m. The executive pay increase comes in a year when Kenya Airways profit dropped 51.4% to Sh1.7m as its costs raced ahead of its revenues, which saw the carrier cut dividends by 46.7%. Its share at the Nairobi Securities Exchange (NSE) has shed 58.7% in the past year to the current price of Sh13, making it the worst performing stock on the bourse over the 12 months.

The Business Daily failed to get a comment from KQ as Mr Mbugua’s mobile phone went unanswered. He also failed to respond to a text message on the matter. Analysts link the rise in executive pay to the airline’s bid to reward and retain its top talent and the fact that the raise came at the start of the financial year when the airline had just reported stellar results. The airline’s net profit rose to Sh3.5bn in the year to March 2011 from Sh2bn, reflecting a 75% increase. “The double-digit raise for KQ executives is a reflection of the stellar performance it reported the previous year,” said an analyst at Kestrel Capital, adding that competition for executive talent could also be a factor. This year has seen KQ battle a host of internal and external challenges that played a hand in the halving of its profits. Expensive labour and oil prices saw its direct costs jump 44% to Sh77bn with total expenses rising 32.5% to Sh106.5bn, which climbed faster compared to sales. Its revenues increased 25.6% to Sh107.8bn.

The national carrier has placed cost cutting on top of its agenda in light of the flat passenger numbers in a bid to return to growth in a turbulent aviation market. Its employees had moved to court to stop a planned layoff of about 650 workers, but on Thursday, the Industrial Court lifted an injunction that had stopped the carrier from sending them home. The airline’s wage bill has doubled in the past five years from Sh6bn in 2007 to Sh13.4bn in 2012. Collectively, its management wage bill increased to Sh236m in 2012 from last year’s Sh204m. Currently, top companies are developing good business ideas that are being copied with



Source: SAR

speed, forcing employers to constantly be on the lookout for innovators. This type of thinking is making human capital the most sought-after resource in the production system and an arsenal for companies that seek to grow. In high demand are people who are technologically literate, globally astute and capable of not only developing, but also executing strategy. As a result, blue chip companies are keen to retain star talent and this is forcing the employers to increase fixed salaries and widen the scope of performance-related compensation to include bonuses and shares. *(Business Daily)*

Sugar imports from Uganda have increased sharply over the past four months as traders offload surplus stock into the Kenyan market. Data from the Kenya Sugar Board (KSB) shows that sugar from Uganda accounted for 29% of Kenya's imports in the period between March and July. Sugar imports from Uganda shot up by 211.5% to peak at 6,790 tonnes in June. In July, they declined to 5,379 tonnes. According to industry players, Ugandan traders are taking advantage of the Kenyan market to offload excess stocks that have built up since last year. The East African Community (EAC) granted Uganda a duty waiver on all sugar imports in August last year to combat a biting shortage. Uganda has since reported a bumper cane harvest. "There has been a lot of sugar from Uganda this year partly due to the waiver granted last year," KSB's head of planning, Ms Patricia Njeru, said. In the period under review, imports from other countries within the Common Market for East and South Africa (Comesa) remained high, with Egypt peaking at 16,402 tonnes in June. The rising sugar imports from Comesa are sending jitters across Kenya's sugar industry. "The prices we have of sugar coming from Uganda are lower than what our local market is producing. "It is affecting our business and our ability to pay farmers," said Mr Paul Murgor, Mumias Sugar commercial director.

Further, in a July statement, Nzoia Sugar managing director Saul Wasilwa said the company had been unable to sell 500-kilogramme bags of sugar at market rates due to imports. Research by Sterling Capital on Mumias Sugar Company last month noted that the largest threat to Kenya's sugar industry is cheap imports from neighbouring countries. "Whereas in Kenya one tonne of sugar costs about USD 500 (Sh41,000) to produce, the same would cost USD 285 (Sh24,000) in a market like Sudan. This discrepancy leads to significant reductions in competitiveness of Kenyan sugar," reads the report in part. Further, Sterling Capital points out that sugar industry players have in the past urged the government to impose a 100% duty on all imports. Despite this, the local sugar industry faces constraints in production due to inconsistent farming methods and worsening land productivity. Data from the Kenya National Bureau of Statistics (KNBS) indicates that local sugar production has remained relatively static over the past six years, ranging between 475,000 tonnes and 547,000 tonnes a year. Last year, Kenya produced less sugar than it did in 2006. Although countries in Comesa are supposed to have opened their markets fully to intra-regional flow of goods, Kenya obtained a safeguard mechanism to protect the local sector by limiting imports. Currently, the country can import a maximum 340,000 tonnes of sugar a year. Only about 76,000 tonnes have been imported this year. The safeguard will expire in 2014. *(Daily Nation)*

Airtel Kenya is seeking dialogue with President Mwai Kibaki and Prime Minister Raila Odinga to convince them to push for lower mobile termination rates (MTR) as it races to cut losses. Airtel managing director Shivan Bhargava says in a letter dated August 29 that the delay in full implementation of the mobile termination rates is negatively affecting its

business and could slow down its return to the profit zone. The move by Airtel comes barely a week after President Kibaki issued a fresh directive through his private secretary, Prof Nick Wanjohi, that the Ministry of Information should not to implement the MTR rate before a new study on the same is conducted. The operators had on May 29 struck a deal that was to see the mobile termination rate fall to Sh1.60 a minute on July 1 from the current Sh2.21 in what was to end the one-year freeze and cut the cost burden on the smaller operators. "We humbly request for an opportunity to meet with you to discuss recent developments on the subject of inter-connection rates applicable in the mobile telephony sector, which have caused concern within our company," read part of the letter. "The change in government policy, before full implementation, has resulted in significant losses to our business as our business is now forced to meet costs that were not anticipated."

MTR is the fees which mobile operators pay one another for handling calls originating from rival networks and it affects the operators cost levels and influences pricing of tariffs. The rate fell from Sh4.42 in June 2009 to Sh2.21 in July 2010 and was to drop to Sh1.44 last June before President Kibaki froze it for a year following intense lobbying by Safaricom and Orange. This means that last week's freeze is the second to be issued by the President who propped Safaricom's position that a detailed cost study should be done to determine the MTR. The downward review in 2010 gave the operators room to cut their tariffs by more than half, but the telcos have ruled out lower call rates and will instead absorb the cost savings to boost earnings that had been hit by price wars.

Safaricom has been against low termination rate and analysts led by Morgan Stanley said that the company would be the biggest beneficiary from the delay in the MTR cut Its rivals reckon that the status quo will benefit Safaricom and hurt the earnings of the smaller operators whose significant share of calls head to Safaricom, which remains dominant with 65.3% of Kenya's mobile phone subscribers. Airtel has 15.3%, Orange 10.6% while you trails with 8.7%. Safaricom is the only operator that has benefited from the current termination rate. The Communications Commission of Kenya (CCK) said that the operator earned Sh868.9m from the rate in the three months to December while its main rival Airtel paid out Sh544.2m, Essar (Sh192.5m) and Telkom Kenya (Sh21.3m).

In the three months to June, Airtel subscribers made half of their calls amounting to 897m minutes to rival networks while Safaricom's made 4.5% of the 5.2bn minutes to rivals. Telkom Kenya's subscribers made 64.5% of their calls amounting to 55.5m minutes to rival networks. "It is unclear if a Sh1.60 MTR rate (from Sh2.21) will still be implemented. Any delay would add about 5% earnings before interest and tax and reduce the competitive threat of tariff reduction," said global financial services firm Morgan Stanley in an earlier research note. *(Business Daily)*

Mumias Sugar registered a 33% drop in profit before tax for the year ending June 30, on account of high inflation and a depreciating shilling. The company posted Sh1.76bn, compared with Sh2.65bn the previous year. Speaking at the sugar manufacturer's offices in Nairobi, the new managing director, Mr Peter Kebati said, however, that the share earnings increased by 4% to Sh1.32 against Sh1.26 the previous year. This was due to high sugar prices and tax credit realised after commissioning of ethanol and water plants. "Production costs went up significantly because of the import component that was affected by a depreciating shilling. We did not charge all these on the

farmers; we absorbed some of the costs," he said.

Mr Kebati added that the results were satisfactory in view of a difficult operating environment, with inflation rising from 12% to 20% last year, together with high fuel prices and a volatile and depreciating Kenyan currency. In November last year, the shilling plunged to an all-time low of Sh107 to the dollar. Mr Kebati said that lack of cane due to declining yields, putting of land under alternative use and poaching of cane by competitors had worsened the financial position of the firm. This was exacerbated by heavy rains between July and December that hampered transportation of cane. The company processed 800,000 tonnes of cane in the first half of the year and 1.1m tonnes in the second part of the year. Sugar cane crushed in the year was 1.9m tonnes, which was 14.6% lower than the 2.2m tonnes crushed the previous year.

The co-generation plant recorded a 23% increase in revenue to Sh435m due to increased performance. The sugar miller started distillation of ethanol in June, and recorded Sh1.5m in sales. Borrowings increased significantly from Sh610m to Sh2.46bn, mostly to fund the establishment of ethanol and water plants. "The margins of ethanol and water plants will be higher because of cost dilution. We expected a stronger performance in the second half of the year," he said. He added that the company, which recently introduced fortified sugar, would invest in development of cane with higher sucrose content and use of fertilisers to increase yields. The company has increased the acreage under cane from 57,000 hectares to 65,000 hectares. *(Daily Nation)*

The City Council of Nairobi left a cheaper loan offer from Co-operative Bank in favour of a more expensive one that left Equity Bank as the major beneficiary of the Sh5bn loan advanced to City Hall early last year. A parliamentary committee investigating the multi-billion- shilling debt that left the Kenyan capital in financial doldrums heard that Co-operative Bank had offered to advance City Hall the money at an interest rate of 8.5% or 2% less than the base rate in case of any changes in central bank rate. This means that City Hall would be servicing the loan at the rate of 16% following the steep rise in the base rate to a high of 18% in December last year. Investigations by the auditor-general revealed that Equity Bank had initially agreed to advance the loan at the rate of 10% but immediately charged 12% interest with the first instalment before increasing it to 24%, leaving the council with a huge debt obligation. Elizabeth Nguringa, the assistant director in the office of the auditor-general told Parliament that the loan agreement could also see City Hall transfer some of its key bank accounts to Equity Bank. "Some of the details in the letter of offer, which was supposed to lead into a contractual agreement, were not filled, and therefore in my understanding the parties never entered into an agreement," Ms Nguringa said. She told the Parliamentary Committee on Local Authorities Fund Account that the loan agreement between City Hall and Equity Bank could also not be traced at City Hall.

The original letter of offer could not be found at City Hall, forcing the auditors to ask Equity Bank for the agreement that was signed in March 2011. Former Town Clerk Philip Kisia told the committee that all the documents involving the loan transaction had been photocopied and the copies filed and stored. The loan document was to show the conditions and clauses under which City Hall was to pay back the money and at what cost. Ms Nguringa said correspondence between the bank and City Hall provided that the council transfers its existing bank accounts to Equity Bank. The auditor-general's office further found that

Equity Bank once revised the interest rate upwards without informing City Hall. It was revealed for the first time that City Hall officials created a key loophole in the contract by allowing junior officers to execute the mandates of their bosses, opening up the council to major leakages by committing it to contracts signed by junior officers. Mr Kisia said that the council had passed a resolution allowing the junior officials to perform the role of their bosses but he could not object because other officials and the legal team had agreed. That resolution saw the deputy treasurer, Margaret Osili, and deputy director legal services, Wilberforce Wambulwa, take over the role of their bosses. Ms Osili and Mr Wambulwa admitted before the parliamentary committee that it was not the best practice to have been given the mandates of their bosses.

Mr Kisia further disclosed that the council had sought more funds from Equity Bank to pay its employees but that request was rejected. "They went back to Equity Bank last week for more money but Mr Mwangi told them to go and resolve their issues first," said Mr Kisia, indicating that City Hall's employees may not get paid August salaries on time. Mr Kisia, PS Karega Mutahi, Ms Osili and Mr Wambulwa spoke Tuesday when they appeared before the parliamentary committee. Mr Kisia insisted that no money was lost in the loan arrangement and therefore there is no cause for concern.
Ms Osili has since been transferred to Kisumu in the same position while Mr Wambulwa is under interdiction over alleged irregularities in the procurement of a grader when he was the Town Clerk in Kwale. Mr Kisia also said that the arrangement with Equity Bank was a loan and not an overdraft facility, which attracts higher charges – contradicting his successor Roba Duba.

Prof Mutahi had told the committee that the ministry had approved borrowing of Sh5.2bn but that the terms were varied to execute the overdraft which attracts higher interest rates. The council's director of legal services, Aduma Owuor, said one of his deputies, Mr Wambulwa, worked on the contract on instructions from Mr Kisia and on the basis of a letter of offer from the bank instead of a legal contract. "It is surprising that they signed a letter of offer rather than the contract. Why would one sign letters of offers on a matter of such magnitude," posed Prof Karega. The treasurer, Jimmy Kiamba, said he had earlier indicated that he was not involved in paying the proceeds to creditors, some of who were not in the list approved by the Ministry of Local Government. "I was not involved in making the payments although the law requires that I authorise the same. My deputy, Margaret Osili, made the payments," he said. Prof Mutahi was also shocked why there were no legal documents that are supposed to be kept in a fireproof Cabinet. *(Business Daily)*

Jaguar Land Rover (JLR) and Ford franchise owners have appointed another dealer in Kenya in a move that look set to hurt the earnings of CMC Holdings that has been the sole dealer of the franchises. The franchises will be shared between CMC Motors and Thailand-based RMA Group that opened shop in Nairobi in July with the brief of selling the brands to large buyers like the government, multinationals, aid and UN agencies. CMC will focus largely on local companies and individual customers to sell JLR and Ford brands that include Ford pick-ups, Land Rover Defender, and luxury saloon cars like Jaguar, Range Rover, and Discovery. RMA is the biggest distributor of the twin franchises globally in operations that cover Europe, Asia, Middle East and Africa, where it has offices in Kenya, Liberia and South Africa. "We will not compete with CMC for small, local orders. We want to serve large clients seeking our efficiencies in global supply of vehicles," said Ken Nzioka, RMA's

regional business development manager. Mr Nzioka, who until recently was the general manager of Ford and Mazda at CMC, said the local auto dealer will offer spare parts and service functions to the vehicles sold locally by the international dealer.

The entry of RMA Group comes after Volkswagen, Jaguar Land Rover, and Ford have expressed their dissatisfaction with the level of sales in the local market, piling pressure on CMC to invest more in their brands. “On the board meeting of August 18, 2011 it was noted that CMC Group risked losing the Ford, VW, and JLR franchises due to the poor state of facilities (showrooms),” PwC wrote in a forensic audit report dated February 28 in the wake of a boardroom fallout at the company. Volkswagen wants CMC to build a modern workshop and a dust-free showroom to better position its brands in the Kenyan market where the German carmaker is unhappy with the sales volumes. Ford wants the auto dealer to upgrade the existing showroom and build a separate unit dedicated to its brands, a similar demand has been made by JLR in what will shift CMC’s business model since it hosts all models in a single premise. The three franchise owners account for 70% of CMC’s annual unit sales, underlining their importance to the auto dealer. CMC’s sale of JLR brands fell steadily from a high of 661 units in 2007 to a record low of 292 units in 2010, but recovered last year to post 404 units.

CMC sold 334 units of Ford brands last year compared to 328 units in 2010 while Volkswagen sales dropped to 183 units from 224 in 2010 and 292 units on 2009 — a drop that was linked to the freeze in government orders. It remains to be seen what impact RMA’s entry will have on the fortunes of CMC which more than tripled its net profit in the six months ending March, helped by foreign exchange gains. The dealer’s net profit stood at Sh383.5m in the review period compared to Sh120.1m a year earlier as sales increased to Sh6.3bn from Sh6.1bn. Its sales of vehicles declined to 1,163 units from 1, 202 as it booked Sh450m in foreign exchange gain from a loss of Sh106m. The firm has been rocked by a boardroom war in recent months that led its shares to be suspended at the Nairobi Securities Exchange and the removal of three directors including its former chairman and top shareholder Peter Muthoka. The boardroom wrangles were set off by the ouster of Mr Muthoka as chair of CMC after he was accused of breaching corporate governance standards by being head of the auto firm’s board and a CMC supplier through Andy Forwarders. CMC Motors has recorded a steady decline in profitability since its 2008 peak performance when its first half net profit stood at Sh892m, Sh631m (2009) and Sh189m in 2010. In Kenya, the government accounts for at least a quarter of total sales by CMC Holdings, with the military and other security agencies buying most of the Land Rover Defenders.
RMA will be angling for such deals alongside orders from aid agencies. *(Business Daily)*

Airtel customer services were on Tuesday paralysed after 200 employees of an Indian outsourcing company that handles work for the company went on strike. The employees of Spanco Raps Ltd are asking the outsourcing firm to increase salaries for call centre agents from Sh15,000 to Sh85,000 per month. Airtel contracted Spanco in 2010 to handle its customer care operations for voice, data, and Airtel Money in a move aimed at increasing efficiency and reducing the wage bill. The strike comes in the wake of a court case filed by 51 former Airtel employees who are protesting against their transfer to Spanco Raps Kenya. They are demanding their jobs back — which the mobile

telephone firm has turned down. “Basically, all Airtel customer care services from voice to data to Airtel Money are down. All these operations are handled from this (Spanco’s) office and none of us has resumed work yet,” said Mr Douglas Omuga, a representative of the striking employees. “The management has just addressed us saying that they need to do a market survey on what the industry is paying which they will use to benchmark our pay. But we have refused to accept since they have been using the same line since we started engaging them last year,” added Mr Omuga.

The management of Spanco refused to talk to the media, who camped at their offices along Mombasa Road between 10.30am and 12.45pm. Airtel did not respond to our questions on the matter. The price war in Kenya’s telecommunication market, which cut tariffs by half in the mobile phone sector in 2010, has prompted the operators to keep a lid on cost and re-model their business operations. As a result, outsourcing has emerged as a key strategy to reduce employee costs without compromising service delivery. This has focused on customer care and network management functions in a market where operators’ earnings have been hit by the tariff cuts. Airtel Kenya has adopted a low-cost model pursued by its Indian parent Bharti Airtel to gain market share. Besides Spanco Raps, the firm has outsourced its network functions to Nokia Siemens Network and IT work to IBM. Besides Airtel, Essar Telecom Kenya Ltd, and Telkom’s Kenya Orange have outsourced their non-core business. Essar, which operates under the brand name Yu, has outsourced its customer care department to its sister company Aegis.

Telkom Kenya’s Orange has outsourced its work to KenCall and Horizon. Safaricom, the leading operator, has stuck with in-house customer care. Close to the 60 customer care representatives who were handed over to Spanco in February 2011 are unhappy with their new employer and want to go back to Airtel. Airtel has turned down their request, arguing that their positions no longer exist. The staff had, however, been promised that they had a two-year grace period during which they could return to Airtel if they were not satisfied with Spanco. “Despite your assurance before moving our clients to Spanco that they would be free to return if dissatisfied within two years, their pleas to come back have been met with great hostility; your response being that their jobs are no longer available,” read part of a demand letter to Airtel drafted by Rachier and Amollo advocates. The workers say that they have suffered loss of a number of benefits they were entitled to while under Airtel’s employment. Airtel refused to comment on the court dispute. “The matter is sub judice and therefore we are unable to comment,” Airtel Kenya MD Shivan Bhargava told the Business Daily last week. *(Business Daily)*

Kenya Airways said on Tuesday 126 out of about 600 targeted employees have voluntarily left under a plan to reduce costs, after a court lifted a temporary ban on job cuts at the carrier. The airline, 26.7% owned by Air France KLM, said last month it would shed staff through voluntary retirement, redundancies and outsourcing of non-core roles. But the Aviation and Allied Workers Union (AAWU), which represents 3,8000 staff at the airline, challenged the cuts in court and secured a restraining order against the company. The court then lifted the ban, a decision the union's lawyer described as a "travesty" of justice. " the staff rationalisation program has been a success with 126, or 21%, of the estimated 600 members of staff that will leave the airline volunteering to take up the company's attractive layoff package," the airline said in a statement. It added the voluntary redundancy scheme would save the company about 1.2bn

shillings annually in labour costs. Chief Executive Officer and group Managing Director Titus Naikuni said in a statement that staff leaving the airline would get an average payout of up to 2m shillings. Naikuni said he wanted to reduce an employee cost base of 13.4bn shillings by 10-15%.

AAWU said it would hold a demonstration on Wednesday to protest the cuts. "We are going to hold a peaceful demonstration tomorrow to the Office of the Prime Minister Raila Odinga demanding he intervene and react over redundancies by the management," chairwoman Perpetua Mponjiwa told Reuters. "The Kenya Airways management has not followed the laid down procedure to lay off the workers," adding the union would go to court again to seek another court order to bar layoffs. Naikuni said the airline had followed "labour laws to the letter". Kenya Airways has said its wage bill more than doubled over the past six years to 13.4bn shillings while the total number of staff has risen by more than 16% to 4,834. The airline is one of the largest airlines in sub-Saharan Africa alongside Ethiopia Airline and South Africa Airways. *(Reuters)*

High demand for the NIC Bank stock saw the rights issue shares peak at a premium of Sh14.55, with more than 1.6m traded in two weeks. Non-shareholders of the bank who sought to buy the stock had to pay a steep premium above the Sh21 rights issue price. The trading window for forfeited shares ends Friday but the cash call, which opened on August 27, will close next Friday. During the first week of trading, 615,500 rights changed hands at an average price of Sh9.95 but as at the close of trading yesterday, 1.006m additional rights had changed hands. The price of the rights, which has been trending up and peaked at average of Sh14.55 on Wednesday, closed at Sh13.05 Thursday. NIC's share price has also gone up to close at an average of Sh35.25 as at yesterday from an average of Sh33 as at the close of last week.

Samuel Wachira, the general manager at Francis Drummond and Company, said NIC's offer of bonus shares to buyers of the rights shares has attracted investors to the stock. According the information memorandum on the rights issue the bank is offering one bonus share for every 10 rights applied for and allotted subject to the approval of the market regulator. "I would consider it a growth stock," said Mr Wachira, noting that though the counter has had a low dividend payout, preferring to give bonus shares, it has been expanding. NIC Bank is seeking Sh2bn in the sale of 98.72m rights shares.

The closing price of the rights Thursday means that if an investor purchased the rights in the open market, they would be required to part with a total of Sh34.05 at the end of the transaction, which is higher than the closing price of the stock in the open market at the time the cash call started and at the end of last week. "In the past the bank has utilised the money raised through the rights well and investors do not mind digging deeper into their pockets to fund this one. They have a good reputation," said Moses Waireri, an analyst at Genghis Capital. Results of the share sale will be announced mid next month. *(Business Daily)*

Kenya's top telecoms operator Safaricom said it would spend about 8bn shillings over the next four years to lay down 2,300 km of fibre-optic cable and support a rising customer base.
Chief Executive Bob Collymore said the company, which is highly dependent on fibre for voice and internet services, would finance the investment internally. Safaricom, 40% owned by Britain's Vodafone, already has 600 kilometres of

fibre, and will start adding another 800 km from November, Collymore said. That should be completed within 18 months. "In the next 3 years, we will be working on extending the footprint by up to 500 km per year. With future demand for higher bandwidth, the expansion will continue in the future," Collymore said. "We anticipate the cost to be about 2bn shillings a year." Kenya's mobile operators are racing to extend their network coverage across the country to keep up with the growing number of subscribers, up 16% in the first quarter of this year to 29m users compared with the same period last year. Internet usage grew by 69% to 6.5m subscribers. Safaricom commands a 67% market share in east Africa's biggest economy with 19.1m subscribers and 70% of internet users.*(Reuters)*

Kenya Airways, which is shedding hundreds of jobs through voluntary redundancies, said on Thursday the process would affect its first-half results, but it expected to benefit from lower operation costs in the long-run. The airline, 26.7% owned by Air France KLM and one of the largest carriers in Africa alongside Ethiopia Airlines, said it would shed 578 employees through voluntary retirement, redundancies and outsourcing of non-core roles. The aviation sector is under pressure due to rising staff and fuel costs, with many airlines pursuing cutback measures to offset anaemic economic growth in Europe and fierce competition.

Chief Executive Officer and group Managing Director Titus Naikuni told a news conference the restructuring process would cost the firm 800m shillings. "Our revenue is not growing as fast as we had anticipated. We need to look at our costs. These costs will show in the first-half results," said Naikuni. "We believe that after this exercise on labour cost, we should be able to deliver a sound business going forward." Kenya Airways said its wage bill had more than doubled over the past six years to 13.2bn shillings, while the total number of staff has risen by more than 16% to 4,834.

Analysts said that, while the restructuring would dent Kenya Airways profitability in the short-term, it was expected to rebound on reduced operational costs. "They will have a one-off expense which could potentially mean a substantial reduction in profits or (could lead to) a loss," said Eric Musau, an analyst at Standard Investment Bank. "We assume the benefits will come later in a much more substantial manner." Kenya Airways posted a 57% drop in pretax profit for the year ended March 2012 to 2.15bn shillings, hobbled by a sharp climb in its costs. Besides shedding employees, which Naikuni said would save the airline 1bn shillings annually, Kenya Airways has also discontinued loss-making routes to Rome and Muscat and reduced frequencies of some routes. Its share price is down 32.6% year-to-date to 13.30 shillings at 10.10 GMT, the worst performer of the main NSE 20-Share index. *(Reuters)*

Economic News

The capital markets regulator has rejected a proposal by stockbrokers to limit the discount that market intermediaries can offer to their clients. The proposal would have made it illegal for stockbrokers to charge below set minimum prices for brokerage services. The brokers have complained that price undercutting, where competitors offer deep discounts to attract high value customers in ordinary transactions and during rights issues and IPOs, has cut their profit margins to a minimum. Acting Capital Markets Authority (CMA) chief

executive Paul Muthaura has said setting minimum prices would infringe on the intermediaries' freedom to negotiate contracts. "The legal framework provides for negotiation of brokerage commission fees," said Mr Muthaura. "The Authority will continue to allow the market and those raising funds to freely negotiate such arrangements," he added. Brokers wanted a law enacted to limit the amount of discount that a stockbroker or investment bank can give to clients that have leverage to negotiate on trade commissions chargeable. The insurance industry has similar rules that set the minimum premiums chargeable on different risk covers. Lawyers also have minimum charges for specific services.

The CMA has, however, set the maximum commission charges applicable for equity and bond transactions as well as primary offers. The brokers, through their lobby the Kenya Association of Stockbrokers and Investment Banks (Kasib), say big clients have resorted to demanding big discounts to the detriment of financial stability of the industry. Kasib argues that the discounts offer institutional investors a loophole to pay a lower price per unit than retail investors — who receive no discount. "We have asked the regulator to curb the discounts. Some kind of discount for institutional investors is reasonable because they hold huge amounts of shares, but this should be controlled. Otherwise, the industry will cannibalise itself to the point where Kasib members will close down," said the Kasib chief executive Willie Njoroge. The recent increase in rights issues have brought the matter in focus as issuers have negotiated for big discounts below the 1.5% maximum commission on the value of transaction. More than Sh47bn has been raised or is being raised by seven listed companies since 2010. These transactions would have attracted brokerage commissions of up to Sh705m but only half of that is believed to have been returned to clients as discounts.

Companies such as Kenya Airways, KCB, Kenya Power, StanChart, NIC Bank, Diamond Trust Bank and CfC Stanbic Holdings have raised (or are raising) cash through the capital markets. Mr Njoroge said the point is to put "a maximum amount of discount in law so that brokers stop the undercutting that threatens to put some brokers out of business." Brokers are said to give discounts of at least 50%. The intermediaries are reluctant to continue giving away what they see as huge amounts at a time there are few deals in the stock market. Since 2008, only British American Insurance IPO has offered new shares at the Nairobi Securities Exchange. Most of the other new listings at the NSE including Trans-Century, CfC Insurance, Longhorn and CIC Insurance have been by introduction where shares are listed directly. The issue of returnable commissions has become even more pertinent to brokers and investment banks because they are on the verge of losing their long-held stranglehold on the exchange as demutualisation takes place. *(Business Daily)*

The steady drop in the inflation rate should set the stage for a deep cut in interest rates, economic analysts have said. The inflation rate dropped yet again to 6.07% last month, intensifying the call to cut the Central Bank Rate (CBR) to boost economic growth. The August drop from July's 7.74% was steeper than estimates by economic researchers at Standard Chartered Bank who predicted a fall to 6.7% and the CBK's target of 9%. StanChart's head of research for Africa Region, Razia Khan, said the latest inflation figures should convince the Monetary Policy Committee (MPC) to cut the benchmark lending rate at its bi-monthly meeting expected to take place this week. "Clearly, with the policy rate still at 16.5%, this opens the way for an outsized rate cut next week," said Ms Khan in a statement. She predicted a cut to 13.5% from 16.5%. "We had

already revised our expectation to a cut of 300bps at the MPC meeting next week – this inflation data reinforces the case for a significant decline," said Ms Khan.

In July the MPC reduced the base rate to 16.5% from 18%, the first drop since rates increased threefold last December to 18% from 6%. The increase was meant to stabilise the shilling and tame inflation. The Kenya National Bureau of Statistics said that August's fall was the result of declining prices of cabbages, potatoes, milk and other food stuffs. Food and non-alcoholic beverages, which make up the largest share of the Consumer Price Index, decreased by 1.09% in August. Kenyans however paid more for housing, water, electricity, gas and other fuels as reflected by the index which increased by 0.8%. "Our economist predicts a gradual fall in interest rates over the next 12 months, which could benefit equity markets overall," says a SBG Securities coverage report on KCB released on Friday. *(Business Daily)*

The Nairobi Securities Exchange (NSE) is on Tuesday expected to launch a system that electronically links all brokers to the trading systems and to the central depository, eliminating the use of paper trading shares. The system known as the broker back office (BBO) whose implementation started last year and has been done in phases will also make it easier for the Capital Markets Authority to connect to the brokers' system and monitor trading. "The system automates the entire process of transacting in shares with minimal manual intervention and is interfaced with the Automated Trading System and Central Depository System," said the NSE in a statement. "The system will reduce the risk of trading in securities listed on the NSE, boost investor confidence and facilitate greater access by enabling internet trading."

East African Securities Exchanges Association (EASEA) during their last meeting in July said members Dar es Salaam Stock Exchange, Rwanda Stock Exchange, Uganda Securities Exchange and Burundi had adopted Kenya's model for all brokers. It is expected that brokers in the region running on the same system will make it easier for the development of a regional trading network. Currently, if an investor wants to trade shares at the DSE for instance from Kenya, they would either be there in person or engage brokers working together. The implementation of the system is expected to cost Sh100m. *(Business Daily)*

The top price of Kenya's benchmark grade AA coffee rose to USD 312 per bag at auction this week from USD 267 at the previous sale, while volumes remained low amid quality concerns. The Nairobi Coffee Exchange (NCE) said late on Tuesday that out of the 20,714 bags offered, only 8,148 sold, matching a trend last week when the exchange said the market could be holding out for an improvement in quality. Last week 21,900 bags offered, with only 5,717 sold. Although the east African nation is a small producer by global standards, its crop is sought after by the world's roasters, who blend it with low quality coffee from other nations. It consumes only about 5% of its output, meaning prices of its coffee are highly susceptible to external influences such as the euro zone crisis, which has contributed to subdued demand for Kenya's coffee and lower prices this year. During this week's auction, Grade AA sold at USD 191-USD 312 per bag, compared with USD 260-USD 267 last week, the NCE said in a market report. Grade AB fetched USD 146-USD 200 per bag, compared with the previous week's USD 151-196. Overall, the beans sold fetched a total USD 1.6m with the average price coming in at USD 160.16.

(Reuters)

Kenya's central bank cut its key lending rate by a record 350 basis points to 13% on Wednesday, broadly in line with market expectations, against a background of declining inflationary pressures and exchange rate stability, it said. However, international oil and food prices remained a risk to the macroeconomic stability of the region's biggest economy, Governor Njuguna Ndung'u said in a monetary policy statement. "The slowdown in global economic growth was also noted to have a dampening effect on both domestic growth and the balance of payments," he said. The Kenyan shilling firmed after the rate cut, trading at a settled price of 84.75 per dollar from 85.05 prior to the announcement, Thomson Reuters data showed.

All nine analysts polled by Reuters expected the central bank to cut its policy rate after year-on-year inflation fell for the ninth straight month in August to 6.09%, the lowest since January 2011, and a sharper fall than analysts' expectations. The analysts had expected a cut of a median 300 basis points. Kenya ramped up the central bank rate by 11 percentage points in the last quarter of 2011 to 18% after inflation surged towards 20%, and held it there for seven consecutive months, before cutting it to 16.5% in July. That, however, came at the expense of economic growth which slowed to 3.5% in the first quarter of 2012 from 5.1% a year earlier, the slowest first quarter growth since 2008.

"The 350 basis point cut indicates a sizeable shift by the (central bank) towards supporting growth amid a sustained deterioration in global economic conditions," said Mark Bohlund, senior economist for sub-Saharan Africa at IHS Global Insight. Razia Khan, head of Africa research at Standard Chartered, said there was still room for more monetary easing but that future cuts in the easing cycle might not be as aggressive. "There is room to keep easing rates in Kenya, and another 400 bps of easing in this cycle looks almost a done deal. But the pace of that easing, and the willingness to do even more, will be governed by new developments," Khan said. *(Reuters)*

The Kenyan shilling reversed earlier losses to end firmer against the dollar on Wednesday as banks took profits from their long dollar positions having expected the central bank to cut the benchmark interest rate even more deeply than it did. Policymakers cut the central bank rate by a record 350 basis points to 13% against a background of declining inflationary pressures and exchange rate stability. At the close of market, the shilling was posted at 84.30/50 per dollar, 0.8% off an intraday low of 84.90/85.10, and firmer than Tuesday's close of 84.65/85. "Anything below 400 basis points was disappointing owing to the fact that rates (yields) are much below 10%," said a trader at one commercial bank.

The largest rate cut made by the bank before Wednesday's decision had been 150 basis points. Inflation fell to a 19-month low of 6.09% in August, a sharper-than-forecast drop which analysts said gave policymakers room to slash the central bank rate and jump-start stuttering growth in the region's biggest economy. "Guys are profit-taking since the rate cut had already been priced in the market. It's all interbank trading," said Julius Kiriinya, a trader at African Banking corporation. In stocks, the main NSE-20 Share Index was barely changed, inching up 0.04% to 3,897.45 points. "Investors will start targeting interest rate sensitive stocks such as banks which will benefit because their cost

of funds will decrease," said Crispus Otieno, an analyst at Afrika Investment Bank.
East African Breweries accounted for half of the session's turnover as investor bet the brewer would manage to reign in its operation costs. The brewer gained 1.3% to 229 shillings.

During Wednesday's trading, government bonds worth 3.4bn shillings were traded, down from 4.2bn shillings that had been traded on Tuesday. In the debt primary auction, the weighted average yield on the 182-day Treasury bills fell to 9.351% from 9.848% last week. It received 171% demand for the 4bn shillings on offer. *(Reuters)*

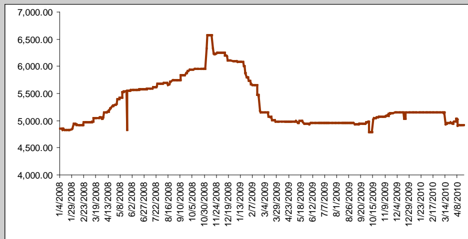
Rainfall during Kenya's short rainy season starting next month is expected to be above-average and well-distributed, meteorologists said, potentially easing food price pressures in the agriculture-led economy. Kenya's year-on-year inflation rate fell for the ninth straight month and faster-than-expected in August to 6.09%, mainly aided by lower food prices from a month earlier. Agricultural output accounts for roughly one quarter of gross domestic product. Favourable weather since the start in this year in East Africa's biggest economy has kept the supply of food stable and prices of key staples including maize low. The agriculture ministry expects the supply of food - and prices - to be stable until December. The Kenya Meteorological Department said in its short rains (October-December) outlook on Wednesday that the main food growing areas of Western, Nyanza, Central and Rift Valley would have above-average rainfall and advised farmers to take advantage of the favourable weather.

"Enhanced rainfall is expected over most agricultural areas of the country. It is also expected that the rainfall will be well distributed," it said. Poor rains in the drought prone country typically hurt output and lead to an increase in costly food imports. Meteorologists warned that early rains might increase post-harvest losses - when crops are damaged in storage. Unseasonably early rainfall can give rise to fungus attacks. However, the agriculture ministry said crop damage would be "insignificant".

"We have already taken precautionary measures (to) assist farmers to access drying facilities so that their produce is stored under the right moisture content to reduce susceptibility to fungal attacks," Agriculture Ministry Permanent Secretary Romano Kiome told Reuters. Hydropower generation is also expected to get a boost around the major catchment areas, improving water levels at dams. Kenya relies heavily on power generated from its hydrodams though it has proved unreliable during dry spells. African seasons are typically divided into four: the short dry season is usually December to February or March; long rains fall over a six-week period into May; the long dry season is from June to September, with the two-week short rains stretches from October into December. *(Reuters)*

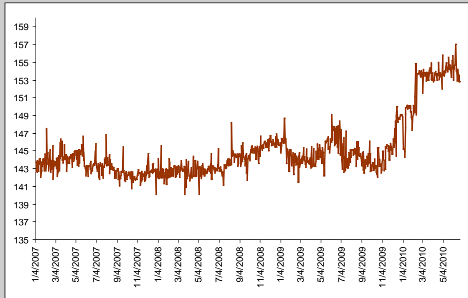
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-4.073	-5.502	-4.791
Current account balance (USD bn)	-0.2	-0.306	-0.3
GDP based on PPP per capita GDP	880.88	916.63	940.29
GDP based on PPP share of world total (%)	0.018	0.018	0.018
GDP based on PPP valuation of country GDP(USD bn)	12.271	13.027	13.632
GDP (current prices)	352.37	390.91	432.14
GDP (Annual % Change)	5.878	4.557	3.175
GDP (US Dollars bn)	4.909	5.555	6.265
Inflation- Ave Consumer Prices(Annual % Change)	8.60	8.24	9.31
Inflation-End of Period Consumer Prices (Annual %)	7.76	8.35	9.73
Population(m)	13.93	14.21	14.50

Stock Exchange News

The Malawi All Share index inched up 0.17% to end the week at 5,977.33pts. Trading activity was only recorded in 5 counters in the past week, namely FMB, MPICO, NBS, Standard Bank and OML. Market turnover stood at USD 6,033.77.

Corporate News

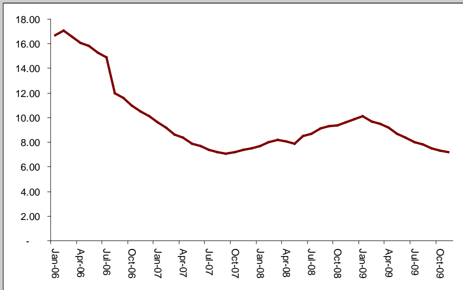
No Corporate News this week

Economic News

No Economic News this week

Source: World Development Indicator

CPI Inflation

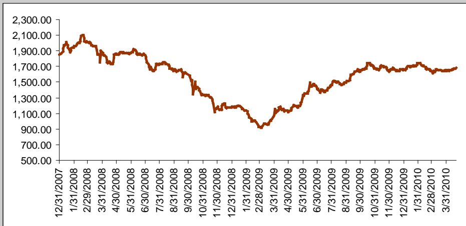


Source: SAR

SECURITIES AFRICA

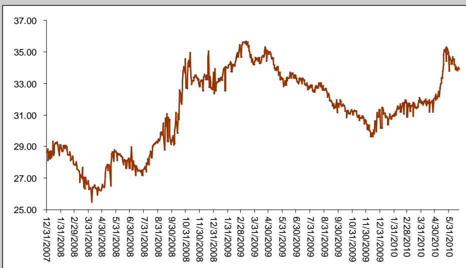
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.308	-10.579	-9.758
Current account balance (USD bn)	-0.852	-0.947	-0.931
GDP based on PPP per capita GDP	12,356.23	12,699.51	13,389.07
GDP based on PPP share of world total (%)	0.023	0.023	0.023
GDP based on PPP valuation of country GDP(USD bn)	15.831	16.391	17.406
GDP (current prices)	7,146.27	6,935.94	7,339.15
GDP (Annual % Change)	2.065	1.98	4.695
GDP (US Dollars bn)	9.156	8.952	9.541
Inflation- Ave Consumer Prices(Annual % Change)	6.40	4.05	5.00
Inflation-End of Period Consumer Prices (Annual %)	3.10	5.00	5.00
Population(m)	1.28	1.29	1.30

Source: World Development Indicators

CPI Inflation

Stock Exchange News

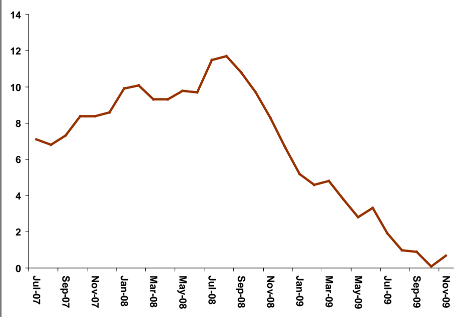
The Semdex edged up 0.53 to end the week at 1,695.46pts while the Sem-7 closed 0.63% higher at 330.72pts. Total turnover stood at USD 9.5m. MCB increased by 0.6% to Rs163 on 787.7k shares traded. Bramer Banking traded 9.4% higher at Rs7 on 495k shares. SBm remained level at Rs82 on 245k shares. MEI lost 4.1% to Rs70 on thins. Rogers remained unchanged at Rs308. Other conglomerate IBL increased by 2.6% at Rs79.

Corporate News

No Corporate News this week

Economic News

Consumer prices in Mauritius rose 0.2% in August, leaving the annual average rate at 4.60% from 4.90% in July, official data showed on Friday. Mauritius Statistics said the consumer price index measured 133.2 in August from 128.4 a year earlier, leaving the year-on-year rate at 3.7%, the same as in July, according to Thomson Reuters calculations. Food and non-alcoholic drink prices rose 0.3% during the month while clothing and footwear costs increased 0.9%. Transport costs bucked the trend, falling 0.1%. Average annual inflation has been falling since December 2011, when it was at 6.5%. *(Reuters)*

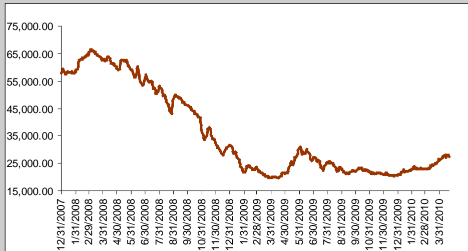


Source: SAR

SECURITIES AFRICA

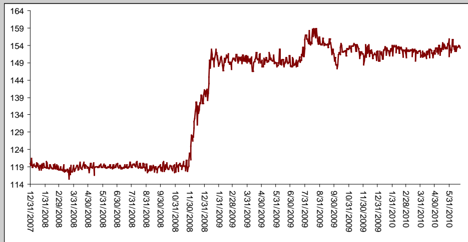
Nigeria

Nigeria Stock Exchange



Source: Reuters

NGN/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	6.939	13.792	14.278
Current account balance (USD bn)	11.48	25.631	28.488
GDP based on PPP per capita GDP	2,199.08	2,281.27	2,369.35
GDP based on PPP share of world total (%)	0.475	0.489	0.499
GDP based on PPP valuation of country GDP(USD bn)	333.983	355.995	379.907
GDP (current prices)	1,089.30	1,190.86	1,244.37
GDP (Annual % Change)	2.905	4.985	5.215
GDP (US Dollars bn)	165.437	185.835	199.526
Inflation- Ave Consumer Prices(Annual % Change)	11.96	8.80	8.50
Inflation-End of Period Consumer Prices (Annual %)	9.12	8.50	8.50
Population(m)	151.87	156.05	160.34

Source: World Development Indicators

CPI Inflation

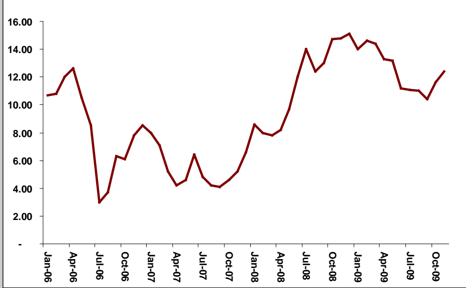
Stock Exchange News

The NSE All-Share Index capped the week with a 1.12% gain closing at 24,838.70. Flour Mills Plc led on the gainers' by 15.68% to gain N8.39 followed by Nigeria Breweries Plc by 3.66% to gain N4.50. Other gainers were Dadbury Nigeria (23.25%), Okomu (11.11% and Dangote Cement (2.68%). Arbico Plc led the losers, dropping by -14.14% to shed N1.80 followed by Morison Industries Plc with a loss of N0.64 or -9.58%. A turnover of 3.468 billion shares worth N23.994 billion in 21,542 deals were recorded

Corporate News

The fresh evaluation of bids for the acquisition of the prized Afam Generating Company in Rivers State restarted late Friday, after the initial process was consumed by the finding that former power minister, Bart Nnaji was linked to one of the three potential buyers of the plant. Sources close to the process say they expect the evaluation to last a few days and that the results should be ready before the September 11 crucial meeting of the National Council on Privatisation (NCP). It will be the first meeting of the council, following that of Friday August 24, at which Nnaji's tenure as minister became untenable in the light of his own admission that he had direct interest in two firms bidding for both the Afam and Enugu DisCos. The fresh evaluation is being handled by a rather large team of 15, composed by the office of the vice president, in disregard of recommendations by the Bureau for Public Enterprises (BPE) after consultations with the chairman of the Technical Committee on Privatisation (TCP) Atedo Peterside.

Deputy chief of staff to the vice president, M A K Abdullahi, seems to have had the final say on the selection of the evaluation team which has lost the full membership of the only two independent international bodies, NIAF and NEXANT, whose representatives were reduced to observer status by Abdullahi. BusinessDay leant that concerns over the unfolding twist have caused consternation in the ranks of Nigeria's development partners who are now demanding assurances from the Federal Government that the privatisation programme has not been hijacked by politicians for their own selfish interests. BusinessDay had exclusively reported last Thursday, that the deputy chief of staff to the vice president was seeking to corner the privatisation process, using the departure of Nnaji as subterfuge. Against existing precedence, the deputy chief of staff decreed that the evaluation team would be headed by one Yusuf Fwankat, an engineer, of the Ministry of Power, and not an official of the BPE. BusinessDay investigations revealed that others named to the new evaluation team included Haliru Dikko, from the electricity regulatory commission (NERC) Benson Ajisegiri of the Ministry of Water Resources and Anas Abba Kyari, from PHCN. According to one government source, "there has never been a time that the vice president's office became involved in the mundane task of nominating or picking members of the evaluation teams for assets being privatised by the state." *(Business Day)*



Source: SAR

Shareholders of Conoil plc have approved total dividend payment of N1.73bn to existing shareholders, which implied a dividend payment of N2.50 per share, up from N2.00 paid in the preceding year. They also commended the Board and Management of the company for its impressive financial performance, despite what they described as the plethora of challenges and the harsh operating environment plaguing the downstream sector of the petroleum industry. The shareholders made the commendation at the company's 42nd Annual General Meeting in Ibadan on August 30, 2012. Speaking at the meeting, Adebayo Adeleke, the General Secretary, Independent Shareholders Association of Nigeria (ISAN) whose views captured the mood of shareholders in attendance, remarked that the performance of Conoil during the period in review, further re-enforced investors' confidence in the company. "A closer look at the results showed very prudent management, strategic planning and cost control measures, resulting in growth and improved bottom-line," Adeleke said. "The cash flow position of the company revealed a company that is very liquid to meet its obligations and explore more profitable opportunities," the ISAN general secretary added.

The 25% increase in cash payouts was reflective of the improved performance of the company during the year in review as turnover rose by 53% to N157.5bn from N102.8bn in the previous year. Profit Before Tax also increased from N4.02bn to N4.4bn, while Profit After Tax rose from N2.79bn to N2.95bn. Conoil's current dividend yield amounted to about 12% and earnings yield of about 20%, thus placing the company amongst the top-bracket of dividend paying stocks on the Nigerian Stock Exchange (NSE). The company's earnings per share had been on the upward trend, increasing from N2.62 in 2008 to N3.33 and N4.02 in 2009 and 2010 respectively, while it increased cash dividend per share correspondingly from N1 in 2009 to N1.50 and N2 in 2009 and 2010 respectively. Conoil also posted a stronger balance sheet as retained earnings boosted shareholders' funds to N16.82bn in 2011 compared with N15.26bn in 2010. Total assets rose by 49% to N61.84bn in 2011 as against N41.49bn in 2010.

Speaking at the meeting, Chairman of Conoil Plc, Mike Adenuga, told shareholders that the remarkable performance demonstrated the company's "well-grounded structures and the uniqueness to respond to the volatility in the downstream sector." "We launched far-reaching initiatives to strengthen our income base in core segments of our business particularly in retail, lubricants, aviation, gas and specialised products. We pursued and sustained strategic expansion of our retail network across the length and breadth of the country," Adenuga said. The chairman also attributed the impressive performance to the company's commitment to operational efficiency, adherence to corporate governance guidelines, strategic planning, pro-active investment and expansion policy. *(Business Day)*

West Africa-focused energy firm Eland Oil and Gas will float on London's junior stock market on Monday with a market value of 135m pounds after completing the purchase of a stake in a Nigerian oil block, it told Reuters on Saturday. Eland Oil Chief Executive Les Blair said the company, in partnership with Nigerian oil firm Starcrest, bought a 45% stake in block OML 40 owned jointly by Shell, Total and Eni for USD 154m. Blair said the block had 71.5m barrels of proven oil reserves and it planned to be producing 2,500 barrels per day within 6 months. Eland will list on London's AIM market at 100 pence per share on Monday, raising 118m pounds, Blair added. Nigeria's state

oil company, the Nigerian National Petroleum Corp. (NNPC), owns the other 55% of the block and its subsidiary NPDC will take over the operating rights from Shell, Blair said. "We are very pleased this deal has been completed and we look forward to working closely with NPDC on this lease, which has production and exploration potential," Blair said by phone. Shell said last year the sale of OML 40 had been agreed but Eland had to go through months of negotiations with the Nigerian government, partly over who would operate production, before the deal was finally signed off on Friday.

The Anglo-Dutch oil major is selling several of its smaller assets in the onshore Niger Delta as it rejigs its operation in Nigeria to focus on major projects and deep offshore blocks. Shell's onshore facilities are plagued with problems such as militancy and rampant oil theft, although the firm says such problems have not influenced its divestment plans. The company said in June it was seeking buyers for OMLs 30, 34 and 40. Eland could be a potential bidder for the other assets as well. "We're very interested in acquiring other assets IOCs (international oil companies) may be looking to rationalise," Blair said. Foreign company's bidding for onshore assets need to partner with local firms because of the Nigerian government's policy of boosting local participation in the oil industry. NNPC wants to increase the amount of oil it operates as partner in projects, although critics say the company lacks the funds to invest sufficiently in its own assets. *(Reuters)*

Nigeria's Guaranty Trust Bank (GT Bank) said on Friday its pretax profit for the first half of 2012 climbed 63% year-on-year to 53.6bn naira, compared with 32.9bn naira in the same period last year. It said gross earnings rose to 106.1bn naira during that period, from 84.8bn naira a year earlier. The top-tier Nigerian lender declared an interim dividend of 0.25 naira. Shares in GT Bank, which has gained 25.96% this year, shed 0.72% at 1251 GMT on profit taking, dealers said. The broader index fell 0.14% to 23,671 points. *(Reuters)*

Cadbury Nigeria said on Monday its pre-tax profit rose 50.46% to 1.61bn naira in the first half of the year, from 1.07bn naira in the same period last year, lifting its shares by almost 5%. Gross earnings in the local unit of North America's largest packaged food company, Kraft Foods Inc, dropped to 16.09bn naira from 16.12bn in the same period of last year, Cadbury disclosed at the Nigerian Stock Exchange. Its shares rose 4.99% to 1874 naira on the local bourse shortly after the announcement, just under the maximum 5% allowed in any trading day. *(Reuters)*

AIR Nigeria has announced the suspension of all its operations -local, regional and international – with effect from Monday, September10, 2012. The suspension, according to the management of the frontline airline, is largely due to staff disloyalty and environmental tension, “which are not conducive for business in the aviation sector.” In a statement yesterday, the management of the airline expressed regrets for any inconvenience the decision would cause its loyal passengers on all the routes and advised passengers to contact agents from whom they had purchased tickets for refunds. Reacting to the development, the Chairman of the airline, Barrister Jimoh Ibrahim, OFR, said it was difficult to continue further investment in the airline, with the high level of staff disloyalty and weak business environment. “But we are strongly committed to ensuring that Air Nigeria survives,” he added. He said about 50 loyal staff from various departments of the airline had been selected with a mandate to

recommence business within 12 months, while other staff had been relieved of their employment effective from the last day of work on their various routes.

Dr. Ibrahim thanked the stakeholders for their massive support in the last two years of the operation of Air Nigeria under the new management. The corporate turn-around expert explained that the suspension of all the operations of Air Nigeria was not unusual. According to him, “Corporations are like individuals who naturally will get sick and the usual thing to do is to admit them to hospitals, either for corporate surgery or for treatment, as the case may be. During such a period, it is not likely that they will work in full capacity, depending on the nature of the illness.” The airline’s suspension of operations, he added, was not due to load factor, but largely to staff disloyalty and weak business environment. *(Vanguard)*

Flour Mills of Nigeria Plc jumped the most in 19 weeks after saying it will acquire ROM Oil Mills in Ibadan, southwest Nigeria. The stock gained 4.9%, the most since April 23, to 60.62 naira at 12:51 p.m. in Lagos, the highest since May 17. Flour Mills plans to buy 90% equity in ROM Oil Mills Ltd., it said in a statement in the Lagos-based Guardian newspaper today. Shareholders will vote on the acquisition at a meeting on Sept. 12, it said. “Investors are reacting to the ROM acquisition plan which they believe will provide cheap raw materials for Flour Mill’s food brands,” David Adonri, chief executive officer of Lagos-based Lambeth Trust and Investment Co., said by phone today. “The acquisition is expected to reduce the company’s operating cost and increase profit.” Profit for the three months through June rose to 3.9bn naira (USD 24.6m) from 2.8bn naira a year earlier, the Lagos-based company said on Aug. 23. Revenue advanced to 70.7bn naira from 64bn naira. Flour Mills shares have fallen 7.4% this year, compared with a 17% gain in the Nigerian Stock Exchange All-Share Index over the same period. *(Bloomberg)*

Investor sentiments trailing, the shares of Union Bank has continued to witness significant attention at the exchange, as the most recent was on Monday, following which 13.41% of the banks 16.9bn outstanding shares were traded worth N12.7bn in 99 deals, BusinessDay investigation has revealed. This development however indicates that 2.27bn units of Union Bank’s shares changed hands. Union bank, has witnessed sustained mark up in its shares, Since the announcement of a change of leadership in Union Bank, which will see the present managing director, Funke Osibodu hand over to Emeka Emuwa, current Citibank Nigeria managing director, in October. This is just as the shares of the bank appreciated at the stock market, as the bank continues to regain more investor confidence, following efforts by the Osibodu led management to reposition the bank for better performance. The shares of the bank have been enjoying high patronage at the stock market, leading to capital appreciation since the announcement.

Commenting on the recent development, analyst at Afrinvest said growing demand for Union Bank shares during the week led to a 13.2% mark-up at the close of the week; it was divergent to the lacklustre performance of other stocks in the sector last week, with buyers demonstrating caution and leading to mild gains for most stocks in the sector. The stock opened at N5.35 and fluctuated within the band of 4.48% before it eventually closed at N5.61. Most of the block trades were done for AMCON. According to analyst at Meristem, the cross deal might impact the stock positively even as it is yet to return to the opening price

which was N10.64 by January this year. “Since July, the share price of Union Bank has sustained an upward momentum which has culminated in 37% appreciation in its share price thereby moving from N4.09 by early July to N5.61 yesterday”.

“As a result of the huge block trade, trading in the shares of Union Bank accounted for 95% of the transactions that took place within the banking sub sector just as it accounted for 93% of the total market trades”. The All-Share Index and market capitalization are the most impacted as they appreciated by 0.62% to close at 24,012.57 basis points and N7.64tn. This is the highest point index attained this year. This appreciation in the share price began not long after the announcement of the change in leadership, which followed an impressive first quarter result (Q1), expectedly leading to increased demand by investors who are taking position in the bank, following improved Q1 numbers. It would be recalled the late last year, when the bank made the move to clean up its books by providing for bad loans. The management had expressed optimism that the future of the bank remains bright, saying that the result of the different strategies initiated would manifest in its subsequent improved financial results. Based on the assurance and given the low price at that time, some discerning investors swooped on the shares of Union Bank , a development that lifted the price by 23%.

Union Bank recently reported a profit after tax of N7.618bn in Q1 showing a growth of 68% from N4.513bn recorded in the corresponding period of 2011.Shareholders’ funds stood at a positive N193.84bn in 2012 compared with negative of N123.7bn in 2011. Total assets stood at N1.1tn with deposit of N565.34bn in 2012. Commenting on the results, group managing director, Union Bank of Nigeria Plc, Funke Osibodu, said the Q1 was indicative of the efforts by the board and management to return the bank to its place of pride as a foremost financial institution that consistently creates value for all stakeholders. the bank has now done well to return from the abyss of a bailed out bank with negative capital to one of the most promising financial institutions in Nigeria, she said. *(Business Day)*

Fidelity Bank Plc has recorded a 61% in deposit growth for the half year (H1) ended June 30, 2012. The bank’s unaudited account for the half year 2012 released recently showed that total deposits from customers of the bank stood at N554bn, up from N345bn in 2011. Fidelity Bank’s profit before tax also soared by 160% from N3.8bn to N9.9bn in 2012. Earnings per share grew by same margin of 160%, rising 20 kobo in 2011 to 52 kobo in 2012. The bank grew its total assets by 46.9% from N502bn to N736.9bn, while net loans and advances rose by 36% to N274bn as at June 30, 2012 from N201bn as at June 30, 2011. Shareholders’ funds stood at N141bn as at June 30, 2012. A look at the efficiency ratios of the Fidelity Bank showed that pre-tax (annualised) return on assets (RoA) increased to 2.7% from 1.5, while return on equity (RoE) rose to 14% in June 2012 from 5.8% in June 2011.

Non-performing loan (NPL) ratio was 6% as at June 30 2012 compared to 16% as at June 30 2011 and was 7.8% as at December 31, 2011. Similarly, cost-to-income ratio (CIR) dropped to 69.8% in the half year ended June 30 2012 compared to 81% in the corresponding period of 2011. In terms of capital adequacy ratio (CAR), which measures a bank’s financial strength, soundness and capacity for future expansion, was 29% which is well above the regulatory

minimum of 10%. Also, liquidity ratio, which measures a bank's solvency and ability to meet maturing obligations, was 47% as at June 30 2012 compared to the regulatory threshold of 30%. *(This Day)*

Economic News

Barring any last minute hitches, the Ministry of Finance will this week announce a new board for the Securities and Exchange Commission (SEC), THISDAY's checks have revealed. The commission's board was dissolved on June 15 and capital market operators have since called on the Federal Government to constitute a new board. Following the clamour, the Coordinating Minister for the Economy and Minister of Finance and, Dr. Ngozi Okonjo-Iweala, recently told THISDAY that the board was being reconstituted. Sources close to the ministry and SEC, which is the apex regulatory body for the capital market, said last Friday that the board would be ready this week.
"I think, the board will be ready next (this) week," a competent source said but refused to give details of its composition. Part 1 of the Investments and Securities Act (ISA) 2007 stipulates that the SEC's board must consist of a part-time chairman; the director-general and chief executive; three full time commissioners; a representative of the Federal Ministry of Finance; a representative of the Central Bank of Nigeria; and two part-time commissioners, one of whom shall be a legal practitioner qualified to practice in Nigeria with 10 years, post-call experience.

According to ISA, the board members shall be appointed by the president upon recommendation of the Minister of Finance and confirmation by the Senate. ISA provides that in the case of the chairman or DG of the commission, he is a holder of a university degree or its equivalent with not less than 15 years cognate experience in capital market operations, while other members must be holders of a university degree or its equivalent with not less than 12 years cognate experience in capital market operations or legal practice as the case may be. While the director-general is allowed to hold office for a period of five years in the first instance and may be reappointed for a further period of five years and no more, the three full time commissioners hold office in the first instance for a period of four years and may be re-appointed for a further term of four years and no more. Ms. Arunma Oteh, who is serving her third year as the DG, has been running the affairs of the commission since she was reinstated on July 18. Senior stockbrokers and market operators have insisted that the new board of SEC should be made up of people who had market experience. "We need a board that is constituted not based on political appointees. But a board that has people who are knowledgeable about the market. "The government should bring people who understand the market and when such people work in harmony with the management of the commission, the impact of their decisions would be felt and seen in the market," a broker had said recently. *(This Day)*

The total commitment of the World Bank to Nigeria in loans and grants has hit USD 4.5bn (N696.92bn), the Country Director of the bank, Ms. Marie Francoise Marie-Nelly, has said. Marie-Nelly said this at the inauguration of the Polychlorinated Biphenyl Management Project in Abuja on Monday. The World Bank country director, who was represented at the event by an official of the bank, Mr. Bandrul Haque, also said the PCB project would gulp

a total of N2.87bn with counterpart funds from both the Federal Government and the Global Environmental Fund. She said, "The bank has a diverse portfolio in Nigeria of over USD 4.5bn in loans and grants, including long-standing and broad involvement in the power sector that will allow for synergies to be developed. "The ongoing USD 300m Nigeria Energy and Gas Improvement project will benefit from the design of the PCB project to help properly manage transformers and capacitors, particularly in the decommissioning and replacement of PCB-contaminated equipment and the disposal of PCB waste."

"The PCB project draws on the bank's world-wide experience in projects conducted in a variety of sectors in which environmental health concerns have been steadily mainstreamed, including mining, industry, energy, solid waste management, agriculture, health care and transport," the country director added. Marie-Nelly said the bank's focus was to address development of programmes to phase out the production and use of toxic chemicals, identification of alternative technologies, and encourage the safe disposal of existing toxic stockpiles. The PCB project is for implementation over a four-year period to December 2015. While the GEF has provided USD 6.3m, the Federal Government will provide an additional USD 12.2m to eliminate environmental and health risks posed by PCBs. According to the World Bank boss, environmental and health risks come from the release of PCBs from active and decommissioned electrical equipment in Power Holding Company of Nigeria facilities as well as from other industries that have PCB stocks such as oil refineries, airports and textile mills.

Through timely implementation of the PCB project, environmental and health risks in Nigeria could be reduced substantially by safe disposal of the existing stockpiles and development of a management system for safe disposal of future toxic wastes, she said. Marie-Nelly added that the project was targeted to safely dispose 3,000 tonnes of PCB oils and 5,000 tonnes of PCB contaminated equipment. *(Punch)*

Nigerian naira weakened against the U.S dollar on the interbank market on Monday, on strong dollar buying by some importers unable to obtain funds at the bi-weekly foreign exchange auction, and thin dollar supply from oil companies. The naira closed at 158.40 to the dollar on the interbank market, weaker than Friday's close of 158.20 to the dollar. "Strong dollar demand by some importers toward the end of trading pushed down the naira," one dealer said. The central bank sold USD 200m at 155.80 to the dollar on its bi-weekly auction, compared with USD 180m sold at the same rate at the last auction On Wednesday. The regulator did not disclose the amount demanded at the auction. Dealers said the upsurge in dollar demand toward the end of trading was driven by importers losing their bids at the auction and diverting to the interbank. "We see the naira hovering within the present level or strengthening a little on expected dollar inflows from offshore investors participating at the treasury bills auction this week," another dealer said. Nigeria plans to issue 142.97bn naira in treasury bills ranging from 3-month to 1-year maturities at its regular twice-monthly auction on 6 September 2012. *(Reuters)*

The three tiers of government in the country earned a total of N71.10bn from the increase in fuel pump price in January between April and June 2012. The sum was the amount distributed as the Subsidy Re-Investment and Empowerment Programme, SURE-P, among the three tiers of government and the 13% Derivation Fund. While the Federal Government collected N32.59bn,

state governments received N16.53bn and local governments got N12.74bn, while N9.24bn went to the 13% Derivation fund. According to the 2012 second quarter review of the economy by Central Bank of Nigeria, CBN, N56.45bn was also shared among the three tiers of government as exchange rate gain. As a result, the Federal Government got N15.09bn; states, N22.58bn; local governments, N11.64bn and 13% Derivation Fund, N7.34bn.

The CBN reported that the Nigerian National Petroleum Corporation, NNPC, refunded N15.22bn to the federation account, which was shared by the sub-national governments and 13% Derivation Fund as follows: state governments, N7.48bn; local governments, N5.76bn, and 13% Derivation Fund, N1.98bn.Following this development, the CBN report said: “The total allocation to the three tiers of government in the second quarter of 2012 amounted to N1.739bn. N71.10bn was also distributed as the Subsidy Re-Investment and Empowerment Programme, SURE-P, among the three tiers of government and the 13% Derivation Fund; Federal Government, N32.59bn; state governments, N16.53bn; local governments, N12.74bn and 13% Derivation fund, N9.24bn.”

The CBN in the report on the economy said: “Available data showed that total federally-collected revenue, during the second quarter of 2012, stood at N2.596bn, representing an increase of 7.1 and 8.7% above the proportionate budget estimate and the level in the corresponding quarter of 2011, respectively, but a decline of 12.9% below the level in the preceding quarter. “At N1.981bn, gross oil receipts, which constituted 76.3% of the total, exceeded the proportionate budget estimate by 19.4%, but was lower than the level in the preceding quarter by 16.6%.“The development relative to the preceding quarter was attributed, largely, to the fall in the receipts from crude oil and gas exports as well as domestic crude oil and gas sales owing to the shut down and disruptions caused by maintenance works at various terminals.”

Explaining further how the economy fared in the second quarter of 2012, CBN said: “Non-oil receipts, at N614.60bn 23.7% of the total, was above the level in the preceding quarter by 1.6%, but below the proportionate budget estimate by 19.6%. The rise in non-oil revenue relative to the preceding quarter reflected, largely, the increase in Corporate Taxes and the Customs and Excise Duties during the review period. “As a percentage of projected second quarter 2012 nominal Gross Domestic Product, GDP, oil and non-oil revenue were 19.8 and 6.2%, respectively. Of the gross federally-collected revenue during the review quarter, N1,400.57bn, after accounting for all deductions and transfers, was transferred to the Federation Account for distribution among the three tiers of government and the 13.0% Derivation Fund.

“The Federal Government received N659.75bn, while the states and local governments received N334.63bn and N257.99bn, respectively. The balance of N148.20bn went to the 13.0% Derivation Fund for distribution by the oil-producing states. Also, the Federal Government received N26.18bn from the Value Added Tax, VAT, Pool Account, while the state and local governments received N87.25bn and N61.08bn, respectively. “During the period under review, N21.47bn was drawn from the Excess Crude Account, ECA, to bridge the short-fall in revenue for the period and was shared as follows: Federal N9.84bn, states N4.99bn. “N71.10bn was also distributed as the Subsidy Re-Investment and Empowerment Programme, SURE-P, among the three tiers of government and the 13% Derivation Fund as follows: Federal Government N32.59bn, state governments, N16.53bn; local government, N12.74bn and 13%

Derivation Fund, N9.24bn.

“Furthermore, N56.45bn was shared as exchange rate gain as follows: Federal Government N15.09bn, state governments, N22.58bn; local governments, N11.64bn and 13% Derivation Fund, N7.34bn. “In addition, the NNPC Refund was shared by the sub-national governments and 13% derivation fund as follows: states government N7.48bn; local governments, N5.76bn and 13% Derivation Fund, N1.98bn. “Thus, the total allocation to the three tiers of government in the second quarter of 2012 amounted to N1,739.31bn. This was higher than N3.85bn, while the oil producing states received N2.79bn. At N851.99bn, the Federal Government retained revenue for the second quarter of 2012, was lower than both the proportionate budget estimate and receipts in the first quarter of 2012 by 14.3 and 11.9%, respectively. “It was, however, higher than the receipts in the corresponding quarter of 2011 by 17.6%. Of this amount, the Federal Government’s share from the Federation Account, VAT Pool Account and FGN Independent Revenue were N659.75bn, N26.18bn, and N101.26bn, respectively, while “Others” accounted for the balance of N64.80bn.

“Total expenditure for second quarter stood at N1,063.76bn, indicating a decline of 16.8% relative to the level of the quarterly budget estimate. “It was, however, higher than the level in the preceding quarter by 11.4%. The development, relative to the quarterly budget estimate, was attributed to the non-release of capital outlay during the period. “A breakdown of total expenditure showed that the recurrent component accounted for 72.9%, capital component 23.1%, while statutory transfers accounted for the balance of 4.0%. “Further breakdown of the recurrent expenditure showed that the non-debt component accounted for 89.3%, while debt service payments accounted for the balance of 10.7%.*”(Vanguard)*

Power generation in the country reached a record high of 4203.7 megawatts on Monday, according to figures from the Nigerian Electricity Regulatory Commission (NERC). An analysis of power generated shows that while 4203.7 megawatts was the highest, the lowest was 3131.8.megawatts. The maximum load for domestic services was put at 3957.9 megawatts, while the lowest for that purpose was put at 245.8 megawatts. There has also not been any system collapse in the recent past and this has led to stability in supply to the distribution stations across the country.
The Federal Government’s plan to get power generation to 5000 megawatts by year –end, received a boost last week, following intensive rehabilitation of the Delta Power Station, which is now feeding the national grid with additional 100 megawatts. The plant has capacity to generate 130 megawatts. The 5000 megawatts target for December 2012 would be achieved if the power plants slated to come on stream get sufficient gas to operate. The plants are those at Omotosho , Alaoji and Egbema, according to the Ministry of Power.

Small and medium scale operators have been commending the sustained power supply around the country in recent times. They say it has saved them some of the monies that would have otherwise gone to running their private power sources. Ajayi Sodipo, a printer, told BusinessDay that he has not bought diesel or petrol for his office or home generators in recent times, on account of improved power supply from the national grid and wished that the situation would continue. A general manager with Ikeja Electricity Distribution Zone said that the improvement in gas supply to the generating companies had led to improvement in generation, which in turn impacted positively on the

performance of the distribution companies. Goody Duru, the managing director and chief executive of Power Tech Nigeria limited, told BusinessDay that power supply has been stable, and that this was cherry news for the nation. A cold room operator said she has never had it so good, as in the last two weeks, as improved power supply has helped her make better gains from her business. She said entrepreneurs like herself would want continued sustained power supply, to enable them expand their businesses. *(Business Day)*

The 2012 budget is threatened, as Nigeria fails to pump 2.48m barrels of crude oil per day as proposed. The Central Bank of Nigeria (CBN) said on Monday that the country pumped 2.12m barrels per day of crude in the second quarter, well below the 2.48m bpd which the finance ministry has projected in this year's budget. The CBN said in its second quarter review of the economy, published on its website, that oil production had risen from an average of 2.06m bpd in the first quarter, according to Reuters. Nigeria's official oil figures normally come from the national bureau of statistics (NBS) but the Central Bank, the oil ministry and the state oil company, sometimes give output figures on an ad hoc basis. Their numbers rarely match up. If the Central Bank figures are correct, Nigeria needs a lift in output in the second half of the year to fund all the spending in this year's budget without taking on more debt or lowering its oil savings rate. The benchmark oil price in the budget was USD 72 a barrel, well below the market price and above which Nigeria is supposed to save extra revenues in the Excess Crude Account (ECA). But if production fails to meet projections, the government will need to take more money back from the ECA to meet the shortfall.

Finance Minister Ngozi Okonjo-Iweala told Reuters last month that when putting the budget together, her ministry lowers the production projections given to them by the oil ministry. She has pledged to increase the balance in the ECA to USD 10bn by the end of the year, from around USD 7bn now. If oil production figures underperform, Nigeria could be gambling on prices staying high to meet this pledge. The NNPC said last month that crude oil production reached an all-time high of 2.7m bpd but industry experts have questioned these figures, which are at the top end of Nigeria's capacity and come during a period when oil theft by criminal gangs is at record highs. The Central Bank's oil output data usually comes in lower than figures from the NNPC and the oil ministry, who both have an interest in showing progress in the industry's performance, although they also have the best access to the data. The NBS admits that its own official figures rely on data provided by the NNPC, a state company rife with corruption which will be overhauled and partly privatised if parliament passes an energy law due to be debated later this month. The ECA has been raided frequently by government in recent years. The account contained USD 20bn before the 2007 general election, but hovered around USD 3-USD 4bn last year, before Okonjo-Iweala began efforts to ramp up savings. *(Business Day)*

As the voice segment of Nigeria's telecommunications market reaches saturation point with attendant decline in revenues, Mobile Network Operators (MNOs) are beginning to pay keen attention to the mobile Value Added Services (VAS) market, valued at USD 1bn. Industry analysts told Business Day yesterday that mobile VAS will become a sizzling growth ticket for telecoms operators in the country, opening up new revenue streams over the next decade. With Africa's mobile VAS market expected to reach USD 11.5bn by 2014, issues revolving around access to requisite technology and content platforms, cost and time to market, as well as monetisation of content,

have slowed down the growth of the sub-sector in Nigeria. Though the sub-sector has remained largely untapped in Nigeria, industry analysts told BusinessDay yesterday, that the absence of proper regulation was a significant drawback to the growth of the industry. This situation, they said, would before long change, as more content platforms set up shop in the country. According to analysts, mobile VAS is going through a significant level of development, driven essentially by the increasing penetration of smartphones, the opening of new markets, as well as improvements in bandwidth availability.

This growth, according to them will continue going forward, as local content developers, operators, the regulator, and other stakeholders jostle to expand the scope of the market. “As voice-based average revenue per user declines, operators are increasingly looking at VAS to profitably increase data revenues by delivering targeted content to their subscribers”, Ehizogie Binitie, co-founder at Rancard Solutions Limited told Business Day. According to him, there is need to build requisite capabilities to unlock the mobile opportunities. In the same vein, Kenneth Omeruo, chief executive officer of Emerging Media, believes that it is not such an uphill task for content providers to get their ideas to market. He observed that there was a need for more content platforms to spring up, so as to lower barriers to entry, increase access and provide tools for people who have great ideas to make money from. Currently, the industry is rife with mundane services such as SMS updates, ringtones etc. Sophisticated VAS- like, m-education, m-marketing and m-government are yet to kick-off here. It is only MTN that is making effort in the area of VAS, offering a product known as Afrinolly. The product is specifically designed to promote the African entertainment industry worldwide. The service enables mobile phone users access the latest information on the African movie entertainment, movie trailers, music videos, comedy, among others.

It would be recalled that earlier in the year, there was a disagreement between the operators and mobile VAS providers, over a revenue sharing formula proposed by the telecoms operators, which the latter said was exploitative. Pierre-Francois Kamanou of GTS-Infotel Nigeria Limited, argued recently that for the industry to grow, there should be availability of a specific type of special numbering services licence granted by the Nigerian Communications Commission (NCC) to telecoms VAS Providers (Aggregators); availability of virtual numbers range (shortcodes and longcodes) granted to Telecom VAS Providers (Aggregators) by the telecoms regulator and the establishment of interconnect and revenue sharing agreements between each mobile network operator and the Aggregator related to the operation of virtual numbers for audiotex services over SMS, Voice and USSD. According to him, Audiotex refers to a category of mobile VAS enabling end-users to access information/content via Voice, SMS or USSD bearer by originating a call to a specific shortcode (Pull mode) or by receiving a call (Push mode). He noted that the success of mobile VAS in Nigeria relies mainly on the creation of an ecosystem that allows all the stakeholders involved in the mobile value chain to earn on a revenue sharing basis. “The NCC must set up a favourable business environment for the real contribution of the mobile VAS in the Information Communication Technology (ICT) sector, in order to achieve one of the goals of the liberalisation of the telecommunications industry, so as to encourage local investors to actively participate in the development of this specific market,” he stressed. *(Business Day)*

The Securities and Exchange Commission (SEC) and Nigerian Stock

Exchange (NSE) are intensifying efforts to get some of the 700 small and medium scale enterprises (SMEs) in the Onitsha and Nnewi business district of Anambra State to list on the exchange. The Director-General of SEC, Ms. Arunma Oteh and Chief Executive Officer of NSE, Mr. Oscar Onyema, were at the inauguration of SAB Miller Breweries Limited and Orient Petroleum Refinery Limited by President Goodluck Jonathan last week, a move THISDAY gathered, was part of strategies to woo the firms to the capital market. THISDAY's checks revealed that Oteh went a step further by holding meetings with some members of the business community among whom are entrepreneurs as part of a capital market outreach organised by the commission in Anambra state last week. Oteh was said to have stressed the need for entrepreneurs to access the capital market for long -term funds to finance their businesses instead of depending on other sources of funding that are less cost effective.

The SEC boss who confirmed the meetings, emphasised that the capital market provided the best possible opportunity for sourcing medium and long term capital / finance for business expansion. "A lot of businessmen in Onitsha, for instance, are very smart business people who have brilliant ideas on how to grow their businesses and ensure that they create wealth. But one of your greatest challenges is usually how or where to source the capital from with which to execute such ideas. "Their personal savings are typically not able to finance the ideas for business expansion which many of them have. Neither will borrowings from their friends and relations suffice. The banks will offer them no solace on this score because they offer them short time funds while their ideas have long gestation periods. This is why the capital market is very suitable for them," Oteh said. A source close to NSE, Onitsha branch confirmed that the exchange was already in talks with some of the prospective SMEs, assuring that necessary steps were being taken to ensure they get the needed support to list on the Nigerian bourse. According to the source, the NSE's decision to review its listing rules was part of efforts to encourage the listing of more firms in the Nigerian capital market. *(This Day)*

Shareholders under the aegis of Consolidated Shareholders Association of Nigeria (COSAN), have called on the Federal Government to stop charging 10% withholding tax on dividends as a way of boosting patronage of the market. Chairman of COSAN, Mr. Raymond Anyiwo, made the call on behalf of members at an interactive session with members of the business community in Onitsha organised by the Securities and Exchange Commission (SEC) as part of capital market outreach in Anambra State. According to him, considering the fact that investors had lost so much money since the downturn in the capital market in 2008 and were now depending mostly on dividends as returns, government should consider removing the 10% withholding tax or reduce it to five%. "Investors in this part of the country(eastern part) lost so much money in the capital market downturn because most of them entered the market when prices of equities were high. Convincing them to return to the market is now a tough task. However, we believe that some incentives would help to attract patronage back to the market. And one of such incentives is the removal of withholding tax. It is a burden because the companies pay other form of taxes, which affect the profit of companies and after paying that our dividends, which is given to us from profit is also taxed. If government want to encourage patronage, the issue of withholding tax should be addressed," Anyiwo said.

The shareholder activist, however, commended SEC for embarking on the outreach, saying it was able to address some of the questions that had been agitating the minds of many investors who lost money in the market. “We are happy to see the team from SEC, led by the Director-General, Ms. Arunma Oteh, in Onitsha. Many investors have been asking questions without getting the required answers. But the outreach has addressed most of the questions and opened a communication channel between the apex regulator and investors. We commend this development and urge the commission not to relent in efforts to strengthen regulation in the market,” he said. In her response, Oteh noted that the Nigerian capital market had overcome the challenges that prevailed in the past and led to loss of shareholding / value for many an investor. “We are implementing a reform effort in the capital market which is aimed at improving investor protection through, among others, eliminating sharp practices among operators, improving enforcement of rules and regulations, ensuring a more transparent and credible market characterised by a wider scope of information disclosure and transparency, infusing market processes with Information Communications Technology (ICT) for greater efficiency, improving complaints management through a more efficient and integrated framework among others,” she said. *(This Day)*

Lending to the private sector by Deposit Money Banks (DMBs) rose by a marginal 4.1% to N14,693.6bn, in the second quarter (Q2) of 2012. This was contained in the CBN’s second quarter (Q2) 2012 Economic Report which showed a contrast, compared to the decline of 0.4% witnessed at the end of the first quarter (Q1) of 2012. “The development, according to the CBN Economic Report, was attributed wholly to the 3.9% increase in claims on the core private sector. On the other hand, at N13, 313.1bn, aggregate banking system credit (net) to the domestic economy, fell by 2.7% at the end of the second quarter of 2012, compared with the marginal decline of 0.1% at the end of the preceding quarter”.

It however, rose by 8.3% at the end of the corresponding quarter of 2011. The decline in the aggregate banking system credit (net) relative to the preceding quarter’s level reflected largely the substantial decline in net credit to the Federal Government, which dampened the effect of the increase in claims on the private sector. Furthermore, the Economic Report for the Second Quarter of 2012 released by the CBN shows that total assets and liabilities of the discount houses stood at N361.0 at the end of the second quarter of 2012, indicating an increase of 3.3% and 30.7% above the levels at the end of the preceding quarter, and the corresponding quarter of 2011, respectively.

The report also notes that the increase in assets, relative to the preceding quarter, was accounted for largely by the significant increase in claims on both “banks” and “others”. Correspondingly, the increase in total liabilities was attributed largely to the increase in borrowings and money-at-call. Discount houses’ investment in Federal Government securities of less than 91-day maturity declined by 13.8% to N70.8bn and represented 25.5% of their total deposit liabilities. At this level, discount houses’ investment was 34.5 percentage points below the prescribed minimum level of 60.0% for fiscal year 2012. Total borrowing by the discount houses was N45.0bn, while their capital and reserves stood at N34.9bn. This resulted in a gearing ratio of 3.3:1, compared with the stipulated maximum of 50:1 for fiscal 2012. *(Business Day)*

THE Federal Government has unfolded plans to construct five new airport

terminals in Lagos, Abuja, Port Harcourt, Enugu and Kano at the cost of N106bn. Meanwhile, the Chairman of Airline Operators of Nigeria (AON), the umbrella body for airlines in Nigeria, Dr. Steve Mahonwu, has lauded President Goodluck Jonathan and the Minister of Aviation, Stella Oduah-Ogiewonyi, for lifting the suspension on Dana Air. The aviation minister, who disclosed the plan for new terminals while briefing the press, said the projects would commence within the next three months and are expected to be completed within 24 months. According to her, the projects are to be executed with a concessionary loan of 22 years with five years moratorium at an interest rate of 2%. She explained that the projects were approved at the last Federal Executive Council (FEC) meeting and that the loan was granted by Chinese Nexim Bank. The projects would be executed by a Chinese firm.

Oduah-Ogiemwonyi said: “As we travel round the world, we see and admire international airports in other countries and wish that our nation could boast of just one that can truly go by the name international airport. Today, following the approval of FEC, we have concluded arrangements to commence construction of not just one, but five brand new world-class international airports. “The process is when the Chinese Nexim or any country’s Nexim gives a loan, that country’s contractor will have to do the execution. That is the process we follow. They will have to decide on who will do the awarding of the project, so ours is for BPP to check if it’s in line with our regulation to ensure that the loan is in order. Once BPP gives no objection, then we are free.” Describing the initiative as part of moves to ensure Nigerians and travellers enjoy good travelling experience, the minister stated that the construction of the new airports will further contribute to the nation’s Gross Domestic Product.

While reacting to insinuation in some quarters that the government was pressured into lifting the suspension of Dana Airline, which was suspended after the unfortunate and tragic crash of June 3, she stated: “Government was not under any pressure to restore the airline’s operating licence and we want to assure Nigerians and the travelling public that safety remains our priority.” She said the suspension was lifted “based on our satisfaction, after carrying out a technical audit of the operator, that the airline is airworthy. While we continue to share in the pain and loss of the families of those who lost their loved ones in the crash, we want to stress that we took this decision with all sense of responsibility.” On his part, AON’s Chief, Mahonwu, said: “Dana Air has about 540 human capital and most of them are Nigerians who invariably have been thrown into the labour market since the suspension of the airline from commercial operations early in June, 2012.”

Mahonwu spoke as the management and staff of Dana Air expressed their appreciation to the Federal Government for lifting the suspension of the airline’s operations. Chief Executive of the airline, Jacky Hathiramani, said: “We also wish to thank all Nigerians and our esteemed guests for your prayers since the tragic accident of Sunday, June 3, 2012. Our thoughts and prayers will always be with the families that lost loved ones; we remain committed to assisting them in every way possible and also fulfilling our obligations to them fully, as stipulated by the law.”*(Guardian)*

Nigeria's Finance Minister Ngozi Okonjo-Iweala is not interested in replacing Pascal Lamy as head of the World Trade Organisation (WTO) when the Frenchman steps down in a year's time, the finance ministry said on Thursday. Okonjo-Iweala left her role as managing director of the

World Bank last year to become the most high-profile member of President Goodluck Jonathan's cabinet in an expanded version of a role she held between 2003-2006. Less than a year into her post she ran to be president of the World Bank in April, losing out to Korean-born American health expert Jim Yong Kim. It was the first time in the Bank's history that the United States' hold on the job was challenged.

"For the avoidance of doubt, Dr Okonjo-Iweala is not a candidate for the leadership of the WTO. She has also not expressed any interest whatsoever in the position," an emailed statement from the finance ministry said. Okonjo-Iweala's opponents questioned her commitment to Nigeria after her unsuccessful World Bank bid, so showing interest in this post could have been politically damaging.
Emerging market countries will want to see one of their own in charge of the Geneva-based trading club, after the top jobs at the International Monetary Fund and the World Bank went to a European and an American.

But there are already signs that developing nations will squabble over the identity of their candidate, meaning the race for the job overseeing negotiations to reform global farm subsidies, customs and trading rules is wide open. Lamy's tenure at the WTO has been marked by Russia's accession last month, and by disputes, such as a trans-Atlantic row over aircraft subsidies between Boeing and Airbus. Most of all, it has been overshadowed by the failure to agree on any reform of the world trade rules. Formal nominations are not due until December, but trade diplomats are already assessing chances and gathering names. So far, only two have said they want the job. One is New Zealand's Trade Minister Tim Groser and the other is Ghana's former trade minister Alan Kyerematen, whose candidacy has been approved by the African Union (AU). *(Reuters)*

The continuous demand to use pension funds to bail out the Nigerian stock market has been described as mere illusion that may be far from reality because of the hazardous nature of the demand. A pension expert, Mr Dave Uduanu, President, Pension Fund Operators Association (Penop), said that the crisis in stock market needs the intervention of government, stressing that in other climes, pension funds are sacred because the loss may spell doom for the future of a nation. Speaking with journalists in Lagos, Mr Uduanu, explained that currently, the investment of pension funds in the stock market is about 11%. According to him, the idea mooted by some people who want pension funds to make up to 30% in stock market, was not going to happen, saying, "this is because nobody can decree how pension money should be used except the National Pension Commission (PenCom), for it does not belong to us; it belongs to everybody.

He said: "There is moral hazard in using pension fund to support the stock market. What that simply means is that stockbrokers or the investors in the market could take reckless risks knowing that if anything goes wrong, they would fall back on the pension fund. If there is anybody that can finance the stock market, it is the government. "If the government wants to bail out the stock market, it can. When the banking crisis happened, it was the government that bailed out the banks. It is important to make this clear that pension fund cannot be used to bail out the stock market. The stock market would achieve a natural recovery as the economy continues to grow." "There is a bit of dishonest argument about the stock market recovery. The stock market losses are larger in the financial sector – the banks and insurance companies,

because of loss of confidence that happened in the sector. Companies like Nestle were not that affected by the crisis. In fact, the company has achieved an all-time high.

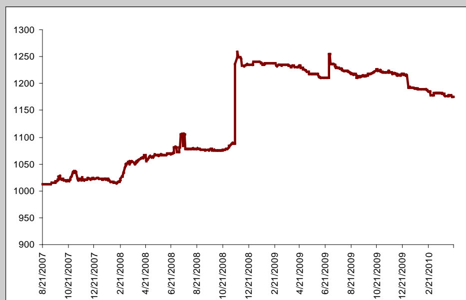
“Stocks like Nigerian Breweries, Guinness are doing well. Let us separate the problems of the banks and insurance companies from the stock market. If they are isolated, there is no problem in the stock market. The capital market is not just made up of stocks; it also has bonds, which are doing well. “We should not use the problem of people who borrow money and cannot not pay to say that the stock market is in crisis. There is no crisis in the stock market. It is achieving a natural recovery. The discussion should be that pension funds should engage the stock market in an intelligent way. “We invest in the stock market, but in companies that are well managed, with good corporate governance and available good results. Pension funds cannot be forced to invest in companies that are not doing well. On infrastructure, we are engaging PenCom to see how practically it can be invested in. We want to invest in critical sectors that would create jobs.”

“Every profit made from investments belongs to the contributors. The only thing we collect is our management fees. We need to distinguish between the capital and the fund. The fund belongs to the contributors and the company raise capital to grow the funds. And from the fund, we collect our management fees which belong to the shareholders and are used to run the company. The statutory fee is 2.25%”. *(Tribune)*

SECURITIES AFRICA

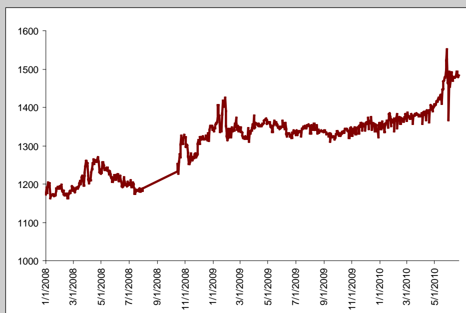
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.907	-9.086	-9.7
Current account balance (USD bn)	-2.195	-2.15	-2.477
GDP based on PPP per capita GDP	1,414.36	1,487.35	1,578.68
GDP based on PPP share of world total (%)	0.082	0.085	0.088
GDP based on PPP valuation of country GDP(USD bn)	57.335	61.5	66.582
GDP (current prices)	546.63	572.25	605.346
GDP (Annual % Change)	4.954	5.649	6.74
GDP (US Dollars bn)	22.159	23.662	25.531
Inflation(Annual % Change)	7.251	7.028	7.126
Inflation (Annual % Change)	6.659	6.423	5.5
Population(m)	38.2	38.964	39.743

Source: World Development Indicator

CPI Inflation

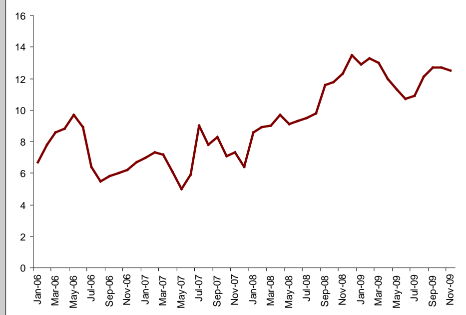
Stock Exchange News

The DSEI closed the week 0.38% lower at 1,454.62pts. TBL led the gainers 3.08% at TZS 3.08, SWISS and Simba gained 1.49% and 0.84% respectively. NMB traded 4.00% lower to close TZS 960, CRDB lost 2.13% to close at TZS 115.00

Corporate News

Bank M Tanzania Limited has been picked for approval as a Central Depository Participant in the Bank of Tanzania's (BoT) newly introduced electronic system for trading in government securities. A statement issued by the bank at the weekend said in order to efficiently facilitate investors to bid, purchase, transfer by way of sale any government security, the bank has introduced a special product dubbed Money. markets, which targets all types of corporate entities--public and private institutions. The product facilitates clients in executing a variety of government securities in primary and secondary market trades, it said. Further, it said, embedded in this product is technical and advisory support to assist clients on portfolio structuring and restructuring to achieve targeted rate of return, meet regulatory and policy requirements, diversification, collateralisation and consolidation. Speaking at a press conference in Dar es Salaam, Bank M head of transactional banking, Jacqueline Woiso, announced that the bank has been licensed as a Central Depository Participant hence, adding that investors would now be able to see a high level of efficiency in the processing of transactions pertaining to government securities.

Considering the fact that all the products like domestic and cross border remittances, collection of government revenue, etc. introduced by the bank in the past have been trail blazers and drastically improved efficiencies, the new product would also see radical improvements in efficiencies and a reduction in turnaround time for investors, she said. One of the key features of the product would be the advisory services the bank will offer to clients by assisting in investment planning with expertise based on a thorough understanding of fundamentals, technical and market intelligence. The bank will provide non binding advisory service based on insightful research and fundamental assessment, she said. This will include analysis of indicative pricing of primary and secondary market trades, interest rate trends, timely market information, access to technical advice on investment and rate of return, she said. The advisory function would be handled by a select team of professionals having an in-depth knowledge of the local securities market. The bank which has a service standard guarantee for all its products has also introduced definite timelines for all customer transactions that require to be processed under Money markets.



Source: SAR

An application for a bid for primary market deals would be processed within 30 minutes of receipt and request for inter-account transfers, transfer by sale and outright purchases from the secondary market would also be executed by the bank in the new system within 30 minutes of receipt of the request, she said. The guarantee assures investors of the efficiency that can be expected in the new product. Explaining how the product works, Jacqueline said that once the basic documentation has been completed, the client will be enlisted as a subscriber to the Money markets product and will also be registered into the Central Depository System of the Bank of Tanzania, of which an ID and account number would be issued. Since its inception five years ago, Bank M has been a frontrunner in service delivery, attracting large number of businesses in the market. *(Ipp Media)*

French oil major Total is close to signing a deal to explore for oil and gas in Tanzania's Lake Tanganyika, a senior Tanzanian petroleum official said on Thursday. Total won a bidding round against eight other companies in August 2011 to explore the block but has been unable to do any work in the area while it discussed terms of a production sharing agreement (PSA) with the government. "Total is in the very late stages of negotiation," Meshack Kagya, senior principal petroleum geochemist at the state-run Tanzania Petroleum Development Corp., told a gas conference. Tanzania, east Africa's second-biggest economy, became a player in energy this year with several onshore and offshore gas finds, attracting multinational explorers to the area.

The country reportedly has about 30tn cubic feet of gas, which could make it a major energy exporter. Total's PSA application is one of six the government is currently processing for companies. Two PSAs are for onshore blocks, and the others are for deep sea exploration spots. Lake Tanganyika, where Total's new exploration area lies, sits on the western border of Tanzania and the eastern border of the Democratic Republic of the Congo. Bodies of water that sit on onshore borders have been notoriously hard to explore as disputes over who owns the resources beneath lakes and rivers often erupt between countries. In July, Tanzanian authorities asked UK explorer Surestream Petroleum, which Malawi authorities had licensed, to stop drilling on Lake Malawi. That dispute is ongoing. Kagya said Tanzania was hoping to make more exploration blocks available soon, though he acknowledged it would take time. A licensing round that was supposed to take place in Houston, Texas this month was delayed and will be rescheduled in the near future. "It has been delayed for some technical and housekeeping reasons," he said. *(Reuters)*

Economic News

Tanzania has delayed a licensing round for nine deep-sea oil and gas blocks previously set for this month until a parliamentary vote on a new gas policy in October, the state-run Tanzania Petroleum Development Corporation (TPDC) said. "It is anticipated that the road show schedule will start again immediately after the Parliamentary Ratification," TPDC said in an undated statement seen by Reuters on Monday. East Africa has been a hotbed of hydrocarbon exploration in recent years after substantial deposits of crude were found in Uganda in 2006, and recent major gas discoveries in Tanzania and Mozambique. *(Reuters)*

The Tanzanian government Monday said that it would delay a licensing round for up to nine deep-sea oil and gas blocks, previously slated for this month, to allow parliament first to ratify a new natural-gas policy next month. In a statement, the state-run Tanzania Petroleum Development Corp. said that the delay will allow the policy to be ratified before the start of the next round. "As TPDC is the key player in the preparation and consultation of this policy document, their management and staff will be unable to attend the previously scheduled road show events throughout September and October," TPDC stated. The licensing round will include nine blocks sitting between 1,200 meters and 3,500 meters of water depth. The blocks on offer include new areas and blocks that have been relinquished by current operators. According to TPDC, despite the postponement, bid round data packages will be available for review and purchase by the end of September. "This will allow...potential investors in Tanzania an extended the time period to evaluate the technical data and assess the prospectively of the nine blocks on offer," TPDC said.

Tanzania continues to attract international oil and gas companies following a spate of huge natural gas discoveries. In June, the country announced that new natural gas discoveries had pushed its reserve estimates up to 28.7tn cubic feet from 10tn cubic feet. The East African nation is trying to revamp its natural resource laws and policies to ensure that it "benefits" more from the recent gas discoveries. In July, the government announced that it would renegotiate the production-sharing agreement with Pan African Energy Tanzania Ltd., which operates the country's largest gas field Songo Songo to enable TPDC to get "better profit-sharing arrangements". Among the companies with oil and gas exploration licenses in Tanzania are Canada's Orca Exploration Group Inc., Norwegian oil company Statoil ASA and U.S.-based Exxon Mobil Corp. The U.S. Geological Survey estimates that East Africa's coastal region holds up to 441tn cubic feet of natural gas. *(Rigzone)*

Tanzania raised a cap on fuel pump prices on Wednesday to reflect rising import costs, creating the biggest jump so far this year in the prices of petrol and diesel. The fuel price hikes could put renewed upward pressure on inflation in east Africa's second-biggest economy. Year-on-year inflation slowed to 15.7% in July from 17.4% in June, the seventh consecutive monthly fall. The price rises take effect immediately. The Energy and Water Utilities Regulatory Authority (EWURA) said it raised the petrol price by 14.5% to 2,300 shillings per litre in the commercial capital Dar es Salaam, and the diesel price by 10.26% to 2,142 shillings per litre. Kerosene prices went up by 3.47% to 1,993 shillings per litre.

"In tandem with the increased verified costs of importation from the world market, retail and wholesale prices for all petroleum products in the Tanzanian mainland local market have increased," EWURA's Director General Haruna Masebu said in a public notice. Swiss oil trader Addax has won a tender to supply Tanzania with 350,000 tonnes of gasoil for delivery in October, an industry source said on August 28. Tanzania has delayed a licensing round for nine deep-sea oil and gas blocks previously set for this month until a parliamentary vote on a new gas policy in October. East Africa has been a focus of hydrocarbon exploration after substantial deposits of crude oil were found in Uganda in 2006 and gas reserves were discovered in Tanzania and Mozambique.*(Reuters)*

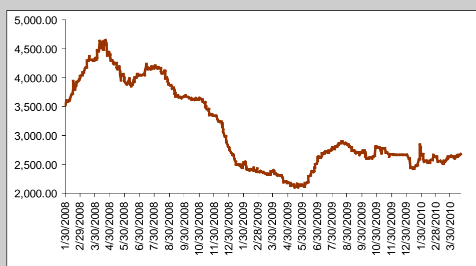
Tanzania's current account deficit jumped 67.9% in the year to July

following a sharp rise in oil imports, its central bank said on Wednesday. The deficit in east Africa's second-biggest economy widened to USD 4.13bn from USD 2.46bn in the year ago period. Oil imports surged 56.2% to USD 3.621bn due to a rise in domestic demand for thermal power generation. "There was also a substantial increase in imports of machinery for gas and oil exploration," said the central Bank of Tanzania in its latest monthly economic review report. Imports of machinery rose 35.6% to USD 1.92bn, said the central bank. Tanzania is fast becoming a regional energy hub following recent major discoveries of natural gas in its offshore.

The country's total imports bill rose by 26.2% to USD 12.965bn, while exports increased by 12.7% to USD 8.038bn from a year ago. The central bank said gold exports, the country's top foreign exchange earner, rose 21.9% in the year to July largely due to an increase in gold prices at the world market, fetching USD 2.26bn. Tanzania, with a population of around 43m, is Africa's fourth-largest gold producer after South Africa, Ghana and Mali. Gold accounted for 54.6% of the country's total non-traditional exports. The price of gold on the world market went up by 19.2% to USD 1,672.6 per troy ounce in the year to July, while the export volume of the precious metal increased to 39.8 tonnes from 37.0 tonnes previously. Tourism earnings increased to USD 1.488bn from USD 1.322bn a year ago, on higher tourist arrivals. Gross official foreign exchange reserves held by the central bank rose to USD 3.855bn in the year to July, or about 4.1 months of import cover, from USD 3.539bn a year ago. *(Reuters)*

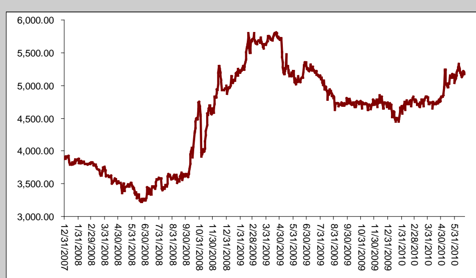
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-3.935	-2.871	-2.561
Current account balance (USD bn)	-0.484	-0.453	-0.469
GDP based on PPP per capita GDP	1,544.01	1,615.66	1,696.23
GDP based on PPP share of world total (%)	0.026	0.027	0.027
GDP based on PPP valuation of country GDP(USD bn)	18.482	19.711	21.091
GDP (current prices)	1026.921	1294.482	1472.322
GDP (Annual % Change)	4.537	5.042	5.495
GDP (US Dollars bn)	12.293	15.792	18.307
Inflation- Ave Consumer Prices(Annual % Change)	13.989	10.201	7.261
Inflation-End of Period Consumer Prices (Annual %)	11.996	8	7.017
Population(m)	11.97	12.2	12.434

Source: World Development Indicators

CPI Inflation

Stock Exchange News

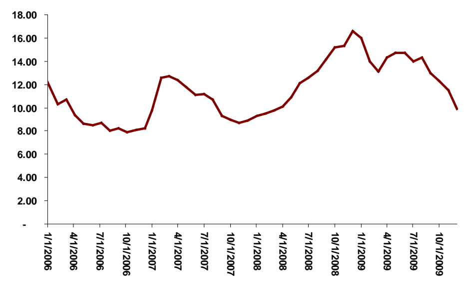
The LuSE index ended the week -0.92% lower at 3,698.32 points. SHOPRITE traded at ZMK 55,000. ZAIN ended the week at ZMK 705 while ZANACO closed at ZMK 164.

Corporate News

Africa's biggest packaging company Nampak says it will focus its investment in the next three years into the Zambian economy which is expected to reach 7.3% in 2013. The Zambian economy is expected to grow by 6.9% in 2012, picking up to 7.3% in 2013. Company chief executive officer Andrew Marshall says because of the positive treads, Nampak is turning its focus to its Zambian market to drive its growth strategy of generating at least 25% of its revenue from the rest of the continent by 2017. Mr Marshall disclosed that while Angola, Kenya and Nigeria were among the main priority areas, Zambia offers many strategic opportunities for the packaging group. He said having been active in Zambia since the 1990s, Nampak currently manufactures 380m units a year of liquid cartons for opaque beer and had more than 30 filling machines in the country. According to a statement obtained by the Daily Mail, Mr Marshall said. Africa's biggest packaging company is also preparing to export its liquid cartons to other countries in the region.

"The success of SABMiller and National Breweries in Zambia's opaque beer market segment prompted it to seek to develop its opaque beer businesses in more than 10 African countries over the next three years," Mr Marshall said. He said the company has a long history with SABMiller and was looking forward to growing with them, not only in opaque beer, but with other packaging mediums, as they grow their offering in Africa. The Johannesburg Stock Exchange-listed company has manufacturing sites in Lusaka and Ndola and plans to build on the success of its "mini Nampak" model, which included a range of packaging goods and services from the business's portfolio. And Nampak business development director Derek Perryman said the company was making significant progress, despite constraints regarding access to the latest technology and skills. "We're leveraging the available resources and developing local people, so they are empowered to make world-class packaging for Africa, now and in the future."*(Daily Mail)*

INVESTRUST Bank Plc has recorded an increase in assets to K980bn as at June 30, 2012 representing 33 percent increase compared to K737bn last year in the same period. The bank attributes the growth in the total assets to substantial growth of 220 percent in Government securities and a 13 percent growth in net loans and advances. According to the bank's un-audited financial statement as at June30, 2012 availed to the Daily Mail, the growth in the bank's assets base was facilitated by a 30 percent increase in the customer deposit base to K754bn compared to K578bn last year. "The



Source: SAR

balance sheet recorded significant growth during the period under review. Total assets grew by 33 percent to K980bn as at June 30, 2012 compared to K737bn recorded as at June30, 2011," reads statement. The bank also recorded a growth in its profit after tax of K4.7bn as at June30, 2012 compared to K3.3bn in the previous period representing a 43 percent increase in profit.

Meanwhile, total operating income grew to K59.5bn in 2012 representing a 29 percent increase over K46.2bn recorded during the corresponding half year period in 2011 while total operating costs grew by 37 percent. The bank attributed the increase in operating costs mainly on account of the scope of operations, inflationary increase in cost of goods and services. While the bank's non-performing loans and advances stood at 22 percent of its total loan portfolio and management has intensified recovery efforts to reduce this ratio further down and increase the efficiency of the loan portfolio. On the outlook, the bank says the growth in the economy presents opportunities for growth in the banking sector that has continued to play a key role in supporting productive economic sector.
The bank also plans to expand its operations through growth in the branch network in the second half of 2012 and in the course of 2013. *(Daily Mail)*

PUMA Energy Zambia Plc has recorded an increase in profits of about K89bn as at June 30, 2012 from about K84bn recorded last year due to growth in sales volume. The company attributed the profits to the growth in sales volumes of 16 percent achieved for the period under review compared to the previous period due to increased demand. According to the company's financial statement as at June 30, 2012, the reported profit includes the impact of volatile capital items and currency hedging was effected after the introduction of the Statutory Instrument 33 by Government. "A profit before financial cost ,taxation and exchange gains of K72,841billion was achieve for the half-year ended June 30,2012 compared to K87,533bn for the previous period while the pre-tax profits were K89,468bn and K84 ,624bn respectively," reads the report. The company's volume growth was recorded across all segments especially business-to-business which was consistent month-on-month .The fuel supply was sustained by the company for its customers through both imports and from the local terminal at Tazama.

The company also recorded an increase in revenue of 21 percent during the first half of the year compared to 16 percent in the previous period due to higher sales volume rising from demand for product in all the business segments. There were no changes in selling prices in the retail business segment, import of petroleum products by the company for its mining customers were impacted by both global petroleum prices and generally higher exchange rates of the local currency against the United States dollar. There was consist focus on the management of operating expenses which were kept within budget although they were higher than for the corresponding period. On the outlook, Puma says the key economic indicators showed some generally positive trends during the first half of the financial year which may result in more stability in the remaining period as various measure introduced by the Government take root. It says the company's prospects in some of its business segments ,sales volume are expected to remain on the on their growth path while continued close monitoring of operating cost as well currency risk management are all expected to deliver positive financial results for the rest the financial year. *Daily Mail)*

Economic News

The over USD 40m Radisson Blu Hotel in Lusaka officially opened its doors to the public yesterday with the establishment receiving about 20 guests in the first two hours of opening. The estimated K200bn investment is set to position Zambia as preferred tourism and conference destination in view of its exciting ambiance and holistic hospitality. Radisson Blu hotel general manager Nils Rothbarth says the hotel is committed to create jobs in the tourism and hospitality industry, adding that the hotel has created over 200 jobs.“We have created 200-plus jobs, mainly local talent, and one of our key strategies is to empower local staff,” he said.

Mr Rothbarth said the opening of the hotel is a significant step in attracting new tourists and investments in the country. “We are an international brand and the fact that we have entered the market, will give tourists and investors the confidence to enter the Zambian market, are hence contribute to the growth of the country’s tourism sector,” he said. The Lusaka flagship is part of Radisson Blu Hotels and Resorts worldwide. The Radisson Blu Hotels and Resorts hotel has 142 rooms, state-of-the-art gym and conference facilities. *(Daily Mail)*

The Zambia Development Agency (ZDA) has recorded a 37% rise in investment pledges during the first half of this year, amounting to USD 4.1billion with an expected job creation of 18,778 opportunities for locals. Zambia Development Agency Acting director general, Glyne Michelo said that the agency approved 197 applications for the certificate of registration for large-scale projects. Mr Michelo said that growth in pledged investment represents an increase of about 37% when compared with the same period in 2011, with employment opportunities also rising from 17,999 in 2011 to 18,778 this year. “During the first six months of 2012, 197 applications for certificate of registration were approved and the total pledged investment of the approved projects amounted to USD 4,1bn compared to USD 3bn in 2011 during the same period,” he said.

He said during the first quarter of the year; the mining sector attracted the highest level of pledged investment representing 57% of the total investment pledges, followed by the real estate sector. Speaking in an interview in Lusaka, Mr Michelo said that the agency did not receive any investment pledges in the energy sector, adding that, last year during the same period, the energy sector attracted the highest level of pledged investment of 37% followed by the tourism sector. He said the investors’ intention to invest in the domestic economy continue to be strong as it was evident through an upward trend in the number of projects approved for implementation, pledged investment and employment opportunities created compared to 2011 during the same period.

Mr Michelo said the positive performance would be attributed to the fact that investors’ confidence to invest in the local economy had continued. He said the Government’s policy on promotion and protection of Foreign Direct Investment had significantly contributed to the performance, coupled with the ZDA’s continued investment promotion activities. He said ZDA recorded USD 1,392,093,476 investment pledges from 86 projects in the first quarter of the year, which translated into 7,885 pledged jobs representing an increase of 10% of pledged investment when compared with the same period in 2011.

"The Zambia Development Agency recorded USD 2,762,115,589 investment pledges from 71 projects in the second quarter of 2012, this translated into 10,893 pledged jobs, representing an increase of 98% of pledged investment when compared to the first quarter of 2011. The pledged employment also recorded an increase of 38% compared to the first quarter of last year," he said. (*Times of Zambia)*

THE Kwacha is expected to trade within the K4,950 and K5,050 band this week due to the lack of any key fundamental developments. According to Barclays Bank daily brief, the Kwacha. Tuesday's interbank session opened at K4,990 and K5,010 per dollar and closed at K5,005 and K5,025 a K15 or 0.3 percent depreciation from the opening levels. The bank says the activities on the dollar demand side put pressure on the local currency, which slid to K5,005 and K5,025, per dollar in late afternoon trades on Tuesday. "In the absence of any key fundamental developments, the Kwacha is expected to trade within the K4,950-K5,050 band into the end of the week," reads the statement. And Ecobank daily brief says the Kwacha is expected to remain weak against the United States dollar as long as sentiment remains poor from the global markets and should local demand continue to remain predominant.

The Kwacha on Tuesday fell against the US dollar as concerns over the European Central Bank's ability to detail a plan on how they intend to tackle Europe's debt crisis were thrown into question. "We do not expect a sudden reversal in the current weak trend as long as sentiment remains poor from the global markets and should local demand continue to remain predominant. The Kwacha ended weaker at K5, 020 and K5, 040 to the dollar," reads the statement. On the international front ,the South African rand retreated from a 1-1/2 week high against the dollar on Tuesday as euro zone worries hit riskier and emerging market currencies like the rand though government bonds edged up ahead of their inclusion in Citigroup's World Government Bond Index next month. *(Daily Mai)*

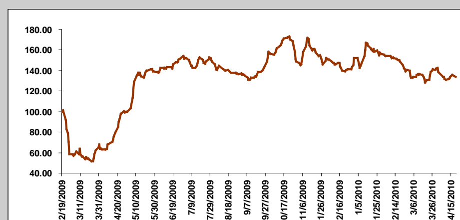
AFRICA'S copper giant producer, Zambia remains among the few Southern African countries enjoying trade surpluses with China due to strong trade relations the two countries share. Consular for economic affairs at the Chinese embassy Chai Zhijing says Zambia is an important trading partner with the country recording a trade surplus of USD 2.8bn out of the USD 3.4bn worth of trade between the two countries last year. "Generally speaking trade is an important area between Zambia and China as it strengthens economic cooperation," he said. Mr Chai said this at the Centre for Trade Policy and Development (CTPD) public discussion on Zambia-China Trade Relations in Lusaka on Tuesday evening.

He also said China has invested about USD 2bn in mining, agriculture, manufacturing and tourism as at December last year. The investment has translated into the creation of about 50,000 jobs. Mr Chai said Zambia's sound economic policies and political stability will continue to position the country as an investment destination of choice. At the same occasion Zambia Association of Manufacturers (ZAM) chief executive officer Roseta Mwape said Zambia-China trade cooperation plays an important role in fostering economic development in the country. Ms Mwape however said there is need to ensure that the country fully benefits from the Zambia-China trade and investment ties. "The major losers are local producers/ manufacturers who are unable to compete with China's cheaper products on the domestic market while

concomitantly gaining from cheap inputs from China. "The result has been displacement and closure of a number of local companies," she said. *(Daily Mail)*

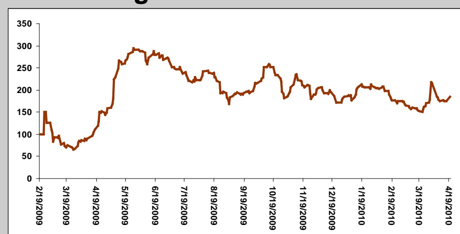
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-21.357	-19.898	-19.582
Current account balance (USD bn)	-0.76	-0.84	-0.946
GDP based on PPP per capita GDP	303.146	359.739	411.761
GDP based on PPP share of world total (%)	0.004	0.005	0.005
GDP based on PPP valuation of country GDP(USD bn)	3.731	5.954	5.983
GDP (current prices)	303.146	359.739	411.761
GDP (Annual % Change)	3.731	5.954	5.983
GDP (US Dollars bn)	3.556	4.22	4.831
Inflation- Ave Consumer Prices(Annual % Change)	9.00	11.96	8.00
Inflation-End of Period Consumer Prices (Annual %)	0.813	8.731	7.4
Population(m)	11.732	11.732	11.732

Source: World Development Indicators

Stock Exchange News

The industrial index closed the week 3.86% higher at 137.37 and the mining index closed the week 0.94% lower at 88.20. Cairns, NicozDiamond and RTG were the top gainers of the week, up 40.00% at USD0.70, 36.36% at USD1.50 and 22.22% at USD2.20 respectively. Interfresh, CFI and Cafca recorded the most significant losses, down 16.67%, 9.09% and 5.45% respectively.

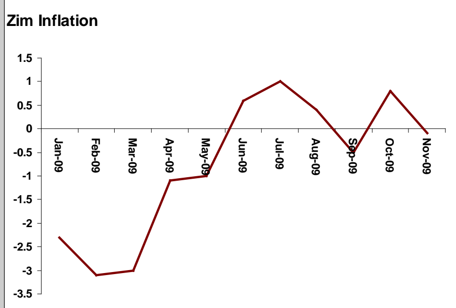
Corporate News

AICO Africa is set to unbundle, with its subsidiaries Cotton Company of Zimbabwe and Olivine Industries expected to list separately on the Zimbabwe Stock Exchange. The specifics of the transaction could not be immediately established last Friday but sources said Aico shareholders would have an option to receive cash or get shares in Seed-Co, Olivine and Cottco. If approved, the Aico structure would fall away. Aico has a 100% stake in Cottco, its flagship subsidiary, 49% in Olivine Industries and about 50% in Seed-Co. Seed-Co is already listed on the ZSE. Sources said the Industrial Development Corporation, the co-shareholder in Olivine with 51%, has agreed to the plan to have the firm listed on the ZSE.

“Pre-transaction consultations have been made and a financial advisor to the transaction has been appointed,” said one source who requested not to be named. No comment could be obtained from Aico chief executive Mr Pat Devenish last Friday. But he had hinted to the shareholders at its annual general meeting last Thursday that after the group failed to raise capital, the company was contemplating a series of transactions to unlock shareholder value and capitalise its subsidiaries. He said the company would come back to shareholders for approval “in due course”. AICO is in desperate need of recapitalisation to reduce group-wide debt levels. The company also issued a cautionary statement, advising shareholders that the directors were contemplating a “series” of transactions to unlock and enhance shareholder value.

“It is envisaged that these transactions, if successful, will result in adequate capitalisation of the group’s operations. Accordingly, shareholders are advised to exercise caution in dealing with the company’s shares,” said Aico. In a trading update, management reported that Seed-Co was in good shape, although the Government was lagging behind on its debtors’ payment. But the group is confident that the outstanding payment of USD 14m would be made. Despite the price wars that occurred at the beginning of the cotton selling season, the season has progressed well and intake is up 30% to 50% from last year. The division is expected to maintain its profitability at levels similar to last year’s.

CPI Inflation



Source: SAR

Olivine's performance is substantially better, although the unit will need recapitalisation. Scottco, the spinning unit was fully disposed of, while Exhort is still on the company's books as interested bidders have failed to raise funding. *(Herald)*

ZIMPLOW Limited reported revenue in the first half ending June 30, 2012 declined 13% to USD 4,3m from USD 5m in the same period last year on subdued local demand. The flagship division, Mealie Brand, had a bad half, recording a 49% drop in local sales units to 9 359 units. But exports grew by 87% to 10 730 units compared with last year, on the back of strong demand, despite the drought that hit Southern Africa. The sales split was 72% from domestic sales, down from 83%, while exports grew from 17% to 28%. An EBITDA loss of USD 133 122 was recorded, down from USD 677 095 the prior period. Net loss was USD 175 686. The balance sheet shows borrowings of USD 3,8m relating to the purchase of a 57,2% stake in TPH, which has since been concluded. A part of the rights issue proceeds of USD 11,2m was used to clear borrowings related to the new acquisition. Inventories were high at USD 9m, constituting 74% of current assets as the group was stocking up for its busier second half. Generally, about two thirds of the company's business is generated during the second half of the year.

Apart from Mealie Brand, whose revenue was adversely affected by the ongoing liquidity crisis, CT Bolts recorded a drop in overall sales units, although there was a 6% increase in revenue due to a change in the sales mix. Afritrac operations were profitable as implements sales volumes went up by 15%. Spares went up by 38%. In a trading update, management reported that group revenue for July 2012 was 8% below the previous year's figure, and 12% below the year to date budget. The local demand declined by 26%, with local implement sales and spares amounting to 11 119 units and 96 214 units against 21 202 units and 127 546 units for prior year. A high growth rate of 69% was recorded in exports against export implement sales units of 21 931 units, up 129% from prior period. CT Bolts and Tassburg volumes were, however, lower. The group returned to profitability, recording a profit before tax of USD 65 417 for July. Due to TPH being in a closed period, the group did not disclose much in terms of performance. *(Herald)*

NMBZ Holdings half-year profit to June this year rose 19,9% to USD 2,6m from USD 2,1m in the same period last year on a strong growth in funded income. At USD 7m, the 24,6% growth in funded income was supported by a 33,3% year on year jump in advances. Funded income contribution to total income improved to 48% from 46% in the same period last year. Non-interest income from commission and fees was up 5% to USD 6,6m. Commission and fee income growth was driven by strong deposit growth, which rose 46,2%. The cost income ratio deteriorated slightly to 77% from 76% pressured by administration and staff costs due to increased capacity utilisation in the branches. Administration and staff costs contributed 46% and 43% of total operating expenses, respectively.

The group's assets grew by 7,l% from year end to USD 180,5m on the back of a 7,7% and 6,9% growth in deposits and advances, respectively. Impairments as a percentage of total loan book deteriorated to 3,2% from 2,5%. The capital adequacy ration was 13% against a regulatory requirement of 12%. The loan to deposit ratio improved to 85% from 94%. NMBZ said it will focus on increasing lines of credit given the firm demand for loans in the market. With regards to

new minimum capital requirements for banks, NMBZ said it has a medium term business strategic plan which demonstrates compliance with the new thresholds. The plan will be submitted to the central bank before end of this month. The central bank announced in June that minimum capital for commercial banks has been raised from USD 12,5m to USD 25m by December 21 this year, USD 50m and USD 75m by June and December next year and USD 100m by June 2014. The RBZ also increased the minimum capital adequacy ration from 10% to 12% with effect from August 1 this year. *(Herald)*

FALCON Gold Zimbabwe will later this month convene a meeting of shareholders to seek approval to become a full subsidiary of New Dawn Mining Corporation Under a scheme of arrangement, minority shareholders hold approximately 15,3% of shares in the Zimbabwe Stock Exchange- listed gold producer. The company had initiated a formal process requiring court and non-controlling shareholder approval. Falgold said the High Court had ordered that the meeting consider the proposal to sell their share in the firm or get new shares in the Canadian-listed company. "The process includes either a conversion of the shares held by the non-controlling shareholders of Falgold into common shares of New Dawn, or the acquisition of the Falgold shares by New Dawn for cash," the company said. New Dawn carried out a similar process between 2010 and 2011, when it bought out non-controlling shareholders of its subsidiary, Central African Gold (CAG). As of February this year, New Dawn had increased its interest in CAG to approximately 95,2%, up from 89,9% in 2010 and 88,7% years back.

New Dawn owns 100% of the Turk and Angelus, Old Nic and Camperdown mines. In addition, through Falgold, it owns approximately 85% of the Dalny and the Golden Quarry mines, the Venice mine (which is not in operation), and a portfolio of prospective exploration acreage in Zimbabwe. In the quarter ended June 30, New Dawn's gold output stood at 9 536 ounces compared with 6 841 ounces for the similar period last year, a 39,4% increase. The current quarter gold production figure represented a 9,2% increase from production figures recorded in the quarter to March 2012 of 8 736oz. Gold sales for the period under review totalled USD 15,1m compared with USD 9,7m for the same period quarter last year, representing a 54,8% increase. Average sales price per ounce of gold sold during the quarter was USD 1 608, better than the USD 1 516 recorded for the same period last year. Earnings per share for the quarter just ended stood at USD 0,01. New Dawn said it was still in the process of implementing its indigenisation compliance plan, which so far includes non-binding term sheets with three indigenous investor groups. "Due to various multi-jurisdictional legal, securities, tax and regulatory issues, the company expects that the implementation of its plan of indigenisation may take several months or more to accomplish," said New Dawn. *(Herald)*

BINDURA Nickel Corporation was saved from liquidation at the eleventh hour after staff accepted its back-pay and retrenchment settlement plan. The plan was accepted a few days before the company's rights issue was to close. The nickel miner and smelter was forced to extend its USD 21m rights issue to the end of August, after it initially failed to receive enough acceptance of the retrenchment and back-pay settlement plan offered to workers. The offer includes the option of deferred cash, houses and BNC shares to settle severance and back-pay costs. This week, Chief operating officer Mr Batirai Manhando said 99% of the employees had accepted the company's settlement plan. He said the rights issue would enable BNC to resume operations at the

Trojan Nickel Mine. "The only outstanding issue had been with staff," he said. "And with agreement now being reached with staff, the rights issue can proceed."

Mr Manhando said the response from creditors had been "very positive". BNC operations were placed under care and maintenance in 2008, owing to low international nickel prices and an economic crisis in the country characterised by hyperinflation and exchange control regulations. After restart, BNC sees production increasing, over a three-year period, to 7 000 tonnes of nickel in concentrate per annum at its Trojan Mine. Management said repairs to date have covered the main rock shaft bunton sets, main rock shaft ore, bin and waste conveyors, crushing plant steel structures, electrical panels and electric cables, overhauling crushers, conveyors and screens and hot commissioning of the crushing circuit. Work on the main steel structures in the milling section remains to be done. Mr Manhando said the rights issue was sufficient to get the Trojan mine up and running but that further funds would need to be raised after production resumes taking the company through to being cash flow positive. BNC has been trying to secure funding to restart its Trojan Nickel Mine through a USD 21m rights issue, which commenced on June 7.

The rights offer, which was originally scheduled to close on July 27, requires resolution of staff and creditor liabilities before it can proceed. However, BNC had not received sufficient agreement from employees in time and the rights issue had to be extended to August 31to give workers more time to respond to the company's offer. BNC struggled to pay staff salaries at the end of July when it became clear that the rights issue was going to be delayed. Mr Manhando said the group had run out of cash and was forced to suspend all activities that are not essential to keep its mines dewatered by August.
"Had the rights issue been concluded in July as planned we would not have had the cash crunch we experienced," he said. The company's shareholders approved all resolutions required to implement the envisaged transaction which were put to the vote at an extraordinary general meeting held in Harare late June. Mwana Africa who is underwriting the rights issue has confirmed their commitment to the rights issue and to BNC. *(Herald)*

Stanbic Bank, a unit of South Africa-headquartered Standard Bank Group, nearly doubled its after tax profit for the six months ending June 30 to USD 6,5m, spurred by strong growth in incomes. The bank took an aggressive lending approach, increasing loans to USD 199m from USD 153m at a time when predominantly locally-owned banks had been cautious. The development came at a time when lending rates, according to Reserve Bank of Zimbabwe figures, had declined to an average of 14,5% as at May this year from 19,6% in December 2011. Total income leaped to USD 35m from USD 25m buoyed by net interest income. Net interest income contributed 44% of the bank's total income with gross loans and advances to customers increasing to USD 212m as at June 30, from USD 161m as at December 31 2011. Non-interest income rose to USD 15,6m from USD 10m. Banks generate their revenues from three broad sources, net interest income, fee and commission from automated teller machines, Internet banking and point-of-sale devices and trading revenue. Interest income is derived from interest charged on loans. Operating expenses were up 21% to USD 21,5m driven by staff related costs.

Stanbic chairman Sternford Moyo, in a statement accompanying the interim results, said price fluctuations on the commodities market, a top foreign currency

earner in Zimbabwe, was likely to reduce export earnings. "Given the over-reliance on the exportation of commodities for growth, the country's growth trajectory will be negatively affected if commodity prices continue to plummet on the international market," Moyo said. "It is imperative for stakeholders to appreciate that local liquidity is not adequate to fully fund national requirements and, therefore, redoubled efforts should be channelled towards mobilising external lines of credit and improving the country's investment climate to unlock positive net investment into key sectors of the economy." Despite the liquidity squeeze, total bank deposits in the entire banking system rose to USD 4bn as at June from USD 3,1bn as at December 31 2011, as confidence in the sector improves. *(News Day)*

Zimbabwe's second largest hospitality group, Rainbow Tourism Group (RTG), plans to lay-off close to 200 employees in the next three months as it moves to contain costs and restructure its business. RTG has an estimated staff complement of over 1 000. The group's acting chief executive officer, Paschal Changunda, told an analysts briefing in Harare last week that the exercise would cost USD 800 000. Changunda said a 35% salary adjustment awarded by the industry's employment council last year had increased the group's operational costs, piling more pressure on the debt-ridden group. "The retrenchment will look at unit by unit. "Obviously, RTG will be affected the most since that is where we have most employees. In total we are looking at reducing 20% of our staff complement," Changunda said. "In the next two to three months we should be done with the exercise and we are looking at a budget of USD 800 000." In the six months to June, the group's short-term borrowings amounted to USD 12,6m, while long-term borrowings closed at USD 10,6m. The group recorded a pre-tax loss of USD 2,3m despite a 6% jump in turnover to USD 13,3m. RTG is in need of USD 15m to recapitalise the flagging hotel company and to retire short-term debts.

It also plans to raise USD 5,5m through a rights issue and USD 9,5m through the sale of Bulawayo Rainbow Hotel to the National Social Security Authority. In May last year RTG took a decision to sale its non-core assets Touch the Wild, Tourism Services Zimbabwe and Hathanay Investment to raise funds. The hotel's average room rate grew to USD 81 from USD 71, while room occupancy was down 2% to 39%. Changunda said there had been an improvement in business in the first two months of the second half of the year. "We don't think we will be able to reverse the losses in the first half, but at least we will have a strong performance in the second half of the year that will take us into next year," he said. "When the restructuring is complete, coupled with other things we are doing, we think we will have a strong performance going forward." *(News Day)*

MWANA Africa on Monday said it would proceed with the underwriting of its 52.9%-owned subsidiary Bindura Nickel Corporation's (BNC's) rights issue. The proceeds of the rights issue would be used to fund the restart of BNC's Trojan nickel mine. Mwana said in a statement that further funding would be required in about a year's time to provide sufficient working capital to take the project to a "cash-flow positive" state. The company reported that it would continue the underwriting process, as BNC had reached resolution regarding settlement with its creditors and staff, as well as on a retrenchment package for staff not required for the restart of the mine. Mwana would invest USD 21-million in BNC through the rights issue. BNC shareholders approved the rights issue at an extraordinary general meeting held in Harare at the end of June. Mwana said the BNC rights issue and a separate BNC creditors and staff placing would be

closed over the next few weeks. “I cannot overstate the significance of this step for Mwana, for BNC and for Zimbabwe…I now look forward to working together with all stakeholders on the restart of BNC’s Trojan nickel mine,” CEO Kalaa Mpinga said. *(New Zimbabwe)*

INCREASED milling capacity at the Freda Rebecca Gold Mine has paid dividends as the miner increased its output by 75% in the year to March 30, 2012. According to Mwana Africa’s latest annual report, production for the year to March 30, 2012 rose to 47 770 ounces from 27 240 ounces during the same period last year. The rise in gold output comes on the back of the commissioning of a second milling circuit at the mine in June last year. Freda Rebecca contribution to Mwana Africa’s earnings rose from USD 37,5m last year to USD 79,8m in the just ended financial year. Mwana Africa chief executive Mr Kalaa Mpinga said as a result of the ramp-up under Phase II the mine’s targeted annualised production rate of 50 000 ounces was achieved ahead of schedule.

“At Freda Rebecca, ramp up in production continued after the installation and commissioning of the second milling circuit in June 2011. The production rate of 50 000 ounces per annum was established in the quarter to September 2011,” he said. “For the whole of the financial year, Freda Rebecca produced a total of 47 770 ounces of gold, contributing USD 17,7m to group profits and generating USD 15,5m of cash inflows.” Mwana Africa acquired the Freda Rebecca gold mine, situated in Bindura, in April 2005, with production resuming in October 2009 following an extended period of care and maintenance. Mwana Africa, which has operations in several countries including Angola, the Democratic Republic of Congo and South Africa, also owns 52,9% of the mothballed Bindura Nickel Corporation. Meanwhile, Mwana earlier this week announced that it would proceed with the underwriting of the BNC rights issue. The proceeds of the rights issue would be used to fund the restart of BNC’s Trojan Nickel Mine. In a statement, Mwana said further funding would be required in about a year’s time to provide sufficient working capital to take the project to a “cash-flow positive” state. The company reported that it would continue the underwriting process, as BNC had reached a resolution regarding settlement with its creditors and staff, as well as on a retrenchment package for staff not required for the restart of the mine. Mwana Africa expects to invest USD 21m in BNC through the rights issue. BNC shareholders approved the rights issue at an extraordinary general meeting held in Harare at the end of June. Mr Mpinga said the BNC rights issue and a separate BNC creditors and staff placing would be closed over the next few weeks. “I cannot overstate the significance of this step for Mwana, for BNC and for Zimbabwe. “I now look forward to working together with all stakeholders on the restart of BNC’s Trojan Nickel Mine,” he said. *(Herald)*

ZIMTRADE, the country’s trade development and promotion agency, says targets set in the national trade and industrial development policies might not be achieved due lack of funds to recapitalise companies. In its 2011 annual report released last week, ZimTrade said export performance during the first half of the year remained sluggish with the country literally having a negative trade balance with all its trading partners. “The outlook remains unpredictable,” said ZimTrade. “Export performance for the first half of 2012 has been sluggish with imports continuing to outperform exports. Although the Government launched the highly credible industrial and development policies on March this year, implementation is being threatened by lack of resources.”

The National Trade Policy, seeks to have a trade function as the engine for

sustainable economic growth while facilitating the productive sectors towards export orientation and international competitiveness. It seeks to ensure Zimbabwean companies and households enjoy continued access to a wide range of high-quality goods and services. In addition, the policy seeks to increase exports, promote the diversification of Zimbabwe's export basket and increase export earnings by at least 10% annually from USD 4,3bn in 2011 to USD 7bn in 2016. It will promote and enhance value addition of primary commodities and restore the manufacturing sector's contribution to export earnings from 16% to 50% by 2016.

The policy is intended to consolidate and expand existing export markets and explore new markets while expanding into regional markets. It is expected to further enhance trade facilitation to expedite trade flows by reducing and eliminating barriers and give guidance on trade policy instruments such as tariffs, non-tariff measures and trade defence mechanisms to promote trade, protect industry from unfair trade practices. The policy is being complemented by the Industrial Development Policy (2012-2016) that seeks to transform Zimbabwe from a producer of primary goods to a producer of value-added goods for domestic and export markets. ZimTrade also expressed concern over the country's export basket which is dominated by commodities such as mineral and raw agricultural products as opposed to manufactured or value added products. On the other hand, imports are dominated by consumer good as opposed to productive machinery. This year, export revenues are expected to increase to USD 5,2bn, while imports are projected to increase to USD 8,2bn. This will translates to a trade deficit of USD 2,8bn, which is unlikely to be met by a surplus in the capital account.

This is due to low industrial capacity as a result increased product competition foreign competition especially from China. Zimbabwe's manufacturing industry faces significant challenges including old and obsolete equipment, high labour costs, erratic utility supplies, high cost of short-term borrowing, skills drain and limited import protection. South Africa-based trade expert Mr Gift Mugano said the success of the trade and industrial policies hinged on the availability of funding. "The industrial policy in particular mooted the need to establish and industrial bank which will become a vehicle for industrial development through offering revolving funds," he said. "The current liquidity challenges will pose serious threat on the success of industrial and trade policies. "Industries will continue to grapple with the same problems of low capacity utilisation and high cost associated with low throughput which makes the country uncompetitive and cannot export even though the national trade policy has created an excellent institutional environment. "Unfortunately, Zimbabwe has limited options to address these liquidity challenges in the absence of active monetary policy, good performance of export sector and substantial foreign direct investment. The only way out here is to establish a sovereign wealth fund using minerals." *(Herald)*

NESTLE Zimbabwe has spent about USD 12m on upgrading its cereal products manufacturing plant in Harare. Managing director Mr Kumbirai Katsande yesterday said after the plant upgrade the firm had more than doubled its production capacity. The plant will be commissioned next Friday. Mr Katsande said most of the funding invested over the last three years had gone into raising capacity in production of infant cereals. "We have more than doubled production capacity for our popular cereal brands," he said. "You remember that even during economic difficulties Nestle remained open. "After the coming of dollarisation we have been able to build on that, but were not able

to cope with demand. The fact that we have more than doubled gives us capacity to export as well."

Nestle used to export to regional countries, including Zambia, Malawi, Mozambique and the Democratic Republic of Congo. As production increases, said Mr Katsande, the company would construct more facilities. It has started building up new administration and laboratory blocks. The Switzerland-headquartered firm continues to demonstrate growing confidence in the economy at a time other investors are sceptical of indigenisation and empowerment. In light of its expansion plans, Nestle realised the need to enhance milk production through rebuilding of the national dairy herd. Mr Katsande last year said Nestle was generating only about 15% of volumes required for its wide range of milk-based products. Last year, Nestle said it would import over 2 000 dairy heifers from South Africa. The heifers have so far been distributed to contracted and smallholder farmers across the country.

The dairy herd rebuilding programme is part of the company's USD 14m dairy revival project. This would raise its milk intake from the current 3,5m litres a year to about 28m litres over a seven-year investment period. The project started in Mashonaland East Province. Midlands, Matabeleland North and Manicaland provinces followed, before the firm spread the project to the rest of the country. The predominantly Jersey, Friesland and Jersey-Friesland cross breed heifers are being imported from the Eastern Cape, South Africa. Under the dairy revival project, Nestle pledged technical and financial help to contract farmers, who supply most of the firm's raw milk. The dairy revival project follows an ongoing USD 27m capital expenditure, demonstrating Nestle's commitment to Zimbabwe.

It produces such top brands as Cerevita, Cerelac, Everyday Milk, Nesquik, Ricoffy, Milo, Nescafe, Nido, Maggi powder soups and the new Nestle Mom for pregnant and lactating mothers. The multimillion-dollar dairy revival programme will establish milk production and collection centres in all the provinces. Zimbabwe previously had a national milk production capacity of 260m litres a year, but this had declined to 50m litres. The dairy herd has declined from 200 000 (in the 1990s) to 40 000. *(Herald)*

Zimbabwe Stock Exchange-listed concern RioZim Limited has incurred a loss after tax of USD 4,9m for the half—year ended June 30 2012, from USD 6,1m weighed down by finance costs. Finance costs were slightly lower at USD 6,3m compared to USD 6,4m in 2011.The company posted an operating profit of USD 1,5m from USD 1,3m attributed to better cost management, improved grade and high productivity. Group revenues improved marginally to USD 31m from USD 30,1m due to improved gold prices that eased by 24% and 10% respectively. "The operating costs at Renco increased by 11% in the prior year," reads a statement accompanying the group's interim results. The group said production at RioZim's Renco gold mine increased by 8% to 313kgs. "At the Empress Nickel Refinery, production was low as the refinery did not receive matte for processing in the second quarter. Despite low output, the refinery remained marginally profitably due to the sale of own—finished metal stocks and significant savings in distribution costs," RioZim said. "Energy costs though increased by 44% in line with the increase in tariffs from six cents to nine cents per kilowatt hour over the same comparative period."

The group said the company had commenced the implementation of several new initiatives, which include evaluation of the exploitation of the Cam and Motor and

Renco dumps in co—operation with DRD Gold of South Africa. It said exploitation of Cam and Motor sands, development work and a Vamping project at Renco Gold Mine should see ore production increasing by 255 to a target gold production of 100kg by the first quarter of 2013. Evaluation of the retrofitting and upgrading of ENR to give it compatibility to treat high sulphur matte, review of supplier relationships to ensure goods and services are procured to best advantage and rationalisation of staff costs at head office, would also be done. RioZim recently terminated its contract with Centametall of the toll refining agreement that resulted in an outstanding amount of USD 13,6m due to Centametall, of which USD 7m was settled through the delivery of finished metal and the remaining balance of USD 6,6m was included in the balance sheet as long-term debt. *(News Day)*

Zimbabwe's fast food retail group Innscor Africa reported a 48 percent jump in full-year earnings on Thursday as it increased volumes to meet demand in an economy still recovering from years of decline. Innscor's basic earnings per share rose to 7.15 cents in the year to June 2012, compared to 4.82 cents, financial statements released by the group showed. The group's revenues were USD 627m, up 21 percent on the previous year's figure, while after-tax profit was USD 48.5m, up from USD 33m in 2010. *(Reuters)*

The introduction of entry-level products with low margins propelled Colcom Holdings to post a marginal increase in profit after tax of USD 4,8m for the year ended June 30 2012, from USD 4,7m. Colcom, last year commissioned a new sausage factory line that led to a 32% increase in processing volumes. Its new products include pork, chicken and beef bangers. Group revenue grew by 14% to USD 52,8m from USD 46,2m driven by pork sales that grew by 31%. Speaking at the company's analysts briefing, group chief executive officer Theo Kumalo said as a result of the new measures, operating profit growth was limited to 8%. Basic earnings per share for the year amounted to 2,87 cents, an 8% reduction from the prior year due to improved profitability in the group's subsidiary business that resulted in higher non-controlling interest charge. He said the group's cash generation was good with USD 5,9m being generated from operations. "An interest of USD 3,2m was invested in capital expenditure of which USD 2,2m was for expansion projects," he said. The group recorded a 5% growth in pig production at Triple C division due to pig performance which continued at a high level and the number of slaughter pigs increased by 4%.

Kumalo said the group was looking ahead as adequate supplies of stockfeeds were essential for Triple C pigs' requirements. "Maize needs have been secured up to the end of January 2013. Soya beans have been secured until the next harvest in April 2013," Kumalo said. Kumalo said the Associated Meat Packers' Unit performed exceptionally with volumes growing by 55% and profitability also growing by 135% year-on-year. As part of the strategy to increase operational efficiencies and productivity through the factory, the group plans to upgrade technology in the pie factory and acquire another modern swing compressor for refrigeration in the current financial year. He also said the group was looking towards investing in generators to cope with power supply problems. "We have plans to increase our distribution footprint to ensure market saturation in areas where we are not sufficiently covered and explore regional export markets," he said. *(News Day)*

Loss-making listed hospitality concern Rainbow Tourism Group (RTG) has

begun a head-hunting exercise to replace its former chief executive officer Chipo Mtasa, nearly four months after she resigned. Following Mtasa's resignation, the group's finance director Paschal Changunda was appointed acting chief executive. Proserve Executive Appointments, a local personnel recruitment firm, yesterday issued a statement inviting applications to fill the hot seat. "We have been exclusively retained by the board of directors to assist with the recruitment and selection of a chief executive officer whose brief is to provide strategic leadership and direction to the company. "Reporting directly to the board of directors, the chief executive will lead a highly dedicated team of technical experts so that the company achieves the desired organisational growth and revenue objectives," reads a statement issued by Proserve. It is understood that initially, the RTG board was supposed to appoint a substantive chief executive to steer the company, but following a series of shareholder fights, the recruitment agency was tasked to recruit the top executive.

The group's single largest individual shareholder, Nicholas van Hoogstraten, once pushed for the appointment of his proxy Shingirayi Chibanguza to replace Mtasa, a move that was opposed by majority shareholder National Social Security Authority (NSSA). Chibanguza now sits on the RTG board. This is not the first time that an outside firm has been engaged by RTG. Last year, RTG engaged Corporate Excellence to break the impasse on appointments of directors to the board between the two feuding shareholders — NSSA and van Hoogstraten. The new CEO faces a tough task of steering the company into profitability after RTG slipped further in the red with a pre-tax loss of USD 2,3m in the half year to June 30 compared to USD 1m in the same period last year. While RTG is looking for a new boss, the hospitality group is currently carrying out a retrenchment exercise that could result in a 20% cut of its workforce. The hospitality group has an estimated staff complement of over 1 000. *(News Day)*

Cabinet has approved the multi-million-dollar deal between Ziscosteel and Indian company Essar Africa Holdings, paving the way for the resuscitation of the Midlands-based steelmaker. Industry and Commerce minister Welshman Ncube told NewsDay yesterday that Cabinet on Tuesday unanimously approved the deal without amendments, clearing the way for the reopening of the company. "It was unanimously resolved that the agreement would be honoured and implemented," he said. "We hope Essar will start work immediately. We will meet with the leadership of Essar for them to take over and start rehabilitating the plant." The endorsement by Cabinet was done before MDC-T and Zanu PF MPs called for an investigation into the way Ncube negotiated the deal on Wednesday.
The MPs claimed they suspected that Ncube, who leads the other MDC formation, took bribes to facilitate the agreement. Meanwhile, the MDC yesterday reacted angrily to the allegations by the MPs who were debating a report on Essar produced by the Parliamentary Portfolio Committee on Industry and Commerce in the House of Assembly. MDC spokesperson Nhlanhla Dube told NewsDay that Zanu PF and the MDC-T had found it convenient to set aside their well-known political disputes to pursue a common cause of embarrassing Ncube.

But he vowed they would be "forced to eat their self-served humble pie with the same amount of brouhaha and bravado". "Such assaults on Ncube and the party will not stop our resolve and fight for democracy that entails empowerment of local communities through devolution of power," he said. Dube singled out Kambuzuma MP Willias Madzimure of the MDC-T whom he accused of leading

MPs in abusing parliamentary privilege in making unsubstantiated accusations of corruption against Ncube and Essar. “When Madzimure says that money exchanged hands corruptly, one would expect the Honourable Member to avail that same information to the law enforcement agencies,” he said. “That level of reckless and careless statements unfortunately only serves to discredit our Legislature.”
Last Friday, Madzimure told a public discussion in Harare that there was secrecy surrounding contract negotiations and accused the Executive of bullying Parliament into ratifying badly-negotiated deals. He questioned the wisdom of Cabinet in agreeing to the Essar deal, which gave away 80% of Zimbabwe’s iron ore worth billions to the Indian company for only USD 700m. “Should we trust the Executive to negotiate without the knowledge of Parliament after they gave away 80% of Zimbabwe’s iron ore worth billions to an Indian company for only USD 700m?” Madzimure queried. *(News Day)*

Pan-African banking group Ecobank International says it will maintain its presence in Zimbabwe despite fears within the sector of indigenisation and empowerment regulations compelling foreign-owned banks to dispose of 51% of their equity to locals. Visiting group chief executive Arnold Ekpe told a media briefing on Wednesday that the bank — which has had its operations in strife-torn countries — seeks to grow its business in Zimbabwe, regarded as having a high risk. Ekpe said while the country’s ongoing indigenisation policy was noble, there was need for clarity in its implementation. He said the group was confident of meeting revised minimum capital requirements announced by the Reserve Bank of Zimbabwe. “Many of you would know that we stayed in Liberia during the war, throughout the war and we continued after the war. Many of you know that we did the same thing in the Ivory Coast,” Ekpe said. “So I want to assure each and every one of you that Ecobank is here to stay. “We believe that the future of this country is a very positive one. “We believe that Ecobank has a meaningful role to play in the development of this country.” Ecobank, which operates in 32 African countries, last year acquired Premier Bank, a merchant bank, before going commercial in May this year.

The entry of Ecobank and its local partners in the shareholding structure, according to Ecobank managing director in charge of the Sadc cluster Daniel Sackey, saw the injection of USD 19m in fresh capital to recapitalise the bank and clean up part of the past losses. He said the bank would this year embark on an aggressive branch network rollout in a bid to grow its market share, adding that the business had reached a breakeven point on a month-to-month basis. “The year 2012 has been devoted to improving our product range and improving our branch network visibility,” Sackey said. “I think one of the major complaints last year was that we were not visible, but it was deliberate because we felt that we needed to sort out our internal issues before emerging. “Between now and the end of the year, we intend to add five more branches.” Specifically on the issue of high interest rates and bank charges being charged by local banks, Sackey said the revised minimum capital requirements would boost confidence in the banking system, which would in turn attract more deposits and lower interest rates. His remarks came amid indications that the central bank planned to rein in on banks currently charging annualised interest rates averaging 50%, while interest on deposits remained low. *(News Day)*

Fast moving consumer goods company National Foods profit before tax spiked 47% to USD 10,7m from continuing operations in the full-year ended June 30, buoyed by a growth in sales volumes and focus on core business

operations. During the period under review, the group sold 404 000 tonnes of goods, up from 352 000 tonnes, resulting in full-year turnover of USD 234m compared to USD 201m the previous year. Profit for the year amounted to USD 7,9m up from USD 5m from the comparative period. The company declared a dividend of 1,55 cents per share. During the period under review, National Foods reopened the flour and stockfeed plant in Bulawayo to meet local demand and possible exports of stockfeeds, making seven of the 11 factories operational. “A number of non-core or non performing assets and properties were disposed during the year and more should be disposed in FY2013,” National Foods chairman Todd Moyo said in a statement accompanying the groups results for the year ended June 30. Moyo said the import duty on a portion of flour imports should stimulate increased flour volumes likely to result in improved profitability. “The group has sufficient stocks of the correct wheat to produce the desired grist and meet demand. “We have committed to purchase the local crop at import parity which should hopefully encourage farmers to plant more wheat next season,” he said.

He said the board had tasked management to produce a feasibility study on a new flour mill to replace the existing mills. Its maize milling division registered a volumes growth of 50% attributed to an improved procurement strategy and increased demand for refined maize meal under the Pearlenta brand. Turning to the stockfeeds division, Moyo said the company had become entrenched as the market leader in the poultry feed category. Moyo said despite a new roughage plant and a reverse osmosis plant having been successfully commissioned during the year, plant downtown was still at unacceptable levels. The FMCG business recorded a volumes decline of 21%. The unit faced fierce competition from efficient, low-cost wholesalers and a surge of imported low-cost products. During the year, the National Foods disposed of four properties that the group considered as non-core assets.
“The strategy of disposing non-core properties remains in place with the intention of directing proceeds from sales to strengthening core business capabilities, funding strategic raw material positions and growth opportunities,” Moyo said. According to Moyo, availability of electricity, skills deficiency, liquidity constraints, IT connectivity and shortage of raw materials continue to stalk the company. Some of National Foods products include Pearlenta, Mahatma and Red Seal rice, Fattis, Monis Pasta and Koo baked beans. *(News Day)*

ZIMBABWE sold diamonds worth about USD 456m by August this year but Treasury only received USD 41m from the proceeds, Finance Minister Tendai Biti has said. “We are disappointed to note that diamond revenue continues not to reach the treasury. If we look at diamond sales as of the end of August, we had sold Diamonds worth USD 456m,” Biti told NewZimbabwe.com Thursday after presenting his monthly economic review statement for last month.
“Mbada Diamond Company sold gems worth at least USD 200m and Anjin Investments about USD 125m but nothing was remitted to the Treasury.” Four companies, all of them joint ventures between the state-owned Zimbabwe Mining Development Corporation (ZMDC) and private investors, are operating at the Chiadzwa diamond fields in the eastern Manicaland province However, Biti said the country was not benefiting from what officials claim to be one of the world’s richest diamond finds in recent years and called on his Mines counterpart to ensure transparency in the exploitation of the gems.

“So we are pleading with the Mines and Mining Development Minister, Obert

Mpofu, to give us the diamond money so that we can be able to pay our struggling government workers," he said. "We are also saying Mpofu give us the diamond money so that we give some of it to the Energy and Power Development Ministry for electricity. If we get that money we will also be able to pay school fees for the country's vulnerable children." Biti has since cut his 2012 national budget from USD 4bn to about USD 3,4bn blaming poor revenue inflows from diamond mining where he had expected about USD 600m this year alone. The Chiadzwa diamonds remain a source of constant friction in the coalition government with Biti and his MDC-T party accusing Zanu PF of deliberately diverting the revenues from Treasury. However, some of the companies operating in the area said Biti overstated the potential contribution of diamond sales when he put together his 2012 national budget and was now trying to blame them for his mistake. *(New Zimbabwe)*

Economic News

ZIMBABWE will this week conclude a USD 64million credit facility with Botswana which is expected to help jump-start various programmes under the Short-Term Emergency Recovery Programme (STERP). Finance Minister Tendai Biti and his Industry and Commerce counterpart Welshman Ncube will sign the deal Monday on behalf of Zimbabwe while Botswana will be represented by its Minister of Finance and Economic Development Planning, Kenneth Matambo. 70 % of the credit line is expected to be channelled towards the manufacturing sector, officials confirmed. The deal was mooted four years back but was held-up over Harare's insistence that some clauses under the two countries' Bilateral Investment Promotion and Protection Agreement (BIPPA) be amended first.

Bankrolled by Botswana commercial banks, the facility was proposed at the 2009 SADC Extraordinary Summit held in Swaziland which urged member states to make available resources to help Zimbabwe recover from a decade-long economic recession. Finance Ministers from both countries met in September 2010 and agreed the terms and conditions of the facility including repayment periods, interest rates, arrangement fees, guarantee fees and loan thresholds per project. The agreement will also see the Botswana Confederation of Commerce, Industry and Manpower entering into joint ventures with Zimbabwe's industry and commerce bodies such as the Confederation of Zimbabwe Industries (CZI) and the Zimbabwe National Chamber of Commerce (ZNCC) in key sectors of the economy. Zimbabwe's economy has been limping from one crisis to another with Finance Minister Tendai Biti revealing that Treasury was dry despite claims of increased revenue from diamond sales. Presenting the mid-term fiscal policy statement in July this year, Biti revised downwards his 2012 budget from the projected USD 4bn to USD 3,4bn blaming poor diamond revenue inflows to the treasury. Biti announced that of the USD 600m expected to come from diamond proceeds only USD 41,6m had been received during the first 6 months of the year. *(New Zimbabwe)*

Zimbabwe Stock Exchange-listed agro-industrial concern Interfresh Limited narrowed its loss for the six months ending June 30 to USD 933 000 from USD 1,5m during the same comparative period last year on the back of reduced borrowing costs. Revenue rose to USD 3,2m from USD 2,5m driven by firming prices on the regional market. Citrus volumes recorded a 28%

growth during the period under review. Interfresh exports horticultural products to Europe. "Revenue has increased and is expected to continue in this trend, as fruits of the long-term projects to restore yields in the agricultural operations begin to be realised. "The company is currently in a transition period with a significant uplift expected in the next season," reads a statement accompanying the company's unaudited financial results. "The business environment is not expected to improve significantly for the remainder of the year. "The company is forecasting the continued across-board volume recovery, primarily through yield improvement."

The group's balance sheet shrunk to USD 23,1m from USD 26,8m, as it shed loss-making units. "Significant decisions made in the 2011 financial year to restructure the company balance sheet through the disposal of the head office and warehouse complex in Graniteside and to discontinue loss making operations, have started yielding positive results," Interfresh said. "To date the company has seen the benefits of the initiative with a significant reduction in the financing costs with more than 49% reduction having been recorded." Interfresh last year sold its Harare head office in a bid to reduce an unsustainable short-term debt and strengthen its balance sheet. The disposal was expected to raise USD 5,8m. Last year, management said part of the proceeds from the disposals of assets would be used to reduce the company's short-term debt. The balance was earmarked for the acquisition of a small property in Harare for the company's Harare-based operations, as well as meeting some working capital requirements. *(News Day)*

Zimbabwe and Botswana yesterday signed a memorandum of agreement, paving way for the release of the much-awaited P500m line of credit from Gaborone. The funds were pledged at the formation of the inclusive government in 2009, but there had been delays in tying the deal due to demands for assurances from Botswana. Last year, the two governments signed a Bilateral Investment Promotion and Protection Agreement (Bippa) to pave way for the release of the funds. A Bippa is an agreement establishing the terms and conditions for private investment by nationals and companies from countries involved. At least 70% of the money would be channelled towards the country's ailing manufacturing sector with the remainder spread across various sectors of the economy.

Speaking at the signing ceremony in Harare, Finance minister Tendai Biti said the government had removed bureaucracy in the disbursement of the facility to avoid unnecessary delays. "This programme must not be affected by the disbursement bureaucracy that affected the disbursement of Distressed and Marginalised Areas Fund," he said. Biti said the line of credit was aimed at reviving local industries, which for a long time had been adversely affected by the liquidity crunch, high cost of money and the short–term nature of credit facilities on the domestic financial market.

"This line of credit shall be administered in a way that will ensure mutual benefit between our two economies, aimed at promoting export and import of goods and services between Zimbabwe and Botswana, as well as establishment of joint ventures between our industries," he said. The funds would be accessed through two windows of short and medium-term funding. Short-term funding would cover requirements of up to six months, particularly working capital and the medium-term credit would have a tenor of up to five years depending on the financing needs.

Botswana Finance and Development Planning minister Kenneth Matambo said the line of credit was meant to resuscitate companies in Zimbabwe. Matambo said all banks in Botswana had agreed to assist in the programme. “I think we are all excited. So we should not prolong this any further,” he said. Matambo said there was room for extension of the facility if it yielded positive results. (The) 500m pula is available now, and should this demonstrate good results, then they should be a small window open for commencement,” he said.*(News Day)*

ZIMBABWE is set for a raft of economic and policy reforms after the high-level economic forum in Victoria Falls, which diagnosed and proffered possible solutions to the current crisis. Finance Minister Tendai Biti obtained a clearer insight from world renowned experts into the few options available to him in his efforts to rescue the economy. “You will see most of these ideas (from the high-level economic forum) in the next Budget,” said Mr Biti. “We will take the issues to the leadership of the Government.” But he said there was need for a complete “paradigm shift” and the embracing of a common vision if Zimbabwe was to realise its political and economic aspirations. Mr Biti also underscored the critical importance of discussing problems and opined “Zimbabwe had kwashiorkor of dialogue”. The forum was organised after the sluggish performance, especially of agriculture and revenue, which forced a review of growth and revenue forecasts from 9,4 to 5,6% from USD 4bn to USD 3,4bn, respectively. Rounding up the discussions after the conference, Minister Biti said focus would be on addressing challenges in infrastructure, optimising benefits from mineral resources, land, regional integration, tax reforms, multi-currency, transparency and policies. Among the central issues to find space in national policy and macroeconomic reforms were measures to deal with power, transport, agricultural productivity, modernisation of accumulation models, inclusive growth, policy predictability and consistency.

Measures to ensure sustainable growth, adopting proper policies, reforms of key economic institutions, clearing debt, efficient cash budgeting, stronger multi-currency regime, re-engaging global lending institutions and sound policies would also be part of future policies. Broadly, effort will also fall on addressing the dual enclave economy by reducing widespread poverty, growing per capita GDP and sustainable broad-based economic growth. But sustained economic growth would require a well-functioning and fully capitalised Reserve Bank capable of performing all its traditional statutory roles, and strong and adequately capitalised banking institutions. It was agreed that the RBZ and the Bankers Association of Zimbabwe should discuss punitive rates and charges. The forum also admitted that the absence of Government paper was long overdue while proposals were made for pension and insurance firms to participate in availing funding. Economic experts said the country’s mining title system was now outdated and should be replaced.

It was also felt that there was need for fiscal policy clarity on the security of foreign investment, as well as the need to reform aspects of the taxation system, which was said to be too fragmented and loaded with unnecessary taxes. Other issues the forum cited as needing attention included tightening accountability and dealing with issues around mining super profits, price transfers and thresholds of royalties. Discussions on the manufacturing sector concluded that the sector, which requires USD 2,5bn in fresh funding to recapitalise, was being hampered by policy inconsistencies. Confederation of Zimbabwe Industries president Mr Kumbirai Katsande said there “was need to prioritise investment in

electricity" because energy "was quite an issue". There has been massive rehabilitating of electricity infrastructure at Kariba Hydro Power Station and Hwange Thermal while new projects are on course amid revelations that the current power crisis will be over by 2016.*(Herald)*

The government is crafting a new law for microfinance institutions (MFIs) which will compel the lenders to disclose trading conditions, as the number of debt-trapped Zimbabweans continues to rise due to ignorance. As a result of the liquidity constraints and cautious lending taken by most commercial banks, many people have turned to the microlending institutions for consumer and business loans. However, with interest rates as high as 10% per month, default rates have increased, which in turn has seen properties being attached to recover funds. The microfinance business is generally regarded as the provision of financial services to the unbanked and under-banked households and small-to- medium enterprises. The minimum capital requirement for the MFIs is currently set at USD 5 000. According to a Bill gazetted last Friday, microfinance institutions, which previously were regulated by the Banking Act, could soon be regulated by the Microfinance Act, should the Bill sail through Parliament and signed into law. "A microfinance institution shall not pay a dividend to its shareholders unless it has made adequate provision against losses on loans and has taken adequate steps to ensure compliance with the financial requirements specified in this Act," reads part of the Bill.

Every microfinancier, the Bill proposed, shall display: "The monthly and annual rates of interest, which it imposes on loans and advances, and details of all charges, other than interest, which it imposes on loans and advances." The proposed new law would also compel MFIs to give would-be borrowers ample time to fully comprehend the loan terms before borrowing. In order to underwrite meaningful business and to adequately satisfy the borrowing requirements of their clients, MFIs in addition to capital and other contributions by their shareholders, often source loans from banks. Some MFIs, according to the Reserve Bank of Zimbabwe (RBZ), are owned by non-governmental organisations, which receive grants from international development partners who pool together their financial resources and establish a fund for financing community projects. MFIs are registered and supervised by the RBZ, which is tasked to ensure that licensed MFIs carry out money lending operations in accordance with the laws of the country. The central bank prohibits MFIs from soliciting for or mobilising deposits from any person or company inside or from outside Zimbabwe.

The apex bank contends that MFIs are not allowed to take deposits because the size of their capital is not sufficient to act as a buffer for depositors' funds in the event of losses. Only microfinance banks registered in terms of the Banking Act are allowed to take deposits as their minimum capital requirement of USD 5m provides a sufficient capital buffer to protect depositors' funds. "Every deposit-taking microfinance institution shall send the Registrar (of banks) a copy of its audited accounts of the previous financial year and the auditor's report thereon," the Bill reads in part. A few months ago, the RBZ cancelled operating licences for two microfinance institutions, McDowells International and All Angels Investments, which were found guilty of illegally accepting deposits. *(News Day)*

Zimbabwe is turning to South Africa and Angola for help in plugging a USD 400m hole in its budget, Finance Minister Tendai Biti said on Thursday, lamenting a lack of foreign investment and aid from its traditional Western

donors. The southern African country's economy is recovering under a coalition government formed in 2009 by President Robert Mugabe and his rival, Prime Minister Morgan Tsvangirai, but is still suffering the hangover of a decade-long recession widely blamed on Mugabe policies such as the seizure of white-owned farms. Biti, who slashed Zimbabwe's 2012 GDP growth forecast last month from 9.4 percent to 5.6 percent due to a poor harvest and lack of donor funding, said Harare would seek at least USD 150m from South Africa and Angola.

"I have secured an important appointment with South Africa's minister of finance two weeks from now," he told a news conference. "In this meeting we are going to make a request for budgetary support to the tune of USD 100m." Harare was also in advanced talks for a USD 50m credit line from oil-rich Angola, he said. He added that he would ask Pretoria to release a 500m rand grant pledged in 2009, and revive a 1.75bn rand credit facility created decades ago by the colonial Rhodesian government and apartheid South Africa. The government needed nearly USD 400m before the end of the year to pay annual bonuses for workers, and to finance the 2012/2013 farming season and an expected referendum on a new constitution, Biti said.

Zimbabwe has struggled to attract funding from the likes of the IMF and World Bank due to external debt that Biti put at USD 9.1bn. Mugabe's drive to force foreign firms to hand over majority shares to local interests has also kept private investors away. Zimbabwe was in danger of missing a revenue target of USD 3.4bn this year, Biti said, but added that the revised growth forecast would be met due to better-than-expected tobacco sales. Biti also said Harare was negotiating with Beijing for a USD 350m loan to expand its Kariba South power station to provide an additional 300 MW of power to the current 1,000 MW - half of present demand. China's Sino Hydro is the sole bidder for the project. Speaking earlier in Harare at the launch of an energy policy, Energy Minister Elton Mangoma said Zimbabwe was planning a 100 MW solar plant to be commissioned in 2013. *(Reuters)*

Notes

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