SECURITIES AFRICA

For week ending 10 August 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:

Currencies:

	10-Aug-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.14	0.00	0.22
DZD	81.61	-0.21	8.47
BWP	7.56	-1.03	2.53
CFA	520.12	-0.93	5.13
EGP	6.06	0.09	0.80
GHS	1.94	-0.65	19.46
KES	82.52	-0.25	-1.24
MWK	267.00	-0.48	64.41
MUR	29.40	-1.22	4.51
MAD	8.88	-0.92	3.54
MZM	28.00	1.08	4.87
NAD	8.00	-1.84	-1.69
NGN	158.38	-1.18	-0.88
ZAR	8.09	-2.94	-1.02
SZL	8.04	-1.74	-1.34
TND	1.61	34.83	7.76
TZS	1,549.72	-0.54	-0.68
UGX	2,441.95	-0.66	-0.22
ZMK	4,755.68	-2.54	-5.22

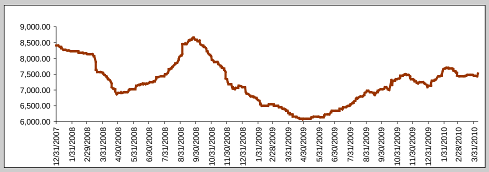
Source:oanda.com

African Stock Exchange Performance:

Country	Index	10 August 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,329.51	0.32%	1.36%	5.14%	2.55%
Egypt	CASE 30	4,960.98	-0.57%	-0.66%	36.95%	35.86%
Ghana	GSE All Share	1,026.73	-0.92%	-0.27%	5.95%	-11.31%
Ivory Coast	BRVM Composite	144.80	-1.87%	-0.94%	4.26%	-0.82%
Kenya	NSE 20	3,831.01	-0.33%	-0.07%	19.53%	21.04%
Malawi	Malawi All Share	5,964.90	-0.05%	0.43%	11.09%	-32.43%
Mauritius	SEMDEX	1,732.63	-0.95%	0.28%	-8.25%	-12.20%
	SEM 7	335.80	-0.91%	0.31%	-4.15%	-8.28%
Morocco	MASI	9,872.51	-0.51%	0.41%	-10.33%	-13.40%
Namibia	Overall Index	917.00	-0.33%	1.55%	9.43%	11.30%
Nigeria	Nigeria All Share	23,239.00	-1.21%	-0.03%	12.10%	13.09%
South Africa	Top 40	31,330.00	1.13%	4.19%	-2.08%	-1.07%
Swaziland	All Share	284.32	0.00%	1.77%	5.92%	7.35%
Tanzania	DSEI	1,440.57	0.04%	0.58%	10.54%	11.30%
Tunisia	TunIndex	5,218.20	-0.70%	-26.35%	10.50%	4.46%
Zambia	LUSE All Share	3,866.84	1.05%	3.69%	-7.27%	-1.88%
Zimbabwe	Industrial Index	133.20	-0.18%	-0.18%	-8.68%	-8.68%
	Mining Index	89.00	-15.65%	-15.65%	-11.62%	-11.62%

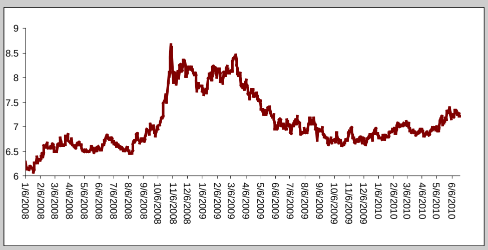
Botswana

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

Stock Exchange News

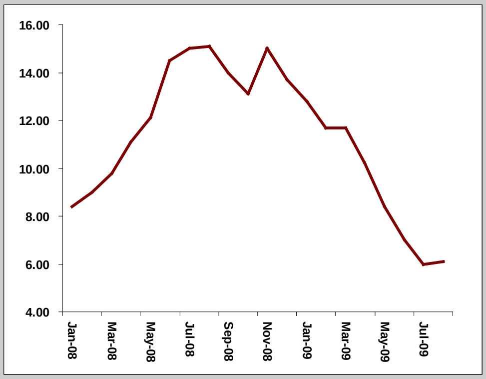
The Gaborone bourse ended the week 0.32% higher at 7,329.51pts. FNBB recorded the highest gain, ending the week at a 4-year high of 300t ahead of full year results in two weeks. Choppies edged up 1.23% to 165t. G4S was up 0.85% at 593t. Lucara led the losers closing 46.67% lower at 400t. BIHL was down 0.96% at 1030t. Turnstar gave-up 0.59% at 168t.

Corporate News

The G4S Botswana/Shield Security takeover saga rages on after the Security Association of Botswana (SAB) wrote a letter of complaint to the Ministry of Defence, Justice and Security last week querying the purchase of Shield Security by SANCOS MD Enterprises (Pty) Ltd. Domi Sankie, a former nominal shareholder in Facilities Management Group (FMG), which used to own Shield Security and PS Cleaning Services, was last month announced as the new owner of Shield Security through SANCOS MD. This development came after the Competition Authority (CA) had rejected a bid by G4S Botswana to broadly acquire Shield Security and restrained Botswana's leading security giant from soliciting clients from Shield Security. Just when the deal had received all the regulatory green lights, last week SAB revived the controversy surrounding the transaction in the letter in which they raised suspicions that G4S was still involved in a bid to buy Shield. "It is our suspicions and unless the contrary is proved, we are inclined to believe that the whole transaction is a disguised sale or transfer of Shield Security to G4S Botswana so as to circumvent the ruling by the Competition Authority prohibiting the sale and acquisition of the former to and/or by the latter," states the letter.

Gaolatwe Mudongo, the SAB chairperson could not be drawn into discussing the matter referring all enquiries to either the ministry or G4S. Although G4S Botswana communications manager, Mpho Gucha dismissed the suggestions as mere lies, sources close to developments taking shape between the two security companies have hinted that Shield Security has merged with G4S Botswana. "G4S Botswana respected the decision taken by the Competition Authority. We have not acquired Shield Security. We have acquired PS Cleaning Services, which is a subsidiary of the FMG not Shield Security," said Gucha when contacted for comment this week. Amidst all these (alleged efforts to circumvent the CA ruling), the letter notes that attempts have been made to facilitate the hind transfer of Shield Security albeit by employing various indirect means. "Moreover, it is alarming and an issue that raises eyebrows is the mass exodus of senior personnel from Shield Security heading to G4S Botswana. In that regard, we once again reiterate our suspicions and concerns," part of the letter reads.

Consequently, SAB requests the Defence, Justice and Security Ministry to set aside the G4S/Shield transaction, suspend or withdraw Shield Security's licence



Source: SAR

and launch a full scale investigation to determine the role, if any, being played by G4S in the whole transaction. "Appropriate measures should be taken against the culprit in the event that one of the companies is found to have played a role in the transaction," reads part of the letter. In response to allegations that there is a mass exodus of senior Shield Security managers joining G4S, Gucha said there is nothing sinister for one to resign at Shield Security and be hired by G4S Botswana. "We have employees who were once employed at Shield Security. Senior Shield personnel have left Shield Security and joined G4S including security guards. If one applies for a job, we will hire him/her as long as there is a vacant post," defended Gucha. When approached for comment, Sankie said there is nothing he can hide and would welcome any probe into the takeover of Shield Security. "G4S Botswana did not, is not and will not play any role in this takeover. My company has taken over the operations at Shield Security. This is after G4S Botswana was barred from taking over Shield Security by the Competition Authority," said Sankie.

He said he is in the process of transferring all the assets he acquired from Shield Security into his company before reiterating that the transfer is being done without help from G4S Botswana. Augustine Makgonatsotlhe, the controller of Security Services at the ministry, could not be reached for comment at the time of going to press. According to its profile, Shield Security has been operating for over 19 years and employs some 800 guards. The firm is also a founding member of the SAB. Besides guard services and alarms, Shield also offers CCTV monitoring of clients' sites as well as loss control undercover operatives who melt into workplaces to identify fraud and theft. *(Mmegi)*

Pan African banking institution, BancABC says it looks to raise an additional BWP 750m (USD 100m) through a two-tier equity to further bolster its operations as the bank pushes to expand its retail-banking network. This follows last week's completion of a BWP 375m (USD 50m) of a rights issue, which raised funds to re-capitalise the bank's operations in the five southern African countries it has branches."This is a historic occasion for the group and positions us well for the future. The funds will be utilised for the capitalisation of the banking subsidiaries which have registered phenomenal growth in the last couple of years," Group CEO Douglas Munatsi said in a statement. Following the conclusion of the rights issue, there has been major changes within the shareholder base which has seen German listed African Development Corporation (ADC) taking a direct shareholding of 41.7%. In addition, the company says that, ADC has agreed to warehouse additional shares, as a financing mechanism for the executive management team, which will effectively take its shareholding to 50.4%. "Retail banking is not only a people and systems intensive business but it is also capital hungry.

Now that the first phase of capitalization is behind us, we intend to raise an additional USD 75m - USD 100m by way of tier two equity, to further bolster the operations," Munatsi added. Following the rights issue, capital levels for the various subsidiaries have been increased to BancABC Botswana (USD 53m), BancABC Zimbabwe (USD 52m), BancABC Mozambique (USD 32m), BancABC Zambia (USD 26m) and BancABC Tanzania (USD 20m).From the BWP 375m (USD 50m) raised, BWP 110m (USD 15m) will be channelled towards the local subsidiary to fund its fledgling retail business which has experienced a phenomenal 500% growth in its customer base from 1,500 clients in 2010 to 9,500 in 2011. However, this growth - which has resulted in the group's balance sheet rising to BWP 9.2bn from BWP 6bn in 2010 - had not been supported by injection of additional capital, resulting in capital adequacy ratios for the bank sliding down to near regulatory minimums.

After venturing into retail banking in 2010, the bank has 49 branches across the five countries from 31 in 2010, but plans are to further expand the network to 71 branches by year-end. In 2012, the bank plans to open six new branches in Botswana to take the branch network to 10. Areas earmarked for the new branches include Maun, Selebi-Phikwe, Palapye, Ghantsi, Broadhurst and Airport Junction Mall in Gaborone.Historically, BancABC was a merchant bank offering a diverse range of services. These included wealth management, corporate banking, treasury services, leasing, asset management and stock broking. *(Mmegi)*

Economic News

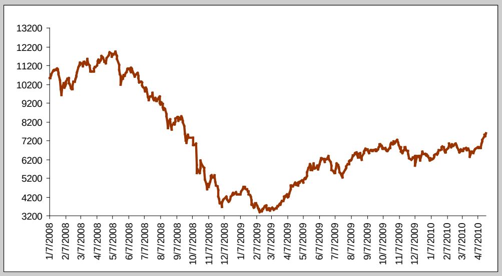
Diamonds dug in Botswana are still of the highest quality and the most valuable in the world, despite having cut down on production since 2009, data released this week by Kimberley Process (KP) show. According to the KP, Botswana retained its perch as the top diamond producer by value in 2011 as the value of the gemstones dug in the country rose by 45% to P1,277.67 (USD 170.36) per carat in the year. In the same year, Botswana mined 22.904m carats valued at USD 3.9bn. However, Russia was the top producer by volume in the year with output of 35.139m carats valued at USD 2.67bn, as the average price of its production rose 11% to USD 76.12 per carat. Botswana, through Debswana, which is jointly owned by De Beers and the government, reached peak production in 2006 at 34m carats followed by 33m carats in 2007 and 32m carats in 2008 before cutting output rapidly to 17.7m carats in 2009 due to the global economic down turn. "Global diamond production rose 26% to USD 14.41bn in 2011 as rough diamond prices soared during the year. By volume, production fell 3% to 123.99m carats. The average price of production rose 31% to USD 116.19 per carat," said the KP in a report.

In 2010 Global rough diamond production rose 39% by value to USD 12bn. For 2011, Canada ranked third with production of 10.795m carats valued at USD 2.55bn as prices there rose 21% to USD 236.30 per carat. South Africa came in fourth after mining 8.205m carats valued at USD 1.73bn- USD 210.88 per carat, followed by Angola where production of 8.328m carats was valued at USD 1.16bn, or USD 139.60 per carat. Other top diamond producers by volume included the Democratic Republic of the Congo with 19.249m carats valued at USD 9.33 per carat; Zimbabwe with 8.5m carats valued at USD 56.01 per carat; and Australia with 7.829m carats at USD 28.19 per carat. The total rough exports by all Kimberley Process member states jumped 41% to USD 52.83bn, while rough imports rose 35% to USD 50.89bn. In terms of exports, the European Union was the world's top rough exporter in 2011 with USD 18.54bn leaving the region. The United Arab Emirates (UAE) came in second as its exports jumped 66% to USD 5.87bn. Botswana was third place with exports of USD 5.47bn, followed by Israel with exports of USD 4.42bn, and Russia with exports worth USD 3.81bn.

According to a report by Metals Economics Group (MEG), global rough diamond production has plateaued with declining output at the world's major mines and no significant new sources MEG noted that only two relatively small new projects were commissioned in the past year and despite higher prices for rough goods, both are struggling as they work to achieve full production. Five other new mines and expansion projects are scheduled to launch between 2013 and 2015, projected to add approximately 6.7m carats per year to global production, the report noted. MEG estimated that global diamond exploration budgets increased by 26% in 2011. According to the report, Russia was the top exploration target, accounting for 27% of the total diamond budget while Canada was second with 26%. They were followed by Angola with 13%, India with 8%, Botswana with 6% and South Africa with 5.6%. *(Mmegi)*

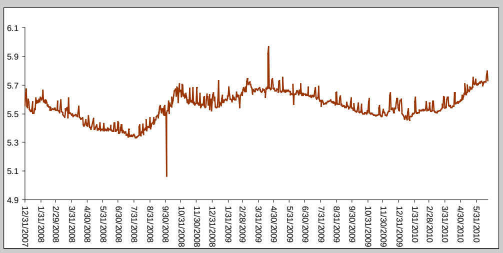
EGYPT

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 EGX 30 ended the week 0.57% lower at 4,960.98pts on the back of amid political unrest.. Telcom Egypt closed at EGP 12.89. OTH increased by 6% to EGX 3.5. TMG Holding edged up 1% to EGX 4.14. GB Auto picked up EGX 0.90 at EGX 22.52.

Corporate News

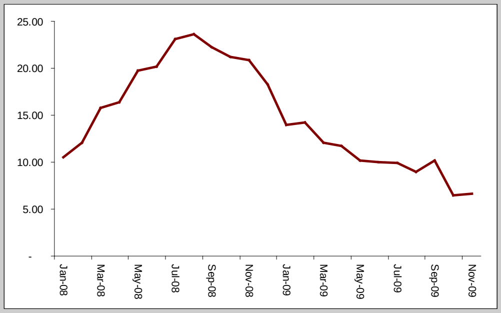
Vodafone Egypt's revenues amounted to EGP 2.9bn by the end of the second quarter, compared to EGP 2.8bn in the first quarter, with a growth rate of 2.5%. The domestic company acquired 2.7% of Global Vodafone's revenues with a value of £10.7bn. Vodafone Egypt's Internet subscribers reached 5m users by the end of the second quarter, compared to 4m users during the same period 2011, a 25% growth rate. Global Vodafone's indicators show that the number of domestic mobile subscribers reached 37.5m users by end of June 2012, and almost 37m subscribers by end of March 2012 with 500 thousand additional users. The figures also revealed that the average per capita income of Vodafone Egypt users is EGP 25.5 during this second quarter of the year, whereas per capita income from prepaid users is approximately EGP 20.3, compared to EGP 20.2 during the first quarter. However, revenues of monthly subscription clients declined to EGP 132.7 during the second quarter of 2012 from EGP 137.6 in the previous quarter. *(Daily News)*

Economic News

The International Monetary Fund (IMF) will send a mission to Cairo this month to hold talks on loans to the new government of Egypt's Islamist President Mohamed Mursi, a spokesman for the fund said on Sunday. The mission, to include Masood Ahmed, the IMF's director for the Middle East and Central Asia, will discuss "possible financial support for a home-grown economic program," the spokesman said. "The IMF stands ready to support Egypt and work closely with the authorities," added the spokesman, who did not give a specific date for the trip. Egyptian Finance Minister Mumtaz al-Saeed told reporters on Saturday Cairo had invited IMF officials to Cairo resume talks on a USD 3.2bn loan. An IMF deal would help Egypt stave off a budget and balance of payments crisis and add credibility to economic reforms needed to restore the confidence of investors who fled the country after the overthrow of former president Hosni Mubarak by a popular revolt last year. Saeed, who was selected to remain in his post in the new cabinet sworn in last Thursday, said he expected a growth rate of 3.5-4% in the 2012-2013 fiscal year.

Egypt's former interim government had previously forecast 4 to 4.5% growth for the 2012-2013 fiscal year, which started on July 1. Mursi's new cabinet will have to decide whether it should implement new and potentially painful austerity measures to help stabilize government finances and secure foreign financial help. The outgoing army-backed government, which had been negotiating an IMF loan for months, drew up the new state budget to dovetail with IMF demands. The budget took effect on July 1 at the start of the 2012/13 financial year. The IMF demanded that any loan get broad political support. At the time, this meant the army-controlled cabinet needed the blessing of Mursi's Muslim Brotherhood, whose Freedom and Justice Party (FJP) took almost half the seats in parliament. The FJP refused, saying the government had not provided it with enough details of the proposed IMF agreement or the budget to take a decision. *(Reuters)*

CPI Inflation



Source: SAR

The number of mobile phone subscriptions in Egypt grew by 22% to 91.35m in the year to May, government figures showed on Sunday. In May 2011, Egypt's three mobile operators, Etisalat Egypt, Mobinil and the Egyptian unit of Vodafone, had 74.77m subscriptions. Egypt is the Arab world's most populous country, with more than 80m people, some of whom have more than one mobile subscription. The number of subscriptions in April was 92.04m. *(Reuters)*

The average yield on 91-day Egyptian treasury bills eased slightly at an auction on Sunday while those on 273-day bills inched higher, the Central Bank of Egypt said. The average yield on the 91-day bills was 14.193%, down from 14.196% at last week's auction. The bank sold 1bn Egyptian pounds, the same amount it had offered. On the 273-day bills it was 15.714%, up from 15.669% at the last issue on July 24. The bank sold 4bn pounds, the same amount it had sought. The central bank, which sells the bills on behalf of the Finance Ministry, sold the same amount it had offered. *(Reuters)*

Egypt's foreign reserves resumed a steep decline that began last year when a popular uprising sent the economy into a tailspin and led the central bank to start selling dollars to prop up the country's pound. Reserves fell last month to USD 14.42bn from USD 15.53bn in June, according to central bank figures released on Tuesday. They were pulled lower by the government's repayment of a USD 1bn eurobond and a USD 607m payment to Paris Club lenders, the bank said on its website. Reserves have plunged by well over half since January 2011, the start of the political turmoil that has scared away tourists and investors, two of Egypt's main sources of foreign currency. The central bank has drained much of its foreign currency to avert a sharp decline in the Egyptian pound and avoid the risk of exacerbating inflation. Many foreign investors say fear of a sharp fall in the pound should pressure on the beleaguered economy grow in coming months is the main reason that they are avoiding Egypt for now.

Strains on Egypt's finances and a lack of foreign debt buyers have sent domestic state borrowing costs soaring in the past year and, with foreign commercial borrowing not an option for now, Egypt needs to secure aid from foreign donors and the International Monetary Fund. Reserves, at USD 36bn before last year's uprising, dropped steadily until this March. They then rose over the following three months - with Saudi Arabia buying government bonds and depositing USD 1bn in Egypt's central bank - before dipping again in July.

With little sign of a significant pick-up in foreign direct investment (FDI) and tourism, downward pressure remains. "We are yet to see any rebound in the key sources of foreign currency to the country. Tourism is still suffering and FDI is still low relative to the pre-revolution levels," said Youssef Kamel, a Cairo-based analyst with Rasmala. A new government sworn in last week needs to show broad backing at home for any economic reforms to secure a long-awaited USD 3.2bn emergency loan from the IMF. The IMF said on Sunday it would send a mission to Cairo this month to hold talks on loans to Egypt.*(Reuters)*

Civil unrest in the Middle East is providing opportunities for Egypt, a major importer of raw sugar, to export refined sugar to markets such as Libya, Sudan and potentially Syria, trade sources said. Egypt, which imports raws primarily from Brazil, has increased its refining capacity and also has the advantage of lower freight costs in supplying rising demand for high-quality refined sugar in nearby countries. "Egypt is arguably the cultural hub of the Arab world and can double up as an excellent gateway to the wider North African and Sub-Saharan African regions," said Ophelie Buchet, an analyst with Business Monitor International. Violence in countries such as Libya and Syria has hampered domestic trading and increased the need for imports of refined sugar, a traditional consumer staple. In Syria, for example, the two main sugar refineries appear to be shut, trade sources said, creating opportunities for Egyptian shipments via the Syrian port of Tartous. "It is not surprising that Egypt is re-exporting whites to destinations like Sudan and Libya as it makes sense on the commercial side," a European trader said. "Re-exporting to Sudan makes sense as the country has a growing demand for imports. Libya has been a target market for Egypt, and they will not hesitate to export there if the price is right."

North Africa and the Middle East also are seen as growth markets for sugar because of their young and rising populations. The global premium for benchmark white sugar futures on Liffe over raw sugar futures on ICE, a measure of refining profitability, stands at around USD 128 per tonne and has been above USD 100 for months, levels that provide a strong incentive for refining operations. Some sugar is shipped in containers and some in smaller dry bulk vessels, especially handysize, handymax and supramax ships. In recent days, handysize rates have slid to their lowest levels in over four months and supramax rates to over three-month lows as the dry bulk sector struggles with a glut of ships ordered when times were good. Meanwhile, Egypt has increased raw sugar imports significantly this year, dealers said, as the government aims to boost stocks and reduce food price inflation in volatile times and privately owned refiners seek to increase business in the region. A European analyst estimated that Egypt had imported 1.4m tonnes of raw sugar between April 2011 and March 2012, a sharp increase from 1m tonnes in the previous year. "Egyptian raw sugar imports have been higher than we expected," one analyst with a trade house said. "The Egyptians have logistical advantages with markets that are difficult to trade with, such as Libya and Sudan."

The number of vessels waiting to load bulk sugar at Brazilian ports rose to seven on Tuesday from five on Monday, port loading schedules showed. A USD 140m, 750,000 tonne sugar refinery at the Egyptian Red Sea port of Ain Sukhna, which is owned by Saudi Arabia's Savola Group, is believed to have stepped up sales of refined sugar to regional markets, traders said. "The

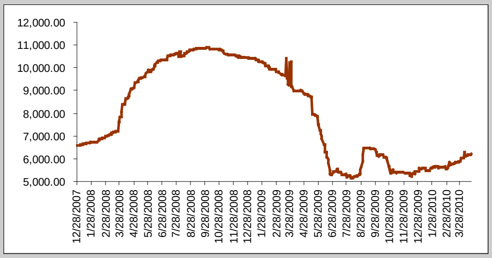
Savola refinery has been active on the re-export side," a Middle East trade source said. Officials from Savola could not be immediately reached for comment on Wednesday, but a Savola company presentation on its website described the group's drive to export sugar to countries including Sudan and Middle East nations. "Sugar from Egypt is ending up in Aqaba for end-destination Jordan typically in 4,000 tonne clips, and consignments are also making their way into Lebanon. It's a regional push," a Middle East trade source said. *(Reuters)*

Revenue from Egypt's Suez Canal rose 4% to USD 433.1m in July compared to the previous month, a state information portal showed on Thursday. Revenue in June was USD 415.9m. In July 2011 it was USD 449.2m. The waterway is a vital source of foreign currency in Egypt, along with tourism, oil and gas exports and remittances from Egyptians living abroad. *(Egypt.com)*

Egypt's urban consumer inflation eased to 6.4% last month, its lowest in six years, driven by a smaller increase in food prices, official figures showed on Thursday. It comes as Egypt's economy struggles to recover from the political turmoil in the 18 months since the overthrow of President Hosni Mubarak, but analysts said it was unlikely to lead to an easing of the central bank's monetary policy. Egypt's pound is under pressure from weak inward investment and tourism and the central bank has spent well over half its foreign exchange reserves to stave off a sharp decline in the currency. To shore up strained finances and secure confidence in its economic policy, a new government plans to revive negotiations this month with the International Monetary Fund over a long-awaited USD 3.2bn emergency loan. The central bank holds its next rate-setting policy meeting on September 6. "Its rate decision will probably depend on the government's negotiations with the IMF this month," said Hirsh, an economist at Capital Economics. "Agreeing a deal with the IMF, which would shore up investor confidence, is crucial." Urban consumer inflation slowed from 7.2% in June, figures from the state statistics agency CAPMAS showed. Core inflation, which strips out more volatile items and is used by the central bank to help set interest rates policy, slowed to 6.34% from 7.04% in June. *(Reuters)*

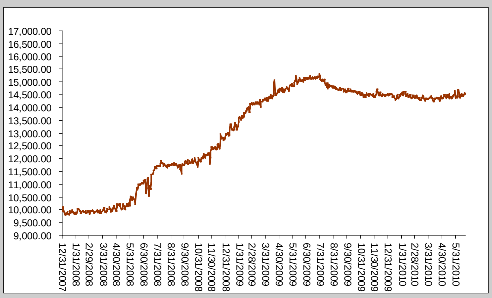
Ghana

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

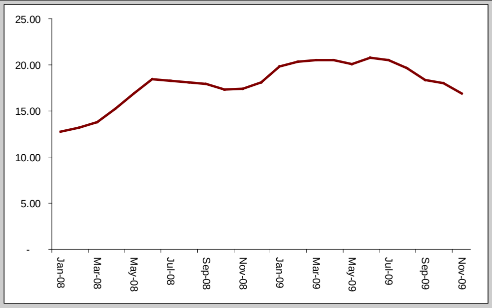
Stock Exchange News

The GSE All Share Index ended the week 0.92% lower at 1026.73pts. MLC increased by 11.11% higher at GHS 0.10. CAL edged up 3.23% at GHS 0.32. SIC closed 3.03% higher at GHS 0.34. CPC led the losers, closing 50% lower at GHS 0.01. ALW lost 16.67% at GHS 0.05. SCB was down 4.12% at GHS 43.

Corporate News

MTN Ghana recorded GHC 734m revenue in the first half (H1) of 2012, representing 22% growth compared with its full year (FY) revenue for 2011. Much of the growth was attributed to a whopping 193% growth in data revenue (excluding SMS) from the 3.4m data customers and 987,000 smartphones on its network. The company also recorded 5.9% increase in subscriber base within the same period, finishing H1 with 10.758m subscribers, representing 46% mobile market share (according to National Communication Authority) but 50.5% according to MTN. But MTN acknowledged in the report that it current market share represents and slight reduction from that of December 2011, and indeed, the NCA's figures show MTN made a marginal loss of 1% market share from a month before. The company also reported a slide in average revenue per user (ARPU) from USD 7 in December 2011, to USD 6.3 by June 2012, on stiff competition in the market heightened by the entrance of a sixth mobile operator in April this year. It attributed the subscriber base growth to attractive market offerings and promotions, and the revenue growth to 18.8% growth in airtime subscription, 193% growth in data revenue (excluding SMS), 11% growth in interconnect gains, and 11% growth in revenue generating minutes.

EBITDA (earnings before interest taxations depreciation and amortization) margins, otherwise known as operational profits, stood at 37.7%. But some of the gains, was also affected by 14% interconnect cost due to increase in off-net traffic, and that left MTN with a 3% deficit on the interconnect balance sheet, and 23.2% increase in operational expenses (OPEX) compared to the same period last year. Moreover, total capital expenditure (CAPEX) also grew by a whopping 99% compared to the same period last year, and the company reported 53% of the full year CAPEX for 2012 has already been used. The Opex items included interconnect cost, rent and utilities (up by 130%), as well as distribution and commission cost (up by 29%). Capex items included mainly improvement in capacity and quality of service (one new switch and data centre), and increase in increase in 3G coverage. MTN stated in the report that its WACS submarine cable, which landed in Ghana months ago, is expected to be launched commercially in the second half of this year. MTN Ghana remains the overwhelming market leader in Ghana, and it has gained 508,446 subscribers between January and June 2012, which is 53.5% of its targeted



Source: SAR

950,000 subscribers for the whole of 2012.

Meanwhile, at the group level, subscriber base grew by 6.9% to 176m; total revenue grew 17.5% to USD 8.1bn; H1 profits topped USD 2.65bn; EBITDA margin up 0.3% points to 44.9% and the company is giving shareholders 321 cents dividend per share, after buying back R2.088m worth of shares. The report attributed its revenue successes to solid growth in South Africa, Iran and Ghana, and also to currency changes. Meanwhile, in confirmation of a trend that telcos have been worried about, the Group's effective tax rate increased 1.15 percentage points to 38.10%, which is about the same level of taxes telcos in Ghana pay. Groups Capex increased 77.7% to R10.14bn compared to the same period last year. This was mainly due to an aggressive rollout programme implemented earlier in the year and the ongoing focus on critical capex investment programmes across the Group's operations. However, capex was lower than anticipated due to equipment delays and slow site approvals by authorities among other things. Meanwhile, MTN is currently fighting a lawsuit filed by Turkcell accusing it of bribery in its Iranian investment. MTN denies the allegations, but reports say for the past six months, it has been finding difficulties moving cash out of its operations in Iran, which is responsible for 20% of its subscribers and about 10% of the group's revenue. MTN operates GSM networks 21 countries in Africa and the Middle-East, and has internet service provider license in 13 countries across three continents, and it is a market leader in most of the countries it operates in. *(Ghana Web)*

Economic News

President John Dramani Mahama reiterated the government's commitment to put in place economic measures that would subsequently 'tame' the country's inflation in the coming months. He said the government would initiate more partnerships with the business community to create a congenial atmosphere for business to flourish and create more jobs for the youth. President Mahama gave the assurance when the business community made up of Ghana National Chamber of Commerce, Association of Oil Marketing Companies, Ghana Employers Association and Private Enterprise Foundation among other business advocacy groups called on him at the Castle, Osu. The delegation was at the Castle to console him on the death of President John Atta Mills and also congratulate him for on his elevation to the highest office of the land.

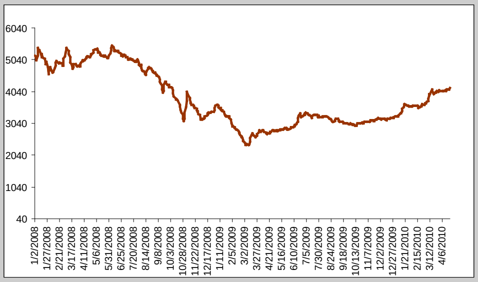
President Mahama said when he was the Vice President, late President Mills placed high responsibility on him by offering the opportunity to hold series of meetings with the business community. "I have always been with you in the past and I can assure you that the relationship will continue until we surmount all our challenges and create a congenial atmosphere for business and job creation for the unemployed." He said the government had the responsibility of creating an enabling environment for business and would therefore pursue it to ensure the survival and development of the business community. Mr Asare Akuffo, President of Private Enterprise Foundation on behalf of the other groups, pledged their support for the President Mahama administration adding 'We shall continue to work with you to identify all the challenges and seek solution to those challenges." He appealed to President Mahama to continue with the regular meetings they had in the past to ensure an effective collaboration. *(Peace FM)*

The cedi has seen a steady recovery in its level of depreciation against the dollar over the last three months following measures to stabilise the currency, Mr Kwesi Bekoe Amissah-Arthur, Bank of Ghana Governor, said in Accra on Monday. "We have seen a tempering in the level of depreciation of the cedi against the dollar in the last three months," Mr Amissah-Arthur told Parliament Appointments Committee during his vetting for the position of Vice-President and expressed the hope that the trend would continue. The Bank of Ghana (BoG) in May announced measures to stabilise the cedi and reinforce the monetary policy stance, including the re-introduction of short-term Bank of Ghana Bills in the following tenors 30 days, 60 days and 270 days. This is intended to support the monetary operations of BoG and provide additional avenues for cedi investments. It also asked all banks to maintain the mandatory 9% reserve requirement on domestic and foreign deposit liabilities in Ghana cedis only.

In addition, all banks are required to provide 100% cedi cover for their “vostro” balances to be maintained at BoG in line with provision in the Operational Guidelines Pursuant to the Foreign Exchange Act that precludes foreign investor participation in the short end of the money market. Mr Amissah-Arthur said the rate of depreciation of the cedi against the dollar had dropped from about 5% in May to less than 1% as at the end of July, attributing the halt in the decline to the success of the measures. Overall, the cedi had depreciated 17% on the year, he said, adding that he expected the trend to continue. *(Peace FM)*

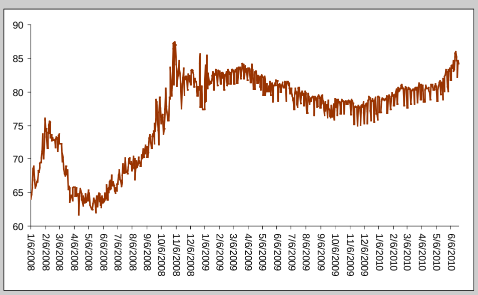
Kenya

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

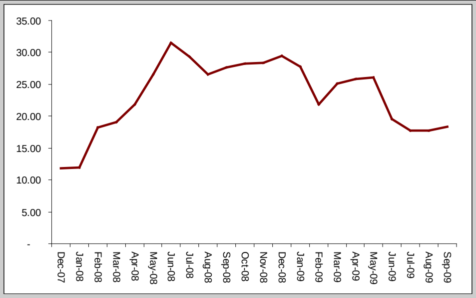
The NSE 20 continued trading south easing 0.33% w/w. Turnover rose to KES 1.5bn from KES 1.3bn the previous week. The week marked the release of Barclays Bank, Co-op Bank and StanCharts Bank's H1 results Barclays closed +2.5% higher at KES 14.30 while Co-op Bank edged down 3.1% at Kes 11.10. SCB lost 1% at KES 197. EABL recouped losses it made in the previous week, gaining 5.0% w/w to KES 231 ahead of FY12 numbers expected on 24th August. Eveready traded 8.3% higher at KES 1.95. Car & General rose by 8.7% to KES 25. Standard Group lost 10% at KES 22.50. CIC was down 6.3% at KES 4.50.

Corporate News

Telecoms operator Safaricom has renegotiated its procurement agreement with Vodafone Plc, cutting down the KES 2.1bn annual fees the UK company has been earning from the Kenyan firm in the past couple of years. Vodafone Plc, which is the single largest shareholder in Safaricom, earned the money through an agreement that guaranteed it a 6% commission on all supplies obtained through the UK firm's sales and services arm. Safaricom has been riding on Vodafone Sales and Services Limited's global price book, supply chain and technical expertise in the sourcing of the equipment. Kenya's leading telecoms operator bought goods and services worth KES 35bn last year, translating to a commission of KES 2.1bn for Vodafone – at the rate of 6%. But under the new agreement that came into effect in the year ended March 2012, Safaricom paid a flat fee of €4m (KES 412m), cutting the KES 2.1bn commission paid under the old agreement by 80%.

Bob Collymore, the Safaricom chief executive, said the new deal has since coming into effect to date saved the company over €40m (KES 4.1bn). "We have converted from a variable to a fixed rate for greater certainty and to secure a more favourable deal for Safaricom," he said. Though a huge relief to the Kenyan telecom operator, the new agreement highlights the lopsided nature of the previous contract, which saw Vodafone's commission average KES 2.1bn annually or nearly a fifth of Safaricom's net profit in the past two years. Aside from the commission on the procurement deals, Vodafone earns dividends and licence fees for Safaricom's revolutionary money transfer service, M-Pesa. Mr Collymore said that although the flat rate will rise to €6m (KES 618m) in the current financial year, the new deal continues to save the company billions of shillings for its purchases of mobile phones, computers, and telecoms equipment. "All of our KES 35bn spend is being negotiated … we are now able to access greater cost savings at a significantly reduced participation fee," he said.

Investors will be waiting to see the impact of the massive cost savings on Safaricom's earnings, which have come under pressure from a vicious price war



Source: SAR

in the voice market – its biggest revenue stream. Safaricom's net profit dropped to KES 12.6bn in the year ended March compared to KES 13.1bn the year before as higher operation costs pulled back the rate of revenue growth to 13% for a total of KES 107bn. Safaricom has been spending billions of shillings in network upgrade even as it expands coverage of voice and data services to keep pace with its growing customer base. The Kenyan telecoms operator has relied on parent Vodafone's economies of scale to access relatively cheaper hardware and services in a bid to lower its cost base. It has now become clear that the old contract was written to disproportionately benefit Vodafone. Under the agreement, Safaricom bought goods and services from the Vodafone and other parties based on the UK firm's global price book – meaning at relatively lower costs.

Safaricom mainly buys mobile phones from Vodafone Sales and Services Ltd (VSSL), sidestepping the more expensive direct purchases from Nokia, Samsung, and Huawei among other manufacturers. It has now become clear that whatever savings Safaricom made through this special purchasing channel were being deeply eaten into by the 6% commission that Vodafone has been levying for all purchases, including those made directly from other parties. Safaricom's financial statement indicates that the Kenyan telecoms giant bought goods and services worth KES 10.5bn from the Vodafone Group in the year ended March. This means that at the stated total commission of KES 2.1bn, the company also paid a 6% charge for the remaining KES 25bn worth of goods bought directly from suppliers like Huawei, Cisco, and Oracle – using the UK firm's price list. "The annual spend of KES 35bn for network and IT capital and operating expenditure is spent directly with global suppliers such as Huawei, Cisco, Oracle, and NSN," Mr Collymore said. "In line with our policy to leverage our relationship with Vodafone, we purchase (mobiles) through Vodafone because it is cheaper to do so. We then sell these phones at essentially our cost to the market in Kenya," he said.

Safaricom has deepened its foray into the mobile handset and computer retail market in the past three years as it seeks to grow its earnings and expand the uptake of data services and competitively priced products. Renegotiation of the procurement agreement is set to turn the focus on Vodafone's earnings from M-Pesa, which has become the fastest growing business at Safaricom. Safaricom operates the M-Pesa business on a licence from VSSL, which owns the rights to the popular money transfer service. On a quarterly basis, Safaricom pays VSSL a fee not less than 10% of revenue from M-Pesa. The licence fee payment is capped at 25% and guarantees VSSL earnings from the service whether or not it is profitable. M-Pesa, which was introduced in 2007, broke even last year. Under the agreement, the payout to Vodafone moves closer to the lower threshold with an increase in the number of active M-Pesa subscribers. The number of active M-Pesa users grew marginally to 14.9m at the end of March compared to 14.01m in the same month last year. This arrangement earned Vodafone at least KES 1.7bn from M-Pesa alone in the year ended March, up from a minimum of KES 1.2bn the year before. *(Business Day)*

NIC shares lost 9.15% following closure of its shareholders' register ahead of the upcoming rights issue. The bank's share price dropped to KES 34.75 as at close of trading on Friday from KES 38.25 on Monday when the shareholders' register was closed, making the biggest decline among banking stocks. The banking sector, which accounted for a quarter of all shares traded during the week had seven counters declining, two closed the week at the

same price when compared to the previous one while one appreciated leading to an overall decline at the Nairobi Securities Exchange (NSE). “NIC Bank took the top loser spot this week owing to the counter closing its books last Monday for its upcoming rights issue,” said analysts from Standard Investment Bank.
The lender will from the coming Monday be offering 98.72m shares to existing shareholders at KES 21 in the ratio of one share for every four held. All indices fell as compared to the previous week with the NSE 20 Share Index losing 26.93 points or 0.7% to close at 3,843.58 points from 3,870.51 points the previous week, while the NSE All Share Index lost 0.75% to close at 83.69 points from 84.32 points over the same time period.

“The NSE 20 index pulled back owing to profit taking by investors,” said SIB analysts who added that Equity Bank dropped by 5.6% during the week to KES 21.25 while KCB remained unchanged at KES 24.25, though investor appetite on the counter was high. Both banks released half year results in the previous week. Moses Waireri, a research analyst at Genghis Capital said that in the coming week he was expecting indices to trade within a range after the profit taking and probably edge upwards going forward. “If you look at the percentage difference there was a huge drop in the middle of the week but this reduced during the week so we are expecting it to stabilise and trade within a range this coming week,” he said. Eaagads in the agricultural sector was the biggest gainer after its share price rose by KES 17 or 52.31% to KES 49.50 while Sasini, which announced a profit warning after the close of trading, saw its share price drop by 4% during the week to KES 12. The company said that the main contributors of the projected reduction in the level of earnings in this financial year are the adverse impacts of “substantial drop in realisations in coffee, higher input and labour costs and exceptional profits arising from non-trading activities in 2011 which were not repeated in the current financial year”. *(Business Day)*

Bamburi Cement profit fell 13.5% as industry costs rose by at least one quarter on the back of high transport and power costs. The Lafarge-controlled manufacturer’s operating expenses jumped from KES 12.5bn in the period under review to KES 15.6bn. Bamburi costs rose 25% while those of rival Athi River Mining (ARM) grew by 30%. This saw Bamburi post-tax profit drop to KES 2.5bn from KES 2.9bn in the period. Bamburi, Kenya’s largest cement firm, said the rising expenses were mainly driven by the impact of volatile fuel prices on cost of raw materials, power and transportation. “The group’s operating profit reduced due to an extremely difficult cost environment as a result of volatility of global fuel prices,” said the Bamburi board in a statement to the Nairobi bourse. ARM, on the other hand grew its net earnings by KES 25% helped by 60% rise in sales due to the reopening of a formerly closed plant at the Coast. Troubled East Africa Portland Cement Company (EAPCC) issued a profit a warning sometime back but is yet to announce its results.

Bamburi, which operates Hima Cement in Uganda, blamed the escalation in costs on a 70% rise in power costs following the removal of government power subsidies. The Bamburi management maintained dividend payout at two shillings per ordinary share. Group turnover increased by 17% to KES 19.2bn from KES 16.4bn at the same period last year. This was driven by a 32.2% growth in sales in the inland export markets. The domestic market registered a marginal 5.4% growth. Analysts say Bamburi, currently with the largest market share in the region, is set to come under stiff competition as other producers increase capacity. Bamburi investment income jumped by 354% to KES 432m in the six months ended June, up from KES 95m. Interest earned on investment jumped

309% to KES 426m from KES 104m. Bamburi also made KES 150m in unrealised foreign exchange loss as opposed to KES 500m gain in the first half of last year.

Following these latest fortunes, analysts have given varied recommendations. Standard Investment Bank (SIB), which estimates Bamburi market share to have contracted from highs of 63% in 2008 to 40.5% in the year ended in 2011, said the share price of the firm still portends good returns. “We advise our clients to buy the stock,” said Francis Mwangi, an analyst at SIB. Kestrel Capital, a stock brokerage firm, however, said clients should lighten their interest in the stock as it expects the firm to reduce market share to 32% by 2014. “Our argument is supported by the fact that regional new cement demand (in volumes) will be met by players with expanded capacities as they further benefit from economies of scale,” Kestrel said. Data from the Kenya National Bureau of Statistics shows that cement consumption in Kenya rose by 29,700 tonnes in the first quarter to 829,933 tonnes from 800,175 tonnes in 2011 driven by demand from the infrastructure and individual home builders. Cement counters having been doing well on the bourse in the last six months, except for EAPCC whose stock performance was hit by management wrangles. *Business Day)*

Kenyan tea and coffee producer Sasini warned on Friday its profit would fall by more than 25% in the year to end-September due to weaker coffee prices and high input and labour costs. The company had also reported a 27% drop in profit for the previous year, to 1.01bn shillings, due to drought and rising input costs. Kenya is the world's leading exporter of black tea, which earned the country USD 1.27bn last year, and its specialty coffee beans are much sought after for blending with those from other countries. Another tea grower, Kapchorua, has also issued a profit warning for its full-year profit. *(Reuters)*

Kenya Airways plans to shed staff through voluntary retirement, redundancies and outsourcing of non-core roles in order to contain soaring costs and protect its bottom line, it said on Friday, but unions said they would fight the job cuts. The airline, which is 26.73-percent-owned by Air France KLM, first indicated it would look to slash costs in June, after its full-year pretax profit slid 57% due to higher fuel costs and a rising wage bill. Its wage bill had more than doubled over the previous six years to 13.4bn shillings while the total number of staff had risen by just over 16% to 4,834. The carrier, one of the largest in sub-Saharan Africa alongside Ethiopian Airlines and South African Airways, did not indicate the level of savings it was targeting or how many jobs would be lost in the exercise.

The Aviation and Allied Workers Union (AAWU), which includes 3,800 members from the carrier, promised to use all means at its disposal, including going to court, to stop the job cuts. "We think what they (Kenya Airways' management) are doing is just a sideshow because they are sacrificing workers for their failures," Perpetua Mpojiwa, head of AAWU, told Reuters. She questioned why the exercise was announced soon after the airline unveiled an ambitious five-year expansion plan, which would inevitably require hiring staff, rather than job cuts. Kenya Airways said in March it would spend USD 3.6bn, mainly to buy new planes and start new routes between Africa and Asia. *(Reuters)*

K-Rep Bank’s first half-year profit rose 25% on the back of increased income from lending. The bank’s net profit stood at KES 129.6m from KES

102.9m in a similar period last year. "We were able to watch operating expenses more closely and our income from lending boosted our result," K-Rep managing director Albert Ruturi told the Business Daily. K-Rep's interest income increased to KES 886m from KES 550m in the first half last year following growth in its loan book by 20.3% to KES 6.9bn. However, compared to the first three months of the year, the loan book dropped by KES 162.4m following the bank's decision to write off core non-performing loans. "We wrote off some non-performing assets of about KES 200m, which reduced the loan book marginally," said Mr Ruturi. This indicates that the bank's turnaround, which started in 2010, is on course after a change of guard saw Mr Ruturi take the reins from Mr Kimanthi Mutua. K-Rep, a micro-finance lender, cut costs through staff layoffs among other measures.

Mr Ruturi said the bank was keen on further cuts, adding that operating expenses were largely kept in check in the last one year. The bank's total operating expenses for the first half of the year rose to KES 618.7m, a marginal increase from KES 579.9m, due to rising deposit costs. Interest paid to its customers went up threefold to KES 192.8m from KES 56.5m the previous year, reflecting demand for high returns by depositors. The bank's core capital stood at KES 1.39bn from KES 1.148bn the same period last year due to retained earnings. "We retained our earnings last year, this year we may retain (them) too the bank's shareholders are not desperate for cash," said Mr Ruturi. He ruled out any expansion, saying the bank would only open one more branch this year and concentrate on consolidating its market. *(Business Daily)*

The Kenya Commercial Bank (KCB) has notified its shareholders that it will submit unclaimed dividends that have been outstanding for more than three years to the government. The bank is to hand over the dividends estimated at millions of shillings in November, which is the first compliance date for surrender of unclaimed assets to the Unclaimed Financial Assets Authority. Unclaimed assets held by banks, listed companies, pension funds, insurers, stockbrokers and other institutions are estimated to have soared to KES 200bn, prompting the enactment of the Unclaimed Financial Assets Act that seeks to provide a legal framework to handle the cash. "The Act requires the bank to surrender to the government all unclaimed dividends which have been outstanding for more than three years by November 2012," says the note to shareholders sent by KCB company secretary. "Shareholders who will not have claimed their dividends before the deadline will have to pursue payment of the same from the Unclaimed Financial Assets Authority established by the government to hold unclaimed assets." The Minister of Finance is, however, yet to appoint a board that will have the role of hiring the authority's management team since the law became effective in December last year. KCB's notice follows that issued by Barclays Bank of Kenya to its shareholders during its annual general meeting.

KCB financials do not reveal the actual figure of unclaimed dividends. As at end of 2011, Barclays Bank was holding KES 573m, Centum Investment had KES 34m, NBK had 21m and Bamburi Cement had KES 29m in unclaimed dividends underlining the magnitude of the issue. Creation of the authority is meant to safeguard assets of the claimants, and also provide funds for financing social projects since the authority will have the mandate to invest the accumulated funds. Some companies have been writing back unclaimed assets as retained earnings in their books, and may be required to review their articles of association to comply with the new law. In 2011, Diamond Trust Bank wrote back KES 21.3m from unclaimed dividends. Investment company Centum wrote back KES 6.2m in the same year. “The Act supersedes all previous legislation on unclaimed assets therefore such companies may be forced to review,” said Joe Ngigi, the CEO of Unclaimed Property Assets Register, a private company. The accumulation of unclaimed wealth has been attributed to widespread fears of writing a will, which is viewed as a taboo subject in African culture. Retail investors also often fail to collect small dividend payments. Institutions have been putting efforts to reduce the values that they will surrender to the authority as huge values may be seen as admission of poor “know your customer” policies.

The advent of mobile transfer services in payment of dividends is expected to lessen the problem as even small amounts can be sent to the phone. The unclaimed assets Act is however silent on handling of amounts held with mobile money service providers whose usage is becoming more entrenched. Banks are expected to be major contributors to the unclaimed assets funds as they are also expected to transfer cash deposit whose owners cannot be traced, travellers cheques and money orders that go unclaimed for two years. Cash deposits will be surrendered if the account is not operated, in form of withdrawals, in a period of five years. The authority will also manage unclaimed assets held by pension funds, insurers and stockbrokers. Other unclaimed assets include uncollected wages, deposits for utility services and court awards. The Act states that initial list to be compiled must contain all historically unclaimed asset and which must be treated as they would have if the Act was existent. This implies that companies that had written back the unclaimed dividends may be forced to reclassify them. The Act, however, does not spell out how earnings from investment of the accumulated funds will be utilised. In some developed economies the earnings have been employed in social activities such as scholarships for orphaned and needy children. *(Business Daily)*

Clothing and household goods retailer Deacons Kenya is finalising a joint venture agreement with South Africa’s Woolworths, ending their franchise partnership. According to the Kenyan retailer, the two have signed a head of terms agreement, a document describing the main terms between parties of a commercial transaction, in anticipation of a successful deal. A joint venture would see Deacons, which also handles other top franchises like Mr Price, Truworths and Angelo, cede some control of its local activities and earnings to the South African retailer. “The directors of Deacons Kenya wish to inform the shareholders that it is currently in the advanced stages of finalising the terms of its future business and trading relationship with Woolworths,” said Peter Njoka, Deacons chairman. “In this regard,

Deacons and Woolworths have signed a heads of terms to enter into a joint venture with regard to the Woolworths retailing business in Kenya.” However, the two firms remained guarded on the finer details of the ongoing negotiations such as the stake ratios that have been proposed or already agreed on, if any. Woolworths has over the past two years bought out over 20 of its franchise outlets in South Africa as it sought to simplify its structure, consolidate its business and also increase its earnings. The South African firm decided to cease franchising in September 2010, noting that it had become increasingly “more complex and expensive to operate a separate franchise business model with its own systems and processes”. Despite not to securing a similar buyout locally, analysts reckon that Woolworths could have tried to do so arguing that the firm prefers a takeover as opposed to entering joint venture agreements, with the former being advantageous when it comes to decision-making. “It is possible that Woolworths attempted to buy out Deacons Kenya but failed to convince them into this, forcing them to settle on a joint venture,” said Brenda Kithinji, an analyst with Standard Investment Bank (SIB). “Deacons have built considerable brand loyalty locally and they are keen on protecting this.

”A report released by Citigroup in May offered the first hint of a possible deal in the works, but indicated that Deacons “wants to maintain franchises but may go the joint venture route but not buyout”. Under a joint venture, Woolworths will be well poised to grow its earnings from the Kenyan market since its products contribute the highest profit margin for Deacons locally. As of last year, Woolworth’s sales contribution to Deacons stood at 31.4% coming second only to Mr Price (40.4%) and ahead of Truworths, which contributed 8.8%. “South African brands continue to dominate sales contribution for Deacons, with Mr Price and Woolworths being its main contributors,” noted the Citigroup Global Markets report. “Whilst Mr Price is the best trader, the highest profits are earned out of Woolworths, due to more loyal customer base and higher pricing points and margin.” For Deacons, a successful deal would see it bring on board fresh ideas to boost its business especially because their internal brand 4u2 established in 2004, and Truworths, a franchise deal entered in 1999, are both underperforming according to the Citi report. The joint venture deal is also set to affect the retailer’s plans to list at the Nairobi Securities Exchange (NSE), where it had set a target of third-quarter 2012. “The proposed listing of the company’s shares on the Nairobi Securities Exchange is now likely to occur only after the above matter is finalised and all relevant approvals including regulatory approvals are obtained,” noted Mr Njoka. *(Business Daily)*

Kenya Re plans to provide reinsurance cover for the oil and gas sector in the region as it seeks to reap from the increased activities in the upstream industry in eastern Africa. The publicly listed reinsurer has engaged Total Risk Solutions, an Australian risk management consulting firm, to train its staff on the necessary skills and expertise to underwrite the highly lucrative, but risky oil and gas industry. The firm, which is 60% owned by the State, is eyeing recent oil and gas finds in Kenya and Tanzania respectively and commercial oil production in Uganda that is expected in 2015. “Following the recent oil discoveries in Kenya, we are positioning ourselves adequately to provide reinsurance to this new frontier,” said Jadiah Mwarania, the managing director of Kenya Re. The Australians are assisting the company to develop guidelines on providing insurance policies to cover aspects in the oil and gas sector such as exploration, drilling, construction of refineries and pipelines and operational phases. In turn, Kenya Re will train underwriters to guarantee risks in the region’s nascent oil industry.

Due to the huge exposure associated with the sector, Mr Mwarania has proposed a model where local underwriters create a common fund to be known as ‘‘oil and energy pool’’ to cover the sector. “Insurance companies should come together based on capital strength and risk appetite to contribute capacity necessary to venture into risk management for the oil and gas industry,” said Mr Mwarania. Kenya Re, which offers cover to 159 insurance firms in over 45 countries in Africa, Middle East and Asia, hopes to become the first local firm in the region to offer special products for the upstream oil sector. The firm said it would commission a study to establish the cost of risks in the fledgling sector to prepare it and East African insurance firms to exploit opportunities in the industry. The corporation said it was drawing lessons from the Ghanaian oil industry where local firms shied away from the sector, leaving it in the hands of European and American insurers and reinsurers. *(Business Daily)*

Barclays Bank of Kenya increased its income faster than costs in the first-half of this year to post an 18% jump in pretax profit to KES 6.3bn, its managing director said. Adan Mohamed, the managing director of east and west Africa for the bank that is controlled by Barclays Plc said the bank's income grew at a rate of 10%, well below the increase in costs of 3%, leading to the earnings growth. The board recommended an interim dividend of KES 0.30 per share, 50% up from the year ago period. *(Reuters)*

Directors and the management of troubled motor dealer CMC signed sham financial statements and put the firm on a risky business model that more than doubled its liability in a span of four years. These are among the key findings of the Capital Markets Authority (CMA) after nearly a year of investigations into the affairs of the firm that has been at the centre of shareholder wars since May last year. CMA on Tuesday released its final report on CMC's operations indicating that CMC under the leadership of former head of civil service Jeremiah Kiereini and long serving managing director Martin Forster operated in blatant breach of corporate governance rules and in defiance of regulations that govern public listed companies. For two consecutive years, for instance, they duped investors by signing off accounts that were not prepared in compliance with the International Financial Reporting Standards (IFRS). "In 2009 and 2010, the board signed off accounts which were not prepared in accordance with International Financial Reporting Standards and which were later published and presented to other shareholders and regulators," the report says.

CMC management, with a complicit board, also adopted risky business models that saw the motor dealer's debt rise to KES 502m at the end of financial year in September 2011. The capital markets regulator also found that CMC board and management failed to put in place proper internal audit controls exposing investors to massive loss of funds through irregular deals whose ultimate damage is yet to be established. Kungu Gatabaki, who chairs the CMA's board of directors, last Friday said that the CMC board had failed to adequately supervise the management leading to an accumulated bad debts provision of KES 1.37bn as at the end of September last year. The report accuses CMC management – headed by former managing director Martin Forster – of completely failing the test of corporate management and of resorting to arbitrary management of the firm that is listed at the Nairobi Securities Exchange. "The CMC case is an exhibit of an appalling failure of corporate governance. It is a classic case of the tail wagging the dog," CMA chairman Kung'u Gatabaki said adding that Mr Forster, had a larger than life profile in the company that made his word was law. "He called the shots and in many instances was more powerful than the company's Board of Directors," Mr Gatabaki said in the statement released last Friday. The market regulator has found that a number of CMC directors were beneficiaries of "the healthy trade" and failed to question Mr Forster's management decisions including verifying what he was doing. "The board with an exception of at most three directors slept on their job and abdicated their fiduciary duties to the company and shareholders to the group managing director," the report says.

CMA's report indicates that 19 directors of the motor dealer appeared before the ad hoc committee to respond to accusations made against them in the Webber Wentsel's report. Webber Wentsel is the South African audit firm that the regulator hired late last year to conduct a forensic audit into the motor firm. The report accused Mr Forster of a number of breaches, including participating in the opening and operation of offshore accounts into which millions of CMC funds were stashed away and shared by a select group of board members and staff. The long serving CMC boss was also found to have adopted a risky business model, including borrowing to lend, and failing to put in place mechanisms to manage risks associated with the model. Webber Wentzel also found Mr Forster to have failed to exercise effective oversight by approving credit extension beyond the limit set by company's board resulting into massive losses and of appointing a company secretary who was not qualified to hold the position. He shares the burden of these allegations with Mr Kiereini and Mr Njonjo who are former directors. The auditors also found that Mr Forster failed to disclose the extent of the company's compliance with the guidelines on corporate governance practices and that he signed off the accounts that were not prepared in compliance with International Financial Reporting Standards in the year 2009 and 2010. For these actions, CMA has declared Mr Forster 'the most responsible for the failures in proper corporate governance at the motor dealer.'

He has consequently been barred from ever sitting on the board of any listed firm in Kenya and has to pay back to the company millions of shillings he received from the off-shore accounts. Together with Mr Kiereini, CMA wants Mr Forster to pay the motor firm an amount equal to two times what he received from the motor dealer. Seven former directors of the CMC (H) including Charles Njonjo, Richard Kemoli, Andrew Hamilton and Sobakchand Shah, some who opted not to appear before the ad hoc committee were disqualified from ever sitting in boards of listed firms. They were barred after the regulator concluded that they failed to exercise effective oversight on management, failed to disclose the extent of the company's compliance with the guidelines on corporate governance practices and signed off sham accounts. The Webber Wentzel report indicates that CMC directors established an offshore account in St Hellier, Jersey Islands, whose main source of funding were cash deposits in a NatWest Bank account named Corival (1996). The account which was established with help of accounting firm Ernst & Young was called "Fair Valley Trust" and was funded by inflating import prices of Land Rover, Nissan UD and Suzuki vehicles.

CMC would negotiate for arms-length cost with makers of these vehicles but then ask the car makers to inflate the prices and funnel the excess funds to foreign accounts. More than 19 CMC employees were paid from the off-shore accounts between 2008 and 2011 amounting to approximately KES 70.56m (£538,684) at current exchange rates. Documentation on the accounts were recovered from a safe in the CEO's office shows that the top 10 beneficiaries received KES 59.34m (£435,050) while the other nine received KES 11.21 (£85,634). The top five beneficiaries are named as former CMC chief executive Martin Forster D Percival, JP Lequez, JW Modlen and SZ Shah. CMA has also delved into the activities of other directors, including Peter Muthoka who is the lead shareholder in the firm and was until last year a board member. Mr Muthoka is accused of breaching corporate governance regulations by overshooting the legally set ownership limits shareholder without expressing intention to take over the company.

The businessman, through his firm Andy Forwarders held a 24.72% stake in CMC, his wife Agnes Wambua held a 0.26% stake while his son Felix Wambua held a 0.09% stake amounting to a direct cumulative shareholding of 25.07%. Accounting firm Deloitte, who acted as the external auditor is also accused of not pointing out deficiencies at the troubled motor dealer particularly in respect to the preparation of the financial statements for which the market regulator has already raised a complaint with Institute of Public Certified Accountants of Kenya. This is the first time the Kenya market regulator has taken such stern action against former and current members of the board of a listed firm. Further investigations have however been recommended against Mary Ngigi and William Lay and their role in the execution of a contract between CMC and Pewin Motors through which the company incurred a loss of more than KES 20m. *(Business Day)*

Fees from advertising services helped marketing firm Scangroup's net profit to rise 9% in the half year ended June, amid rising operating costs. The company's net profit stood at KES 406.6m in the six months compared to KES 374.5m in a similar period a year before. This came as revenues rose by a third to KES 2bn from KES 1.5bn though billings —the value of advertisements placed through the company rose by a slower rate of 6% to KES 5.9bn. "In our business, billings do not necessarily have a correlation with revenues since more than half of our revenues are from fees and are not pegged to the level of client spend on advertising," the firm said in a statement. Analysts at Standard Investment Bank (SIB) said that the company's operating expenses rose above expectation to KES 475.9m from Sh449.4m, weighing down its operating profit margin to 23.7% from 28.6%. "Operating expenses, up 41.5% year-on-year, came in above expectation," SIB said in a statement, noting that the company's performance this year will be determined by the extent to which it can manage its costs.

Scangroup plans to make acquisitions in Nigeria, Angola, and Mozambique in the short term. Scangroup charges its client a flat monthly fee for advertising services—including media buying—which brings in most of its revenues. Last year, the company drew 83% of its revenues from advertising, down from 86% in 2010. Its other business lines are research, public relations, digital, and media planning. The company handles advertising needs of a large number of multinational firms whose high spend has helped it grow substantial market share, raising competition against smaller agencies that rely heavily on small to medium-sized companies that spend less. Data from research firm Ipsos Media shows that Scangroup's market share rose to 77% in the three months to March from 70% in the year ended December. Airtel is Scangroup's biggest client on a list of high-spending blue chips that include Coca-Cola, Reckitt Benckiser, Safaricom, Procter & Gamble and Nestle. *(Business Daily)*

A proposed joint venture between clothing and household goods retailer Deacons with South Africa partner Woolworths will delay the planned listing at the Nairobi bourse. In a notice published last week, Deacons said it was in the final stages of negotiating the joint venture. The proposed listing at the Nairobi Securities Exchange, the firm's directors said, would occur only after finalisation of negotiations. "We are in discussion and, yes, it will delay the listing, as we have to be absolutely clear on all our supply relationships," said the firm's CEO, Mr Wahome Muchiri, in a communication to the Nation. Deacons holds the local franchise for the South African Woolworth's brand, along with a number of other international brands, including Mr Price, Truworths, Adidas and Identity. Since 2010, Woolworths has been buying out its franchisers in South Africa, citing a need to streamline its business. This had raised speculation that the firm might try to do the same with the Deacons business in Kenya. *(Daily Nation)*

Nation Media Group (NMG) increased its interim dividend payout after growing its profit before tax 23.4% in the first half of the year. The company announced an interim dividend of KES 2.50 per share, up from KES 1.50 it has paid in previous years. NMG's chairman Wilfred Kiboro attributed the higher dividend payout to increased profitability brought by market share gains and lower operational costs. The company's net profit stood at KES 915.1m in the six months to June compared to KES 747m in the same period the year before. This came as sales grew 13.5% to KES 5.8bn from KES 5.1bn. NMG's share price rose to KES 178 in mid-day trading yesterday from Tuesday's close of KES 174. The share has gained 24% in the past six months on higher demand from investors confident about the company's prospects. Most of the company's platforms, including print, broadcast and digital posted operating profits, with NTV Uganda recording an eight-fold operating profit. The Nation Newspapers Division –the mainstay business recorded a 13% and 9% growth in circulation and advertising revenue respectively.

Business Daily, the youngest publication, recorded a 190% growth in operating profit with advertising and circulation revenue increasing 20% and 18% respectively. The company, whose cash holding rose from KES 3.2bn to KES 3.8bn, also benefitted from high interest paid on its bank deposits in the review period when tight liquidity forced lenders to raise interest on wholesale deposits. Mr Kiboro said the company is seeking more investment opportunities in the East African market in the near term and among the markets targeted include Tanzania where NMG plans to launch a TV station to add on to its print titles. "Management continues to undertake initiatives to take full advantage of the improved regional economic environment to ensure NMG's market leadership continues to grow," he said. The company recently acquired Dembe FM in Uganda and opened a new radio station (K FM) in Rwanda where it has also introduced a pullout within the East African newspaper. In Kenya, the company launched QTV, a mass market Kiswahili television station that has gained a 5% market share in three months.

NMG has also launched a money transfer service called NationHela that is targeted at the multi-billion-shilling remittances from Kenyans in the Diaspora. NMG's chief executive Linus Gitahi said the new investments will bolster the company's performance in the coming years. "These investments are part of our ongoing innovation that will maintain the company's growth," he said. Mr Gitahi said management is cautiously optimistic that the company will meet its target for the full year ending December, citing improved macroeconomic conditions such as falling inflation and bank lending rates. The government's decision to hold the General Elections in March next year is expected to slow down political advertising this year.

Analysts at Kestrel Capital see the entry of more multinationals such as General Electric as providing fresh advertising growth opportunities to the company in the medium term. NMG trades in Tanzania through its subsidiary, Mwananchi Communications Ltd, the publisher of Mwananchi, Mwanaspoti and The Citizen newspapers. In Kenya, the group publishes the Daily Nation, The EastAfrican, Taifa Leo, and the Business Daily newspapers and runs two radio stations, Easy FM and QFM and two TV stations, NTV and QTV. In Uganda, the company operates the newly acquired Dembe FM, a television station, NTV Uganda, while its subsidiary, Monitor Publications, publishes The Monitor and the Monitor Telephone Directory and operates KFM radio station. *(Daily Nation)*

Kenya Power has secured a USD 200m loan from the World Bank's International Finance Corporation (IFC) to invest in its grid, it said on Wednesday. The firm is the sole transmission and distribution utility in east Africa's largest economy, where blackouts are common due to generation shortfalls and an ageing grid. Chief Executive Joseph Njoroge said the first tranche of USD 50m, which was received immediately, would be invested in and around Nairobi because "there is compelling and urgent need for electricity network improvement". "We estimate that implementation of projects to be funded under this financing arrangement will be completed by 2014, thereby bringing the much needed relief to customers such as reduction of outages," he said while signing the deal.

Jean Philippe Prosper, IFC's East and Southern Africa Director said Kenya would receive USD 300-400m for various projects in the current fiscal year (2012/2013). Like other African states, the country is required to invest huge sums of money every year to meet growing demand for power, amid robust economic activities. Kenya Power connected its 2 millionth customer in June this year, under its aim of connecting 200,000 new customers to the grid every year, Njoroge said. *(Reuters)*

The Capital Markets Authority may block a decision by Eveready East Africa shareholders to extend the tenure of their chairman. In an annual general meeting held on Thursday in Nakuru, Eveready East Africa shareholders voted to retain former vice president Moody Awori as the chairman. Mr Awori is 85 years old, well above the 75-year limit set by the regulator in guidelines released last week. Terming the move a violation of the new rules, CMA chairman Kung'u Gatabaki told the *Nation* that he will raise the matter with the regulator's decision making body for review and action. "This sound very funny. I will personally make sure our administrative wing starts work on how the guidelines will be enforced," Mr Gatabaki noted. The new rules were set out to help strengthen corporate governance in listed companies following a scandal at car dealer CMC, where the majority of its aged directors pleaded ignorance of what was happening in the company. "We will vet all requests by companies for extension of the tenure of any director beyond 72 years very keenly. In most cases at this age, directors can hardly understand or follow the ratios being presented by the managing directors," Mr Gatabaki said a statement last week.

Mr Awori was appointed director and chairman of the board of directors of Eveready on December 5, 2008. Speaking to the Press soon after his term was extended, Mr Awori assured shareholders of his commitment to drive the company to regain its market share and return to profitability. The batteries makers will be diversifying into the lucrative property market, with plans to develop its land in Nakuru town already on the table. "Nakuru is the fastest growing town in the region. We want to use that growth to generate more income to boost our financial base," Mr Awori noted. During the AGM, the shareholders also ratified the incorporation of Flamingo Properties in Kenya as a wholly owned subsidiary to operate in Uganda. *(Daily Nation)*

Access Kenya Group has recorded a 10.5% increase in profit after tax to KES 68m in the first half of the year, compared with KES 62m recorded the

same period last year. In a statement, the company attributed the performance to an increased number of corporate leased lines which grew past the 5,100 mark in the half year to June. However, the group maintained that the profits would have been higher but were cut back by two disruptions of the TEAMS under-sea fibre cable and exceptionally high interest costs experienced in the review period. According to the company's financial statement, the cash generated from operations more than doubled, compared with what was recorded the whole of last year. The company expects a better performance in the second half, geared by continued high demand for data services. The company said it will continue to grow its customers despite the rising competition from mobile operators. *(Daily Nation)*

Co-operative Bank Thursday said it has taken up a 51% stake in its South Sudan subsidiary as it posted a 21.7% net profit growth in the first half. This is the first time the bank has ventured outside Kenya in a deal that will entail a greenfield joint venture worth KES 1.2bn (USD 15m) with the government of South Sudan, which holds the remaining 49% stake. "The majority stake gives us control of the subsidiary and we will be responsible for the management of the bank," Co-op Bank Managing Director Gideon Muriuki told *Business Daily*. He added that the government of South Sudan will hold the stake in trust for three years before handing it over to the co-operative movement that is being developed in that market. The bank will initially open five branches in the capital Juba by December with plans to replicate its strategy of working with co-operative societies in the newly independent state. In Kenya, Co-op has leveraged on the 10,000 co-operative societies with eight million customers to marshal deposits, expand lending and transaction-based income.

Mr Muriuki said experience in South Sudan will guide its plans to further expand into Tanzania, Uganda, and Rwanda. The venture into the new market comes after the bank's net profit rose to KES 4bn in the six months to June from KES 3.3bn a year earlier. This was driven by increased lending and higher net interest margin. Its loan book grew 18.3% to KES 112.6bn from KES 95.1bn, raising interest income 78.4% to KES 12.9bn from KES 7.2bn. Mr Muriuki said interest income grew faster than the loan book because of the higher rates in the review period. Co-op's interest expenses rose 318% to KES 5.5bn from KES 1.3bn but it grew its net interest income by 25% to KES 7.4bn. Base lending rates more than doubled to 25% in last year's fourth quarter after the Central Bank raised its signal lending rate to 18% to tame inflation and support the weak shilling. The lending rates more than tripled the deposit rates, which averaged 7%, though large depositors were able to negotiate for up to 20% for their money. *(Business Daily)*

Profits at Standard Chartered Bank of Kenya rose 87% in the first half of the year to 6.5bn shillings, it reported on Thursday, helped by a rise in net interest income and after a write-down on its bond portfolio in the same period last year. Banks in east Africa's largest economy have largely defied high interest rates after policymakers adopted a very tight stance in the final quarter of last year to fight inflation and prop up the currency. But StanChart, which had suffered a 14.6% fall in profit in the same period last year but the results showed it has easily outperformed its rivals. The bank, controlled by Standard Chartered Plc, said its net interest income rose to 7.32bn shillings from 4.52bn shillings a year ago, with revenue from consumer banking up 45% and wholesale banking up 55%. "Both the businesses enter the second half with good momentum, but we remain vigilant about the global outlook and the uncertainties within the political and economic environment in Kenya," said Richard Etemesi, the bank's chief executive. "The bank is in great shape, has good momentum, and is superbly positioned for the future." Its cost to income ratio plunged to 38% from 48% in the year ago period, it said. Analysts were positive about the results and said Kenya's growing oil and gas industry would help the business. "StanChart's wholesale banking gain is confirmation that they have locked on a few breakthrough clients such as Tullow Oil," said Aly Khan Satchu, an independent trader and analyst. Tullow discovered huge oil deposits in northern Kenya earlier this year and it is also active in Uganda. *(Reuters)*

Kenya Reinsurance Corporation said on Friday its first-half pre-tax profit in 2012 rose 40% to 1.44bn Kenyan shillings, lifted by growth in investment income and gross premiums that outpaced claims paid out. The reinsurer said in unaudited financial statements for the period ending June 30 that gross premiums rose to 3.36bn shillings from 2.74bn shillings in the same period in 2011, while investment income was up 40% to 979.4m shillings. Gross claims rose to 1.59bn shillings from 1.14bn shillings, while earnings per share rose to 1.92 shillings from 1.41 shillings. It did not recommend payment of any interim dividends. Earlier this year, Kenya Reinsurance said it was targeting 15-20% growth in both revenue and profit this year, with its biggest challenge coming from managing its investment portfolio, where income dropped last year. Its total assets rose to 21.03bn shillings from 19.1bn shillings at the end of 2011. *(Reuters)*

Economic News

The falling interest returns on Treasury securities and a growing import basket could pose an instability risk for the shilling, Citigroup analysts have warned. The three-month and 182-day Treasury bill rates fell to 12.8% from 13.0% and to 13.0% from 13.3% respectively in last week's auctions, marking the first time that the two rates have eased after a steady increase over the past two months. The declining yields have removed the shield that the Central Bank of Kenya (CBK) used to cushion the shilling late last year, when it declined sharply to an all-time-low of 107 units to the dollar. CBK raised the rate to 18% at the time, lifting returns on Treasury bills to highs of more than 20% which attracted inflows of foreign currency and helped to stabilise the shilling at current levels of about 84 units to the dollar. "Inflation has eased substantially in 2012, allowing the CBK to start to ease monetary policy. But this will also add pressure for shilling depreciation in the second half of 2012 given the large current account deficit, slowness in bringing the fiscal deficit under control against the background of rising political tensions," Citigroup said in their latest analysis. The persistently big import-export gap, currently at more than 11% of total national income, also poses risk to the shilling. Citigroup Global Markets research said lower inflation had provided the monetary authorities with good reason to cut interest rates, but this was likely to upset the shilling's stability. Finance minister Njeru Githae said just over a month ago that a team had been set up at the Treasury to work on modalities of reducing imports as part of dealing with the weakness of the local current. Data from CBK shows that the currency traded at an average of 84.20 per US dollar at the opening of markets yesterday, which indicates an appreciation since it opened the year at 85.10 units.

Last December, the shilling traded at an average of 89 units to the dollar. Recently, the Monetary Policy Committee of the CBK lowered the benchmark interest rate to 16.5 from 18%, signalling that the price of money should come down. The current account deficit, which indicates the gap between the value of exports against imports, is set to close the year at 10.5%, which is an improvement from 12% in 2011, but still high relative to the situation in the past two decades. According to the Citi analysts, the current account deficit problems will hardly have disappeared even next year as it will stand at 9.5%. The major issue is the large import bill relative to the exports. Exports should ideally pay for imports, but in Kenya other sources of hard currency have had to be relied upon to enable the country buy goods from overseas. Besides the currency, the analysts say the real gross domestic product is likely to grow by 5.0 per this year and 5.8% next year from about 4.4% last year, when drought, inflation and a weak shilling weighed down on the economy. “Although the sharp rise in inflation and shilling weakness in 2011 against the background of the approaching elections has undermined confidence in the economy,” said the report. *(Business Daily)*

The Kenya Tea Development Agency is set to receive KES 1bn from the International Finance Corporation (IFC) to construct a warehouse that is expected to save the company millions of shillings every year in lease payments. KTDA is the marketing agency for an estimated 562,000 small scale tea farmers, and has been hailed for its positive contribution to economic growth by helping farmers access international markets more efficiently. The IFC, the World Bank’s private lending arm, is proposing to lend KTDA $12m (KES 1bn), half the amount the company needs for construction of a new warehouse that will see it reduce outsourcing costs for tea storage. “KTDA is constructing a new state-of-the-art 200,000 square feet warehouse complex to replace 50% of its current warehousing space, which is leased from third parties,” says a disclosure note by IFC on the proposed loan.

The planned warehouse is to be located in Malindi, Lamu County. “The Project will be implemented and located in Section V Mainland North, situated west of Mombasa Municipality (Miritini), Mombasa, Kenya,” says the disclosure note. IFC, which is the World Bank’s private lending arm, says that the site was chosen due to good access to major transport routes. Increased outreach to farmers and increased export of tea are additional results expected from the KES 1bn proposed loan the disclosure note adds. KTDA is owned by 54 tea companies, each of which own between one and 2% of the agency and have amongst them 65 tea factories. The IFC note says that by the end of 2011 the company represented 562,000 small scale farmers and the company makes money by warehousing, tea sales to export and domestic markets, and other services provided to the 65 factories. Data from the Tea Board of Kenya shows that small-scale farmers accounted for 56% or 224.9m kilogrammes of the 399m kilogrammes exported in 2011. Tea production was lower by 5% due to poor weather in the first half of the year. *(Business Daily)*

Commercial bank agent transactions shot up by KES 12bn in July to KES 105bn in the first seven months of the year, the Central Bank of Kenya (CBK) has said. New data by the banking sector regulator shows the agents facilitated 21m transactions by the end of July, compared to 18.7m in June. The high growth shows the agency banking concept is helping to improve financial inclusion. Central Bank Governor Njuguna Ndung’u said the agents have increased to 12,000, appointed by 11 banks. READ: Bank agents grow by 20pc as lenders aim to cut costs Prof Ndungu was speaking Tuesday during the 50th anniversary celebrations for the Kenya Bankers Association. Donald Kaberuka, president of the African Development Bank (AfDB), who was the chief guest at the event, said Kenya's efforts in financial inclusion had enabled the financial sector to rank fifth in asset size in Africa. He noted that the sector had assets amounting to USD 25bn. Dr Kaberuka said that the mobile phone money transfer had greatly contributed to banking the unbanked in Kenya.

Earlier, the CBK had released figures showing that in the three months to the end of June, the number of agents contracted by banks rose by 20%, indicating a strong uptake by lenders who are seeking to reach more customers in a cost-effective way. In the same period, CBK data showed that 10 commercial banks had contracted 12,054 active agents by the first half of this year, up from eight that had contracted 10,006 agents as at the end of March. In the six months to June, the number of bank branches stood at 1,196 a two% from 1,174 branches in March. But some bankers say the model is yet to make economic sense to them. Barclays Bank of Kenya CEO Adan Mohamed said during a press briefing Tuesday the agency model is still risky and costly. "The agency banking model still has several operational risks and costs such as high insurance costs which have made such an investment unattractive for us and therefore we will not delve into it immediately," he said. "We prefer to use a different route in order to capture the same target market and this is through services such as our free revamped mobile banking services." *(Business Daily)*

Kenya is Africa's third largest alcohol consumer after Nigeria and South Africa, an analysis by Deutsch Bank Market Research has showed. The research, which is based on international beer maker Diageo's sales on the continent, put Kenya's alcohol market share at 17% of the continent's total behind Nigeria with 36% and South Africa with 18%. Deutsch Bank says the other African countries have small fragmented markets, each no bigger than 6% of the total. "Beyond these two (South Africa and Nigeria) countries the continent's alcohol market fragments quite quickly with only Angola, Kenya, Cameroon and Congo (DRC) accounting for more than 5% of the total addressable market," said Deutsch Bank in its report. The populations of Nigeria, South Africa and Kenya at 160m, 50m and 40m, respectively, have expanding middle classes which are seen as a key attraction to consumer goods companies such as alcohol makers.

While announcing East Africa Breweries Limited (EABL)'s annual results for last year, former chief executive Seni Adetu said the beer maker was banking on the rising middle class population to grow profits. "We are positioned to continue delivering superior shareholder value by leveraging on increasing population, growing middle class and affluence," said Mr Adetu, adding that the population of eastern Africa is expected to rise by six million this year. Analysts say operating margins for Diageo in Kenya can be as high as 30% given its "quite premium pricing and the company's scale in both beer and spirits." Diageo controls about 90% share of the formal Kenyan beer market through its listed subsidiary EABL and over 50% of the local spirits market through brands such as Kenya Cane, on top of its premium import business. The Deutsch Bank report said the importance of the beer business is reflected in tax revenues. "Its tax contribution accounts for just under 5% of Kenyan government revenues and underlines the scale and importance of this business," it said.

The Kenya Revenue Authority estimates that excise duty on beer contributes to more than half of the total excise duty collection. Africa is seen as one of the high growth potential markets for alcohol consumption due to the sustained expansion of the continent's economies—which is putting more people into the middle-class group. The growing economies and young population are seen as major boosters to future demand. "This [fast growth] means that there is a rapidly growing middle-class that consumer goods companies can target with around 60m consumers having an income of over USD 3,000 (KES 252,000) a year and are expected to grow to 100m by 2015," the report said, citing the Standard Bank research. Using data from the International Monetary Fund (IMF), it noted that six of the world's fastest growing economies between 2001 and 2010 were in Africa including Angola, Nigeria, Ethiopia, Chad, Mozambique and Rwanda. In the next five years, IMF projects that seven of the top 10 growth countries will be in Africa, one more than was the case in the last 10 years.

The new African countries entering the list are Tanzania, Zambia, Ghana and DRC— which are rich in mineral resources — while those exiting the list are Chad and Rwanda. The report said the African continent is "the next China", being "probably the only market or region that could have as big an impact on the industry [consumer sector] as China has in more recent years." There is also an opportunity to graduate many drinkers of informal beers into the branded and international beers with growth in incomes and wealth. "As wealth increases, legal beer consumption generally increases and in Africa there is a huge opportunity to trade consumers up from the informal segment or home brew into the branded sector and then to international premium beers," said the report. To show the African market potential, the report uses Diageo's experience in Nigeria. "Diageo's largest emerging market and with an operating margin over 30%, provides a template for what is possible in this high-potential continent," it said. It notes that Diageo has a close to 30% volume share of the Nigerian beer market and nearer to 40% value share — which it has taken steadily over recent years. *(Business Daily)*

The Treasury should cut government spending to contain the growing public debt, an international credit ratings agency has said. Fitch Ratings warns that Kenya's debt to GDP ratio is drifting away from the 37% average level of its peer countries, which could make it more expensive for the country to borrow money from the markets. In a statement released Tuesday, Fitch affirmed Kenya's rating at B+, with a stable outlook. "The debt to GDP ratio remains high at 45% in financial year 2011-2012 up from 42% financial year 2009-2010, compared with the 'B' median of 37%," says Fitch Rating. Standard & Poor's, another international credit ratings agency, has also given Kenya a B+ rating. Fitch, however, warned that Kenya's macroeconomic stability could worsen should the international oil prices, Kenya's biggest import, increase and export earnings dip due to bad weather and a drop in global commodity prices.
Kenya's national budget increased from KES 1.1tn in 2011/12 to KES 1.5tn in 2012/13. The huge budgets had a funding deficit of KES 228bn and KES 249bn respectively. "To contain the debt burden, fiscal consolidation will need to become a priority next year with key debt ratios already above the 'B' median," said Fitch.

Analysts at Citigroup said a peaceful election could reduce Kenya's economic outlook. "The balance of risk for Kenya at this stage is probably to the downside, but only at the margin. Certainly, debt dynamics did deteriorate, but not to a level that is a concern. With the MPC now more proactive in setting monetary policy, it is also a support for the rating," said Citigroup analysts. Fitch observed that Kenya's exports are only able to cover 40% of the import bill which makes the country vulnerable to an increase in the import basket or a drop in export earnings. Sam Omukoko, managing director of rating firm Metropol Corporation, said that the impact of a downgrade for Kenya would be felt greatest by the average consumer.

A lower rating on Kenya would directly impact Kenyan companies borrowing from the international market since their ratings cannot be better than the government's and this increased cost of loans would affect their cash flows. "If this does happen, companies pass this cost to their customers and therefore goods and services become expensive. It is one of the causes of inflation particularly as it impacts on supplier credit," said Mr Omukoko. KCB, Equity Bank, KTDA and HF are firms that have gone to borrow from the international markets from lenders such as the International Finance Corporation. The high cost of local funds for banks and high rates for other companies means that the international debt will become a more popular source for funds. The government has also sought funds from abroad with the just concluded USD 600m syndicated loan being the latest borrowing from the international debt markets. Fitch Ratings, however, says that the a well-developed bond market works in favour of the government since it is able to borrow from the local market and this lessens the effects of a lower rating that would make borrowing from abroad more difficult should Kenya's rating be downgraded.

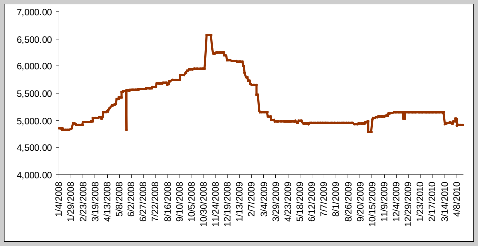
"However, sharply higher borrowing costs due to limited demand from banks and risk-averse international investors has made financing the deficit locally very expensive at times," says Fitch. Ironically, the agency says that the high market rates catalysed by the Central Bank of Kenya decision to raise the central bank rate to 18% from 6% late last year was the dose the country needed to tame inflation and stabilise the shilling. Confirmation of commercially viable quantities of oil will give Kenya a better rating. Peer rating agency Moody's early last month said that the increase in Kenya's oil potential had polished the country's rating but it did not assign a rate. "The increase is credit positive because it moves Kenya (unrated) one step closer to establishing a viable oil exporting industry," said Moody's. *(Business Daily)*

Kenya's sugar production is expected to rise 16.49% this year, despite a shaky first-half performance caused by a shortage of cane and inefficiency at the under-funded state-owned factories, the industry regulator said on Thursday. The east African nation is expected to produce 567,364 tonnes of sugar in 2012, up from last year's 487,022 tonnes, a potential record, the Kenya Sugar Board (KSB) said, citing good weather. The regulator said sugar production over the first six months of 2012 slumped 9% to 286,202 tonnes compared with the same period last year, hit by poor cane supplies. "There is improved weather that is expected to boost availability of bigger supplies of quality cane for crushing," KSB said in a regular report. "Growers have also invested in better practices such as planting of higher yielding varieties that would uplift overall performance." KSB blamed the low output in the first-half to an acute sugarcane shortage especially in the Nyando and Western sugar belts. "The poor operational performance of the parastatal sugar mills added to lowered sugar production in the review period," KSB said.

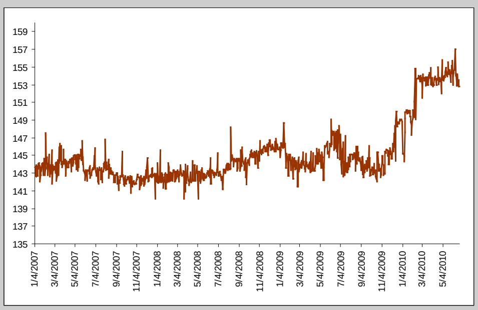
Sugar imports jumped 130% to 132,755 tonnes in the first-half of 2012 compared with the previous year. The imports were mainly from the Common Market for Eastern and Southern Africa (Comesa) which supplied 82,452 tonnes. Kenya has a sugar deficit of about 200,000 tonnes a year, which it fills through imports from other regional producers. Analysts say the country's output is curbed by relatively high production costs. A tonne of sugar costs about USD 570 to produce in western Kenya compared with USD 240-USD 290 in rival producers such as Egypt. Kenya has an installed factory crushing capacity of 30,109 tonnes of cane per day (TCD) but expects an additional 3,000 TCD when a factory being constructed near the port city of Mombasa commences operations in April 2013. *(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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

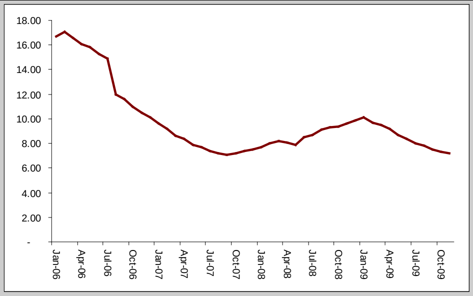
The Malawi All Share Index ended the week 0.05% lower at 5964.90pts. Trading activity was only recorded in 8 counters during the past week. FMB ended level at MWK 6.50 on 1,481,230 shares. Illovo closed at MWK 150 on 2500 shares. NBM was unchanged at MWK 56.

Corporate News

No Corporate News this week

Economic News

No Economic News this week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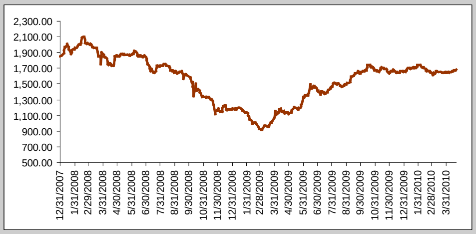
Source: SAR

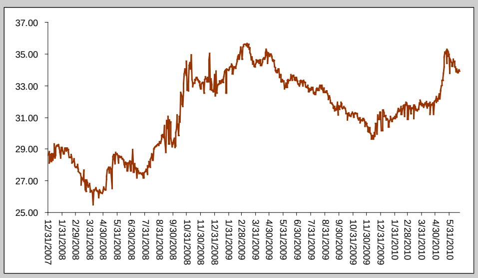
Mauritius

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

Both indices' ended the week in the red with Semdex and SEM-7 down 0.9% to reach 1,732.63 and 335.80 points respectively. Go Life International and NMH led the losers closing 44% and 8.8% lower at USD 0.05 and MUR 62.00 respectively. MCB remained unchanged at MUR 167. SBM lost 0.6% at MUR 82. Bramer Bank fell by 1.3% at MUR 7.50. Rogers incre3ased by 1.6% at Rs315. IBL lost 1.3% at MUR 78.

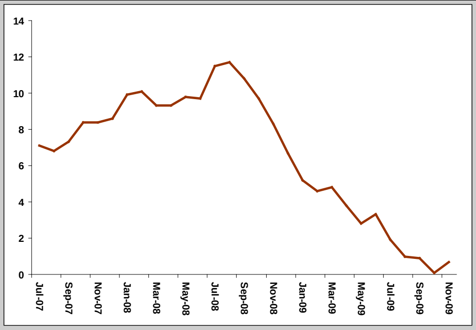
Corporate News

No Corporate News this week

Economic News

Mauritius' annual average inflation rate fell to 4.9% in July from 5.1% the previous month, the statistics office said on Monday. The year-on-year inflation rate fell to 3.7% from 3.9% in June, according to Thomson Reuter's calculations. *(Reuters)*

Mauritius is unlikely to achieve its 2012 growth forecast of 3.8% due to slowing performance in tourism and sugar production and expects to trim it before its rate-setting meeting next month, the central bank governor said on Friday. "The growth forecast could be trimmed by 0.5 percentage points but we are working on it right now. Based on the present trends it is clear that we won't achieve 3.8% this year," Bank of Mauritius Governor Rundheersing Bheenick told Reuters on the sidelines of a banking event at the bank's premises. *(Reuters)*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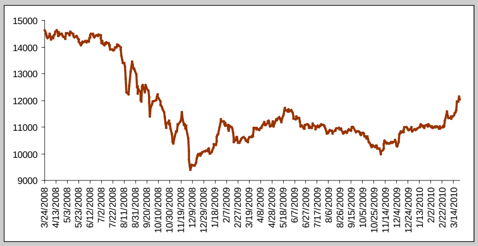
Source: SAR

SECURITIES AFRICA

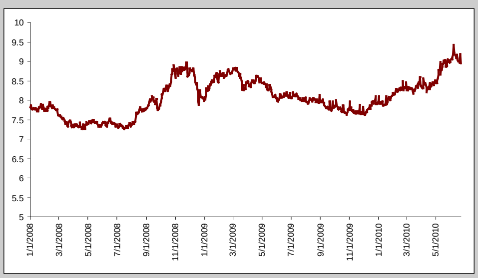
Morocco

Casablanca Stock Exchange



Source: Reuters

MAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-5.468	-4.736	-4.065
Current account balance (USD bn)	-4.963	-4.656	-4.269
GDP based on PPP per capita GDP	4,587.11	4,740.77	4,955.07
GDP based on PPP share of world total (%)	0.204	0.207	0.209
GDP based on PPP valuation of country GDP(USD bn)	146.231	153.257	162.44
GDP (current prices)	2,847.50	3,041.02	3,203.28
GDP (Annual % Change)	5.003	3.226	4.5
GDP (US Dollars bn)	90.775	98.308	105.012
Inflation- Ave Consumer Prices(Annual % Change)	2.80	2.80	2.60
Inflation-End of Period Consumer Prices (Annual %)	2.80	2.80	2.60
Population(m)	31.88	32.33	32.78

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The MASI lost +0.51% to close at 9,872.51 on the back of the southern Europe debt crisis and the sluggish local economy have both affected the general business environment.

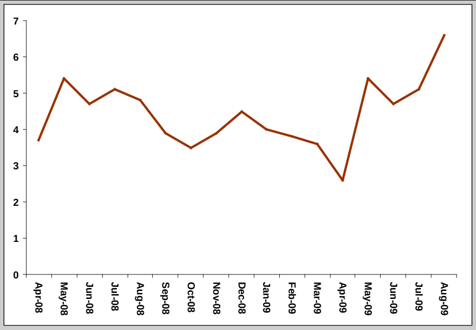
Corporate News

No Corporate News this week

Economic News

Morocco plans to sell at least USD 1bn of sovereign bonds probably in October, a senior official source said on Sunday, after obtaining a USD 6.2bn lifeline from the International Monetary Fund (IMF) aimed at reinvigorating growth. "The bond issue will take place this year, probably in October. We can go for at least USD 1bn but we may introduce some terms that can allow institutional investors from the GCC (Gulf Cooperation Council) to subscribe for around half the total," the source said on condition of anonymity pending an official announcement. On Friday, the IMF approved a USD 6.2bn precautionary line of credit for Morocco over two years, which it said the government would treat as "insurance" in case economic conditions deteriorated and it faced sudden financing needs. Morocco said the IMF credit should give comfort to foreign lenders, investors and rating agencies, and allow it to tap international capital markets at favorable borrowing terms. The USD 90-billion economy is heavily anchored to the now-troubled euro zone. Rabat raised about 1bn euros via its most recent international bond issue in 2010. "We are confident that we will be able to obtain better terms than the last issue," said the source. "There is a strong chance that we the upcoming issue will be denominated in U.S. dollars to tap the obvious advantage it offers".

A U.S.-dollar denominated issue will be more attractive for institutional investors from the Gulf Arab region, he said. Rabat wants to use the money to mainly catch up with a delay in the execution of this year's budgeted public investment and to help with the execution of reforms such as that of justice and the country's costly subsidy system, the source said. "We are not going to the international market because we want to cover expenditure. We want to do it for investment," the source said. Morocco's fiscal and current account deficits surged last year to their highest levels in many years and analysts are worried about Rabat's ability to quickly reverse the trend. While the Moroccan currency is not convertible, the rise in those deficits exacerbated a chronic shortage in liquidity in a domestic market that is the state's biggest creditor. After bad weather hit its agricultural sector, the North African country is now bracing for higher food import costs after drought slashed its farming output. Foreign currency reserves barely cover four months of import needs, the lowest since the 1980s, when the north African

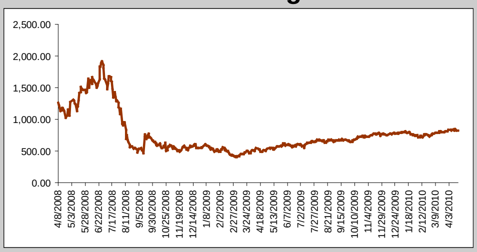


Source: SAR

country was forced to follow a painful restructuring plan dictated by the IMF. The rise in the budget deficit followed a series of handouts, which included public sector wage hikes and higher spending on subsidies last year aimed at containing a spill over from Arab Spring revolts. Authorities have promised to start reducing spending on subsidies, costs of which amounted to roughly the budget deficit last year, but indicated the process may take until 2016. *(Reuters)*

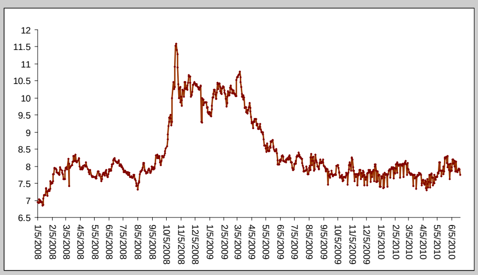
Namibia

Namibia Stock Exchange



Source: Reuters

NAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-1.049	-2.055	-1.225
Current account balance (USD bn)	-0.095	-0.19	-0.118
GDP based on PPP per capita GDP	6,610.35	6,771.73	6,964.03
GDP based on PPP share of world total (%)	0.016	0.016	0.016
GDP based on PPP valuation of country GDP(USD bn)	13.764	14.217	14.742
GDP (current prices)	4,341.36	4,406.65	4,530.72
GDP (Annual % Change)	-0.739	1.736	2.234
GDP (US Dollars bn)	9.039	9.251	9.591
Inflation- Ave Consumer Prices(Annual % Change)	9.12	6.77	5.45
Inflation-End of Period Consumer Prices (Annual %)	7.34	6.19	4.71
Population(m)	2.08	2.10	2.12

Source: World Development Indicators

Stock Exchange News

The Overall Index ended the week 0.33% lower at 917pts. NBS and ORY were both up 0.08% at NAD 12.07 and NAD 13.27 respectively. MEY led the losers at 50.00% to close at NAD 0.01. Other losers were BMN (10.00%), FSY (8.86) and (5.56%).

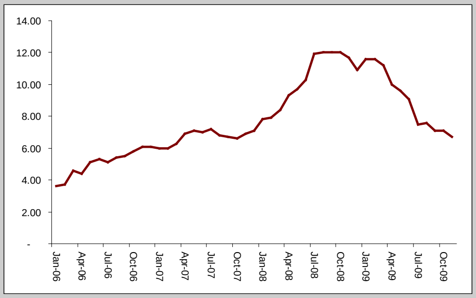
Corporate News

No Corporate News this week

Economic News

Namibia's headline consumer inflation accelerated to 6.0% year-on-year in July from 5.6% in June, the Central Bureau of Statistics said on Thursday. On a month-on-month basis inflation was 1.0% in July, compared with -0.2% the previous month, it added. *(Reuters)*

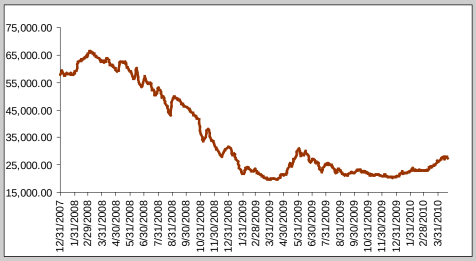
CPI Inflation



Source: SAR

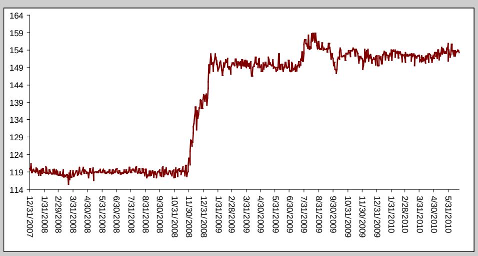
Nigeria

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

Stock Exchange News

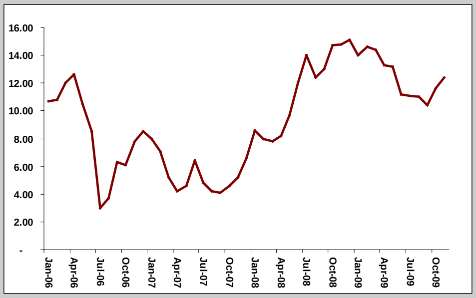
The NSE All Share index gained +2.85% to close at 22,741.05 points. Eterna gained +26.42% to close at NGN 2.68 while UTC was up +19.40% to close at NGN 080. Other notable gains were recorded in Fidson (+13.16%), UBN (+10.66%) and RT Briscoe (+8.97%). On the losing front we had Redstarex (-11.67%), Royalex (-11.67%) and Conoil (-9.80%). Market turnover amounted to NGN 9.13bn.

Corporate News

Dangote cements, Nigeria's biggest company by market capitalization has announced that its South African subsidiary Sephaku Holdings would this week start producing cement from late next year. The company said funds from its parent company Dangote Cement, would enable it benefit from new technology and plant, while competitors had to replace older facilities. Dangote Cement owns 64% of Sephaku Cement. Sephaku would be the first new entrant to the South African cement production market to open its own new plant since 1934, the company said. "Further to the company's strategy of becoming a focused cement player in the South African market, Sephaku Holdings has been streamlining its business and has made significant progress on its 2.5-million tons-per-annum cement producing facilities near Delmas and Lichtenburg," the company said. Sephaku CEO Lelau Mohuba said the company wanted to challenge large local producers Lafarge, PPC and Afrisam, regardless of threats from imports. Some buyers say imported cement is cheaper and of acceptable quality. But French company Lafarge's South African arm said last week it was concerned some imports did not meet quality standards or were imported without a license.

Dangote Cement currently has projects and operations in Nigeria, Benin and Ghana, with production and import capacity of 20.25-million tons a year and has embarked on the construction of cement plants all across Africa with the aim of producing 50 Million metric tons of the building material by 2015. Sephaku raised 350 million Rands (R) by issuing equity to Dangote Cement in 2008. Sephaku raised a further R779 million from Dangote in 2009 when it listed on the Johannesburg Stock Exchange (JSE). In 2010, after which the company began construction of its Aganang cement plant. The plant is half complete and the balance would be funded through syndicated debt — its bill for the plant was R3.2bn the company said. Mohuba said Sephaku had planned to produce cement from next year, to gain a foothold in the industry before the cement market reached capacity in 2016. Dangote cement is Nigeria's biggest company by market capitalization, with a market value of N1.94 trillion (USD 12bn). Dangote Cement share price has risen by 14% year to date, compared with a 12.45% rise in the Nigerian Stock Exchange All-Share Index over the same period. *(Business Day)*

CPI Inflation



Source: SAR

Total Oil Plc's (Total) made public its six months ended numbers, for the period ended 30th 2012 showing continued expansion in its sales volume with a Year-on- Year and Quarter –o-Quarter revenue growth of 25.5% and 15.29% respectively to NGN 109.8 billion; surpassing analyst expectations by 8.2%. Cost of sales continued its sustained increase rising 26.9percent YoY and 15.48% QoQ to NGN 96.9bn; 11% above forecast. This simply reflects the impact of elevated energy prices earlier in the period. Gross profit rose 16.5percent YoY to NGN 12.9bn, but gross margin still dipped 91basis points to 11.75% lower than its 5-year average of 12.3% reflecting a trend observed across the industry. This is however better than the 3.56ppts and 9.8ppts decline for Oando and Mobil respectively in H1'2012, according to analysts at ARM review. Furthermore Profit before tax in Q2'2012 rose 35.1% YoY to NGN 4.5bn, for the period. As a result of improvements to PBT and a stable tax rate, PAT rose 37.5% YoY to NGN 2.9bn.

While reviewing the company's figures, analyst at ARM said "Notwithstanding the pressure on input costs, we believe a 101basis points drop in the ratio of operating costs to revenue to 78.8% in H1'2012 reflects Total's improved efficiency, largely on the back of improved logistics. This was further reflected in the 29.7% QoQ rise in operating income". ARM, however suspects that the performance was supported by higher import quota in Q2'2012 as the PPPRA increased allocations to the oil majors. They further said, they expect increased allocation among major marketers and consequent recovery in sales volumes to offset constraints to Total's revenue growth – while anticipating further margin support on the back of stable to lower crude prices through the rest of 2012. They however left the company's operating expense forecast unchanged at 7.6%, already factoring the improved efficiency gains on our medium-long term outlook for the company.

Interest expense declined 12.5% YoY, but increased 906percent QoQ to N332 million, as short term borrowing jumped 443%, suggesting an increase in borrowing at the end of the reporting period to finance inventory uptake, as speculation on subsidy payments prevailed. "Despite the challenging environment faced by petroleum marketers since the start of the year on the hiccups associated with the attempted deregulation of the downstream sector- we believe that much of Total's stronger earnings in Q2 reflect better operational efficiency, as the company continues to make the best of its coordination with its global parent's logistics platform even as it presses ahead with its NGN 5.2bn network upgrade of its existing outlets. In addition to being able to leverage off its parent company's logistics platform in reducing costs, Total Nigeria also has one of the largest and most efficient retail networks in the country which confers advantages over most of its peers in increasing through-put, an advantage we believe it will wield to good effect on anticipated allocation increases to major marketers". Total Nigeria Plc garnered N5 to close at N133 per share from N125 per share. *(Business Day)*

The Nigerian Stock Exchange (NSE) said at the weekend that it has rejected the submission of 12 quoted companies' unaudited second quarter accounts as a result of their failure to comply with International Financial Reporting Standard (IFRS). In a notice to all dealing members, NSE said though the affected companies have submitted their second quarter unaudited financial statements for the period ended June 30, 2012, the accounts could not be presented because they are not in compliance with IFRS.

NSE said it has informed the companies to comply with the reporting requirements of the IFRS and resubmit the accounts for presentation to the market. The affected companies are Pharma Oasis Insurance Plc, Deko Plc, Cornerstone Insurance Plc, Premier Paints Plc, Juli Plc, African Paints (Nigeria) Plc, Union Ventures Plc, Afromedia Plc, Aluminium Extrusion Industries Plc, Mutual Benefits Assurance Plc, Red Star Express Plc and SCOA Plc. However, for the quarter accounts only ABC Transport Plc was rejected.

NSE last year informed the listed companies of the commencement of the scheme. It is generally expected that IFRS adoption worldwide will be beneficial to investors and other users of financial statements, by reducing the costs of comparing alternative investments and increasing the quality of information. Companies are also expected to benefit, as investors will be more willing to provide financing. Companies that have high levels of international activities are among the group that would benefit from a switch to IFRS. Meanwhile, the market recorded a drop in the over the counter market for FGN bonds last week as turnover of 136.580m units worth NGN 130.739bn in 965 deals were recorded in contrast to 251.566m units worth NGN 237.320bn in 1,837 deals recorded in the preceding week. *(Daily Trust)*

Language will no longer be the barrier when you do banking in Nigeria but that will be if you do banking business with First Bank of Nigeria Plc as it has in line with global best practices and the quest to drive instant access to its products and services upgraded it contact center called FirstContact to an interactive, multilingual and 24/7 customer service center. Customers can now make transactions in Hausa, Igbo Yoruba and in Pidgin languages this was made known during a parley on Friday FirstBank's FirstContact, first introduced in 2009 to give customers increased access to banking services but with the recent upgrade, particularly the introduction of the Interactive Voice Response (IVR) system, the bank aims to provide customers with a state-of-the-art platform that offers a higher level of confidential banking by phone and enables the customer carry out several transactions by simply following a set of voice prompts and making selections on phones keypad. The upgrade also ensures easy access to information on customer care initiatives in Pidgin, Yoruba, Ibo, and Hausa. This is designed to provide a wider platform for customer feedback while also facilitating faster issue resolution ensuring immediate resolution issue immediate resolution/response to the customer.

With the enhanced FirstContact, customers can initiate and conclude several enquiries and transactions without having to leave the comfort of their homes or visit the banking hall. The new features include: Self Services, Funds Transfer with the IVR system, Bills Payment, Live web chat, SMS to short code and the Multi-Lingual services. The Live Web Chat feature gives customers a platform for real time interface with agents of the Bank via the Internet. According to the Head, Marketing and Corporate Communications, Mrs. Folake Ani-Mumuney, FirstContact was designed to provide world class customer service via phone and e-mail interactions. Babatunde Lasaki speaking for Folake Ani-Mumuney Head, Marketing & Corporate Communications said it serves as the first point of contact between the bank and its customers and also acts as an intermediary between customers and other subsidiaries within the group.

"The upgrade of the contact center is another demonstration of our passion for constantly seeking innovative ways of giving our existing and prospective customers the best service possible. The new features will ensure our customers across the globe enjoy quicker access to banking services and speedy resolution of their enquiries, "she said. The Bank's spokesperson said the Bank is committed to making banking services convenient, while creating opportunities for the under banked and unbanked to become part of the financial system. "The FirstContact platform is secure, efficient, convenient and very user-friendly. We encourage our customers to avail themselves of the services the contact center provides even as the Bank continues to seek ways of enhancing its service across all touch points," she added. *(Vanguard)*

Pan-African lender Ecobank Transnational expects to double Nigeria's contribution to its group profit next year from around 20% after integrating former rival Oceanic Bank, which it bought last year. ETI chief executive Arnold Ekpe told an analysts conference call on Monday that Oceanic Bank had turned profitable after Ecobank acquired the loss-making group in 2011 and spent around $80m integrating it. Last week, Ecobank had reported a 6% fall in first-half pretax profit to $126.3m. Ekpe said the decline was mainly due to one-off integration costs and he expected a pick-up in the second half. Nigeria contributed $25.4m to the pretax profit in the first half. Ekpe said ETI now had the largest branch network in Africa with 1,200 branches, following the acquisition of Oceanic and Trust Bank in Ghana last year. "The real profitability will come in next year Nigeria should contribute between 30-40% of profits next year," said Ekpe, who is due to retire at the end of 2012. "Oceanic on a stand-alone basis is now profitable.

We have put in some capital there, so it's a much better capitalised business," he told the call. He said the bank was sticking with a return on equity (ROE) target of between 20-25% over the medium term. Return on equity a measure of a bank's profitability was 10.7% in the first half. The lender which has operations across 32 out of Africa's 54 countries was expecting to commence operations next month in Equatorial Guinea, then Mozambique and Angola next year before concluding a continent-wide expansion, Ekpe said. "We are pretty much at the end of our geographic expansion. West Africa remains where we really have long-standing presence, East and Southern Africa represents start up operations, we have not been there for more than 3-years," he said. He said representative offices will be opened in China this year to be followed by the United States next year. Ekpe said Ecobank had concluded a capital raising of around $400m this year to bolster its balance sheet after its acquisition spree last year and had increased its capital adequacy ratio to 20.3%. The independent lender, which began as a corporate bank in the 1980s, has expanded into retail banking in the last two decades. Its rivals include Africa's big retail banks such as Standard Bank and Absa Bank. *(Reuters)*

Cement manufacturers, Dangote Cement Plc, has announced over 100% rise in the sale of the locally produced product in the second quarter of the year as against the sales recorded in the first quarter, indicating a sharp reduction in the importation of the commodity. In its half year unaudited result released at the weekend, the company said its pre-tax profit, between January and June 2012 is NGN 71.4bn, 22.8% increase over and above the figure for the corresponding period last year while its revenue earnings grew by 26% to NGN 142bn. Specifically, the company said cement sales went up by 26% to 5.2m tonnes with importation accounting for only 1m tonnes out of the sales figure attributing this to strong growth in revenue and profit as local production doubles and new capacity ramps up to end imports.

Dangote Cement Plc Chief Executive, Devakumar Edwin, said: “Our investments at Ibese and Obajana have helped Dangote Cement double shipments of locally produced cement that will help Nigeria towards self-sufficiency. The ramp-up of our new capacity is progressing steadily and we are increasing our distribution network to extend our reach in the market. “The Group was again affected by the gas supply problems that have hit the whole of Nigeria, but we are optimistic that improvements in the gas infrastructure will allow us to return to more normal operations at our gas-fuelled plants at Ibese and Obajana and have already seen a marked increase in supply over the past weeks.” In its operating highlights, Dangote Cement identified part of its key drivers for the result as a marketing drive embarked upon which has led to the recruitment of 1,000 new distributors. It also lamented that gas supply issues continued in second quarter, but with improvements already taking effect. Dangote Cement is Nigeria's leading cement producer with three plants in Nigeria and plans to expand in 13 other African countries. The group is a fully integrated quarry-to-depot producer with an expected production capacity of 20mtpa in Nigeria by the end of 2012, increasing to 35.25mtpa in 2015.

It also plans to build a further 19mtpa of production and import capacity across Africa by 2015. Dangote Cement's Obajana plant in Kogi, Nigeria, is the largest in sub-Saharan Africa with 10.25tpa capacity across three lines and a further 3mtpa capacity planned by 2015. The Gboko plant in Benue state has 3mtpa capacity with an upgrade to 4mtpa expected by the end of the year. The new 6mtpa Ibese plant in Ogun, near the key market of Lagos, was inaugurated in February 2012. An additional 6mtpa of capacity is planned for completion by 2015. The Group has recently signed a memorandum of understanding for the construction of a 6mt plant in Calabar by 2015. Through its recent investments, Dangote Cement has eliminated Nigeria's dependence on imported cement and will soon transform the nation into a net exporter serving other African states. Dangote Cement has announced an investment of more than $2.5bn to build manufacturing plants and import terminals across Africa. Current plans are for eight cement plants in Cameroon, Ethiopia, Gabon, Republic of Congo, Senegal, South Africa, Tanzania and Zambia, as well as import/packing facilities in Cote d’Ivoire, Ghana, Guinea, Liberia and Sierra Leone. *(This Day)*

With the recent acquisition of two new world-class, state-of-the-art bowsers, Conoil said it is set to strengthen its leadership position in the aviation sub-sector of the downstream industry through excellent service delivery to foreign and local airline operators in Nigeria. The company said at the weekend that the bowsers were meant to significantly improve fuelling requirements of aeroplanes, on real-time basis, with a view to guaranteeing better operations and flight take-off time to the delight of air fliers. The bowsers, powered by MAN-Diesel engines, come with the latest technology in Jet A1 delivery equipment, with safety and environmentally-friendly features. Currently ranked as Nigeria's largest supplier of aviation fuel with the largest spread of aviation fuel depots across the country, Conoil's acquisition of the bowsers has significantly increased its bowser fleet and the capacity to service its ever-growing clientele.

According to industry experts, the bowsers were built in accordance with the latest Energy Institute (EI) and the American Petroleum Institute's (API) standards. Conoil, a strategic partner of the International Air Transport Association (IATA), is determined to increase its market share of the Nigerian aviation fuel business from 30% achieved last year, to 40% this year through increased sales volume. As part of efforts to deliver improved financial performance in line with its set business target, the company recently broke new grounds when it secured multi-million naira contracts to supply Jet A1 to Cargolux, a major player in global cargo industry based in Luxemburg, Singapore Cargo Airline, one of the biggest cargo airlines in the world, and seven fuel vendors from the US, Europe and United Arab Emirate. The company remains the trail blazer in the sector with an enviable comparative advantage in terms of superior quality control system, well-trained fuelling operators, round-the-clock engineering and maintenance support as well as prompt, efficient service.*(This day)*

Nigerian Bank valuations are trailing earnings by the most since the bank crises of 2009 a divergence which may suggest that bank stocks are cheap. The Nigerian Bank's half year 2012 pre-tax earnings have almost doubled from half year 2011 results, rising by 86% to NGN 184.84bn for the 10 bank stocks that make up the BusinessDay – Afrinvest 30 index, whereas their collective market capitalisation for the same period is up a meager 6.67%, moving from NGN 1.858tn (USD 11.4bn) to NGN 1.982tn (USD 12.2bn). The Nigerian banking sector as a whole is trading on a 2012 year end (E) Price to Book (P/B) value of 0.8 times, according to data from investment bank Renaissance Capital (RenCap). This still lags emerging market peers trading at around 1.5 times book says Kayode Tinuoye, a senior analyst at Skye Financial Services, in an email reply, noting that current valuations still suggest modest upside for the banks. "These banks have become a lot healthier from a balance sheet perspective and a lot of the risks hitherto priced into them have been effectively addressed", he said.

The Asset Management Corporation of Nigeria (AMCON) has issued bonds to the value of NGN 3.89bn (USD 25.1bn),since it was set up in 2010 to buy non performing loans and help clean up banks balance sheets. Nigerian banks had an average Capital Adequacy Ratio of 23% at the end of 2011, according to Rencap. The minimum capital requirement is 15%. Kemi Fatogbe, director of risk management, Central Bank of Nigeria (CBN) recently said the banking industry Non Performing Loan (NPL) ratio which was over 30% in 2010 had fallen to "an industry average of fewer than 5% in June 2012." BusinessDay's analysis shows that Diamond Bank which grew earnings by 408% in the first half of 2012 compared to 2011, but whose market capitalisation is down by 35% in the same period, may have the most room for an upside run in its stock price. The bank last month raised its return on equity (ROE) target for 2012 to 15% from 10%.

Access Bank's market capitalisation is up the most for the period , rising by 53% from NGN 112.2bn in August 2011, to NGN 171.7bn in August 2012, while Skye Bank's market capitalisation, down by 50.5% for the period, also diverged markedly from earnings which were up by 36% in half year 2012 compared to half year 2011. FCMB, whose earnings are up 17% in the first half of 2012, has the highest dividend yield at 11.67%. The earnings – valuation deviation is not the only apparent divergence in Nigeria's banking sector, as Fitch and Standard and Poor's (S&P) have recently issued opposing views on the sector. While S&P upgraded the Nigerian banking sector in a report released in March, Fitch ratings Denzil De Bie, a director in Fitch's financial institutions team, said last month that many Nigerian banks have thin levels of Fitch Core Capital, "which are lower than is appropriate for Nigeria's difficult operating environment."

Cautiously optimistic investors may also be waiting for full year results, which may expose any bank provisioning (typically reported at year end) that could erode already reported results. The Nigerian Stock Exchange banking index is up 29.5% year to date (ytd), outperforming the wider All Share Index (ASI), which is up 12.97% for the same period. UBA is the best performer ytd, up 70.3%. *(Business Day)*

The private sector arm of the World Bank said on Wednesday it would buy USD 70m worth of convertible loans from Diamond Bank to boost the capital base of the mid-tier Nigerian lender. Shares in the bank rose 1.4% to an 11-week high, bucking the trend on a weak bourse, to value the lender at around 41bn naira (USD 254m). The World Bank unit, the International Finance Corporation (IFC), said the funding would help finance lending to small and medium-sized businesses in Africa's second-biggest economy. "The investment provides a unique opportunity ... to support Diamond Bank's expansion into key economic sectors that have relatively low banking penetration," IFC's Marcos Brujis said in a statement.

Diamond Bank was not among the banks that had to be rescued in a 2009 bail out by the central bank to prevent a collapse of the over-leveraged banking system. Last month, it reported a fourfold increase in first-half profits to 9.99bn naira and raised its return on equity (ROE) target for the year to 15% from 10%. Shares in Diamond Bank, which has over 200 branches in Nigeria, have gained almost 46% this year, compared with an overall rise in the sector of about 30%. *(Business Day)*

Barely two years that Airtel acquired 100% stake in Zain Nigeria, the company said it invested over NGN 187bn (USD 1.2bn) on network expansion and upgrade of facilities. Chief Executive Officer of Airtel Nigeria, Mr. Rajan Swaroop, who gave the information in Lagos yesterday at an event to mark its eleventh year of operations in Nigeria, said within two years of acquiring the company, it was able to grow its subscribers' base from 14m in 2010 to 20m as at August 2012, with network expansion covering over 4,000 kilometres and that the number of its base stations increased to 5,000 nationwide within the same period. Giving details on the state of the company's operations, Swaroop said it was tough operating in a very competitive environment where they had to provide the network transmission, power and security for their operations. According to him, over 80% of its operating cost had been on power generation, while GSM operators in Nigeria spent NGN 5bn monthly on power alone. Other challenges, he said, included multiple taxation from government agencies, several demand notices and threats to closure of telecoms sites by the same government agencies, and refusal to grant approval for installation of base station in Abuja since 2005, among others. He called on National Assembly to enact laws that would protect telecommunications infrastructures as national assets, since the assets of telecoms firms are spread all over the country with no law protecting them.

He said it would be better for the country if telecoms infrastructures were declared critical national infrastructure. Swaroop said Airtel doubled its number of sites in the country, with presence in more than 75 towns and cities. Airtel, he added, had deployed over 535km of fibre since 2011 with 2,070km ongoing. Addressing the issue of service quality, Swaroop said the incidence of vandalisation of telecoms facilities on monthly basis as well as fibre cuts, pose serious threat to the quality of service offerings in the country. Director of

Communications at Airtel, Mr. Emeka Opara, said telecommunications operators were faced with the challenge posed by inadequate electric power supply, a situation, he said, forced operators to invest in alternative source of power. According to him, operators spent a lot of money on fuel in powering their generating sets. “Only 54% of Nigeria is covered by the national grid, and I am very sure that the remaining 46% may never witness electricity flow for years to come. As we speak, over 90% of our businesses run on generators,” Opara said, but assured customers that in spite of the challenges, Airtel would continue to deliver best of telecoms services to customers. *(This Day)*

The Group Managing Director/CEO UBA Plc, Mr. Phillips Oduoza, has told bankers to adhere strictly to ethical standards supported with corporate governance, saying this is imperative to sustain recent positive developments in the Nigerian banking industry. He made the remarks when the new President and Chairman of Council, Chartered Institute of Bankers of Nigeria (CIBN), Mr. Segun Aina, and other executive members paid a visit to the head office of the bank in Lagos. Mr. Oduoza, who noted that the banking industry has been refocused on real sector growth and development owing to the recent regulatory reforms, opined that strict adherence to code of ethics will help sustain the recent gains. He charged the CIBN to continuously drive the adherence to banking ethics, corporate governance and professionalism in the banking industry, a statement from UBA said. Whilst congratulating the new CIBN president on his recent appointment, Mr. Oduoza said UBA is very willing to partner with CIBN. *(Daily Trust)*

Economic News

Nigeria and Jamaica are to discuss the possibility of reviving the Jamaica-Nigeria oil facility which was ended in 2007. This is according to a communique issued after talks between visiting Nigerian president, Goodluck Jonathan, and Jamaica’s Prime Minister, Portia Simpson Miller, on Friday, the Jamaica Observer reports. “President Jonathan and Prime Minister Simpson Miller expressed concern over the status of Jamaica-Nigeria technical cooperation in oil, as the Jamaica-Nigeria Oil Facility had been suspended,” the communique said, adding: “They agreed that both countries would explore cooperation in this area once more, as well as in the supply of liquefied natural gas (LNG).” The first oil deal between Jamaica and Nigeria was negotiated in 1978 and was motivated, according to local energy expert Dr Raymond Wright, “by security concerns” and the desire to “lock in a steady supply of crude from a trading partner” which Jamaica considered friendly. *(Business Day)*

As part of efforts to control money laundering and the financing of terrorism in the country, the Central Bank of Nigeria (CBN) has directed financial institutions to always demand evidence of business registration from Designated Non-financial Businesses and Professions (DNFBPs) before establishing any business relationship with such organisations. Specifically, the apex bank said banks must request for certificate of registration showing registration number with the Special Control Unit of Money Laundering (SCUML) of the Federal Ministry of Trades and Investments from the DNFBPs. The apex bank which also gave all DNFBPs six months to update their bank account information, said the policy was part of its drive to enhance Know Your Customer (KYC) in the industry. The CBN stated this in a circular with reference number: “FPR/CIR/GEN/VOL.1/028,” addressed to all banks and other financial institutions, a copy of which was posted on its website at the weekend. The circular tagged: “Additional Know Your Customer (KYC) Requirement in Respect of Designated Non-financial Businesses and Professions (DNFBPs),” signed by the Director, Financial Policy and Regulation Department, CBN, Mr.Chris O. Chukwu, was dated August 2, 2012.

According to the CBN, DNFBPs refer to dealers “in jewelry, precious metals and stones, cars and luxury goods, audit firms, tax consultants, clearing and settlement companies, lawyers, notaries and other independent legal practitioners and chartered accountants, trust and company service providers (who provide services to third parties), hotels, casinos (including internet and ship-based casinos). “Others include supermarkets, real estate agents, non-governmental organisations, religious and charitable organisations or such other businesses and professions as the Federal Ministry of Trade and Investment or appropriate regulatory authorities may, from time to time designate.” It further explained that the DNFBPs customers include sole practitioners, partners and employed professionals within firms. It clarified that the circular does not refer to ‘internal’ professionals who are employees of others types of businesses nor to professionals working for government agencies who may be subject to anti-money laundering/combating the financing of terrorism (AML/CFT) measures.
“DNFBPs who are existing financial institutions’ customers are requested to update their account information with the above evidence within six months from the date of this circular. All banks and other financial institutions are, therefore, by this circular required to comply with the above requirements,” it added. .” *(This Day)*

In line with its monetary tightening stance, the Central Bank of Nigeria (CBN) will this Wednesday, mop up a total of NGN 142bn through the sale of treasury bills. The banking sector regulator issues treasury bills to reduce the volume of money supply in the system, a bid to control inflation. The bank in a notice revealed that tenor for the bills would range between three month and one year. Specifically, the CBN said it would issue NGN 32.057bn 91-day paper, NGN 50bn in 182-day bill and NGN 60bn in 364-day bills at its Dutch auction. It said: “Each bid must be in multiple of NGN 1, 000 subject to a minimum of NGN 10, 000. Authorised money market dealers are allowed to submit multiple bids. A bid may be authorised for money market dealers own account, non-money market dealers or interested members of the public. The bank reserves the right to vary the amount on offer in line with market realities prevailing as at the period of auction of the Nigerian Treasury Bills.” *(This Day)*

Nigeria's landmark energy bill could revive Africa's biggest oil industry and improve President Goodluck Jonathan's reputation, but rebellious lawmakers will seriously test his resolve to push it through in its present form. The Petroleum Industry Bill (PIB) would bring root and branch reform to an industry that produces 80% of government revenues but has been plagued by corruption and mismanagement for decades. The bill has been stuck in parliament for more than five years, casting a cloud of regulatory uncertainty over the sector and driving billions of dollars of investment away to rival oil producing nations. If the uncertainty is left unresolved, oil revenues could soon start falling. The wide-ranging bill would change working terms for oil majors like Shell and Exxon and partly privatise the national oil firm, but has been held up as government and oil firms argued over terms.

Nigeria is among the world's top ten oil exporters and a key supplier to the United States, China and Europe because its light, sweet crude is ideal for making motor fuel. It is home to the world's seventh-largest gas reserves and has more proven oil in the ground than the rest of sub-Saharan Africa combined. If Jonathan can pass the bill, it could help restore a presidency battered by an Islamist insurgency in the north, an abortive attempt to remove a popular fuel subsidy and a raft of corruption scandals, since he won an election last year. "As a president who came to power with a landmark reform agenda, the passage and implementation of the PIB will provide a key gauge of Jonathan's performance in office," said Roddy Barclay, West Africa analyst at Control Risks, a consultancy. "Having suffered numerous damaging public setbacks in recent months, making headway on this key piece of legislation would go some way to restoring his international standing." Jonathan's explicit endorsement of the bill gives it a better chance of passing than previous versions, but his increasingly tense relationship with parliament means he is likely to have to concede ground or face embarrassing delays. Parliament returns from recess to debate the PIB in mid-September but several lawmakers have told Reuters that the PIB won't get an easy ride and they intend on making major changes. "We will not be subjected to pressure to pass the PIB. It will not get a speedy passage but a thorough passage," Zakari Mohammed, spokesman for the lower house, told Reuters.

Jonathan's team had made it clear they are expecting a swift passage of a draft he has signed off on. The president and his close ally Oil Minister Diezani Alison-Madueke will be given greater powers in the latest draft, which is likely to be a sticking point with many lawmakers who believe the executive arm of government is already too dominant. "We've seen the powers given to the oil minister in the PIB and there is no way we're going to allow our heritage to be handed over to any individual," one member of the House of Representatives told Reuters, asking not to be named. Relations between parliament and Jonathan's administration have soured this year, as rows flared up over the budget and several parliamentary probes into oil corruption. "We want this to pass, and it will, but not just the way the president and the oil minister want. No way," the lawmaker said. There is however always the possibility lawmakers could improve transparency in the bill, which analysts say falls far short of what was hoped.

Besides giving powers to the oil minister, Jonathan's committee also added a clause that would allow the president to give oil licenses out at his own discretion, a backward step parliament is likely to reverse. "This unfavourable sentiment towards the president and oil minister may actually be positive towards giving Nigeria a reasonably acceptable PIB," Clement Nwankwo, director at the Policy and Legal Advocacy Centre in Abuja, said. Nwankwo, who works closely with the national assembly, believes the PIB won't pass for around 9 months. Whatever the bill ends up looking like, passing it would at least end the uncertainty which has prevented Nigeria from holding an oil licensing round for five years. It may also attract investment into natural gas, helping end chronic power shortages. That would provide the kind of legacy Jonathan indicated he wanted before winning last year's vote.*(Reuters)*

The Institute of Capital Market Registrars (ICMR) said on Tuesday that the January 1, 2013 deadline for dematerialisation of all share certificates was not realistic. Dr David Ogogo, the Chief Executive of the institute, explained that their stance was as a result of the inability of the Securities and Exchange Commission (SEC) to enlighten shareholders and other stakeholders on the cost implication of dematerialisation. Dematerialisation is the elimination of physical certificates or documents on ownership of securities through conversion to an electronic ownership mode domiciled with the Central Securities Clearing System Limited(CSCS). According to Ogogo,the deadline is not achievable as stakeholders must resolve the issue of cost in the interest of the market. Hestressed that investors were not against dematerialisation but could not bear the financial burden of verification.

However, Ogogo said: “SEC should intensify its enlightenment campaign for investors on the advantages of dematerialisation for dealers, the investing public and quoted companies.” Boniface Okezie, the President of the Progressive Shareholders Association of Nigeria, said that SEC had not done enough to educate the investing public. Okezie said that investors would not dematerialise until the commission ensured proper enlightenment, noting that many investors had yet to understand the meaning of dematerialisation and how to go about it. He also said that SEC had failed to meet the expectations of investors, especially in the area of sensitisation in a troubled Nigerian bourse. “It is not realistic; let us be frank because there is nothing on ground that is mobilising and wooing the investors on the benefits of dematerialisation,” he said. SEC in a public notice dated March 13, set Jan.1, 2013 as deadline for the dematerialisation of all share certificates. The notice said that all share certificates dematerialised on or before January 1, 2013, would be at no cost to the shareholder, but that there would be a penalty for those done after that date. It also said that the allotment of shares of public offerings would from now be by electronic processes that would transfer shares directly to the CSCS. *(Business Day)*

AMCON has appointed Citi and Renaissance Capital to determine the value of three lenders it nationalised last year before deciding on the best way to privatise them. AMCON Chief Executive Mustapha Chike-Obi confirmed the appointments in a message to Reuters on Tuesday but gave no further details. Nigeria nationalised three lenders last year after they failed to find new investors before a recapitalisation deadline and changed their names to Mainstreet Bank from Afribank; Enterprise Bank from Spring Bank and Keystone Bank from BankPHB.

The three banks were among nine involved in a USD 4bn central bank bailout in 2009 when the regulators asked them to find new investors or face nationalisation. Citi and RenCap have between three and six months to complete their evaluation. Chike-Obi told Reuters last month AMCON may list the three nationalised lenders instead of selling them to rivals, as it seeks to determine fair value for the banks. Previously, AMCON said that more than 20 firms - banks and private equity investors - had expressed interest in acquiring the nationalised lenders, but AMCON is keen to have them valued before starting any negotiations. *(Business Day)*

AS part of the government’s effort to encourage public private partnership (PPP) in the developmental process of the country and creating jobs for its teaming population, the Federal Ministry of Trade and Investment has received a Brazilian infrastructure conglomerates on a fact finding mission on behalf of the Federal Government. Receiving the representatives of one of the companies in Abuja recently, the Ambassador of Nigeria to Brazil.

Vincent Okoedion explained that the visit of the company was borne out of the visit of President Goodluck Jonathan to Brazil in July this year during the United Nations Earth summit where he addressed the Brazilian business community and extended invitation to companies that might be willing to come to Nigeria for business in Nigeria assuring them of their safety while in Nigeria for the purpose of investment and that Nigeria was blessed with a huge market that was good for their investment. “So, these companies are coming as a direct response to the invitation from the president. It is also worthy of note that the Brazilian President Dilma Vana Rousseff would be on a state visit to Nigeria later this year and these companies are coming ahead of that visit so that they would be in a position to find out information about the environment for investment in Nigeria,” he said. He disclosed that five other Brazilian companies would arrive in the country on the same mission within the next two weeks.

The ambassador added that the companies were considering projects in the area of transport, railway, highway waterway, airports seaports, Housing and other areas that might require infrastructural development. He said that the fact that companies were not ordinary ones but major conglomerates gave them the edge to spread and be able to cover wide areas of projects. Marcos Alexandre Silva the International Relations Adviser of the company, Queiroz Galvao, said that the main reason why the company chose to extend its operation to Nigeria like it had done in other African countries and Latin America was to invest in the country’s infrastructure. He added that the operation of the company in Africa had spanned over seven years and the company had a very strong base in Angola, which is not as big as Nigeria in terms of population. Reeling out the company’s wealth of experience, he told journalists: “Here in Africa we are in Angola since 2005, and we have been working on the road and energy sector. We are in Ghana too where construction is going on in an airport there. I would not be in a position to say how much we would be committing to Nigeria projects, we just arrived and we need to study the environment to know the opportunities and see how we can put things on ground, but am sure we would be doing a lot of interactions. The MDAs which comprises of Ministry of Works, Housing, Health and Infrastructure Concession Regulatory Commission (ICRC) all took turn to brief the company on the opportunities available for investment in the country using the public private partnership module of the present administration especially in the area of infrastructure. *(Guardian)*

Nigeria loses about NGN 1tn annually to the importation of raw materials for the use of manufacturing and construction companies in the country, Director General of the Raw Materials Research and Development Council (RMRDC), Professor Peter Azikwe Onwualu, has revealed. Onwualu, who, according to an online publication Commerce Today, was the guest speaker at the stakeholder’s forum to announce the Nigerian Raw Materials Exposition slated for November, said that huge amount drains Nigeria’s economy every year and grows the economies of other countries. He said there is need to reduce importation by 50 to 60% in the next five years to grow the economy. Onwualu said the industrial sector of the economy is passing through a very difficult phase, which is why many manufacturing companies are closing shop and relocating their businesses to more stable business environments in the west coast. There is high factory closure due to high cost of imports and inability of the manufacturing sector to source their raw materials locally, he said. He noted that the 2012 Expo is important because it would enable the stakeholders to discuss ways of substantially reducing the volume of imported raw materials as some industries import as much as 90% of their raw materials.

The director general urged the Manufacturers Association of Nigeria (MAN) to collaborate with the federal government to stop the importation of raw materials that are available in the country. He said: “On the average, our industries import up to 80 to 90% of their raw materials, on the other hand, there is no raw material that cannot be produced in this country. “The only problem is that they are in their raw form; so what we are trying to do is to develop the sector to create an environment for private people to be able to harness those natural resources, process them and supply to the big industries so that this 80 to 90% can gradually begin to come down.” He observed that for Nigeria to be competitive, it must ensure sustainable supply of raw materials in the right quantity and quality from within the country, adding that the reduction in the importation of raw materials would lead to the creation of jobs, as well as the generation of wealth within the economy. “When such raw materials are harnessed, new processing industries will come up just as new products will come into the market to help the people to make more money. The sources of those raw materials should be from Nigeria because hundreds of billions are used in purchasing raw materials annually but only 10% comes from Nigeria. Yet, we have natural resources and primary commodities,” he said. *(Daily Trust)*

The direction of the national budget for 2013 became clear yesterday as the Federal Executive Council (FEC) approved the 2013-2015 Medium Term Expenditure Framework (MTEF) and Fiscal Strategic paper for next year. The Council approved a projected revenue of NGN 3.891tn and total expenditure of NGN 4.929tn for the year. FEC also endorsed the proposals that the 2013 budget be predicated on a benchmark price of USD 75 and crude production of 2.53m barrels per day. In addition, there will be a continuation of downward trend in recurrent expenditure and upward trend in capital expenditure. Towards this, recurrent expenditure will decline from 71.47% in 2012 to 68.66% in 2013 while capital expenditure is expected to rise from 28.53% for 2012 to 31.34% next year. Also, in managing the domestic debt, the fiscal deficit and domestic borrowing will decline from 2.85% and NGN 744.44bn in 2012 to 2.17% and NGN 727.19bn in 2013. Under the fiscal framework, the Federal Government will create a sinking fund of NGN 25bn yearly from 2013 to accumulate money for paying off bonds. Similarly, NGN 75bn would be spent on the retirement of bond debt due for payment in February 2013.

Coordinating Minister of the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, told journalists at the end of the Council meeting that the approvals were “practical expression of the government’s determination to deliver the draft 2013 budget on schedule for the early consideration of the National Assembly in September. The minister said the government would intensify efforts at ensuring further improvement in the implementation level of the current budget, adding that the implementation level as at June 20, 2012 following four months of implementation starting from April was 41.3%. Okonjo-Iweala explained that “the focus of the government in 2013 as reflected in the Medium Term Expenditure Framework and the Fiscal Strategy Paper is that the budget should make practical impact on the areas that affect most Nigerians, such as job creation, power supply, roads, rails, other infrastructure and security through increase in capital budget and prudent management of the economy. Broadly, the focus will be on improving aggregate revenue receipts, optimising expenditure and keeping the fiscal deficit at a reasonable level. “The proposals for the 2013 budget are based on a rigorous review of the performance of the global economy with regard to negative economic developments around the world, which have the potential to negatively impact the country's economy.

Based on a foundation of prudence, the proposals represent a robust response to these developments anchored on a strong macro-economic framework," she said. The minister added that the 2013-2015 MTEF and Fiscal Strategic paper for 2013 will be forwarded to the National Assembly as part of their continuing discussions on the preparations for next year's budget. The Council also approved contract for the transaction advisory services for Design, Build, Finance and Operate (DBFO) for the 2nd Niger Bridge linking Anambra and Delta States at the Onitsha-Asaba river crossing. To be executed under the Public-Private Partnership (PPP), it was awarded to a British firm, Roughton International Limited at a total cost of NGN 325,638,828. It is to be completed in 16 months. The projects is expected to be flagged off by the third quarter of next year. The Council also approved a memo by the Minister of Works, Mike Onolememen for the award of contract for transaction advisory services for the improvement of the Apakun-Murtala Mohammed Airport road route F269 in Lagos State at a total cost of NGN 297,746,203. The 2.8 kilometre road, which is in a deplorable condition, is to be upgraded to a modern eight-lane facility for traffic flow.

The Council also approved additional works on the subsisting contract for the extension from Dutse-Kwanar Huguma on the dualisation of the Kano-Maiduguri Road Section II (Shuwarin-Azare). The new contract, a distance of 24.4 kilometres of road, will connect the proposed Dutse Airport located along the road to the Kano-Maiduguri Highway. It was awarded in favour of Setraco Nigeria Limited and cost NGN 8,352,277,657.48. This will drive the total cost of the Kano-Maiduguri dualisation project from NGN 35,841,452,834.88 to NGN 44,193,730,492.36. It has a completion period of 40 months. These are in line with the 2007 Fiscal Responsibility Act which demands that the Federal Ministry of Finance produces this each fiscal year and thereafter engages key segments of the public with a view to getting their input to enrich the plan. Meanwhile, the Economic and Financial Crime Commission (EFCC) has extended its fight against crime to budget implementation to all the states of the Federation. To achieve this, the commission has allocated NGN 4.5m to some civil society organizations (CSO) to monitor budget implementation in Cross River State. The money, which was given to the EFCC by the United Nations Development Programme (UNDP) would be released to a yet to be mentioned CSOs to monitor activities of the state government in project implementation.
The Head of Strategy and Reorientation Units of the EFCC, Mr. Gabriel Aduda, who disclosed this at aTown Hall meeting on governance accountability programme in Calabar on Tuesday, said the commission wanted to identify anti-corruption revolution partner in each state to monitor activities of states and local council officials in budget implementation. *(Guardian)*

Nigeria's overnight lending rates soared 10 percentage points to a more than two-year high of 35% on Wednesday, dealers said, after the central bank squeezed liquidity to support the local naira currency. The naira closed at its firmest in two weeks, at 160.10 against the dollar on Wednesday, from 161.70 the previous day. It is still just outside the central bank's 150-160 naira/dollar preferred trading band. Nigeria's Central Bank Governor Lamido Sanusi has shown his determination to support the naira in recent months, despite calls from some in the private sector for him to ease interest rates to aid the growth of Africa's second-biggest economy. Sanusi said last month that interest rate cuts weren't the answer to spurring growth and would risk higher inflation. He said Nigeria, Africa's biggest crude oil producer, spends too much of its budget on government and should allocate more to development and to a savings buffer against the risks of lower oil output and weaker global demand. Dealers said the central bank on Wednesday sold 142.1bn naira in treasury bills and USD 318m at 155.83 to the dollar at its bi-weekly foreign exchange auction to reduce naira liquidity.

The central bank last week barred banks that borrow funds from its repo window from participating in foreign exchange auctions and lending to others on the interbank naira market. "The market was short because many banks could not access the repo window for funds because of the central bank's new rule restricting banks from trading funds from its repo in the interbank," one dealer said. Traders said the market opened with a cash deficit of about 120bn naira as banks scrambled for available naira to fund their foreign exchange purchases. Traders said some banks reduced their dollar positions to get naira to meet their obligations, which further supported the local currency. "Two energy companies, Chevron and Agip, sold USD 36.5m, while some offshore investors in treasury bills brought in additional funds, which boosted dollar liquidity in the market," a currency dealer said.
The central bank two weeks ago raised the cash reserve requirement for lenders to 12% from 8% and reduced net open foreign exchange positions to 1% from 3% to support the currency. "The naira will continue to strengthen if interest rates remain high because many banks will have no further incentive to hold dollars," another currency trader said. *(Reuters)*

There is a strong possibility that Nigeria may revert to the high level of international debt that saw the country paying out significant portion of the annual national budget in debt servicing, prior to the debt forgiveness programme executed by the Obasanjo administration between 2004 and 2006, says Dunn Loren Merrifield, an investment banking institution. Raising this alarm while reviewing activities in the bonds market, Tola Odukoya and Jide Nwaogwugwu, both financial analysts with the firm, affirmed that continuous issue of eurobond in order to keep domestic debt profile down was counterproductive. They said, “In view of its drive to reduce domestic borrowing, the Debt Management Office, DMO, on behalf of the Central Bank of Nigeria, CBN, may issue a second eurobond of USD 600m (NGN 96bn). At present, Nigeria seeks to reduce domestic borrowing to NGN 500bn in the medium term from NGN 744bn in 2012. “In addition, the eurobond is expected to significantly reduce the country’s high debt service payments in view of the prevailing high interest rates in Nigeria,” they noted in the report.

They noted that instead, there should be a concerted approach to economic management by both fiscal and monetary authorities. “On the fiscal side, we would like to see a wider tax net with a view to raising more revenues and significantly diluting the contribution from the oil sector to total revenues to government. “This is in addition to the current widespread knowledge of the need to diversify the domestic economy from being a mono-product economy. We would equally like to see an aggressive drive for Nigeria to have a budget surplus in the medium term as a result of the current fiscal consolidation effort. “These should then be complemented with single-digit interest rate levels on the monetary side with the preoccupation being to stimulate domestic production, output and real growth with a positive impact on individuals, households and firms," they said. *(Vanguard)*

A report on the investment climate in Nigeria undertaken in 26 states spread across the six geo-political zones has indicated huge constraints that negatively affect start-up and growth of business. The revelation came as the Federal Government intensified effort to attract more foreign direct investments and encourage local entrepreneurs to invest in Nigeria as a way of diversifying revenue sources and boosting the economy. Topmost on the list is epileptic power supply and corruption in form of bribes demanded by government officials responsible for licensing businesses and other necessary frameworks to commence businesses, according to the report officially launched in Abuja yesterday by the Governor of Anambra State, who is also the Deputy Chairman of the Nigerian Governors' Forum, Mr. Peter Obi. But the Trade and Investment Minister, Mr. Olusegun Aganga has said initiatives are already at advance stage to enthrone a more transparent regime of processing business start-up in Nigeria where entrepreneurs would begin to apply for registration or file their tax returns from the comfort of their homes without interfacing with officials. Governor Obi yesterday declared that the objective of economic diversification initiative in Nigeria would remain a ruse if governments at all tiers continue to show preference for imported goods that have alternatives produced locally. He called on administrators at all levels to embrace made-in-Nigeria goods as a way of boosting industrialisation in the country.

The Investment Climate Analysis Report reviews the experiences of over 3000 surveyed business owners in the 26 states about the aspects of the business climate that affect their businesses. It complements a similar study in 2007 that covered 11 other states. The survey asks business owners about both their perceptions and the actual costs of selected constraints. The analysis benchmarks Nigeria against comparator countries, and provides detailed data for each state. The report reads in part: " Nigerian firms have low productivity, as measured by their output in relation to their labour and capital inputs. Firms in Kenya are about 40% more efficient, firms in Russia almost twice as productive, and firms in South Africa almost four times as productive. Nigerian firms that export are about 90% more productive than non-exporters. Although labour in Nigeria is inexpensive, it is not inexpensive enough to compensate for this low productivity. The poor performance of Nigerian firms reflects many factors. This study focuses on constraints in the business climate and the serious costs they impose on Nigerian firms. Taken together, the total indirect costs of poor quality infrastructure, crime and security, and corruption amount to over 10% of sales for Nigerian firms. This is twice as high as in South Africa, Brazil, Russia and Indonesia." According to the report, " Nigerian businesses' biggest reported problem is the unreliable power supply. About 83% of all managers surveyed considered electricity outage to be a serious problem—more than any other constraint. Firms of all sizes, in all states and sectors, report average power outages equivalent to eight hours per day. The average firm reported that outages lost them money equivalent to more than 4% of sales. No comparator country experiences such severe business losses related to the power supply."

The findings also indicate that "business owners' second biggest obstacle is financing. About half of all firms reported that access to finance and its high cost constitute a serious problem. Only about 12% of surveyed firms have an overdraft facility and only about 14% have a line of credit or loan—about one-half or one-third the shares in comparator countries like Kenya and South Africa. About 60% of firms that applied for loans in the previous year had their applications rejected - far more than in most of the comparator countries." "Collateral requirements are high in Nigeria: fully 89% of loans required collateral, and the average collateral amount was 160% of the loan, compared to say, 100% in South Africa. Loan duration is relatively short, as well. This suggests that even firms that have loans might not be able to get as much credit as they want and may not be able to finance cost, especially for exporters and larger firms.'' The survey under the Federal Government's Growth and Employment in States (GEMS), an initiative of the Nigerian Government, UK Department for International Development (DFID) and the World Bank aims at reducing poverty in the country through reform of the business environment and increased competitiveness in selected industry clusters.

In a comment at the launch yesterday, the Country Director, World Bank, Nigeria, Ms. Marie Francoise Marie-Nelly, said that despite the current infrastructure challenge facing Nigeria, the country remains the most attractive place for both local and foreign investors. She, however, said there was need for the country to improve its business environment in order to maximise the hugely untapped investment opportunities that exist across the country. "The basic lesson from the World Bank Assessment Report titled " Nigeria, An Assessment of the Investment Climate in 26 states", is that there are critical constraints in Nigeria that impede the development of the non-oil sector. Some of the critical issues include electricity, which affects the productivity and competitiveness of enterprises. In his keynote address, Aganga said his ministry had already embarked on far-reaching investment climate reforms in order to improve the county's competitiveness ranking and attract more Foreign Direct Investment into the country. Specifically, Aganga stated that his ministry was partnering the Ministry of Power for the provision of uninterrupted electricity to nine industrial cities by the first quarter of 2013. *(Guardian)*

Nigeria sold 172.1bn naira in treasury bills, more than expected, and increased the yield it offered on the short-dated paper to mop up liquidity to support the currency, the central bank said on Thursday. The bank said last week it would auction 142.1bn naira of treasury bills with maturities of between three months and one year. It gave no reason for the additional 30bn naira of issuance. The naira surged 1.1% to a more than two-week high on the interbank market on Thursday following the sale and after state-owned energy company NNPC sold USD 450m to banks in exchange for the local currency. The central bank said it had sold 50bn naira of 182-day Treasury bills at a yield of 15.30%, higher than 14.94% at its previous auction last month.

It sold 90bn naira of 364-day bills at a yield of 15.38%, compared with 15.60% a month ago, and 32.06bn naira of 91-day bills at a yield of 14.5%, higher than 13.94% at the last such auction a month ago. Nigeria issues treasury bills twice monthly to reduce the money supply, curb inflation and help lenders manage their liquidity. Overnight lending rates spiked on Wednesday to more-than two-year high of 35%, partly because of the treasury bill sale and a foreign exchange auction of USD 318m which soaked up naira liquidity. The bank two weeks ago left its benchmark interest rate on hold at 12% but raised the cash ratio for lenders to 12% from 8%, to tighten liquidity. Total subscriptions for the bills were 422.82bn naira. *(Reuters)*

Nigeria's main ratings agency Agusto & Co. upgraded the country's

banking sector on Thursday by one notch to Bbb from Bb, with a stable outlook, citing improved earnings and capital ratios. In a ratings report on Nigerian banks, the agency said credit growth was gradually returning and risk aversion waning as banks recovered from the shock of a USD 4bn bailout in 2009.
It said the upgrade was based on the banks' financial condition and their capacity to meet their obligations, assuming the political environment did not get any riskier. Nigerian banks have staged a sharp recovery in earnings during the first half of 2012, with mid-tier lender Diamond Bank posting a fourfold profit rise, while First Bank and UBA doubled profits during the period. Banking sector capital ratio was 25% in 2008. "In view of marked improvements in the banking landscape during 2011, Agusto & Co. has upgraded the industry rating to Bbb, from Bb," the agency said, adding that the sector was adequately capitalised.

Nigeria's 19 lenders have swung back to profit, thanks to a state-owned "bad bank" AMCON absorbing their non-performing loans in exchange for government backed bonds. "With sale of troubled loans worth over 1.5tn naira to AMCON during the year, banks were able to free up their balance sheets and focus more on creating risk assets." It said non-performing loans declined to 328bn naira, representing 4.8% of loans in 2011, compared with an impaired loan ratio of 16% in 2010. Global ratings agency Fitch two weeks ago said that Nigerian banks continued to face challenges despite AMCON's support and that credit had grown rapidly by 30-66% in 2011. It said lenders had thin levels of "core capital". Agusto said Nigeria's top five lenders - First Bank, Zenith Bank, UBA, Guaranty Trust Bank and Access Bank - accounted for much of the growth in total assets last year. It said total banking assets grew by 20% to 21.6tn naira in 2011. It downgraded the sector to Bb in 2008 for high levels of non-performing loans caused by reckless lending, which culminated in the 2009 financial crisis and the central bank bailout of nine banks. *(Reuters)*

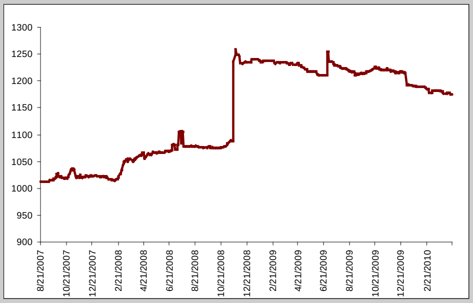
The Nigeria Deposit Insurance Corporation (NDIC) said it has begun on site visitation to select agent banks to ascertain their level of compliance with processes of ensuring prompt payment to depositors of liquidated Deposit Money Banks (DMBs) and MicroFinance Banks (MFBs). The exercise, which was kicked off by Claims Resolution Department (CRD) of the Corporation, would cover 93 selected branches of the agent banks spread across the nation. Hadi Birchi, Head of Communication, and Corporate Affiars, NDIC, said that 93 agent banks have been selected on zonal basis to allow for an effective conduct of the exercise. He said that a total of 27 branches of the banks would be visited in the South West, 24 in North Central and 13 in the South, while 15 branches would be visited in the South East, eight in the North East and six in the North West zones. The major objectives according to him was to confirm that payment to depositors is carried out expeditiously and in conformity with the operational guidelines already given to the agent banks by the Corporation.

He said that the exercise would help to assess and ensure that payments of both insured and uninsured deposits remitted to the banks are made to the depositors of the closed banks without hindrance. The exercise according to him would help to ensure that the banks properly keep the payment documents forwarded to them by the Corporation such as mandate files, signature cards, Liquidator’s certificates, Deposit Registers, to ensure that payment to the depositors are not impeded by the absence of these records. Apart from using the opportunity to identify and address areas of challenges being faced by the agent banks that might hinder them from making payment to depositors of the closed banks, he said that the Corporation would go further to train the desk officers in charge of payment where the need arises. It would be recalled that the Corporation conducted a similar exercise in 2009, which involved 72 selected agent banks branches in the South West, North Central, North East and North West geo-political zones of the country. *(Vanguard)*

SECURITIES AFRICA

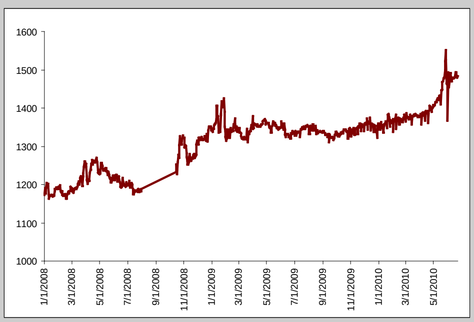
Tanzania

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

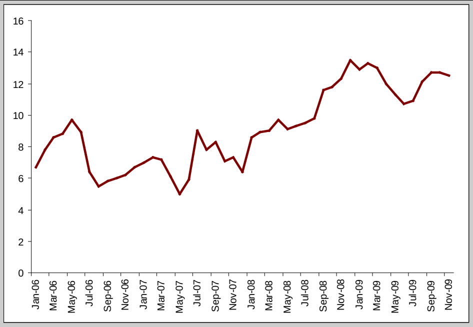
Stock Exchange News

The DSEI ended the week 0.05% lower at TZS 1,440.57. Twiga gained 0.82% to close at TZS 2,460. The other gainer was recorded in TBL (0.78%). CRDB and NMB closed 2.22% and 1.06% in the red at TZS 110.00 and TZS 930 respectively.

Corporate News

THE Dar es Salaam Stock Exchange (DSE) in collaboration with other nine bourses in the Southern African Development Community (SADC) will adopt a computer-based platform to increase effectiveness of trading activities. The DSE Chief Executive Officer, Mr Gabriel Kitua, said in an interview over the weekend that the programme will witness transformation of cross border transactions currently done manually to computerised systems. "The computer-based system will allow replacement of the use of fax machines for completing cross border transactions, thus increasing trading effectiveness," he said. The Committee of SADC Stock Exchanges (CoSSE) has agreed to concentrate on six priority areas in support of regional moves to more efficient capital markets. For example, to attain real market development, the CoSSE has been developing models for inter-connectivity between automated trading systems at some or all member exchanges. The working committee in this area will help member exchanges ensure their clearing and settlement systems comply with new global standards and support regional initiatives.

On capacity-building and visibility, it aims to liaise with member exchanges, regulators, stockbrokers, investors and others to develop and co-ordinate training courses. He said the stock exchanges will explore ways to use technology to link their trading and order systems and work together to ensure clearing and settlement systems align with global standards adopted in April. The bourses are working closely with SADC institutions to support development of regional systems, including payment and will boost visibility of trading data and enhance their joint website launched in April by the JSE and I-Net Bridge. The stock markets will also pool resources to accelerate training and skills development for capital markets staff. The markets are the channel for long-term risk capital, which is urgently needed for the region's businesses, infrastructure providers and even governments. They also encourage saving and investment as CoSSE members are working closely together to support SADC initiatives and to make individual markets even more effective. The CoSSE members are the Dar es Salaam Stock Exchange of Tanzania, Botswana Stock Exchange, Malawi Stock Exchange, Stock Exchange of Mauritius, Bolsa de Valores de Mocambique, Namibian Stock Exchange. Others are the South Africa's JSE Ltd, Swaziland Stock Exchange, Zambia's Lusaka Stock Exchange and the Zimbabwe Stock Exchange. The CoSSE was set up in 1997 as a collective body of the stock exchanges in the SADC members. *(Daily News)*



Source: SAR

CRDB bank share price slumped by over 36% to lead in share-lost-price index in the last one year, despite CRDB being among the leading profitable banks in the country. CRDB, according to Dar es Salaam Stock Exchange data, leads in the list of three domestic firms whose share prices plummeted in the last 12 months to date. The Tanzania Securities Chief Executive Officer,Mr Moremi Marwa, said the share price hit the rock bottom point ever of 110/- since listing about four years ago."The price level is the lowest point, it's actually below the primary offer of 150/- a share," Mr Marwa said. The CEO of the brokerage firm said the share prices are plummeting despite the bank's good performance, which, however, was against investors' anticipation, "Complex issues are behind the price slumping but mainly due to bad debts and category of investors the bank has."

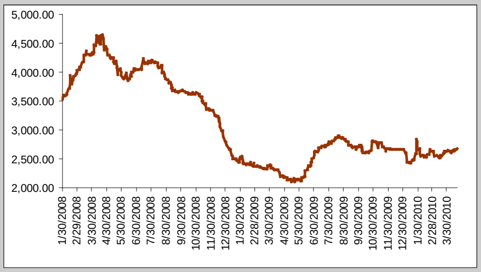
He said before listing at Dar es Salaam Stock Exchange (DSE) CRDB split and diluted its shares, leading to an increase of share number. A studyby Dhow Financial shows that the bank shares are trading below book value and its actual value stands at 260/-. The report indicates that price is also affected by type of investors most of whom are dividend driven. According to Tanzania Securities Daily Market report of yesterday, the second in line of price sliding was Tanzania Tea Packers (TaTePa) whose share price dwindled by 31/5 to settle at 325/-. Analysts said that TaTePa price was affected by the recent decision of one of the key shareholder CDC, an investing arm of commonwealth that controlled almost half of the stake, to sell its stake at agreed lower price. The latest bourse entrant, Precision Air, was the third after its prices dwindled by 7.4% from 475/- of IPO to 440/- of yesterday. However, on other front Swissportstole the show with its price increasing by 46.3% in the last one year to close the market yesterday at 1,200/-. TBL trailed second, with 20.5% gain to 2,540/-, followed by Twiga Cement's 2,440/- and NMB's 930/- .(*Daily News)*

Economic News

No Economic News this week

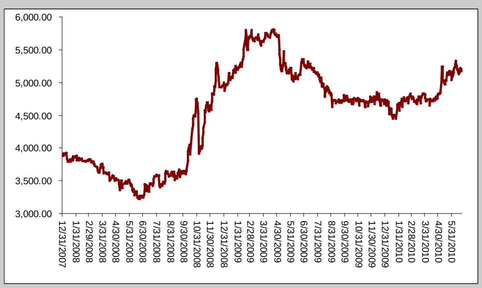
Zambia

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

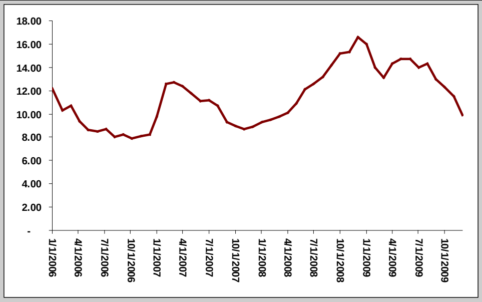
Stock Exchange News

The LuSE ended the week 1.05% higher at 3,866.84pts Zambia Sugar was the major mover this week, closing 8.62% higher at ZMK 315. BATZ rose by 6.77% at ZMK 1,687. Natbrew traded 3.76% higher at ZMK 8,300. SCZ lost 4.17% at ZMK 2.30. Lafarge was down 0.12% at ZMK 8,005.

Corporate News

FIRST Quantum Minerals (FQM) Limited says the tax rates applicable to the mining industry in Zambia are the highest globally. Company head of tax Adam Little in an interview in Lusaka said FQM has from 2005 to date paid over K 9 trillion (USD 2bn) of taxes. Of the total taxes paid, about ZMK 390bn (USD 84m) is Pay As You Earn and ZMK 1.97tn (USD 234m) mineral royalties. Mr Little said despite the high taxes and high cost environment, mining prospects in Zambia remain bright for as long as Government does not try to kill the golden goose laying the golden egg. "When you combine high existing taxes and high cost of production, it's a country people will think twice before investing," he said. He described windfall tax introduced in 2008 as the worst tax he has ever seen, adding that it was retrogressive as it was charged on revenue rather than profits. Mr Little said had the windfall tax persisted, a number of mines would have shut down at the time copper prices were high. "I understand why people are calling for it (windfall tax) because they see what looks like a healthy industry and they see a contribution from the industry which isn't high enough," he said. He said some companies are paying lower tax than people expect due to huge investment following privatisation. Mr Little said once a number of companies reach tax paying levels and copper prices on the international market improve, tax and mining profits are expected to improve.

He said there is need to also improve capacity and capability levels of the Zambia Revenue Authority to collect taxes from the mines."Government should encourage future development, I don't think that means offering individual incentives to the mines "No sweetheart deals" but coming up with consistent and fair tax environment," he said. Mr Little said because of the huge investments involved in mining, it is prudent that tax rates are stabilised as was in the old development agreements. He said to operate new mines, citing the Trident project that includes Sentinel, Enterprise and Intrepid copper projects, one has to be efficient to control costs. "Any additional taxes will make the next generation of mines that run on slim margins of copper very hard to succeed," he said. Commenting on corporate social responsibility, Mr Little said FQM has been involved in upgrading of the local general hospital, Solwezi technical institute, upgrade of the Solwezi-Chingola road, sports development in Solwezi and was the major sponsor of the African Cup of Nations. "As much as it is important that our corporate social programmes get through to the media, the big thing for us is tax contributions. Once the mines



Source: SAR

pay tax, the money is in the hands of Government and how it spends that money is between the citizen and Government," he said. *(Daily Mail)*

Canadian miner First Quantum Minerals has partnered with a Zambian company to develop a new copper mine in central Zambia, the company's director said. First Quantum's internal mine model for Fishtie, developed by external mining consultants, indicated a preliminary resource of some 500,000 tonnes of copper, Kwalela Lamaswala told Reuters. Zambia's Mimosa Resources Ltd and First Quantum were planning further work programmes to advance the development of the project, including drilling and an update of the current resource statement, he said. "The Fishtie project is significant as it is the first and, until very recently, the only new copper discovery which has proceeded to a mining licence in Zambia," Lamaswala said. First Quantum was granted a 25-year large scale mining licence for Fishtie in 2010 as the company's attention started shifting to bigger projects like Trident mine and the expansion of Kansanshi, he said. Lamaswala said First Quantum would retain an interest in Fishtie in order to support Mimosa Resources through the early stages of development. *(Reuters)*

INVESTRUST Bank has launched InvestMobile, a facility that enables the bank's customers to transact using mobile phones facility and is in line with the bank's goal to offer customer-driven financial solutions. The bank's managing director Friday Ndhlovu said the facility will enable the bank access unbanked communities using mobile phones. "More than a billion people in emerging and developing markets have cell phones but no bank accounts. Mobile money is beginning to fill this gap by offering financial services over mobile phones, from simple person-to-person transfers to more complex banking services," he said. Speaking at the just-ended Agricultural and Commercial Show, Mr Ndhlovu said the product will be rolled out to existing account holders before being extended to the unbanked communities. InvestMobile, among other features, provides an account summary of the last seven transactions, payment of bills to various utility companies such as Lusaka Water and Sewerage Company and MultiChoice.

Customers will also be able to view status on accounts such as term deposits, loan statement and position on cleared or uncleared cheques and make transfers within the bank and external accounts held with other banks via DDAC. Mr Ndhlovu said the bank has over the past years invested heavily in its systems and information communication technology (ICT) infrastructure using the funds raised through the Lusaka Stock Exchange (LuSE) in 2007. Mr Ndhlovu cited InvestNet, an internet online banking which has online account and transaction, VISA GreenCard with the latest chip and pin technology which ensures maximum security. "Competition in the banking sector continues to be intense, customers' expectations are increasing and demand for quality products and services is on the upswing. It therefore calls for Innovation as the key to remain competitive," he said. *(Daily Mail)*

Zambia Sugar Plc has scooped five awards at the just-ended 86th Agricultural and Commercial Show held in Lusaka with the company's corporate affairs director Lovemore Sievu pledging their continued support to economic development and environmental sustainability. The firm scooped first awards in Best Overall, Best Environmental Awareness and Best Export Promotion Exhibit prizes. Other prizes won include second prize in Best Interpretation of the Theme and third prize in Best Made in Zambia exhibit. In an interview, Mr Sievu said that the environmental award demonstrates the company's compliance with the Zambia Environmental Management Agency regulation and safety processes. Commenting on the export promotion award, Mr Sievu said Zambia Sugar's exports have increased to over 200,000 from 75,000 recorded before embarking on the expansion programme.

Zambia Sugar's export market includes the Democratic Republic of Congo, Zimbabwe, the Great Lakes region and European Union (EU) that consume over 200,000 tonnes of its sugar. Mr Sievu said the sugar industry contributes about 6% of the country's foreign exchange earnings. He said Zambia Sugar currently produces about 400,000 tonnes of sugar, out of which 140, 000 tonnes is consumed locally and the rest is exported. Other companies that won awards at the show include Saro Agro for Best Agricultural Equipment exhibit, Zamseed Best Agro-input exhibit, Zesco limited for the Best Commercial exhibit and Kafue Gorge Training Institute for Best Educational Institution exhibit and Best Exhibit in the Commercial Hall. In the banking exhibit, Barclays scooped the overall prize, followed by Zanaco Plc while National Pension Scheme Authority won the first prize in the Best Non Banking Financial Institution category. The best small scale industry exhibit was won by Yambeeji Honey and Rice Products while the Road Development Agency (RDA) won the Best Infrastructure Development. *(Daily Mail)*

Windmill Private Limited of Zimbabwe plans to open a branch in Zambia next year to supply fertiliser and stock feed. Company marketing executive Herbert Chakanyuka says the company produces about 300,000 metric tonnes per annum of fertiliser while stock feed is a growing project with huge potential. Mr Chakanyuka says the company plans to spread its wings within the Southern African Development Community (SADC) and Common Market for Eastern and Southern Africa (COMESA). "We believe that with the coming of COMESA and SADC, there is no need for us to remain behind but to explore markets within the two regions," he said. He said the show provides appropriate market entry strategy for the company that is considering opening branches in Zambia.

Mr Chakanyuka was speaking in an interview in Lusaka at the just-ended 86th Agricultural and Commercial show under the theme "Building on Today's Prosperity." He said the firm wants to become a one-stop shop by providing agro inputs such as fertilisers, crop chemical, insoluble fertiliser and stock feed. Windmill is 100% privately-owned fertiliser producer established in 1949 in Zimbabwe. The firm has two fertiliser production facilities – one granulation plant producing 150,000 tonnes per year of chemical compounds, and a blending plant that produces around the same amount of blended fertilisers. It boasts of a crop chemical formulation plant and stock feed production plants which are both located in Zimbabwe. The company is also active in the importation, marketing and distribution of fertilisers, crop chemicals, animal health products and speciality fertilisers. *(Daily Mail)*

Economic News

The Bank of Zambia (BoZ) will by the end of this week be certain on when the new rebased Kwacha notes will be on the market. BoZ deputy Governor for Operations, Bwalya Ng'andu said this during a media briefing at the on-going 86th Zambia Agriculture and Commercial Show in Lusaka yesterday. Dr Ng'andu said the two firms selected to print the new Kwacha notes and coins would be engaged in talks over the roadmap to introduce the revised currency. Giesecke of Germany and South Africa's Mint Printing Company (MPC) were selected to print the revised notes. Giesecke was expected to print the notes while MPC was expected to print the coins. "We will be certain of the day when the new Kwacha notes and coins will be ready by next week, we will be talking to the two firms on the roadmap. We also want to start a nationwide sensitisation campaign on the rebased currency," Dr Ng'andu said. He said the central bank was yet to hear from the printers when the sample for the rebased Kwacha notes would be ready. He said the new notes would also have special features that would help avoid counterfeit of the notes. (*Times of Zambia)*

Government will endeavour to provide a safe and secure environment within which all investors will operate. This is contained in a statement released to the media in Lusaka yesterday by Chief Government Spokesperson Kennedy Sakeni. Mr. Sakeni assured the Chinese community at Collum coal mine and investors at large, that Zambia is safe for them and their investment. He stated that government deeply regrets the death of a Chinese supervisor who died during a workers protest over wages in Sinazongwe, Southern province. Mr. Sakeni said government is confident that police will carry out thorough investigations on the incident in order to bring the culprits to book. He said the incident is unfortunate and uncalled for adding that it is abnormal of the peaceful and hospitable nature of the Zambian society.

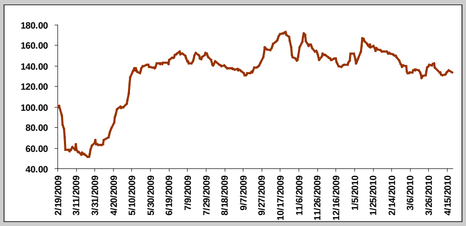
He has since urged workers as well as employers in the country to embrace dialogue in resolving their differences. Meanwhile, barely four days after workers at the Chinese run Collum Coal Mine in Sinazongwe protested demanding to be paid the new revised minimum wages, another group of workers employed by a Chinese firm to construct Zambia Air Force (ZAF) houses in Lusaka have downed tools for similar reasons. A check at the construction site in Twin Palm area found that the workers had abandoned the area. According to eye witnesses, the protests started in the early hours and by around 09:00 hours, the workers had left the scene. "It's like they are copying what happened at Collum Coal Mine because they were demanding for more money. They started protesting around 07.00 hours," the source said. Construction works of the modern infrastructure have reached an advanced stage. Efforts to get a comment from the firm's management team proved futile. *(Lusaka Times)*

ZAMBIA's gross international reserves rose by 10.9% to USD 2,322.0m in 2011, says Bank of Zambia (BoZ). The figure is in comparison to USD 2,093.7m recorded in 2010. According to the latest Bank of Zambia Annual Report 2011 made available to the Daily Mail during the just-ended 86thAgricultural and Commercial Show in Lusaka the country's international reserves performed well despite the gloomy global economic climate during the year. The report indicates the growth in reserves emanated from inflows comprising mainly tax receipts from the mines amounting USD 795.9m, net purchases from the market amounting USD 227.0m and other receipts worth USD 325.9m. The report states that a further USD 165.0m was received through balance of payments (BoP) support. However, the Central Bank points out that the foreign exchange inflows were mitigated by foreign exchange outflows of USD 685.2m. This was despite the BoZ's sales of foreign exchange amounting to USD 685.2m for procurement of oil imports and market support. Meanwhile, Zambia recorded a substantial rise in BoP surplus amounting to USD 243.8m from USD 83.3m recorded in 2010.

The bank says the country continued to record favourable BoP performance in 2011 with preliminary data showing overall figure exceeding USD 243m. In line with this development, the bank indicate that gross international reserves accumulation nearly doubled to USD 270.4m compared with USD 138.1m recorded in 2010. BoZ says the overall BoP surplus was largely driven by an improvement in the capital and financial account balance which more than compensated for the decline in the current account balance. Meanwhile BoZ says non traditional exports (NTEs) grew by 35.1% to USD 1,608.1 million in 2011 from USD 1,190.0m in 2010. This was on account of higher earnings from the export of cane sugar, cotton lint, gasoil/petroleum products, maize seed, cement and lime and nickel. The report says favourable exchange rate developments, improvement in international commodity prices and increased production for some products contributed to the favourable performance. It, however, says export earnings for cobalt declined by 12.2% to USD 266.7m from USD 303.8m recorded the previous year. This is due to a decline in export volumes and realised prices. The export volumes for cobalt stood at 7,830.66 metric tonnes, lower than 8,640.91 metric tonnes recorded the previous year. Similarly, the realised price of cobalt fell by 7.0% to USD 32,693.17 per metric tonnes from USD 35,160.39 per metric tonne in 2010. *(Daily Mail)*

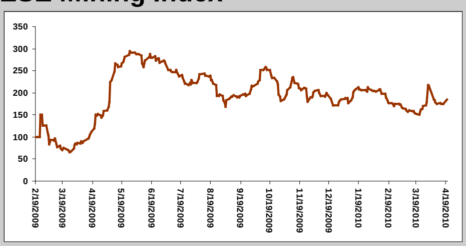
Zimbabwe

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

CPI Inflation

Stock Exchange News

The market ended the week on a subdued note with the Mining's index shedding 15.61% at 89.04pts while the Industrial index closed 0.19% lower at 133.19pts. Falgold reversed its gains ending 42.86% lower at 20c. RioZim was down 12.28% at 50c while Hwange lost 4.35% at 22c. On the level of Industrials, ABCH lost 1.94% at 55.1c. Barclays was down 6.25% at 3c. Econet traded 2.45% lower at 418c. Innscor came off 3.45% at 56c. FBCH traded 9.29% higher at 7.65c.

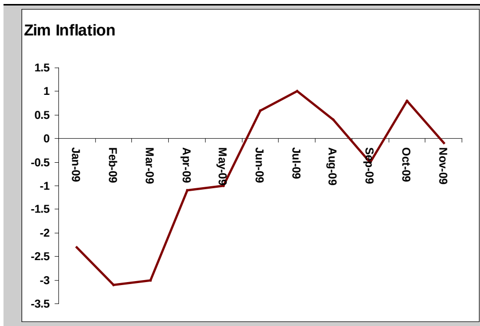
Corporate News

The African Export and Import Bank has increased Zimbabwe's borrowing limit by USD 200m to USD 600m, Reserve Bank of Zimbabwe Governor Dr Gideon Gono said. Dr Gono said it was therefore critical for local financial institutions to have a strong capital base to be able to access long-term lines of credit from the regional bank. "The Afreximbank has approved a (new) country (borrowing) limit of close to USD 600m for Zimbabwe," he said. "Now, is there an institution that can absorb that amount with a capital base of USD 10m?" Dr Gono was addressing bankers last Friday on the increase in minimum capital requirements, which were raised last week by up to 900%. Minimum capital thresholds for commercial and merchant banks were raised to USD 100m from USD 12, 5m and USD 10m, respectively. The central bank also increased the minimum capital base for building societies from USD 10m to USD 80m, finance and discount houses from USD 7,5m to USD 60m and USD 1m to USD 5m for micro-finance house.

Dr Gono said the banks would be required to be fully compliant by June 20 2014, but should meet 25% of the new capital levels by the end of this year. Financial institutions will be further required to be 50% and 75% compliant by June 30 and December 31 next year, respectively. The Bankers Association of Zimbabwe said it was in agreement with the governor's position on higher minimum thresholds as that was vital for a strong financial system and risk cover for depositors' funds in the event of bank failure. Dr Gono said higher capital levels for banks were critical to attract meaningful lines of credit and enhance profitability. He added that a strong capital base had a positive correlation with interest rates, liquidity, competitiveness, infrastructure and confidence, credit extension. Afreximbank remains one of Zimbabwe's biggest sources of external lines of credit, having so far advanced about USD 3bn to the country. *(Herald)*

ZB Holdings is seeking to raise at least USD 100m to grow and underwrite more business, chief executive Mr Elisha Mushayakarara has said. He also said the group would merge ZB Bank and ZB Building Society to meet the new Reserve Bank phased minimum capital requirements.

"We have been on the market, looking for a capital injection and there are ongoing discussions with potential investors to raise in excess of USD 100m to grow and underwrite more business," said Mr Mushayakarara at the launch of the ZB Bank 54th branch in Kariba. A strategic partnership with an international



Source: SAR

financial institution will help the mobilisation of long-term lines of credit, which continue to constrain the banking sector, given the transitory nature of deposits. Mr Mushayakarara said the group had already taken "necessary action" to increase its capital base, even before the announcement by the Reserve Bank of Zimbabwe of new minimum capital thresholds last week.

ZB plans to merge its banking arm with its building society to meet the RBZ conditions. RBZ Governor Dr Gideon Gono announced the proposed new minimum capital requirements for commercial and merchant banks to USD 100m from USD 12,5m and USD 10m respectively. On the merger of the bank and the building society, Mr Mushayakarara said the group had submitted an application to the Reserve Bank for the necessary approvals. "Our application to merge the bank with the building society is with the RBZ. We have already agreed with the shareholder and the board to take that route. I would like to believe the RBZ will expedite the merger process," he said. The central bank advised financial institutions that fail to comply to either merge operations or be acquired by financially stronger entities. FBC Holdings last week said it intended to merge its banking division and the building society to meet the new minimum capital requirements. Meanwhile, the Mayor of Kariba, Mr Nicholas Hwindiri, said he welcomed the opening of ZB Bank branch. He said it was a clear demonstration of the bank's response to the needs of local business.*(Herald)*

Reserve Bank of Zimbabwe governor Gideon Gono says lowly capitalised banking institutions are at the forefront of charging high bank charges and interest rates as they seek to stay afloat. Addressing bank executives last week, Gono said there was a relationship between capitalisation levels and interest rates charged by various institutions. The central bank chief said poorly capitalised institutions often resorted to charging higher fees to compensate for low levels of business. His statement came as the apex bank started pushing for higher minimum capital requirements to strengthen the country's fragile banking sector. Gono said some well-capitalised banking institutions had started taking initiatives to reduce the level of bank charges through the introduction of special accounts where clients were not levied charges. "On the contrary, it has been noted that high bank charges and high lending rates charged by some lowly capitalised banks are a form of 'tax' levied by the institutions on vulnerable members of the public in order to supplement their meagre capital levels," he said.

"Insolvent banking institutions and those with low capital bases have high propensity to indulge in adverse selection as they gamble for survival. "These institutions may be compelled by circumstances to pay above market rates for deposits, as well as extend credit at usurious lending rates to borrowers with no realistic prospects of honouring their obligations." Official figures showed that monthly administration charges by banks ranged from USD 2 to USD 100 per month. "We cannot continue using a Zimdollar mentality and a Zimdollar interest rate and Zimdollar charges," Gono said. He said high bank charges eroded confidence in the banking system leading to financial disintermediation, where economic agents kept their money outside the banking system. An estimated USD 2bn to USD 3bn is believed to be circulating outside the banking system. *(News Day)*

A disciplinary hearing for suspended Zimbabwe Stock Exchange (ZSE) chief executive officer Emmanuel Munyuki continues to drag on with no

solution in sight after it emerged that no date had been set to conclude the process. Munyuki was suspended in May pending the disciplinary hearing and there are now indications the parties could settle for an exit package. His suspension came nearly a month after his mentor Anthony Barfoot was also relieved of his duties as consultant to the exchange. Lawyers representing the bourse and the suspended ZSE boss confirmed that it was highly unlikely parties would meet this month to conclude the case. ZSE interim board chairman Eve Gadzikwa yesterday said the matter was still ongoing. "The matter is still sub judice. I'm yet to get confirmation on when we will meet," Gadzikwa said. Munyukwi's lawyer Selby Hwacha said it was highly unlikely that he would meet with the ZSE this month due to other pressing commitments. "We have not yet set a specific date. I will be travelling this month, so chances of meeting are minimal. Everybody is, however, anxious to resolve this matter," he said.

Sources, however, said the ZSE had failed to pin down Munyuki on charges of incompetence after it emerged that the bourse had bungled the disciplinary hearing process. The hearing had been postponed on numerous occasions amid speculation that lawyers could have been negotiating for a golden handshake for Munyuki's exit. It is understood that the ZSE boss was facing charges of misconduct and incompetence. Market players say the suspension could have been triggered by a fall-out between Munyuki and stockbrokers who were unhappy with the financial position of the bourse. ZSE operations executive Martin Matanda is the acting chief executive officer. Meanwhile, performance of the ZSE has remained subdued on the back of liquidity constraints and investor fears of indeginisation and empowerment regulations compelling foreign-owned firms to dispose of 51% equity to locals. *(News Day)*

PLATINUM miner, Zimplats advanced a USD 25m loan to ZESA which the power utility used to reduce its indebtedness to Mozambique's Hidroelectrica de Cahora Bassa, enabling the resumption of power imports. The Mozambican company had cut supplies to Zimbabwe after ZESA failed to reduce its mounting debt but the facility extended by Zimplats would enable power imports to resume. Zimplats said, in return, ZESA would guarantee power supplies to its operations for three years. "During the quarter, Zimbabwe Platinum Mines (Private) Limited advanced a USD 25m loan to the power utility ZESA which was used to reduce the utility's overdue indebtedness to Hidroelectrica de Cahora Bassa of Mozambique in respect of power imports," the company said in its latest financial report. "The loan facility enabled Zimbabwe to resume power imports from Mozambique to augment the country's constrained power generation. "The loan principal and interest were converted into power units which will be redeemed over three years. In return, Zimplats is guaranteed uninterrupted power supplies for its operations for five years.

Meanwhile Zimplats posted a 52% drop in operating profit in the fourth quarter to June, due to weaker platinum group metal prices. The company said operating profit was USD 25m, down from USD 52m in the previous quarter as metal prices were depressed during the period while operating costs rose 17%, in line with higher sales volumes. "Operating costs were 17% above previous quarter in line with the higher sales volume. In addition, the first tranche of USD 3.3m was paid to the Community Share Ownership Trust in terms of an undertaking to make available to the trust, USD 10m over a three year period," the company said. "Royalties continue to be accounted for at the higher rates set in terms of the Finance Act whilst the company awaits resolution of the dispute which is currently before the courts. As a result of the above, operating profit amounted to USD 25m, 52% lower than the previous quarter."

Zimplats, which is 87% controlled by Implats , said in March it had agreed to a deal that would see it comply with Zimbabwe's requirement that 51% of shares in Zimplats be held by locals. The firm said it was in discussions with the government over the implementation of the ownership agreement. "A Joint Technical Committee comprising Government of Zimbabwe representatives and management has been set up to work through material issues pertaining to the agreement. Discussions are on-going and shareholders will be updated on major developments," the company said. *(New Zimbabwe)*

African Banking Corporation Holdings majority shareholder, ADC of Germany, has increased its stake in the financial services group to a controlling 50,4%. ADC initially held 23% of ABC Holdings, before raising its interest to 41,7% after underwriting the group's USD 50m rights issue. The Frankfurt Stock Exchange-listed company then increased its ABC stake when it agreed to hold shares for executive management as a financing mechanism, to take its shareholding to 50,4%."The group is very excited about this development as it will result in alignment of interests between management and ADC, now the anchor shareholder of African Banking Corporation," said ABC Holdings. The regional banking group recently raised USD 50m through a rights issue for recapitalisation of its subsidiaries in Zimbabwe, Botswana, Zambia and Tanzania. The capital raising put all the subsidiaries, which trade as BancABC, either in the top tier or upper second tier of banks in the various countries in which the group operates.

Group CEO Mr Beki Moyo said the capital levels for the various banking subsidiaries would increase to USD 53m for BancABC Botswana, BancABC Zimbabwe USD 52m, BancABC Mozambique USD 32m, BancABC Zambia USD 26m and BancABC Tanzania USD 20m. Mr Moyo said the respective operations were fully compliant with the regulatory capital requirements. The successful cash call then created the right platform for the group to start preparing for between USD 75m and USD 100m fund raising plan. ADC had a flirtation with another local financial institution, Premier Banking Corporation, which was later renamed Ecobank Zimbabwe after it was acquired by the Togo-incorporated Pan African Bank. ADC held a 54% stake in Premier. ADC is a listed financial services group company focusing on the highly profitable banking and insurance market as well as on proprietary investments in selected frontier markets in Sub-Saharan Africa. The group focuses on making growth capital investments available, following an active management approach and knowledge transfer delivering operational added value to its portfolio companies.*(Herald)*

Zimbabwe Stock Exchange-listed concern RioZim Limited has readjusted its financial results showing after-tax loss narrowing to USD 12,2m for the full-year ending December 31 2011 from USD 16,3 m. Revenue for the period was up USD 54,5 m from USD 47,8 m driven by a rise in revenue and a cut in expenses. In its adjusted and reclassified financials for the period, RioZim announced that the mining group had also terminated a toll refining agreement to pave way for a settlement agreement under which the group will be the exclusive owner of all stock held, less the settlement amount. RioZim last month announced plans to convene an annual general meeting (AGM), three months after the initially scheduled meeting was postponed after it emerged the company's financial statements were in shambles. The mining group said its 56th AGM is now slated for August 17 at the company's head office in Harare, following the release of revised financials.

The meeting will, among other issues, consider the financial results and the re-election of non-executive directors. "Subsequent to the year end, management and directors became aware of an error in the accounting treatment for certain metals delivered to third parties. "These deliveries were previously accounted for as sales of the group's own inventory," reads a statement accompanying the results. "However, the metals delivered were third party inventory and not the inventory belonging to the group. "Accordingly the error has been corrected by way of restatement of the 2009 and 2010 comparatives. " Meanwhile, there were reports that the mining group was seeking USD 200 m in the coming year as it planned to list RioGold offshore. New RioZim chairperson Harpal Randhawa told our sister paper the Zimbabwe Independent last month that Rio Gold was in discussion with a number of other local gold companies to consolidate assets and build a company with a critical mass of production assets, advanced stage projects and blue-sky potential. RioZim owes its creditors, mainly local financial institutions, in excess of USD 50 m amid indications that the mining company has already started repaying the banks. *(News Day)*

DAIRIBORD Zimbabwe Ltd has announced a decline in net profit for the half year to June 30, 2012, to USD 1,9m from USD 2,3m. The company attributed the knock on net profits to exchange losses suffered from its Malawi subsidiary. During the period under review, the Malawi government devalued its currency by 49% to 250 Malawian kwacha to the United States dollar. "Business in Malawi continues to be affected by foreign currency shortages and restrictive retention policies," Dairibord chairman Dr Leonard Tsumba said in a statement. "In May 2012, the Malawi kwacha (MWK) was devalued by 49% to MWK250: USD 1, exerting pressure on costs "The exchange losses arising from the devaluation in Malawi amounting to USD 1,1m are accounted for in the statement of comprehensive income." The company has also indicated that it is still in the process of disposing of its Malawian subsidiary, Mulanje Peak Foods. Notwithstanding the Malawi exchange losses, Dairibord posted a 36% increase in profit for the six months period, which rose to USD 3,1m from USD 2,3m in the prior comparable period last year.

Revenue during the period rose 14% to USD 48,6m, largely driven by its food products. "Revenue growth by product portfolio was 24% for foods, 16% for beverages and 4% for milks," said the company in a statement. Sales volumes, which stood at 32,2m litres, posted a 9% improvement from the same period last year. In terms of volumes, growth across the various divisions, foods volumes went up by 14%, beverages also by 14%, while milk volumes increased by 3%. "Growth in foods and beverages was driven by increased capacity from significant investments in the yoghurt, Nutriplus and Cascade equipment, all commissioned in 2011," said Dairibord. The company has also reported that raw milk intake rose by 5% to 12,8m litres, with Zimbabwe increasing by 9% and Malawi recording a 7% decrease. During the period, the company divested from biscuit producer ME Charhons for USD 1m. Meanwhile, although basic earnings per share shot up 35% to USD 0,88, the group did not declare a dividend. Going forward, Dr Tsumba said the group would focus on tight cost management and intensifying marketing efforts, among other measures to improve profitability in the current year. *(Herald)*

ZIMBABWE'S largest banking group CBZ Holdings' earnings jumped 34% in the first half of the year, as higher interest income helped it offset the dollar crunch and sluggish economic growth the country is facing. Authorities have been forced to sharply cut its 2012 GDP growth forecast to 5.6% from the 9.4% seen earlier, citing a poor agriculture season, lack of donor funding and policy inconsistencies. The country, which abandoned its inflation-ravaged currency in 2009 to adopt foreign currencies, mainly the US dollar, has been battling a dollar shortage and was earlier this year forced to draw down USD 110m from a 2009 IMF fund in a bid to ease the liquidity crunch. CBZ said basic earnings per share were 2.92 cents in the half-year, compared to 2.18 cents previously. Profit after tax was USD 18.3m in the six months to June 2012, up from USD 13.7m in the same period last year. CBZ's huge base of cash-rich depositors and offshore lines of credit have been enabling the banking group to lend aggressively and boost interest income.

CBZ chief executive John Mangudya said the group had however curtailed lending during the first half, in a bid to manage risks associated with the weak economy and tight liquidity. Total loans stood at USD 789.8m at the end of the first half, a marginal change from USD 790m for the whole of last year. Mangudya said non-perfoming loans had come down to USD 44.7m in the first half of this year, from USD 48m at the close of 2011. The group's total deposits rose to USD 985.7m by June 2012, up from USD 814.7m in the same period of 2011. The group's assets rose to USD 1.174bn by June, up from USD 954bn in 2011. CBZ is the only Zimbabwean banking group with USD 1bn in assets. CBZ, which has commercial banking, mortgage lending, asset management and insurance units, said it already meets the new capital requirements imposed by the central bank last month, under which banks need to put up to USD 100m in minimum capital by June 2014. *(New Zimbabwe)*

Economic News

Government has issued Augur Investments a planning permit for the construction of a USD 100m Mall of Zimbabwe in Borrowdale. The intervention follows delays in approving the project by the Harare City Council. Local Government, Rural and Urban Development Minister Ignatius Chombo invoked a section of the Regional, Town and Country Planning Act to assume the role of the planning authority and issued the permit. He said the project was of national importance since it was tied to the funding of the construction of the Airport Road. The permit approves the conversion of an open space known as the Millennium Park for the development of a commercial office park, residential and institutional facilities. Council was delaying approving the project arguing that the land on which the mall would be built was under investigation over illegal deals. The law empowers the minister to approve projects that have national or regional implications and are in the public interest. "Council notes the powers of the Minister of Local Government, Rural and Urban Development as provided for in section 26 as read with section 29 of the Regional, Town and Country Planning Act," reads the council minutes of last Thursday. "Council notes that when the Minister exercises his powers in terms of section 26 as read with section 29 of the Regional, Town and Country Planning Act, council is still obliged to carry out its town planning functions as provided in the Act."

Section 29 of the Act takes all the powers of local planning authority (Harare City Council) to consider the application for a permit or preliminary planning permission, allowing the Minister to become the local planning authority. The granting of the permit by Minister Chombo strips the city of approval powers. But council will be mandated to approve building plans and to supervise adherence to standards during construction. “City of Harare will have to ensure that other Town Planning requirements are met when the development is done,” reads part of Mrs Ncube’s legal opinion to council. Mayor Muchadeyi Masunda recently gave “thumbs up” to the project. He said the existing shopping malls in the Borrowdale area were failing to meet the expectations of the “fairly affluent residents”. “This is a significant development for Harare and Zimbabwe,” said Mr Masunda. “It will cater for the needs of surrounding upmarket suburbs of Rolfe Valley, Borrowdale West, Ballantyne Park, Chisipite, Pomona, Greystone Park and Gunhill. “At the moment there is congestion at Sam Levy’s. We need to decongest that area.” Estimates indicate that up to 4 000 people would be employed at the mall that has so far attracted big South African retailers like Pick n Pay and Mr Price. *(Herald)*

The price of meat and mealie meal went down last month resulting in a marginal decrease for the consumer basket for a family of six to USD 556,47 in July. In June, the family basket stood at USD 561,13. Latest figures from the Consumer Council of Zimbabwe (CCZ) show that the food basket decreased to USD 143,94 in July from USD 148,88 the previous month. The food and detergents basket declined by 2,87% to USD 157,47. “It was encouraging to observe reductions in the price of meat (beef) from USD 4,20 to USD 3,92; mealie meal from USD 9,38 to USD 9,10; white sugar from USD 2,25 to USD 2,15; tea leaves from USD 2,35 to USD 2,15; rice from USD 1,85 to USD 1,80; salt from 23c to 20c; tomatoes from 70c to 55c, as well as cabbages from 59c to 55c per head and bath soap from 85c to 79c,” the CCZ said.

The consumer watchdog body said the price of laundry bars increased by 13 cents to USD 1,55 while onion prices increased to 99 cents per kg from 90cents. Flour rose to USD 1,85 per 2kg from USD 1,80. During the month of July, the basket for transport, rent, water and electricity, health, education, clothing and footwear had remained the same at USD 399. “As CCZ, we believe this is as it should be in a normal economy. Relentless and unwarranted increase in the prices of goods remain of great concern to consumers in the absence of any logical explanations by retailers, a situation which has forced many to ask questions about what is the real value of the US dollar locally and reasons behind such a phenomenon,” the consumer watchdog said. CCZ said it was still engaging Bankers’ Association of Zimbabwe and the Finance ministry to find a lasting solution to the shortage of coins. *(News Day)*

The United Arab Emirates was last year Zimbabwe’s largest consumer of rough diamonds, according to statistics from the Kimberley Process Certification Scheme (KPCS). The KPCS, an international certification scheme for rough diamonds, reported in its Zimbabwe annual report that the UAE received the highest number of KP certificates (a total of 64) during the period under review. South Africa came in second with the number of certificates issued reaching 32, with Israel in third with 18 certificates and Belgium in fourth with 15. India, which was largely perceived as one of Zimbabwe’s key consumers of rough diamonds, had three certificates. The KP Zimbabwe 2011 annual report also shows Zimbabwe exported a total of 7,15m carats of diamonds during the period through 148 Kimberley Process certificates. Rough diamond sales during the period could have been higher had it not been for sales restrictions placed on Zimbabwe during the period. The KP also said it cancelled 44 certificates last year due to a number of reasons, but mostly due to the restrictions on diamond exports from the Marange fields.

“The year 2011 remained a difficult year for rough diamond exports from Zimbabwe due to protracted restrictions on exports of diamonds produced from the Marange area, leading to the cancellation of many KP Certificates,” said the report. Official figures for the first half of this year show that rough diamond production in the county has improved substantially. Compared with the first half of last year, diamond output has increased by 129% from 2,2m to around 4,29m carats. The Ministry of Mines and Mining Development revealed the figures to Cabinet last month. But the increase in production of the gems this year has not translated into an expected increase in revenue from diamond sales. This is also in addition to the fact that the KP has since lifted trade restrictions on Zimbabwe’s gems. In his presentation of the Mid-Term Fiscal Policy Review Statement last month, Finance Minister Tendai Biti lamented diamond revenue shortfalls, which resulted in him reviewing downwards anticipated revenue this year from USD 4bn to USD 3,4bn. Diamond revenue from the Marange fields for this year had been initially forecast to top USD 600m. “Between January and June this year, diamond output has increased by 129% from 2,2m carats during the first half of last year to around 4,29m carats this time around,” he said. *(Herald)*

Reserve Bank of Zimbabwe Governor Dr Gideon Gono says the country’s new debt strategy should be expedited to unlock lines of credit. In March this year, Finance Minister Tendai Biti unveiled a debt resolution strategy in a bid to unlock external financing for economic development. The plan called Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy seeks ways to retire the country’s debt overhang. “The adoption of ZAADDS is a bold stride in the amicable resolution of the country’s debt burden,” said Dr Gono. “This notwithstanding there is need to expedite the implementation of ZAADDS to unlock credit lines critical for rejuvenation of the economy.” Zimbabwe owes various regional and international financiers an excess of USD 10,4bn and this resulted in several institutions cutting financial aid to Zimbabwe. However, there is renewed interest from some multilateral institutions which have already expressed willingness to start availing credit to Zimbabwe.

Last month, World Bank country manager Mr Mungai Lenneiye hailed Zimbabwe’s new strategy to retire its foreign debt, hinting that the Bretton Woods institution might reconsider extending credit to Zimbabwe. He said the new debt strategy that the Government had put in place to offset its foreign obligation “sounded reasonable” and this could pave the way for the World Bank to resume providing financial aid to Zimbabwe.“We think what that Minister of Finance (Tendai Biti) has so far put in place in terms of debt repayment sounds reasonable,” said Mr Lenneiye. “We think in the new year (next year) the process of lending could begin.” Dr Gono said the central bank was waiting for the outcome of the recent engagements with the International Monetary Fund of the possibility of a staff monitored programme. “The resolution of debt under ZAADDS, the adoption of an SMP and sustained macro-economic stability would allow offshore financiers to fund medium- to long-term projects, particularly to export sectors. "This will result in increased foreign exchange inflows into the country, thereby improving the country's balance of payments position and accelerated economic recovery."

The new strategy is a combination of old debt relief mechanisms, injection of capital by development partners, leveraging of natural resources and the removal of illegal sanctions imposed by Western countries. It involves stricter debt management through a debt management office, creation of database validation and reconciliation with all creditors, negotiating arrears' clearance and a relief plan. It will also include re-engagement with the international community for normalisation of relations, removal of sanctions and leveraging resources. Unveiling the new debt plan in March, Minister Biti said Zimbabwe could not deal with infrastructural challenges without funding and assistance from international financial institutions and bilateral partners Zimbabwe's huge debt liability is largely a result of the country's economic instability over the decade to 2008, which constrained its capacity to repay. Last year, the African Development Bank said the country's debt overhang was a major stumbling block to Government's efforts to attract foreign investment. Some of the institutions owed by Zimbabwe are the African Development Bank (USD 529m), World Bank (USD 1,5bn), the International Monetary Fund (USD 550m) and the European Investment Bank (USD 221m), among others.*(Herald)*

The Tanzania-based airline, Precision Air, is set to start flying into Zimbabwe beginning the end of the year, the Civil Aviation Authority (CAAZ) has said. CAAZ says the entry of Precision Air would bring to two the number of new players set to fly into Zimbabwe before end of the year. CAAZ chairperson Advocate Jacob Madenda said the coming of new airlines to Zimbabwe was a sign of confidence to the country's recovering economy. "There has been a lot of interest from international airlines to fly to Zimbabwe. This is a sign of confidence in the country as an international destination," said Madenda. Meanwhile, CAAZ general manager David Chawota said the authority was encouraging the establishment of domestic airlines and was ready to license serious private operators. "We have been battling to regain all the airlines and we believe the wider the linkage the better," said Chawota. Last week, a new airline, Fresh Airlines launched operations in Zimbabwe where it will service domestic and international routes. The airline is a 51/49% joint venture partnership between Zimbabwe's Nu-Aero and One Time in South Africa.

The maiden flight touched down at Harare International Airport last Friday. Transport, Communication and Infrastructure Development permanent secretary Munesu Munodawafa said his ministry expected the new airline to improve connectivity on the domestic network for tourists, business and the general travellers. "The new airline will service domestic and regional routes I have no doubt about that. It has also sent a positive signal to indigenous players. We view the coming on board of Fresh Air in the aviation industry as the beginning of serious business," he said. Last month Netherlands based Royal Dutch KLM announced that it would commence flights to Zimbabwe in October. Tourism experts said the coming in of airlines meant improved access to the country ahead of the United Nations World Tourism Organisation General Assembly to be co-hosted by Zimbabwe and Zambia in Victoria Falls. *(New Zimbabwe)*

A PARLIAMENTARY committee has said it will investigate Reserve Bank of Zimbabwe governor, Gideon Gono over the distribution of farm equipment

acquired under the bank's USD 200m agriculture mechanisation programme. Most of the beneficiaries have not paid for the equipment, leaving the RBZ with a USD 198m black hole, a key part of the central bank's billion dollar obligations. The RBZ acquired the implements as part of its much-maligned quasi-fiscal activities in the last decade which critics say helped stoke the country's world record inflation levels. Gono recently clashed with Goromonzi MP Paddy Zhanda (Zanu PF) over the issue after he refused to divulge the names of the beneficiaries during a hearing before the Parliamentary Portfolio Committee on Agriculture. Legislators feel the equipment, meant to assist poor farmers, was instead handed over to well-connected big wigs. Said Committee chair, Moses Jiri (MDC-T): "We met as a committee and requested legal advice from counsel to Parliament. The legal advice that we got was that it is within our powers and jurisdiction to make the enquiries. We have therefore taken that advice and resolved as a committee to proceed with the enquiries."

During a stormy clash before the abortive committee meeting last month, Gono refused a request by Zhanda to reveal the names of the beneficiaries citing, bank/client confidentiality. "Section 60 (1) of the RBZ Act [Chapter 22:15] forbids bank staff from disclosing information relating to the affairs of the bank or a customer unless lawfully required to do so by any court or under any enactment," Gono told the hearing. "Anybody who contravenes the section shall be guilty of an offence and liable to a fine not exceeding level seven or imprisonment for a period not exceeding two years or to both such fine and such imprisonment." But Zhanda countered that select committee hearings were protected under the privileges of Parliament, triggering a heated argument with the RBZ chief. Meanwhile, Jiri said the Committee had resolved that Gono must be compelled to reveal the beneficiaries of the programme. "We resolved that legal provision (cited by Gono when refusing to divulge the information) did not apply to our enquiries," he said. "Legal statutes governing operations of Parliament supersede any other law, so that excuse cannot be used to stop our enquiries. He has to come and respond to our enquiries; otherwise we would invoke necessary legal statutes.

"A letter would be written through the secretariat of Parliament advising him of our position so that he can prepare to bring the documents we want at a date we are still to determine." Gono last month told MPs that it was not the responsibility of the central bank to track down beneficiaries to recover payment for the equipment insisting the Ministries of Finance and Agriculture had to make the necessary follow-ups. "We distributed the machinery with the assistance of the Ministry of Agriculture, Mechanisation and Irrigation Development and the Grain Marketing Board," he said. "Beneficiaries received implements according to the sizes of their land and the ecological regions in which they are operating. "The GMB and the Ministry identified the beneficiaries. They were the ones who had information on the farmers and their production records." *(New Zimbabwe)*

THE Postal and Telecommunication Regulatory Authority of Zimbabwe (POTRAZ) has crafted a new licensing regime for mobile phone operators to encourage cooperation between players and to keep the country in line with emerging technologies. The country's mobile phone operators Econet, Net One and Telecel are due to renew their operating licenses next year and will be required to comply with the new laws. POTRAZ director general engineer Charles Sibanda said the new laws will come into force soon, Zimbabwe's New Ziana reported. "The work has been done. What is now left is the announcement by the policy maker and hopefully the announcement will be made soon," he said. New changes in the licensing regime include compulsory infrastructure sharing for telecom operators and adoption of new sophisticated technologies. "Our position on infrastructure sharing is that it should be done on commercial grounds. At the moment we do not have legislation in place to enforce that but it is one issue which will be fully addressed in the new licensing regime," Sibanda said.

At the moment, the three networks are not fully sharing their infrastructure reportedly due to disagreements and mistrust, which has resulted in the three companies building similar infrastructure such as base stations on the same site instead of just sharing one. Sharing is also anticipated to reduce the costs of laying out networks for the companies, which would in turn result in lower charges for consumers. Owing to rapid developments in information communication technology, countries on the continent including Botswana, Mauritius and South Africa are in the process of adjusting their regulatory frameworks. With fourth generation (4G) revolution yet to sweep through the local market, analysts have implored POTRAZ to hasten efforts to revise the existing licensing regime. *(New Zimbabwe)*

The Reserve Bank of Zimbabwe (RBZ) says it is in the process of crafting legislation making it possible for bankers that abused depositor's funds to be prosecuted. Addressing bank executives in Harare on Wednesday, RBZ governor Gideon Gono said the bank would come up with a raft of measures to make financial institutions function better. "In the context of deliberate efforts to promote the safety and soundness of the banking sector, the Reserve Bank will soon be announcing measures to assist banks on dealing with the current stock of non-performing loans," he said. "These measures include a robust prosecution framework for all those bankers who abused depositor's funds, but are walking scot-free." The central bank chief has on numerous occasions accused bankers of abusing depositor's funds to shore up their bank balances. Investigations into the closure of several local banks by the apex bank have shown that shareholders and directors have been abusing depositor's funds, but no arrests have been made. Gono recently said it had been determined that challenges associated with lowly capitalised banking institutions largely emanated from individual shareholders with overbearing influence on management. He said this resulted in poor corporate governance and risk management practices.

"The individual shareholders lack capacity to adequately capitalise their institutions on an on-going basis and they instead engage in gross insider abuse," Gono said. "The 'incestuous' activities of these shareholders expose depositors and are, therefore, detrimental to the financial system and economic stability." Gono said the new framework would also tackle the issue of high and "unacceptable" levels of interests being charged by banks. The issue of lending to small and medium-scale enterprises, property liquidations that is becoming rampant in the bank charges and exorbitant fees which banks are currently charging and the non-payment of interest on depositor and savings accounts would be tackled in the new framework. The RBZ also plans to introduce short-dated paper in the market to facilitate inter-bank trading and improving the central bank on-site and off-site inspections and surveillance systems. *(Reuters)*

Notes

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