SECURITIES AFRICA

For week ending 17 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:

	17-Aug-12	WTD %	30/12/2011	YTD %
Currency	Close	Change	Close	Change
AOA	95.14	0.00	94.93	0.22
DZD	81.57	-0.05	75.24	8.41
BWP	7.55	-0.10	7.37	2.42
CFA	530.25	1.95	494.74	7.18
EGP	6.05	-0.18	6.01	0.63
GHS	1.94	0.25	1.62	19.76
KES	82.52	0.00	83.56	-1.25
MWK	267.65	0.24	162.40	64.81
MUR	30.50	3.73	28.14	8.40
MAD	8.88	-0.03	8.58	3.52
MZM	28.85	3.04	26.70	8.05
NAD	8.22	2.70	8.14	0.97
NGN	156.30	-1.32	159.79	-2.18
ZAR	8.22	1.61	8.17	0.58
SZL	8.18	1.77	8.15	0.41
TND	1.61	0.14	1.49	7.92
TZS	1,545.00	-0.30	1,560.40	-0.99
UGX	2,477.00	1.44	2,447.24	1.22
ZMK	4,885.00	2.72	5,017.54	-2.64

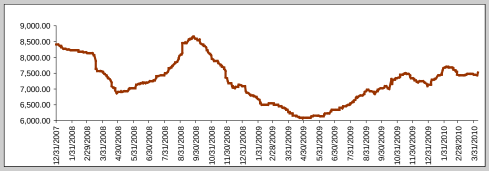
Source:oanda.com

African Stock Exchange Performance:

Country	Index	17 August 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,331.97	0.36%	0.46%	5.18%	2.69%
Egypt	CASE 30	5,163.53	3.49%	3.67%	42.55%	41.66%
Ghana	GSE All Share	1,030.50	-0.55%	-0.80%	6.34%	-11.21%
Ivory Coast	BRVM Composite	144.64	-1.98%	-4.11%	4.15%	-3.09%
Kenya	NSE 20	3814.10	-0.77%	-0.76%	19.00%	20.51%
Malawi	Malawi All Share	5,967.23	-0.01%	-0.25%	11.13%	-32.57%
Mauritius	SEMDEX	1,718.31	-1.77%	-5.30%	-9.01%	-16.06%
	SEM 7	331.63	-2.15%	-5.66%	-5.34%	-12.68%
Morocco	MASI	9,850.80	-0.22%	-0.19%	-10.53%	-13.57%
Namibia	Overall Index	907.00	-1.41%	-4.03%	8.23%	7.17%
Nigeria	Nigeria All Share	23,141.08	-1.62%	-0.31%	11.63%	14.12%
South Africa	Top 40	31,368.00	1.25%	-0.41%	-1.96%	-2.58%
Swaziland	All Share	284.32	0.00%	-1.74%	5.92%	5.49%
Tanzania	DSEI	1,442.38	0.16%	0.47%	10.68%	11.78%
Tunisia	TunIndex	5,210.42	-0.85%	-1.06%	10.34%	4.09%
Zambia	LUSE All Share	3,806.86	-0.51%	-3.15%	-8.70%	-5.96%
Zimbabwe	Industrial Index	133.96	0.58%	0.58%	-8.16%	-8.16%
	Mining Index	89.04	0.00%	0.00%	-11.58%	-11.58%

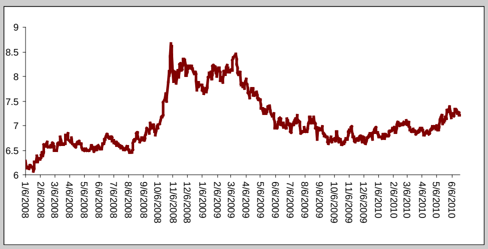
Botswana

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

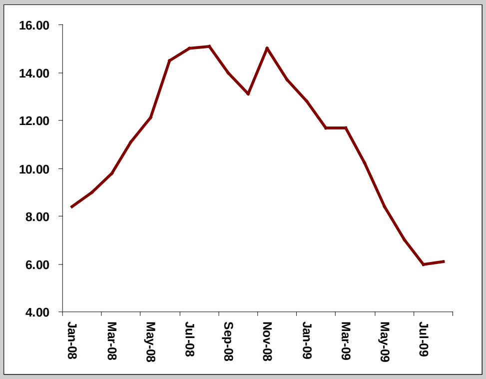
The DCI ended the week 0.03% higher at 7,331.97pts. Af Copper led the gainers 12% closing at BWP 0.28. Other notable gainers were Aviva (7.14%) Choppies (1.82%) and Engen (1.55%). A-Cap and Turnstar led the losers (-17.24%) and (-4.76%) respectively.

Corporate News

The world's leading diamond producer, De Beers, has started the sorting of rough stones in Botswana. It is the first step in the transfer of some of its operations from London to Gaborone, the company said. It would turn Botswana into a major international centre, with about USD 6bn (£3.8bn) worth of diamonds expected to flow through the country, it said. Botswana has long campaigned for its diamonds to be processed, sorted, marketed and sold from the country. De Beers' rough stone sorting or aggregation operations have been based in London for nearly 80 years. De Beers first agreed to the transfer in 2006, but it was repeatedly delayed. Botswana's Vice-President Ponatshego Kedikilwe described the move as a milestone. "From humble beginnings to becoming the leading diamond producing country by value, we now embark on another segment in the journey chain," he said. The Botswana government and De Beers who are joint owners of Debswana, the country's main mining company signed a deal in September 2011 to make the move from London to Gaborone. It will open the way for Botswana to directly sell 10% of gem stones manufactured locally, the AFP news agency reports. De Beers will also increase the value of diamonds it makes available to manufacturing companies in the country to USD 800m a year from the current USD 550m.*(BBC News*

Economic News

Stronger mineral revenues and under spending of the development budget whittled down the 2011/12 deficit from a forecast BWP 6.93bn to BWP 2.2bn, final cash flow figures released by the Bank of Botswana indicate. The revised deficit is also lower than the BWP 3.8bn estimated by Finance Minister, Kenneth Matambo in this year's budget speech. The 68% drop between the forecast and final deficit figure portends a healthier state of public coffers for the 2012/13 financial year in which Matambo, expects a modest BWP 1.15bn surplus in the current year. Last year, the 2010/11 forecast deficit of BWP 10.2bn came in at BWP 6.5bn or 46% lower than was first projected by the finance ministry, powered again by stronger than expected mineral earnings. For 2011/12, the final figures, still due for further revision, indicate revenues at BWP 38bn against spending of BWP 40.2bn, giving rise to the BWP 2.2bn deficit. For the 2011/12 financial year, the BoB said the revised



Source: SAR

deficit was the result of several related factors."Revenues grew by 19.1% compared to 2010/2011, driven in particular by buoyant mineral receipts, payment from the Southern African Customs Union and VAT," the central bank says in its monthly data set. "In contrast, total expenditure grew by only 4.6% compared to the projected 8.5%, due mainly to continued under spending of the development budget."

A comparison of BoB final figures and finance ministry forecasts for 2011/12 indicates that mineral revenues, which include mineral taxes, royalties and dividends, rose from a projected BWP 11.2bn to a final BWP 15.82bn, powered by a 30% rise in global diamond prices. The rise in diamond prices between January and July was underpinned by restocking by manufacturers and jewellers following the global recession and warming conditions in major markets of India, China and the United States. However, the BoB/finance ministry comparison also indicates that besides mineral revenues, other revenue categories fell, with VAT down from a projected BWP 5.25bn to a final BWP 4.96bn. Similarly, non-mineral tax dropped from a projected BWP 6bn to a final BWP 5.76bn, while customs pool earnings slid marginally from their forecast BWP 8.46bn to a final BWP 8.42bn. Comparisons of projected and actual expenditure were impossible as the BoB's data set did not contain final figures for spending in 2011/12.Prominent economist, Keith Jefferis told Business Week that the impact of the smaller 2011/12 deficit on the current budget would largely depend on whether the reduction was driven by higher earnings or under spending. Jefferis said under spending as the source of the lower deficit would not impact the 2012/13 budget as the spending planned for this year was already authorised. Alternatively, higher minerals as the source of the lower deficit would "carry over" to the 2012/13 budget meaning the financial year begins on a higher standing.

Jefferis said rather than boosting this year's budget, higher mineral earnings from last year were likely to compensate for the downtrend in diamond sales seen since January. "The higher revenues from last year are probably compensating for the fact that the diamond industry is now performing less well than it was at the time of the (planning for the 2012/13) budget," he said. "Since January and February 2012, the diamond industry has taken a downturn and that is a negative which may be compensated for by the higher revenues from 2011/12." Asked to comment on the under spending by government, University of Botswana economist Emmanuel Botlhale said that it is worrying that under-expenditure was also a contributing factor to the reduced budget deficit as government expenditure is a key factor in aggregate demand." If there is a budget under-expenditure, this will lead to reduced aggregate demand and, therefore, this will slow down the economy during post-recession days when we need to grow it. In addition, some of the projects are capital, therefore, if they are not implemented, this leads to repressed growth because they are drivers of the economy," he said. *(Mmegi)*

Botswana's headline consumer inflation was unchanged at 7.3% year-on-year in July compared with the previous month, the Central Statistics Office said on Wednesday. On a month-on-month basis, prices were up 0.3% in July after a 0.5% increase in June. *(Reuters)*

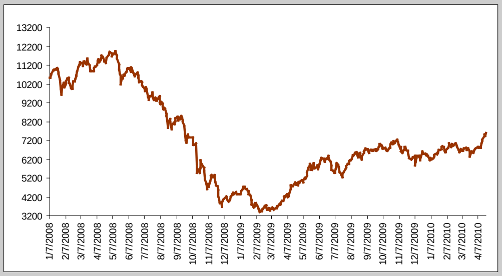
Okavango Diamond Company will begin auctioning Botswana's share of diamonds from Debswana by the second quarter of next year, launching the country into a new multi-billion Pula era in the diamond industry.

Okavango is the fledgling state-owned entity which will market and sell between 10 and 15% of Debswana's run of mine production, under a 10-year deal signed between government and De Beers last September. Prior to the deal, all Debswana production was marketed through De Beers' Diamond Trading Company system, but from next year onwards, Okavango will independently auction the portion of production set aside for government. Unveiling the Okavango inaugural board on Monday, chairman Jacob Thamage said an "aggressive establishment plan" had been approved which would culminate in the launch of trading activities in the second quarter of next year. He said all activities in the interim would be building towards the start of trading activities."We are at the start of an exciting journey and it is the board's commitment to build a dynamic, successful diamond business which we can all be proud of," Thamage said in a statement."The board has approved an aggressive establishment plan that encompasses all the complexities of setting up a company of this nature and will see Okavango commence trading from Gaborone." Okavango is expected to independently auction an estimated USD 300 million to USD 350 million (P2, 250 to P2, 625)worth of diamonds on the open market per annum from Debswana's average USD 3 billion-a-year supply.

Newly appointed managing director, Toby Frears outlined the immediate steps Okavango would take ahead of trading activities next year."Over the coming months, we will be focusing on developing and implementing the launch plan, putting together a world class team including the appointment of a deputy MD, developing the company strategy and operating plan, defining sales model and identifying and equipping suitable premises for the start of trading activities," he said. Last month, Minerals, Energy and Water Resources Minister, Ponatshego Kedikilwe told Mmegi Business that government was still putting its house in order and was in no particular hurry to commence diamond auctions. At the time, diamond industry experts said the pace of progress at Okavango was timely given the generally depressed market conditions across the diamond industry, which would undercut profitability were auctions to be held immediately. Producers, manufacturers and retailers alike expect the difficult conditions to persist for the rest of the year, while prospects for next year remain mixed on global economic concerns and other factors. *(Mmegi)*

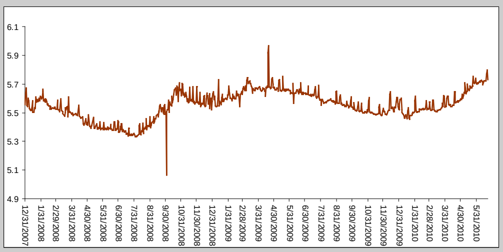
EGYPT

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% in the green spurred by major changes that were made to the Egyptian army heads as well at the Qatar government's deposit of USD 2bn in the central bank. SODIC advanced by 2.08% to close at EGP 19.11. Oriental Weavers advanced by 2.08% to close at EGP 20.57. EFG-Hermes increased by 3.18% to close at EGP 11.36. Palm Hills traded 2.38% higher at EGP 2.15.

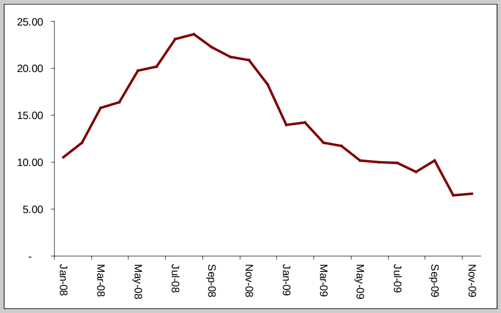
Corporate News

Banque Du Caire reported net profits for the first half of the year of EGP 400m, of which EGP 201m were netted during the first quarter. The profits achieved during the first half are close to the target profits for the entire year, according to their 2012 budget, which was approved by the Bank's general assembly at beginning of the year. Moner El Zahed, Managing Director and CEO of the bank, said that the bank realised 2012′s target in only six months, with a net profit of EGP 201m within the first quarter. According to these results, the bank made double its targeted profits during this period. Returns on equity reached 29.7%, the highest rate achieved in the banking industry. El Zahed added that the bank's general assembly has approved the financial statements of the first quarter of 2012. Banque Du Caire achieved EGP 44.9m in net profits by end of 2011, and by the end of the first quarter of 2012 net revenues increased by approximately EGP 434m, compared to EGP 309m at the end of 2011.

During the first quarter of 2012, the bank's loan portfolio reached EGP 18.4bn, compared to EGP 17.7bn at end of 2011, an EGP 700m increase. When El Zahed assumed leadership of the bank at the beginning of 2012, he laid out a three-year plan from 2012 to 2014. The plan focuses on restoring the bank's market share and its position in banking retail products as well as maximising shareholders' profits. Deposits in domestic currency also recorded significant growth at the end of 2011, rising by EGP 2.6bn. Total balance of deposits reached almost EGP 37.1bn compared to EGP 34.5bn at end of 2010. Balances of saving certificates represented most of the increase, reaching EGP 1.7bn with a 43.6% increase compared to 2010 balances. Saving certificates represented 63.5% of the increase in deposits of domestic currency following issuance of a new variety of certificates in domestic currency.

In addition, loans recorded an increase of 27.3%, leading the loans portfolio to reach EGP 17.7bn last year. Loans are divided between banking retail, EGP 6.6bn, and syndicated loans, EGP 5.3bn, compared to EGP 13.9bn by end of 2010 with an EGP 3.8bn increase. Syndicated loans occupied 33% of the bank's total loan portfolio during the first quarter of the current year, reaching EGP 5.991bn. Microfinance loans reached EGP 502m. (*Daily News)*

CPI Inflation



Source: SAR

Egyptian investment bank EFG Hermes posted a net profit of EGP 27m for the second quarter, a two-thirds decline from a year earlier when it was lifted by a dividend from a real estate investment. The bank, which is planning a tie-up with Qatar's QInvest to give it more capital to expand, earned 80m pounds in the second quarter of 2011 when results included exceptional dividend income of 28m pounds from SODIC. However, revenue from its brokerage operations fell this year due to the lower trading volumes on markets in the region, while the treasury and capital markets business benefited from a rise in yields on the state treasury bills it holds. "Rates on treasury bills have gone up more than 4% and they have a huge investment in treasuries," said Mohamed Seddiek, head of research at Prime brokerage.

EFG Hermes shares were up 2.5% in relatively heavy volume on the Egyptian Exchange by 1144 GMT. The wider index of which it is part was up 0.2%. Overall second-quarter investment banking revenue declined 13% on a year ago to EGP 195m but group operating revenue was up 2% at 477m pounds, with its Credit Libanais retail bank achieving 3% growth in net profits. Seddiek said the results seemed to be in line with expectations overall, except for a decline in assets under management of 6% from the first quarter of 2012. "They keep on losing funds and don't seem to have reached the ground yet, although markets flattened over the last period," he said.*(Reuters)*

Egypt-focused miner Centamin posted a 24% drop in second-quarter profit due to higher costs and as it did not sell as much gold in the period as it produced, but it maintained its production forecast for 2012. Centamin on Tuesday posted pretax profit of USD 42.1m in the three months ended June 30, compared to the USD 55.7m it made in the same period last year, just under a company-supplied consensus forecast of USD 43.8m. The cost of producing the gold rose 13% to USD 565 per ounce in the period, down from the first three months of the year but higher than the USD 498 cash cost per ounce in the same quarter last year. That was offset in part by an average sales price which was 4% higher. The company sold 60,673 ounces of gold in the period, compared to the 67,422 ounces it produced, allowing inventory to build up. In contrast, in the same quarter last year, it produced 47,991 ounces and sold 50,262 ounces.

Centamin guided that production would come in at 250,000 ounces for the year, a 25% rise on last year, maintaining its forecast despite two temporary closures of its mine due to labour unrest. It also said it still expected cash costs to come in at USD 550 per ounce for the year, but said that due to challenging political and fiscal conditions in Egypt, it had been buying fuel at an international price, rather than with Egypt's national industry subsidy for diesel. The higher fuel costs, which meant cash costs were actually USD 729 per ounce in the second quarter, were being treated as prepayments for the time being."The company will look to recover any funds advanced thus far at this higher rate should negotiations or proceedings be concluded successfully," Centamin said. *(Reuters)*

Egypt's Commercial International Bank reported an 18% increase in second-quarter net income on Tuesday, above the expectations of analysts who say the country's lenders are benefiting from soaring yields on government debt. Net profit at the country's biggest privately owned bank by assets was 523 million Egyptian pounds, above the 443 million it reported for the same period a year earlier and an analyst consensus forecast of 505 million. Egypt's business sector has been struggling to recover from the disruption that followed President Hosni Mubarak's overthrow last year. Banks such as CIB kept their bottom line growing thanks partly to record-high interest rates paid by the state this year for its short-term borrowing. Consolidated revenues at CIB grew 23% to 1.23 billion pounds, above the average forecast of 1.09 billion in the Reuters poll of analysts.

State borrowing costs have soared as foreign investors exited the local treasury market, tax receipts suffered from a weak economy and the government boosted spending to meet popular demands for better living standards after Mubarak's overthrow. "We already saw other banks reporting top-line growth on the higher yields from treasury bills," Beltone Financial Sara Boutros said earlier on Tuesday ahead of CIB's results. She said banks' retail loan books have also been growing, partially compensating for the decline in corporate lending. CIB's gross loans grew 9.6% to 42.83 billion pounds at the end of the quarter from a year earlier. Net interest income was 1.80 billion pounds for the first half, up 43% from a year earlier. CIB said higher loan loss provisions meant they now covered 134.8% of non-performing loans, up from 120.6% at the end of 2011. "Even with the higher cost of risk resulting from Egypt's prolonged economic recovery, CIB is well on course to achieving outstanding full-year results," the bank said in its statement. CIB shares have gained 52% this year, tracking the wider market higher on optimism that the worst of the economic turmoil sparked by Mubarak's overthrow may be over. Much of the gain came since late June when a new president was propelled in office with the strongest popular mandate in the country's history. *(Reuters)*

Egypt-based Orascom Telecom reported second-quarter net profit of USD 27 million on Tuesday, reversing a loss of USD 58 million a year earlier when results were weighed down by tax charges from the sale of its Tunisian business. Egypt-based Orascom has been controlled by Russia's Vimpelcom since a tie-up in April 2011 and has operations in Algeria, Pakistan, Bangladesh and Canada. Earnings before interest, tax, depreciation and amortisation (EBITDA) were USD 469.8 million, the company said, also revising down its year-earlier figure to USD 439 million from USD 476 million. It said comparative year-earlier figures were restated to reflect the demerger of its units Mobinil, koryolink and Alfa as part of the Vimpelcom tie-up.

Orascom said its EBITDA margin, a broad measure of profitability, was 50.5%, up 3.1 percentage points from a year earlier on a like-for-like basis. In Bangladesh it fell by 4.7 percentage points due to higher marketing costs as it took on more customers, Orascom said. It attributed the group's higher profitability to cost cutting, subscriber growth and more use of data services but said adverse currency effects weighed on the bottom line as reported in U.S. dollars. In Algeria, its most lucrative market which has been hit by a long-running dispute with the government, average revenue per user declined as the subscriber base expanded, but new subscribers used their phones less than others. *(Reuters)*

Economic News

Qatar will deposit USD 2bn at the Egyptian Central Bank in an effort to help support an economy battered by a year and a half of political turmoil, an Egyptian presidency statement said on Saturday. Egypt's foreign reserves began a steep decline 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. The economy faces a looming balance of payments crisis and high state borrowing costs, and experts say financial aid is urgently needed to avoid currency devaluation. "The state of Qatar has decided to deposit USD 2bn at the Egyptian Central Bank," said the presidency statement. The emir of oil-rich Qatar, Hamad bin Khalifa al-Thani, held talks with newly elected Islamist President Mohamed Mursi during a visit to Cairo on Saturday. It was the first trip by a Gulf leader since Mursi was sworn in on June 30.

Mursi's new cabinet will have to decide whether it should implement new and potentially painful austerity measures to help stabilise government finances and secure foreign financial help. Political unrest has chased away tourists and foreign investors and prompted government employees to strike for higher wages. A mission from the International Monetary Fund (IMF) will arrive in Cairo this month to resume talks with the government over a USD 3.2bn loan. Political tensions have been delaying the unlocking of aid as the IMF demanded that any loan gets broad political support. Egyptian government expects a growth rate of 3.5-4% in the 2012-2013 fiscal year. Gulf governments have offered some aid, including a Saudi USD 1bn deposit at the central bank earlier this year. *(Reuters)*

Managing Director of the International Monetary Fund (IMF), Christine Lagarde, is scheduled to visit Cairo on 22 August for further discussions with President Mohamed Morsy over a possible IMF loan to Egypt. It has been reported that an IMF mission, led by Masood Ahmed, the IMF director for Middle East and Central Asia, was scheduled to visit Egypt by the end of August to discuss the USD 3.2bn loan, requested by the Government to help address its looming financial crisis and budget deficit. Reuters reported Wednesday that the Government will ask to increase the loan to over USD 4.8bn. Negotiations have been on hold for several months due to lack of domestic consensus regarding borrowing from international financial institutions, particularly since the IMF demanded the support of all political factions before granting any loans. However, the worsening financial crisis has forced the Government to resume talks. Momtaz Saeed, Minister of Finance, told reporters that the Government's goal is to acquire a certificate allowing international institutions to provide Egypt with loans, not a loan itself, suggesting that there would be more borrowing from international financial institutions to come. *(Daily News)*

Egypt will discuss the possibility of a bigger-than-expected USD 4.8bn loan from the International Monetary Fund this month, when head Christine Lagarde will lead a delegation to Cairo, its finance minister said. Lagarde's presence was requested by Egypt but could signal a fresh determination on both sides to seal a long-awaited accord after new Egyptian President Mohamed Mursi appointed his first government last month. The IMF confirmed in a statement that Lagarde would be present and said the delegation's visit would start on August 22. "Her visit is a reflection of the IMF's continuous commitment to support Egypt and its people during this historic period of transition," it said. During 18 months of political turmoil since the overthrow of autocratic leader Hosni Mubarak, successive Egyptian governments negotiated with the IMF to secure emergency funding that various officials had put at USD 3.2bn. No deal has been reached and Egypt's fiscal and balance of payment problems have worsened. An exodus of foreign investors in the wake of the turmoil left local banks shouldering almost all short-term lending to the state, sending its borrowing costs to unsustainable highs.

"We will discuss, in the negotiations we are to carry out with the IMF, increasing the loan to USD 4.8bn," finance minister Mumtaz al-Saeed told reporters in Cairo, adding that he asked the United States on Tuesday for a USD 500m grant to support the state budget. An IMF deal would also help Egypt add credibility to economic reforms needed to restore investor confidence. Foreign reserves have fallen to well under half levels seen before last year's popular uprising against Mubarak and investors' reluctance to return is born partly of fears that a sharp currency devaluation could wipe out any returns. Egypt's 2012-13 budget sees a 12.5% rise in the deficit. The deficit would represent 7.9% of gross domestic product (GDP), down from 8.2% a year earlier, although most economists forecast lower GDP growth than the government's estimate of 4-4.5%. Tax receipts have suffered from a weak economy and the previous government boosted spending to meet popular demands for better living standards after Mubarak's overthrow. Aid promised by foreign donors last year was largely absent until June, when funds arrived from Saudi Arabia. Saudi transferred USD 1.5bn as direct budget support, approved USD 430m in project aid and said it would allow Cairo to use a USD 750m credit line to import oil products. Saeed said this week that Qatar should place the first USD 500m tranche of a USD 2bn deposit in the central bank within a week. *(Reuters)*

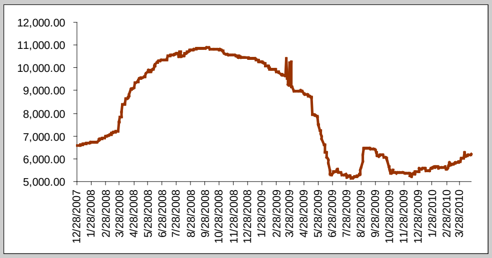
Egypt will sign a USD 200m loan with the World Bank, state news agency MENA reported. Planning and International Cooperation Minister Ashraf al-Araby will sign the loan with Inger Andersen, the World Bank's vice president for the Middle East and North Africa region, in the presence of Prime Minister Hesham Qandil. "We have discussed ways to strengthen future cooperation between the Egyptian government and the World Bank," Araby said following a meeting with Andersen Monday. He explained that the loan would be allocated for small projects through the Social Development Fund to create job opportunities for Egyptian citizens. Araby also said a strategy to double national income would be finalized next week by experts from the ministry. At the beginning of August, Egypt announced that the World Bank agreed to give the country a loan of USD 200m to fund the upgrade of sanitation and sewage infrastructure in four governorates in the Nile Delta and Upper Egypt. The loan came under heavy fire when Egypt's then-ruling military council accepted it but some Salafi MPs criticized it, saying the interest rate violated Sharia. Former Planning and International Cooperation Minister Fayza Abouelnaga has said the interest rate for the loan would be 1.29% over 28 1/2 years. *(Egypt Independent)*

Qatar should deposit USD 500m in Egypt's central bank within a week, the Egyptian finance minister said, as the country battles to pull its economy out of a tailspin after 18 months of political turmoil. The Gulf emirate said on Saturday it would deposit USD 2bn in all. Speaking on Sunday, Finance Minister Mumtaz al-Saeed said officials had also discussed with a Libyan delegation that Tripoli might support Egypt's depleted finances. Egypt's foreign reserves began a steep decline last year when a popular uprising that toppled Hosni Mubarak led the central bank to start selling dollars to prop up the country's pound. The economy now faces a balance of payments crisis and is being further undermined by high state borrowing costs, and experts say financial aid is urgently needed to avoid a currency devaluation. Saudi Arabia stepped in with financial support in June, approving USD 430m in project aid for Cairo and a USD 750m credit line for oil imports. The latest pledge from Qatar is one of several disbursements by the emirate to help out governments across the Middle East and North Africa since the Arab Spring. "The Qatari side promised to deposit in the region of USD 2bn, of which USD 500m will come, God willing, before the eid," Saeed told reporters, referring to the Eid el-Fitr holiday at the end of the Muslim fasting month of Ramadan.

The start of the eid is determined by the lunar calendar, so the precise date is not fixed. It is expected to begin around August 19. The deposit follows a meeting in Cairo between Qatar's Emir Hamad bin Khalifa al-Thani and Egypt's President Mohamed Mursi. The Egyptian finance minister said the possibility that Libya could help Egypt by making a deposit at the central bank had been discussed during a visit by a Libyan delegation. "They asked for time to study (this)," Saeed said, adding that Libyan officials said the nation had financial assets that were frozen abroad and which they hoped would soon be unblocked. "They promised that if some of the money is freed up they would place a deposit with the central bank," he said, adding that he expected the sum to be around USD 2bn. There was no immediate Libyan comment.*(Reuters)*

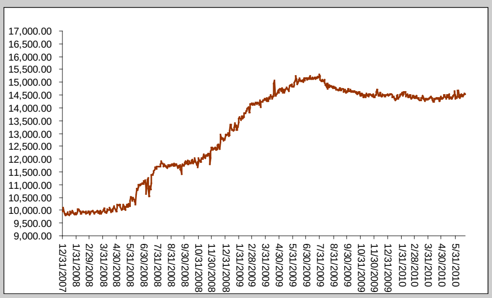
Ghana

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

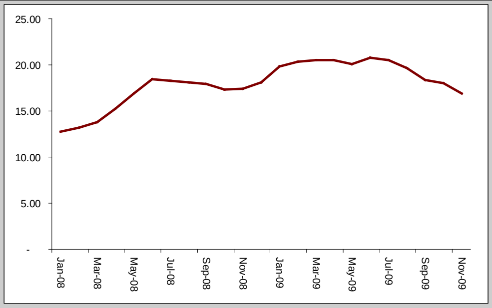
The GSE All Share Index continued trading in negative territory ending the week 0.55% lower at 1030.50pts. Cal Bank ended the week at GHS 0.32. Ecobank was unchanged at GHS 3.10. ETI closed at GHS 0.11. Guinness traded 0.85% higher at GHS 2.37. Unilever was level at GHC 8.30.

Corporate News

Barclays Bank Ghana's half year Profit After Tax witnessed a little over 100% jump. This was contained in the bank's half year financial statement released today. Barclays also made some appreciable gains in its interest earnings. Provisions for bad debt shot by 73% but Managing Director, Benjamin Dabrah tells JOYBUSINESS this does not necessarily mean the loans will go bad. "The figure does not necessarily reflect a worsening impairment charge for the year. In any case if you take that impairment figure in question on the balance and express it as a percentage of the growth in customer loans, the percentage of provisioning is less than 5% and that pretty good for a bank. When we publish the full results with full disclosure and notes you'll see that the topline charge is not that different. Where the difference comes in I that there was a lot more releases from previous impairment charges last year that there is this year" he explained.

Barclays Bank last year stood out the most profitable, but Mr. Dabrah says this might not be the case this year. "The landscape has changed with a number of mergers and acquisitions in the markets. So we might not necessarily end up as the best bank but we believe we'll post very good results" he added. The half year results put the stated capital of Barclays Bank at GHC 115 and total asset of almost GHC 2bn. In separate development, Access Bank also saw its profits go up by almost four folds to a little over 20m on the back of strong growth in its interest earnings. This follows its merger with Intercontinental Bank earlier this year. The loans that it expects to go bad however went up increase substantially by 588%.*(My Joy Online)*

CAL Bank Ltd. (CAL), a lender in Ghana, rose to the highest in 17 months after saying it will more than triple annual profit and is considering opening a unit in Asia. The stock rose 3.1% to close at 33 pesewas in the capital, Accra, the highest since March 2011. "The news that hit the market on profitability prospects and expansion plans directed attention to the stock again," Randy Mensah, a stock trader at Ecobank Development Corp., said by phone today. "The bank's ability to achieve its targets is quite appealing to investors. We think the bank is well prepared and its strategies are good to help them achieve them." Full-year net income will climb by 247% in 2012, matching first-half performance and beating the 90% increase reported a year earlier, Frank Adu Jr, managing director of CAL Bank said yesterday. Profit soared to GHC 19m (USD 9.8m) in the first half from GHC 5.48m a year earlier, the lender said on July 31. The bank, which in June raised GHC 75m in a private



Source: SAR

placement, expects loans to grow by 90% this year, compared with 60% expansion recorded last year, Adu Junior said. CAL Bank wants to open its first foreign branch in Asia within the next three years to benefit from growing trade ties, he said. *(Reuters)*

Economic News

Ghana's three-month borrowing costs rose to the highest in more than two and a half years as the central bank borrowed more from investors to mop-up excess liquidity. Yield on the benchmark 91-day Treasury bills rose to 22.91% at the auction on August 9 from 22.80% a week earlier, according to a statement on the Bank of Ghana's website today. That was the highest since December 2009. The bank sold GHC 256.3m (USD 131m) of the bills at the auction compared with GHC 180.1m the previous week. Banks use the bill rate as a guide in determining their own lending rates. "The Bank of Ghana is still seeking to reduce the amount of liquidity in the system to provide support for the cedi," Vida Antwi, a treasury dealer at Databank Financial services Ltd, said by phone. "The bank wants to make cedi assets more attractive compared to dollar ones." The central bank has increased interest rates, introduced new treasury bills and asked lenders to keep more cedis as reserves with the bank, to help bolster the falling currency. The cedi, which lost 16% against the dollar this year, gained 0.1% to 1.9545 per dollar as of 11:56 a.m. in Accra, heading for the strongest close since July 13, according to data compiled by Bloomberg. *(Bloomberg)*

Ghana's cedi held firm against the dollar on Monday due to light corporate demand for the greenback and recent inflows from mining companies, traders said. The cedi-dollar rate was pegged at 1.9500-1.9540 on the interbank market, holding some slim gains from late last week, Jacob Brobbey, a trader with Barclays Bank Ghana, said. "The Ghana cedi traded up versus the greenback last week but the 1.9500 support remained intact. We expect fresh attack on the 1.9500 key support today with Ghana cedi potentially testing the 1.9400 levels later in the week," he said. He cited low corporate greenback demand and inflows of dollars from the mining sector as supporting factors for the local unit. The cedi has been trading near 1.95 to the dollar for about a month, after the Bank of Ghana said it would intensify measures to stem the currency's roughly 30% loss against the dollar since January. Another trader who asked not to be named quoted the cedi as trading in the band of 1.9530-1.9560 to the dollar and said he expected the cedi to remain broadly stable against the dollar with a slight bias to appreciate in the coming week. *(Reuters)*

Forex bureau operators in Kumasi are accusing wayside currency dealers popularly known as 'black-marketers' of killing the business. They blame the Bank of Ghana's measures to restrict the amount of Dollars the bureaux can sell to the public for the situation. Checks by Luv Biz Report reveal business is booming for illegal dealers, especially, at Alabar, the nerve centre of 'black-marketing'. The illegal business is dominated by non-Ghanaians who pay no tax to government. Though they will not speak on record, many of them admit they are making it big because they are not affected by the central bank directive. A forex bureau operator who pleaded anonymity said many legal entities in the sector had collapsed as a result, and thinks the Bank of Ghana must act to reverse the trend. "Here in Alabar, the problem is, we have many competitors, that is the black marketers. In the past there were over twenty forex bureau operators here but all have ceased operations due to the black market operations.

For every transaction, the Bank of Ghana charges us some fee in addition to a tax. Because these people do not pay any tax, they exchange the currency at cheaper prices. This is killing our business", he said. Some traders who spoke to Luv Biz Report say they prefer doing business with the wayside operators instead of the forex bureau. According to them, the 'black marketers' never run out of foreign currency, in addition to having cheaper rates. "For the banks and bureaux, they always run short of the dollars. When they have it, it's very expensive so we resort to black-marketers. The secret is most of the business tycoons patronize the black-market operations. For them, they can reduce it to a very low price especially when you buy in large quantum from them", some traders opined.*(Ghana Web)*

The Bank of Ghana will next Wednesday, August 23, issue another five-year bond. This will however become the fourth bond issue this year. The Central Bank is expected to raise 300 million cedis from the bond, which will be opened to foreign investors. The issue from the debt instrument is expected to be used to fund infrastructure projects and help improve the value of the cedi to the dollar. A 200 million cedi 5-year bond issued by the Bank of Ghana in June was massively oversubscribed by both local and foreign investors to the tune of 481.52 million cedis. However the Central Bank accepted 232.3 million cedis of the total bids auctioned. *(Peace Online)*

Ghana's annual inflation rate increased for the fifth month in a row in July, driven higher by the weak cedi currency which increased the cost of imported foodstuffs, Ghana's statistics office said on Wednesday. The slight increase still keeps inflation within the Bank of Ghana's targeted band of single-digit inflation this year in one of Africa's fastest growing economy, but far from the low 8.3% recorded in the same period last year or the high 20.50% seen in July 2009. The rise from 9.5% in July from 9.4% the previous month highlights mounting price pressures in the West African nation's economy, but was slower than analysts expected. "The exchange rate depreciation has made some imported foods more expensive and their weight on inflation is huge," said Ebo Duncan, Ghana's director of economic statistics. Harvests in the coming months should ease food inflation but Spending linked to an election due in December and an 18% public sector salary wage increase, backdated for the months of Jan-April, due to be paid out in August, means inflationary risks remain stacked to the upside, analysts said.

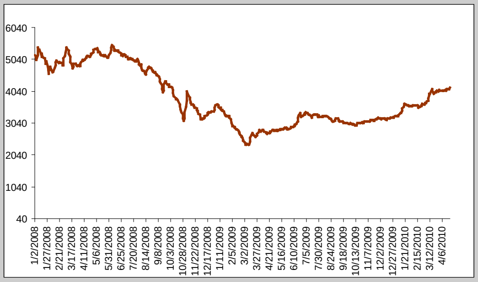
"Inflation in local food products at 4.9%, was lower than that of imported food products at 9.1%," Duncan said. Non-food inflation was at 12% with transport recording the highest rate of increase at 20.6%. The overall monthly change was 0.7% for July 2012 compared with 1.4% for June 2012. As one of the world's top cocoa producer and Africa's second biggest gold producer behind South Africa, Ghana, which started producing oil in 2010, has been attracting huge inflows of foreign investments, fueling its economic growth. Yvonne Mhango, Sub-Saharan Africa economist at Renaissance Capital, said the increase in inflation was "very modest" given the cedi had depreciated by 29% against the dollar in the year to July. The cedi-dollar rate was at 1.9405 by 1145GMT on Wednesday, according to Reuters data.

"We expect inflation to be in the early double-digits at (the end of 2012)," Mhango said, adding that any further slip by the cedi was likely to lead to a rate hike in September. "If the cedi exhibits further weakness in the following weeks, the MPC meeting may be compelled to take action and hike by about 50 basis points," she said. Ghana's central back is expected to hold its monetary policy committee meeting from September 10-12. The bank raised prime interest rate by 50 basis points to 15% in June, the third rate hike this year in its quest to fend off mounting inflation and stabilize the local cedi currency.*(Reuters)*

Ghana's Chamber of Mines said on Thursday that revenues from the minerals sector during the first half of 2012 rose by 19% versus a year ago to USD 2.76 billion. "The impressive first half performance was largely on the back of the performance of mineral revenue from gold and bauxite, despite the dip in revenue from diamond and manganese", Toni Aubynn, CEO of the Chamber said in a statement. Gold production was up by 6% during the period, due in part to an increase in production from Perseus Mining Ghana Ltd and Adamus Resources, according to the statement. Ghana is Africa's second largest gold miner behind South Africa*. (Reuters)*

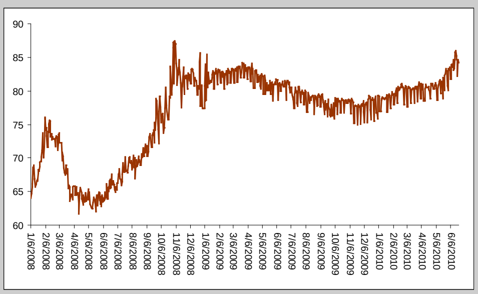
Kenya

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 market closed the week in negative territory with the NSE 20 Index falling 0.40% to close at 3,814.10. Eaagads led the movers after gaining +7.84% to KES 55.00 followed by Unga which rose +5.79% to KES 12.80. Other notable gains were recorded in NMG up +5.03% to KES 188.00 and Trans-Century (+3.13%). EXPRS was the main loser, shedding -8.86% to KES 3.60 followed by Olympia (-8.22%) and Eveready which lost -7.69% to KES 4.25 Market turnover slipped -32.68% to KES 1.03bn.

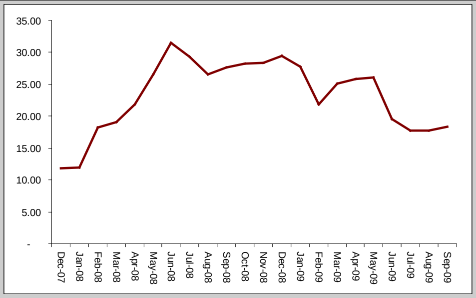
Corporate News

Kenya's CFC Stanbic Bank, the main business of CFC Holdings, posted a 36.5% jump in pre-tax profit for the first half of the year, it said on Monday, without disclosing any reasons for the rise. Ranked among the largest banks in the east African nation, CFC is controlled by South Africa's Standard Bank through CfC Holdings, which also runs a financial services firm. CfC Stanbic Bank, which posted a pre-tax profit of 1.78bn shillings for the six months to 30 June, also saw its total income rise 39.3% to 6.64bn shillings. Earnings per share also jumped to 4.43 shillings, up from 2.82 shillings during the same period in 2011. *(Reuters)*

A Kenyan court has temporarily stopped national carrier Kenya Airways from retrenching its employees until a suit brought by the workers union challenging the layoffs is heard and determined. The airline, which is 26.73-percent-owned by Air France KLM, said this month it would shed staff through voluntary retirement, redundancies and outsourcing of non-core roles in order to contain soaring costs and protect its bottom line. "The respondent (Kenya Airways) is hereby restrained by way of temporary injunction from proceeding with any negotiations or any staff rationalization that may render members redundant pending the hearing," Judge Onesmus Makau said in court orders seen by Reuters on Saturday. The Aviation and Allied Workers Union filed a lawsuit in the industrial court seeking to stop the airline's action on the grounds the management had breached the labour relations act that requires a firm to engage workers through their union before laying them off.

Both parties will return to the court on September 21 for direction on the case, said Leonard Ochieng, the lawyer representing the workers. Kenya Airways was forced to raise workers' pay in 2010 after a strike that paralysed its operations. High costs caused the carrier's pre-tax profit to plunge 57% in the full year that ended last March. 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. *(Reuters)*

Standard Chartered Bank Kenya has appointed its investment banking arm as lead transaction adviser for a rights issue expected to raise KES 3.2bn



Source: SAR

in new capital. Standard Chartered Securities Kenya will be the lead adviser in the transaction while Standard Investment Bank will be the lead sponsoring stockbroker. The team will prepare documents needed for approval of the transaction by regulators including the Capital Markets Authority and the Nairobi Securities Exchange (NSE). The issue is expected to be supported by StanChart's parent firm and principal shareholder Standard Chartered Plc and local shareholders seeking to benefit from the bank's growing profitability going by the 82% growth in net earnings in the first half of the year. "The appointment of the advisers is a key step in this transaction, as we will use their expertise to ensure the successful completion of this exercise" said CEO Richard Etemesi in a statement. Standard Chartered Bank Kenya will be the receiving bank while Mboya Wangong'u & Waiyaki Advocates will be the legal advisers.

The reporting accountant will be KPMG and Custody & Registrars Services Limited will act as the share registrar. Image Registrars are the data processors for the issue while Hill &Knowlton Strategies and McCann Kenya Advertising will handle the public relations and advertising respectively. SIB research analyst Francis Mwangi said he expected the offer to hit full subscription given the bank's financial performance. The shareholders approved the rights issue during the company's Annual General Meeting in May. After the AGM, the bank issued a statement, saying the company would have up to 37m new shares as authorised share capital part of which will be sold during the rights issue. In recent days, the shares have traded at between KES 195 and 200 each. "The bank may not want to dilute the non-participating shareholders by a giving a very big discount in terms of the price of the rights. So it may not necessarily issue all the new 37m shares it announced," said Mr francis Mwangi of Standard Investment Bank.

StanChart is one of three banks that are seeking to raise cash from the market. During the launch of trading for the KES 1.7bn bond issued by Consolidated Bank ,the NSE chairman Eddy Njoroge said fund-raising at the exchange had picked up, with three listed banks out to raise total of KES 7bn in capital StanChart is seeking KES 3.2bn, Diamond Trust Bank (KES 1.81bn) and NIC Bank is to raise KES 2.07bn. Before Consolidated Bank's bond, the only other local commercial banks with a listed bond were Barclays and CfC-Stanbic. Regional lenders PTA Bank and East Africa Development Bank have also raised cash through bonds, as well as mortgage financier Housing Finance, which is classified as a non-bank institution. *(Business Daily)*

Profits at Kenyan industrial gas supplier BOC Gases were up 57% at KES 118.4m (USD 1.4m) before tax in the first six months of the year, helped by increased sales and steady input costs, it said. BOC Gases, an affiliate of Germany's Linde, said revenue was up 17% at KES 647.3m. "The board expects that the stable macroeconomic environment enjoyed in the first half of the year will continue in the second half. Should this be realised, the positive trading results of the company will be maintained for the full year," the company said in a statement. Its earnings per share also rose 57% to KES 4.24, and it declared an interim dividend per share of KES 2 per share, unchanged from the previous year. *(Reuters)*

CFC Stanbic has posted a 52.6% increase in profit after tax for the first half of the year, buoyed by income from foreign exchange and government

securities. The lender's six-month profit rose to KES 1.2 billion from KES 841 million over a similar period last year. Foreign exchange trading income rose 68% to Sh1.1 billion from Sh672 million in June last year while "other income" grew to KES 1.2 billion from KES 500 million. Other income is mainly used to capture capital gains made from trading in government securities. "Increase in operating income in 2012 is mainly due to money market gains as a result of falling interest rates," said CFC chief financial officer Edwin Mucai. CFC joins the ranks of Kenya Commercial Bank, Standard Chartered Bank, Co-operative Bank, Barclays and Equity Bank which have posted strong profits in the period despite facing a tough operating environment due to high interest rates which hindered growth in loan books and increased non-performing loans. But unlike its peers in the large banks category which have relied on widening the difference between interests charged on loans and that paid on deposits to post strong profits for the period, CFC turned to non-traditional sources of income to grow its returns.

"Interestingly, net interest margin declined to a low of 5% in the first half: The close to six percentage points underperformance in net interest margin compared to its peers, is mainly as a result of higher allocation to foreign currency assets and deposits in group companies," said Standard Investment Bank of CFC performance. Following the Central Bank's decision to cut stock of money in circulation to check inflation and support the local currency, banks increased their lending rates but at a faster pace compared to the cost they were willing to pay for deposits. CFC which has been running a promotion to attract deposits by offering saving rates of up to 13% felt the pinch of the higher cost of funds with the interest paid to depositors rising fivefold to KES 2.5 billion from KES 498 million. During the six months of the promotion, its customer savings rose to KES 83.8 billion from KES 74.3 billion in December. The size of its loan book grew by Sh1 billion in the six months to KES 65.2 billion. *(Business Daily)*

UBA Kenya has turned to its Nigerian parent company for capital injection to help it meet Central Bank's statutory requirements and increase its branch network. The bank, which closed last year with a core capital of KES 722 million, is required to raise the amount to a minimum of KES 1 billion as at end of the year. UBA however hopes to receive "much more than the deficit" to finance expansion and support its loan book. "We are getting additional capital to empower us do the kind of business we want to do here," said the bank's managing director Tunji Adeniyi. Mr Adeniyi could however not disclose the exact amount to be received from the parent company, stating that the subsidiary's proposal to the group was still under consideration. UBA is also seeking a bigger balance sheet to support big ticket loans. Its small capital base has seen it push loans worth over Sh40 billion from the Kenyan market to the group balance sheet to avoid falling afoul of CBK's regulations. The bank said that it has financed companies in oil and gas sectors, and hopes to secure business from the government.

The group's managing director is expected into the country later in the week to meet with top government officials. The lender who started operations in Kenya in 2009 currently operates three branches, all within Nairobi and intends to open another one in the city's central business district before spreading to other counties. Unlike other lenders that have opted to ride on the recently introduced agency banking to expand its reach, UBA intends to partner with businesses in sharing operational space, but retaining its staff. The bank, has previously focused on a corporate banking strategy, also intends to enter the retail sphere and is planning a branch expansion to support the plan. “We are now in the phase of growth and expansion having taken time to study the market,” said Mr Adeniyi. UBA Kenya is yet to break even having recorded a loss of KES 183 million last year. Central Bank’s graduated plan of boosting capital adequacy in the industry, which started in 2009, culminates this year with all banks expected to have a minimum of Sh1 billion. Other banks that are expected to raise capital to be in compliance with the CBK rule include Jamii Bora, Dubai Bank, Credit Bank, First Community and Fidelity Bank. *(Business Daily)*

South African food and consumer healthcare group Tiger Brands is eyeing more acquisitions in Kenya as part of a strategy to grow the share of revenues that it generates outside its home country. The company already owns 51% of Haco Industries, a Kenyan firm. It is willing to spend Sh54bn (ZAR 5.4bn) on acquisitions to achieve a target of growing revenues generated from outside South Africa to 30%, a report by UBS Investment Research has indicated. “Tiger Brands is definitely targeting to expand in Kenya. They want to get whatever opportunities they can get in specific industries where they have strength,” Renier Swanepoel, the analyst who wrote the UBS report, said in a phone interview from South Africa. Tiger Brands East Africa managing director Polycarp Igathe, who is charged with overseeing the company’s operations in eastern Africa, confirmed that the firm plans to grow its presence in Kenya through acquisitions or start ups.

Mr Igathe said that the discoveries of coal, oil, and gas in east Africa had increased the attractiveness of the region to investors. He declined to talk about any specific targets, but said Kenya had become a “serious player in the Tiger Brands business.” The firm announced early last month that it had struck a deal to buy 63.4% of Nigeria-based Dangote Flour Mills as part of a bigger plan for expansion of its footprint in the Africa region. The deal is awaiting approval from regulators. In the report, dated June 22, UBS Investment Research says Tiger Brands is targeting to raise its revenues by at least Sh54bn from outside South Africa. Dangote Flour Mills acquisition is expected to bring Sh25bn of the targeted revenue, indicating that another Sh30bn worth of revenue would be sought from further expansion. Excluding exports from South Africa to other African countries, this would amount to 20% more revenues. Both exports and on-the-ground operations (acquisitions and greenfield) should then generate 30% of the revenues outside South Africa in the next five to 10 years.

“It’s clear that, based on its own historical transactions, TBS would be willing to spend R5.4bn (Sh54bn) in order to achieve its stated objective of achieving Africa on-the-ground revenue of 20%,” says the UBS report. Mr Igathe was recently appointed to the position of regional managing director for Tiger Brands in East Africa, and was replaced by Geoffrey Kiarie as the new MD for Haco Tiger Brands. The drive for more business outside of South Africa appears to be driven by low growth opportunities in an economy with lower growth in recent years relative to its other African With the underlying domestic South African consumer market battling to grow over the last three years, TBS (Tiger Brands) has increased its efforts to establish a bigger African presence,” says the UBS report. The South African economy is estimated to have grown by 3.2% in 2011 and is projected to record up to 2.8% growth this year. GDP Growth in sub-Saharan African, excluding South Africa, was 5.9% last year and is expected to maintain the trend this year.(*Business Day)*

The Nation Media Group (NMG) launched an international money transfer service as it angles for a share of the Sh75bn diaspora remittances from Kenyans abroad. The media company has partnered with Diamond Trust Bank (DTB) to launch a Visa pre-paid card dubbed NationHela that targets Kenyans sending money home. “This product allows users to conveniently send funds online, directly from your Paypal account, debit or credit card into the NationHela account. Diamond Trust Bank will handle the back office side of business,” the firm’s group Chief executive Officer Linus Gitahi said at the launch. The service, approved by the Central Bank of Kenya (CBK), has undergone a seven-month pilot phase. NMG plans to leverage on its existing newspaper distribution points across the country, over 8,000 visa branded Automated Teller Machines (ATMs) and DTB’s branch network to make the service product into a mass market. The pre-paid cards will also be sold at supermarkets and DTB agents. The platform, which handles foreign currency transfers, also allows transfers to and from M-Pesa accounts and is linked to user’s mobile phones. The product has gone further from existing pre paid cards as it allows users to top up from credit cards, debit cards and Paypal in what is likely to open up the e-commerce market.

“The money deposited in the NationHela account will be held by DTB and consumers should be rest assured that their money is safe,” Mr Gitahi said. Consumers can also go online at NationHela.com to do transactions. Once one sends the money, the recipient gets a text message alert on their mobile phone. The latest NMG move comes at a time when diaspora remittances have been on the rise in recent years having grown by over 40% in 2011 to hit Sh75bn from about Sh53bn sent in 2010. DTB group chief executive officer Nasim Devji said her bank will provide customer service and the technical aspect of the product. “We currently have 80 branches in the region and we will be rolling out agency banking in October this year. This should provide us with the necessary footprint to take the product mass market,” Ms Devji said.

DTB, which has a presence in Kenya, Tanzania, Uganda and Burundi, is also planning to enter five new countries in the next eight years, a move that will put its footprint in nine African countries and diversify its revenue base. NMG’s profits after tax in the six months to June 2012 grew 23% to Sh915.1m compared to Sh747m in the same period last year helped by market share gains and increasing advertising and circulation revenues. Its sales in the half year period grew 13.5% to Sh5.8bn from Sh5.1bn. The company maintained that it was not going into banking but developing products that will leverage on its existing platforms to facilitate commerce. We have always been a facilitator of commerce through advertising where we link businesses with customers,” Mr Gitahi said. NMG plans to launch the product in other markets it operates in coming months.

In Kenya, the company launched QTV, a mass market Kiswahili television station that has gained a 5% market share in three months.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)*

Bank of Africa half-year results show a 21% drop in net income with a sharp increase in deposit-related expenses. The 14th largest bank in the country now joins another medium sized bank - National Bank which is the 12th largest bank in the country - which also posted a drop in profits after tax mainly attributed to the sharp rise in what lenders have been paying for deposits. Bank of Africa saw its profits drop to Sh221million in the first six months of this year down from Sh281 million posted as at the end of June 2011. Interest expenses went up more than three times to Sh2.7 billion as at the end of June this year from Sh775 million over the same time period last year with the highest increases attributed to operations in Kenya which is its largest market in this region. Deposits and loans went up by 20 and 39% to Sh40.6 billion and Sh34.5 billion respectively while interest income rose by Sh2.05 billion to Sh3.85 billion. National Bank which is about the same size in terms of assets this month reported a 10% drop in net income as interest expenses also rose by more than four times to Sh2.02 billion from Sh422 million over the same time period last year. *(Business Daily)*

Six commercial banks are racing to meet a regulatory deadline that requires all lenders to have a minimum core capital of Sh1 billion by the end of this year. Jamii Bora Bank, UBA, First Community and Fidelity are some of the lenders whose capital is below the statutory minimum, as per their latest financial statements. Wednesday, the Jamii Bora Bank CEO Samuel Kimani said the lenders' shareholders had been called to inject capital in a rights issue that opens in October. Dubai and Credit banks, which were below the statutory minimum at the beginning of the year, have not yet released their half-year results which would show whether they have raised the core capital. "We are doing a rights issue for Sh500 million in October and most of our shareholders have confirmed participation," said Mr Kimani. The cash call will see Jamii Bora's core capital rise to Sh1.3 billion from the current Sh800 million. Jamii Bora's peer lender, UBA Kenya, told the Business Daily on Tuesday that it is negotiating with its Nigerian parent firm for a capital boost. UBA Kenya had a core capital of Sh722 million at the beginning of the year. "We are getting additional capital to empower us do the kind of business we want to do here," said the bank's managing director Mr Tunji Adeniyi in an interview on Tuesday.

The Central Bank of Kenya (CBK) moved to increase the capital requirement for banks in 2008 to bolster the institutions' ability to weather local and global economic shocks. The plan was to have the banks raise their core capital gradually to a minimum of Sh1 billion by the end of this year from the then statutory requirement of Sh250 million. The industry's total core capital stood at Sh244 billion at the end of last year from Sh138 billion in 2008. Last year, only Dubai Bank failed to meet the set Sh700 million albeit marginally as it ended the year with a balance sheet of Sh696 million. "We have a shortfall but will definitely meet the requirement through retained earnings and might also go for other revenues such as a rights issue which is a consideration," said Mr Rana Sengupta, the managing director of Fidelity Commercial Bank. Core capital means permanent shareholders' equity in the form of issued and fully paid share of common stock, plus all disclosed reserves, less goodwill or any other intangible assets. Mr Sengupta said that the bank could only use half of its full-year unaudited net profit to boost its core capital as per the regulator guidelines.

Shareholders in the industry are expected to continue injecting more capital into the banks over the next two years if guidelines proposed by the Central Bank on raising the capital adequacy ratios are implemented. The lenders' lobby, Kenya Bankers Association (KBA), said that it expected all banks to meet the statutory capital requirement by end of year but pointed out that they had requested the regulator to postpone the effective date of the new capital adequacy ratios. "All banks are on track to get the minimum Sh1 billion by end of the year," said CEO Habil Olaka. Mr Olaka said that the proposal to have banks maintain a capital conservation buffer of 2.5% above the minimum capital adequacy ratios would be a challenge to some of the lenders who have to turn to their shareholders for capital injection. Capital adequacy ratios dictate the size of business a bank is able to conduct in terms of deposit mobilisation and loan disbursements while the statutory capital level is an absolute figure. This year, banks have turned to their shareholders for funding as other options of raising capital became more expensive and their capital adequacy ratios thinned. *(Business Daily)*

Tension between staff and management of Kenol Kobil remained high on Thursday, two days after the oil marketer was stopped from sacking its employees. Industrial Court judge Linnet Ndolo on Tuesday barred the oil marketer from sending home employees until a case lodged by three workers challenging the company's takeover by Swiss company Puma Energy is determined. Kenol Kobil had by Friday, 10 dismissed two employees, citing poor performance, while on Monday 14 it sent six others home on similar grounds. In Tanzania, the oil marketer is facing similar court action by its subsidiary KenolKobil Tanzania after employees moved to court. Senior staff at the oil marketer in Nairobi said Puma Energy had asked the oil marketer to lay off at least half of the employees as part of the ongoing take-over. "There is a lot of tension among the staff; the harassment hasn't stopped. Several other employees have been told to prepare to leave the company in the next three months. When officers from Puma Energy first came to our office, they indicated that they would want a leaner and younger staff," a senior employee at the firm said.

Puma Energy is fully owned by Trafigura, a Swiss commodities conglomerate linked to a toxic waste scandal. Contacted, Trafigura said it was still carrying out a due diligence process. "Once this process is completed and price discussions are finalised, we will be in a position to announce the next steps," Ms Victoria Dix, Trafigura's head of media relations, said in an email interview. Top shareholders of the firm associated with former Cabinet minister Nicholas Biwott, who are at the centre of the deal, have gone to great lengths to conceal their identities, instead declaring their interests through shell companies. The firm has also kept its 8,000 minority shareholders in the dark over the details of the deal struck. Conservative estimates put the transaction at Sh25 billion and it could see the oil marketer get delisted and turned into a private company. *(Daily Nation)*

The African Union has offered to assist Kenya purchase the biometric voter registration equipment needed to conduct the coming General Election. The offer was made during an ongoing conference organised by the International Commission of Jurists at the Continental Resort in Mombasa. While responding to participants' question on the its role in promoting democratic consolidation in Kenya's elections, AU representative Ms Shumbana Karume said that the body was ready to give money to enable Kenya purchase the gear if a formal request was made. "We may provide financial support to Kenya for the equipment at any time but we have not received any request from them as yet," she said. AU would also technically support Kenya in its other missions of conducting pre-elections assessments and elections observations forums meeting.

The delay by the Independent Electoral and Boundaries Commission (IEBC) to acquire the equipment has spread fear that the elections may be conducted using the controversial manual voting system that was used in the discredited 2007 elections, leading to post election violence over which four suspects are due for trial over crimes against humanity at the Hague. The AU offer could however have come a bit late after Constitution Implementation Oversight Committee (CIOC) chairman Mohammed Abdikadir said in Nairobi that the Canadian government had agreed to grant Kenya a concessional loan amounting to Sh4.6 billion for delivery of 15,000 kits. Previously IEBC would have bought 9,570 kits for Sh3.9 billion. *(East African)*

Economic News

Kenyan banks rode the high interest rates wave to grow their incomes by wide margins - renewing the parliamentarians' quest to curb the cost of borrowing through legislation. In the past couple of weeks that companies have been releasing their half-year results, many Kenyans have watched with consternation as banks announced double-digit growth in earnings for the period when their customers felt the greatest pain of borrowing and severe economic hardship. The first six months of 2012 have been characterised by high level interest rates averaging 24% and a headline inflation rate of about 16%, deeply eroding the purchasing power of many households. These realities were partly behind the MPs' aggressive attempt early this year to legislate on interest rates – a move that stalled the passing by Parliament of the crucial Finance Bill for months. The MPs, led by joint government Chief Whip Jakoyo Midiwo, accuse banks of excessive greed, arguing that the high interest rates are a big burden to ordinary citizens and are destroying many livelihoods across the country. But the banks have responded with a range of answers, including the very complex one of risk assessment and computation into the cost of lending, besides warning that legislating on the cost of loans would confine borrowing to the small clique of individuals with assets to secure their debt.

As the banks announced their half- year results in the past two weeks, the one number that many ordinary Kenyans looked for was their interest income – the money earned from lending activities in the period under review. The numbers show that in the first six months of the year, the lenders grew their profit before tax by 30.9% to KES 53.2bn compared to KES 40.8bn in a similar period last year. Even more critical to the interest rates debate is the fact that for most banks, interest income was a key driver of profits growth – a clear demonstration that the lenders benefited immensely from the large margins arising from high interest rates. Central Bank of Kenya (CBK) data shows that six banks, categorised as large banks, were the major beneficiaries of the high interest rate regime. The six – Equity Bank, KCB, Barclays, Standard Chartered, Co-operative and CFC Stanbic – enjoyed net interest margins of over 15% in the first six months of the year. Net revenues for the big six were four percentage points higher than the total for the remaining 37 lenders. "The higher interest rate environment has boosted margins for both KCB and Equity, given the low cost of funding," said Renaissance Capital in a research note on the two banks.

"Savings deposits account for more than 70% of total deposits for both banks."

In ordinary language, the researchers are saying that the banks took deposits at almost no cost but high interest on borrowers of the same funds raking in billions of shillings in interest income. Equity Bank led the pack with a 94% increase in interest income, followed by Co-op Bank with 84%, Standard Chartered Bank (81%), KCB (74%) and Barclays at 17%. The pattern was similar for other banks. This happened even as the lenders reported only marginal growth in loan books as borrowers stayed away from taking new loans in the wake of a huge increase in interest rates. "Performance was mainly driven by net interest margin expansion on the back of higher lending rates and increased allocation of assets to lending," Standard Investment Bank said of StanChart's performance. "Earnings performance came in above expectation and was mainly driven by improved net interest margin," the research note said, adding that the higher net interest margin in second quarter of 2012, was the result of a 0.75% drop in weighted average interest rate on deposits on a quarter on quarter basis. This drop in deposit rates has made interest margins – the difference between the rate at which banks are lending money and what they pay for the deposit – the latest target of the parliamentarians who are pushing for interest rate controls.

"We have previously tried to cap the lending rates, but this time we are looking at interest payable on savings with a view to fixing it as a fraction of interest paid on borrowings so that we can deal with the spread," said Rangwe MP Martin Ogindo. The MPs' plan is to move an amendment to the Finance Bill that would leave the banks with a five to six% margin between lending and deposit rates.
Mr Midiwo, who is also the Gem MP, has also promised to introduce an amendment to the Finance Bill, seeking to regulate interest charged by all banks with government ownership to increase their influence in the market. The method has been used with little success in the petroleum industry where government-owned National Oil has failed to become the pace-setter it was meant to be. "We must encourage Kenyans to save and this can only happen with a reduction in the spread," said former MP Joe Donde, famed for introducing the first Bill that sought to regulate lending rates in 2000. The Kenya Bankers Association (KBA), however, dismissed claims of excessive profiteering from high interest rates. Habil Olaka, the chief executive of the bankers' lobby, said the sector is being demonised by those looking at the absolute figures without considering the large amount of capital investors have put in the businesses to get the results. "I don't see anything outrageous with these results as other companies have announced similar profit growth in the period," said Mr Olaka.

Kenya's top five lenders posted double digit net profit growth led by KCB at KES 6.08bn, Equity's KES 5.4bn, Standard Chartered KES 4.53bn, Barclays KES 4.26bn and Co-operative Bank KES 4.02bn. Returns from short term government securities also helped improve the banks' per performance. Banks have before argued that customer deposits are not their only source of funds – pointing to the fact that they often have to use expensive sources such as borrowing from other banks. Borrowing from other banks, expected to be a major cost centre, with the high cost of lending among banks, however did not dent the banks' performance. Mr Olaka said the high lending rates were the product of a steep rise in cost of funds that risked wiping out the net margin banks had in the first half if not revised. "This could also be due to timing difference between when the rise in lending and deposit rates impact on the books; creating a mismatch that will iron out in the next reporting period," said Mr Olaka.

Though the cost of deposits grew in folds, previous rates were much lower keeping the ultimate cost at a modest level. The banks have also argued that while adjusting the lending rates, over and above the rise in cost of funds, they have had to factor in the risk of defaults during the harsh macro-economic environment by adding a premium. This argument is, however, weakened by the fact that there has not been growth in non-performing loans with most banks actually improving the quality of their loan books. Some analysts now believe banks will be forced to quickly adjust their lending rates downwards to counter the resurgence of the lending rates regulation debate in Parliament. Earlier in the year, the bankers had made a number of concessions to the Treasury and the Central Bank to ward-off the previous attempts to regulate interest rates. The list of concessions included a promise by the banks to make full disclosures on the total cost of a loan and allowing good borrowers to bargain for better rates based on their character. “Historically, Kenyan banks have not reacted as rapidly to interest rate declines but given the focus on “excessive rates” and calls for interest rate caps, they are expected to prudently pass on the benefits of lower rates,” said Renaissance Capital. *(Business Daily)*

The Capital Markets Authority (CMA) has given approval for investors who applied for shares in a botched capital raising offer by Muramati Sacco, now re-named Unaitas Sacco, to be admitted as members of the co-operative. The approval will offer the investors a window to either accept admission as members of the savings and credit co-operative (Sacco) or a chance to reject participation in the share offer and get a refund of their cash. Muramati had in late 2010 set out to raise up to KES 200m from members of the Sacco and even non-members, but was adjudged by the market regulator to have breached regulations which bar firms from raising capital from the general public without CMA’s approval. A disclosure document seen by the Business Daily shows that the Sacco had already raised KES 65m, when the share offer was stopped. About KES 34m of the amount was raised from existing shareholders and KES 31.1m from non-members. “Regularisation was approved for inviting investors to join the Sacco,” chief executive Tony Mwangi told the Business Daily. The funds had been kept in an escrow account pending CMA’s investigations into the share offer. Muramati contracted transaction advisors Faida Investment Bank to prepare disclosure documents which were approved by the CMA in June.

Njonjo, Okello and Associates are the legal advisors, PKF Kenya are the reporting accountants and financial advisors while Muramati Sacco Society Limited are the registrars. The disclosure document on the public offer says that the CMA has regularised the offer which in effect allows non-members who participated in the October-December 2010 public offer the opportunity to confirm whether to take up or reject the shares they applied for. Allocation is expected to be completed by August 27, announcements of the results to take place four days later and if there are refunds to be paid by September 7. The disclosure document shows that by the end of 2010 Muramati had KES 2.1bn in assets and KES 176m in share capital. “This will give Muramati Sacco Society Ltd the authority to use the money invested to fund expansion plans,” says the disclosure document. The additional cash was to be used for expansion, which included the opening of seven branches, revamping the IT infrastructure, boosting capitalisation and corporate rebranding.

This is part of the Sacco’s three-year strategic plan. Despite the CMA halt, the Sacco has continued with its expansion plan which includes enlisting new members. Joining the Sacco requires the purchase of at least 100 shares at Sh10 each, which boosts the Sacco's capitalisation. Mr Mwangi could not to confirm specific numbers but said that since 2010 total membership had crossed 100,000. "What I can confirm is that between 2010 and now our membership more doubled, that is an assurance," said Mwangi. By the end of 2010 it had 27,239 shareholders, serving 86,000 customers and had loaned out KES 473m. The disclosure document says that membership and in effect shareholding had been growing at a 30% annual rate but this is expected to accelerate from next year. "We want to double what we would have by the end of this year in 2013," said Mr Mwangi. In 2010 it made KES 13.2m in net profits, up from Sh6.16 the previous tea or 114% increase. Unaitas is targeting the micro and small and mid-size enterprises in additional to the middle and low-income market. Kenyan Saccos have been growing but high interest rates have decelerated growth. Last week Sacco Societies Regulatory Authority Chief Executive Officer Carilus Ademba said that as at the end of last year Saccos could not satisfy a demand for loans of between KES 30bn and KES 40bn because of inadequate of funds. "A number of people who applied for loans were not successful because there was no liquidity," he said. *(Business Daily)*

The Kenyan shilling held steady against the dollar on Monday but was seen firming on the back of sales of dollars by exporters and the central bank's policy of regularly hoovering up of cash from the market. At 0741 GMT, commercial banks quoted the shilling at 84.00/20 per dollar, the same level it closed at on Friday. "We expect the shilling to trade within a range of 83.90-84.30 with a bias of further gains should demand (for dollars) fail to materialise," Bank of Africa told clients in a research note on Monday. The shilling has gained 1.2% this year due to the central bank's tight monetary policy stance and analysts said it could touch 83.50 per dollar this week, helped by the central bank mopping up liquidity. Traders said they expected the central bank to continue to soak up liquidity via repurchase agreements after the interbank interest rate fell to 9.4% on Friday from 10.0% the previous day. "The central bank will continue mopping up to support the currency. Liquidity has increased because of government maturities about 30bn shillings in debt is expected to mature this month," said a trader at one commercial bank in Nairobi. *(Reuters)*

The continued exclusion of some goods from consumption tax on Tuesday ran into fresh opposition after the taxman opposed a recent Cabinet decision to reverse the planned phase-out of exemptions. Kenya Revenue Authority (KRA) Commissioner General John Njiraini warned the government to tread carefully when formulating tax policies to ensure they have long-term benefits as opposed to meeting short-term demands. Mr Njiraini told tax experts in Nairobi that obsession with the effects that the tax would have on the pricing of commodities in the short term posed the danger of leading the country down the wrong path. The taxman argued that the Cabinet decision to retain exemption on certain goods was not only self-defeating but also amounted to transferring the tax burden to the wrong party. "Zero-rating of goods is not only self-defeating but also transfers the burden of footing consumption bills from the rightful party (the consumer) to the wrong one (the public through the government)," he added, while cautioning against "populist remarks" by persons debating the Bill. Mr Njiraini was speaking at a public forum organised by the Institute of Certified Public Accountants of Kenya (ICPAK) to debate the VAT Bill.

The taxman affirmed his support for a leaner tax exemption list, to reduce the burden of paying tax refunds as well as bring more Kenyans into the tax net. He was reacting to Finance minister Njeru Githae's announcement last week that the Cabinet had agreed to retain the exemptions on a select list of items including foodstuffs, seeds, and exercise books. Mr Githae said he would be introducing amendments to the controversial Bill at the committee stage to exempt the items from the 16% tax. The minister said the Cabinet had reversed the decision to charge value added tax on selected consumer goods as it sort to jump-start debate on the Bill that stalled two weeks ago amid popular opposition. Parliament's had threatened to pass a vote of no confidence in the Finance minister and the government if staple foods were subjected to taxation. "The Cabinet agreed that a select number of food items be zero rated and the MPs added seeds and exercise books which we have agreed on," said Mr Githae. The Treasury's intention to phase out zero-rating of foods for VAT is meant to bring clarity to the tax system and clear the burden of paying refunds to the manufacturers that has over the years accumulated to more than Sh18 billion. Parliamentarians insist that imposition of taxes on previously zero-rated products and the phasing out of VAT remissions on capital investment would hurt the poor and erode Kenya's competitiveness for foreign direct investments. Tuesday, Mr Githae said that apart from the four items on the special list "all other imported items that were previously zero-rated will attract VAT at the rate of 16%."

KRA wants VAT charged on all items and special consideration given only in specified cases targeted through new policies. In the case of exercise books, the taxman suggested that the 16% tax be charged and special consideration (through a government subsidy) be given to books destined for public schools. "It is assumed that parents who take their children to private schools can afford to pay the high fees and are therefore capable of buying the books inclusive of the tax," said Mr Njiraini insisting that a "similar intervention would help farmers acquire inputs they cannot afford." Tax experts and sector representatives from soon-to-be affected industries such as farming, tourism and manufacturing remained divided on the merits and demerits of the proposed tax measures. Nikhil Hira, a tax partner at consulting firm Deloitte, opposed the proposed law terming it populist. Mr Hira argued that although it would move the country from the present scenario of "too many exemptions to one or almost none" it would result in higher commodity prices and hurt low-income earners. His argument is that while the proposed tax exemptions as set out in the Bill only relate to unprocessed foods, many poor Kenyans living in peri-urban areas consume processed food and would be adversely affected by it. "The government's backtracking in terms of the exempt list may be populist to some extent but it is also sensible in as far as the common citizen's purchasing power is concerned," he said.

VAT accounts for about 27% of the annual revenue but tax experts estimate that without the exemptions, it would account for between 40 and 45%. The immediate impact of removing the exemptions, according to cabinet papers, would be to raise an extra Sh5 billion in government revenue. Patrick Mtange, the ICPAK chairman, insisted that care must be to limit the exempt items list to an extent that does not overburden the citizens. Imported goods that have been left out of the new exemption and which if the Bill sails through parliament would attract VAT include medicines, sanitary pads, baby formula, napkins and napkin liner, feeding bottles. VAT would also be charged on transactions involving the sale of commercial buildings, purchase of condoms as well as athletes earnings. Passing of the Bill would herald higher inflation pressure arising from the rise in the prices of goods that would attract tax. Under the old exemption rule maize, rice, wheat, sugar, milk, edible vegetable fats and oil, fertilisers and pesticides were among VAT-exempt goods. The agricultural sector stands among those that would be heavily hit as locally assembled water pumps, pesticides, fishing nets, animal feeds and farm machinery come under full taxation. Stakeholders in the sector have warned that charging VAT on agricultural inputs would lead to increased food prices even if food items are exempted. The Eastern Africa Grain Council (EAGC) Chairman Judah arap Bett said exempting food from VAT would be meaningless if farm inputs were taxed because farmers would transfer any additional costs to the consumer. *(Business Daily)*

The capital markets regulator has drafted new anti-money laundering guidelines that if passed into law will require stockbrokers, investment banks and other licensees to report suspicious transactions and monitor employees' lifestyles. The draft guidelines signed by Capital Markets Authority (CMA) chairman Kung'u Gatabaki and acting chief executive Paul Muthaura are expected to be gazetted into law after a month of public debate. The proposed rules will guide stockbrokers, financial advisers, investment banks and other CMA licensees on how to detect, prevent and control money laundering activities. Market operators will be required to report suspected money laundering activities, including employees who appear to be living beyond their means. "Suspicious activities or transactions may indicate possible money laundering activities (like) where there is a change in characteristics of the employee for example lavish lifestyles, unexpected increase in performance. In such instances, the licensed or approved entity may want to monitor such situations," say the draft rules. Transactions coming from countries known for drug and human trafficking, gun running and related crimes are also among suspicious activities. Numbered accounts are also to be verified and disclosure of the beneficial owners or controlling persons behind nominee accounts will be required to be made. Licensees are also required not to open or maintain anonymous or fictitious accounts. Compliance officers of the market intermediaries will be expected to report any suspicious deals.

"The compliance officer of a licensed or an approved entity shall play an active role in the identification and reporting of suspicious transactions, including the regular review of exception reports of large or irregular transactions generated by the reporting internal system of the entity as well as ad hoc reports made by staff who have a direct contact with the clients," says the proposed laws. The compliance officer is supposed to report the suspicious transactions to the Financial Reporting Centre. The centre will be established if a Bill published by the Finance minister Njeru Githae goes through. The Anti-Money Laundering Advisory Board approved the immediate setting up of the Financial Report Centre in April. The proposed laws say that the regulator can use sections of the CMA Act as a remedy for making licensees comply. The sections in the Act touch on renewal, revocation of licences, offences and penalties for breaching the CMA Act. However, industry players said that the anti-money laundering proposals may not be enforceable as the regulator is proposing.

Sterling Investment Bank chief executive John Kirimi said that it may look suspicious if an employee's lifestyle does not reflect their salary, but unless you ask them to declare their wealth, they cannot be called suspicious. "An employee may seem to be living beyond their means, but he or she has property or another business elsewhere," said Mr Kirimi. He added that the draft rules do not also have a scale that market operators can use, making them subjective. Mr Kirimi, however, said that time is right to put in place laws that would make it harder to

launder money, which has been blamed for escalating property assets that are hard to justify in the absence of booming economic activity.
The laws touching on the capital markets are the culmination of a push from East Africa Community states and the US to make it harder for criminals to launder money in Kenya. The issue of having a compliance officer is also a cause of concern among some brokers who argue that it will add to the cost of doing business. “It is expensive to hire a full-time employee when the work can be shared within the office,” said a broker who did not want to be named. *(Business Daily)*

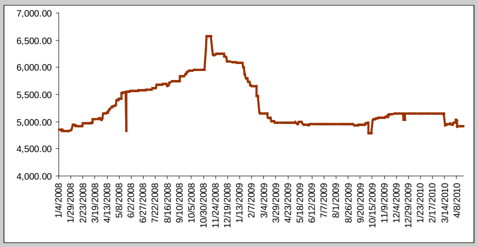
Kenya's first ever large-scale mine, operated by Australia's Base Resources, is on track to start output in the third quarter of next year, potentially spurring further investment into the country's underdeveloped mining sector. Output from the Kwale mineral sands mine at the coast, is expected to triple the country's mining export revenues and overtake coffee, which brings in about USD 200 million per year, as Kenya's fourth-largest source of hard currency. "Kwale really represents that flagship mining project that Kenya's government needed to kick start the mining industry," said Tim Carstens, managing director of Base Resources. The mine will produce 80,000 tonnes of rutile per year, or 14% of the world's supply, 330,000 tonnes of ilmenite and 40,000 tonnes of zircon, when it is fully operational. Rutile, which is composed of titanium dioxide, is an important pigment for industrial, domestic and artistic applications. Zircon is mainly used in the ceramics industry, while ilmenite is related to titanium. If the Kwale project is successful, the mining industry and Kenya's government hope it could prove to be a catalyst for further investment by foreign and local companies.

Authorities had concluded in the 1970s that the country did not have any mineral endowments, following the governments' geological surveys, opting to focus on farming, tourism, industries and financial services. But investors have started to pay attention to the country's mining potential, driven by a global surge of commodities prices, which has sent miners into new frontiers. The government has advertised for bidders to develop coal mines in the eastern province, where there are proven deposits, while African Barrick Gold in July said it was acquiring a licence to prospect for gold in western Kenya. Carstens said there were opportunities to prospect for iron ore in the country. Interest in the country's resources was enhanced in March when British oil explorer Tullow Oil announced significant oil finds in the northern county of Turkana. Base Resources plans to start drawing down its USD 170 million debt facility with a syndicate of six lenders towards the end of this year, Carstens said, as part of the Kwale financing package. The company raised a further USD 160 million from equity markets last year, deploying the cash into ongoing construction of an access road to the mine, a dam, a dedicated port facility and a 132 kv power line. Carstens said the mine had already secured customers for its rutile, which will account for 51% of its revenue, and ilmenite, which will bring in 22% of revenue.

The price of ilmenite surged from around USD 100 per tonne at the start of 2011 to USD 300-USD 400 per tonne for delivery in the first half of 2012. He added that Zircon, which is expected to rake in 27% of the firm's revenue, might be sold through a trading desk. Base Resources has signed a deal with Dupont Titanium Technologies of the U.S. for the supply of rutile. Carstens also warned any worsening of the global economic outlook could spoil the mining party for Kenya, especially if explorers and project developers are unable to raise funds for activities. The Kwale project, which was first started in 2006 by Canada's Tiomin, ran into difficulties when financing for the project fell through. An attempt to transfer the ownership to China's Jingchuan also failed, before Base Resources stepped in. Carstens said local capital participation was required to help the mining industry take off. "Seeing a project like this successful will go a long way towards giving some of the existing funds in Kenya the confidence to look at some of the next generation of mining projects," he said. *(Reuters)*

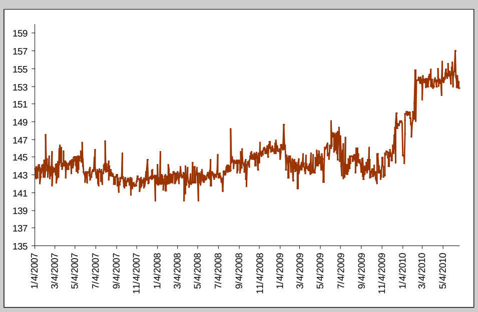
Malawi

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 market remained relatively quiet in the past week with trading being recorded in only four counters during the past week. Turnover stood at USD 54k. Standard Bank picked up MWK 1 to end at MWK 116. Mpico was down MWK 0.10 at MWK 2.40. NBM and NITL remained level at MWK 56 and MWK 17.50.

Corporate News

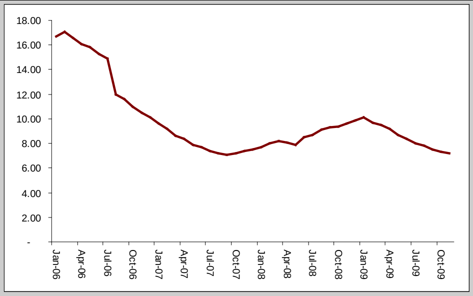
No Corporate News this week

Economic News

Malawi will press ahead with oil and gas exploration in Lake Malawi despite demands by Tanzania to halt such activities until a border dispute is resolved, Foreign Affairs Minister Ephraim Chiume said. Tanzania claims that 50% of the lake, which forms its border with Malawi, is part of its territory. Tanzanian officials have warned the 50-year-old territorial dispute between the two countries could escalate if significant oil and gas discoveries are made. "We have categorically told Tanzania that as far as we are concerned, the entire lake belongs to us and therefore we cannot stop exploration activities," Chiume told Reuters. Last October, Malawi awarded oil exploration licences to UK-based Surestream Petroleum to search for oil in Lake Malawi, which is also known as Lake Nyasa in Tanzania. Lake Malawi is the third largest lake in Africa, bordering Malawi, Mozambique and Tanzania. It is home to over 2,000 different fish species and oil exploration on the freshwater lake will likely rile environmentalists who fear it will disturb its ecosystem. *(Reuters)*

Britain has given USD 4.7 million (2.9 million pounds) to Malawi for food aid as more than 1.6 million people face food shortages in the impoverished southern African nation, British officials and the U.N. World Food Programme said on Tuesday. Malawi's economy was driven to the brink of collapse after foreign aid dried up over concerns about the human rights record of former President Bingu wa Mutharika. New President Joyce Banda, who came to office in April after Mutharika died of a heart attack, has moved swiftly to woo back donors, whose support previously accounted for about 40% of the budget. Britain's contribution takes the total international aid for Malawi's new government to more than USD 500 million. The International Monetary Fund approved a USD 156.2 million loan in July to boost economic growth, while the United States restored a USD 350 million aid programme to overhaul Malawi's decrepit electricity grid in June.

The British funds will help about 715,000 people, the British government's Department for International Development and the World Food Programme



Source: SAR

said. "Prolonged dry spells, high food prices and economic difficulties have left many people across Malawi struggling to find enough to eat this year," they said in a joint statement. The number of people facing food shortages in Malawi has increased by 200,000 since 2011 to 1.63 million, which is 11% of the population, a report by the Malawi government and U.N. relief agencies showed in July. The landlocked nation has been reaping bumper crops of maize, its staple food, but is a net importer of other food items. *(Reuters)*

Malawian President Joyce Banda will meet her Tanzanian counterpart, Jakaya Kikwete, in the next two days to discuss a dispute over Lake Malawi, where a British- based company is exploring for oil. The two leaders will meet at the Southern African Development Community summit that begins today in Maputo, the Mozambican capital, Banda's spokesman Steven Nhlane said in a phone interview from Lilongwe yesterday. SADC, as the community is known, groups 15 southern African nations. "The president wants to resolve the issue diplomatically," said Nhlane. "We know Malawi owns 100% of the lake but that does not stop us from engaging with our brothers in Tanzania in dialog to resolve this issue amicably." Malawi's Energy Ministry announced in October it awarded Surestream Petroleum Ltd., based in Reading, England, a license to search for oil in blocks 2 and 3 on Lake Malawi covering 20,000 square kilometers (7,724 square miles). Tanzania's government says exploration has extended into its half of the lake, which it calls Lake Nyasa, and wants exploration halted until ownership of the water body is determined.

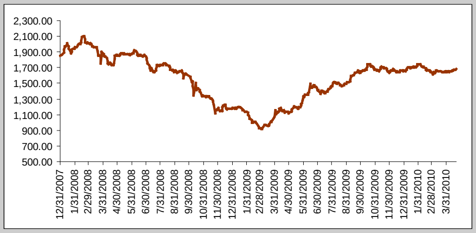
The Anglo-German Treaty of July 1, 1890, signed between Britain and Germany, the former colonial rulers of Malawi and Tanzania, gave ownership of the lake to Malawi. Tanzanian Foreign Minister Bernard Membe told parliament on Aug. 5 that Tanzania owns 50% of the lake and that his government had asked Malawi to stop crude oil and natural-gas exploration on the lake until the dispute over ownership was resolved, according to the Citizen newspaper based in Dar es Salaam, the commercial capital. "Our position is not to do any exploration activities on the lake, because there is a process of resolving the dispute under way," Salvator Rweyemamu, director of presidential communications in Tanzania, said in an interview on Aug. 8 from Dar es Salaam. "It is what we agreed, and it's the logical thing to do. We should not do things that will instead aggravate the dispute." Banda and Kikwete plan to hold further discussions on the issue on Aug. 20 in Malawi, Nhlane said. Banda said the country was exploring many avenues to resolve the dispute and doesn't expect conflict to erupt between the two nations.

"Even if the diplomatic route fails it does not necessarily mean we will go to war with our brothers and sisters in Tanzania, because we can resort to other channels to solve the matter," Banda was quoted as saying by the Daily Times, a Blantyre-based newspaper, yesterday. No one was available for comment when Bloomberg called Surestream's head office. The closely held company didn't immediately respond to an e-mailed request for comment. Tanzania already holds the second-largest natural-gas reserves in eastern Africa after Mozambique, having discovered about 30 trillion cubic feet of the resource so far. Malawi is one of the world's 20 poorest countries, with more than 40% of the population living on less than USD 1 a day and an average life expectancy of 40 years, according to the U.S. Agency for International Development. The southern African nation relies on aid for about 40% of its budget, according to the government. *(Bloomberg)*

SECURITIES AFRICA

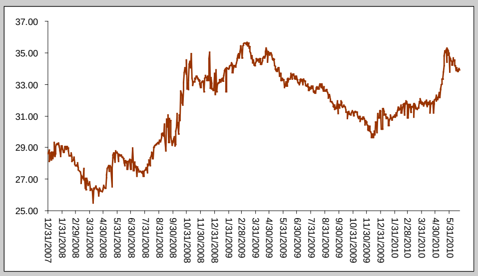
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

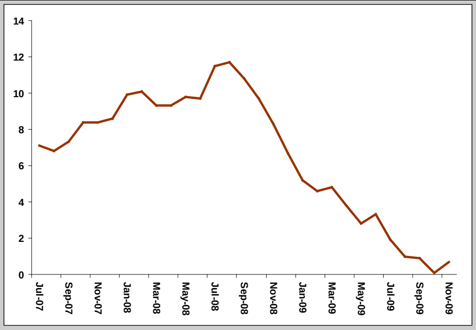
Mauritius came under a fair amount of pressure with the Semdex falling 0.8% to close at 1,718.31 and Sem-7 also fell (1.2%) at 331.63. MCB saw a significant volume of 372.9k shares traded over the week. On the other hand, State Bank and Bramer Banking remained unchanged at MUR 82.00 and MUR 7.50 respectively. Innodis lost 2.6% to MUR 41.00 on 117.3k shares exchanged. Vivo Energy dropped by 1.2% to MUR 167.00, while IBL decreased by 0.6% to MUR 77.50. Sun Resorts declined by 2.2% to MUR 31.80. Total market turnover was MUR 146m (USD4.8m).

Corporate News

Luxury hotel group New Mauritius Hotels said profit would likely fall in the current year and in 2012/13, hit by lower tourist numbers after a cut in the number of direct flights to Europe. NMH said on Monday pretax profit fell 8.5% to 839.5m Mauritian rupees in the nine months to June. Tourism, a traditional cornerstone of the Indian Ocean island's economy, has been forecast to account for 7.9% of domestic product in 2012, down from 8.4% last year. The downturn in tourism, hit by economic turmoil in the euro zone the sector's key source market - was also expected to prompt the central Bank to trim its forecasts. "In such a context, we expect a more difficult situation and poorer performance in the period October 2012 to September 2013 from our operations in Mauritius," NMH chief executive Herbert Couacaud said in a company magazine published on Monday. Newton Securities analyst Kavissen Senivassen said the move by national carrier Air Mauritius to slim its roster of flights to destinations such as Germany, Italy and Switzerland would mean fewer high-spending tourists lounging on the island's white-sand beaches. NMH shares closed down 3.2% to 60 rupees. Commercial director Roger de Speville said there had been a drop in bookings from this month after the routes were axed. "It seems that this trend would continue," he said. *(Reuters)*

Leading Mauritian sugar producer Omnicane swung to a pre-tax loss of 129.40 million rupees in the six months to June 30 due to lower revenue from energy and sugar sales. Omnicane, which operates a "flexi" factory producing sugar, electricity and ethanol, had posted a pre-tax profit of 33.68 million in the same period last year. "Our energy segment posted a 13% lower profit as major repairs were undertaken at our La Baraque power plant during the annual maintenance period," the company said in a statement. The results were issued after the market close. Shares in Omnicane had finished unchanged at 73.50 rupees.

Revenue from energy production fell in the half year to 1.432 billion rupees from 1.442 billion a year ago. Sugar revenue was down to 167.12 million rupees from 174.9 million. It said its loss per share deteriorated to 2.65 rupees from 0.29 rupees in the first half of last year. The company said it expected a better performance from its sugar segment as its refinery was working at an enhanced capacity. *(Reuters)*



Source: SAR

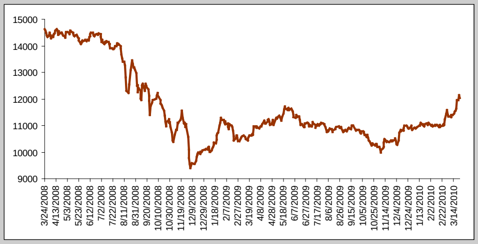
Economic News

The Bank of Mauritius said on it was re-opening a five-year Treasury bond worth MUR 1.4bn (USD 45.53m) with a coupon rate of 6%. The first re-opening of the issue in June fetched a weighted average yield of 6.18%, below the 6.23% achieved at a previous sale in April. The bank accepted bids worth 1.812bn rupees at the June auction. The central bank said in a statement on its website that the auction would be held on Aug. 22 and the paper has a maturity date of April 20, 2017. *(Reuters)*

The number of tourists visiting Mauritius fell 2.4% year-on-year in July, dragged lower by a slump in visitors from France, one of the Indian Ocean island's most important markets. Statistics Mauritius said on Friday arrivals from France fell 30% in July to 15,633 from 22,333 in the same period a year ago. Tourism in Mauritius has been hit by the global economic slowdown and worries about the euro zone crisis. Visitors from Europe, which accounts for some two-thirds of arrivals, dropped 14.5% to 36,570. Tourism, a cornerstone of the Indian Ocean island's economy, has been forecast to account for 7.9% of domestic product in 2012, down from 8.4% last year. Statistics Mauritius said 76,166 tourists visited the Indian Ocean island in July against 78,034 a year ago.*(Reuters)*

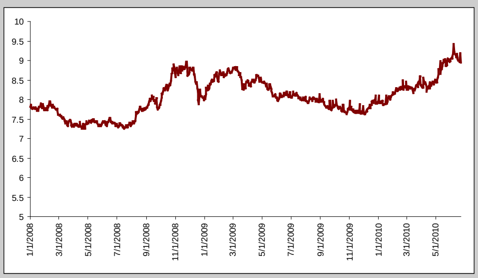
Morocco

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 0.22% to end the week at 9850.80pts. Lafarge edged up 5.9% at MAD 1537. SCE increased by 5% at MAD 315. HPS was up 4.4% at MAD 330. Oulmes traded 5.8% lower at MAD 437. CGI lost 5.4% at MAD 766 while BMCE was down 2.7% at MAD 175.

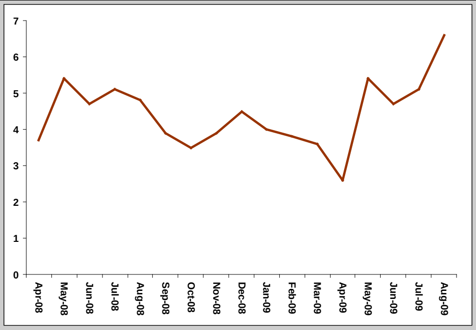
Corporate News

No Corporate News this week

Economic News

Morocco's budget deficit jumped almost five-fold in the 12 months to end-July, following the entry into effect of higher wages and pensions for the public sector. The budget deficit stood at MAD 23.6bn during the January-July, 2012 period up from MAD 4.2bn a year earlier, finance ministry data showed. The public sector wage bill rose 13.4% to MAD 55.9bn by end-July while spending on subsidies stood at MAD 31.9bn, which is 57.5% above its level in January-July, 2011, the data showed. *(Reuters)*

Morocco's state-run grains authority ONICL said it has received no bids in its tender to buy up to 300,000 tonnes of European Union-origin soft wheat as part of a preferential tariff agreement. ONICL gave no reasons for the absence of bids, but local importers said international prices made the deal commercially unviable while the domestic harvest of soft wheat was being collected. On Monday, a similar ONICL tender for 300,000 tonnes of U.S.-origin soft wheat also received no bids *(Reuters)*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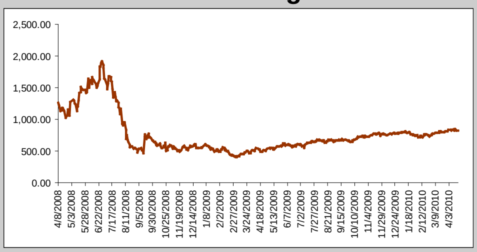
Source: SAR

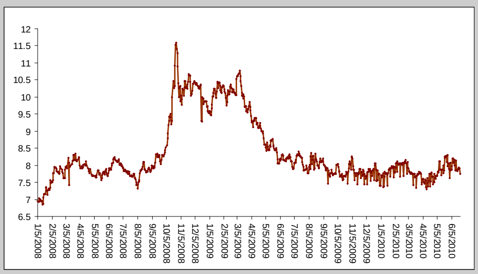
Namibia

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%).

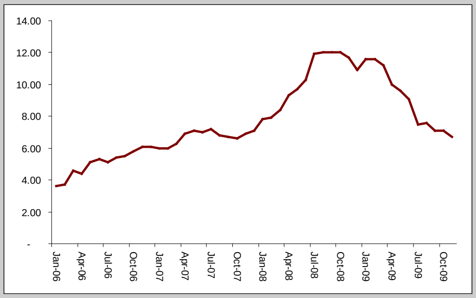
Corporate News

No Corporate News this week

Economic News

No Economic News this week

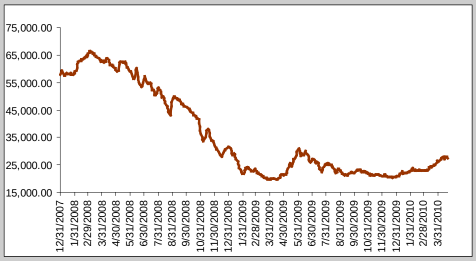
CPI Inflation



Source: SAR

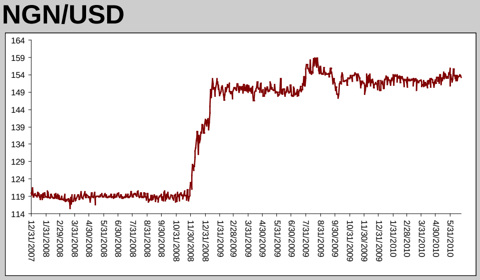
Nigeria

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 lost 1.62% at 23,141.08pts. Dangote Cement lost 4.33% to end at NGN 110.02 while Dangote Flour was down 1.69% at NGN 6.40. FCMB closed 1.29% in the red at NGN 3.05. Guinness inched up 0.08% at 242.20. Access gained 1.33% at NGN 7.6 while Fidelity traded level at NGN 1.31.

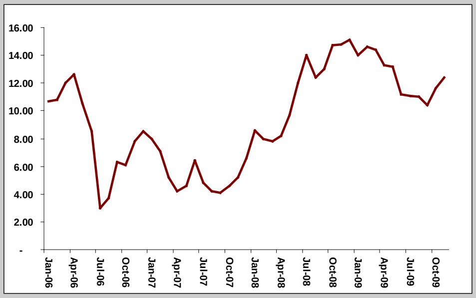
Corporate News

Dangote Cement Plc has commenced a systematic liberalization of the product distribution in order to bring down the price in the market. The management said at the weekend that it was widening the distribution outlets by opening more mega depots and signing on new distributors so that the consumers can reap the full benefit of the increased local production. A statement from the company said that there have been growing concerns over the price of cement even with continuous efforts at increasing production, which has led to a successful local production beyond the national consumption demand. Dangote Cement which accounts for over 70% of the local production has continued to invest more in local production by expanding its production lines and establishing new plants to ensure that the nation produces enough for home consumption and have surplus for export to other countries.

The statement said that the management of Dangote Cement is of the view that only a liberalized distribution system can make increased local production translate to cheaper cement and make meaningful the huge investments in local production. With more investments by the sector players, combined local production has combined production of about 27m metric tons per annum high and above the national demand hovering between 17 and 18m metric tons per annum. Group Managing Director of Dangote Cement, Devakumar Edwin said the cement company decided to review its distribution network system to ensure the availability of the product by creating wider access for its customers, noting that the move would ensure not only the stability of price, but also guaranteeing availability at the most reasonable price. *(Daily Trust)*

Following the release of its first-half unaudited IFRS results for the half-year ended June 30, 2012, at the Nigeria Stock Exchange, Fidelity Bank plc said the recorded 40% rise in its Operating Expenses (Opex) was due to sustained branch expansion activity. The bank's Operating Expenses rose to NGN 23.2bn from NGN 16.5bn recorded in corresponding period in 2011. The bank's branch count was increased by 5.4%, as ten new branches were opened in the 12 months to June 2012. At the Nigerian Stock Exchange, Fidelity share price closed at NGN 1.31 last Friday. In the H1'2012, Fidelity Bank Profit Before Tax (PBT) stood at NGN 9.9bn compared to NGN 3.8bn for the corresponding period in 2011; a growth of 160% in the period under review.

CPI Inflation



Source: SAR

Gross income increased by 79% to NGN 51.9bn for the period ended June 30 2012, compared to NGN 28.9bn for the period ended June 30 2011. Net interest income after impairment charge for credit losses increased by 88% to NGN 19.5bn during the period under review from NGN 10.34bn in the corresponding period of 2011. Net interest margin shrank; with the proportion of interest income used to service interest expense which was 39% in the half year ended June 30 2011, rising to 49.8% for the half year ended June 30, 2012.

Net fee and commission income grew by 30% to NGN 11.4bn in the half year ended June 30, 2012 compared to NGN 8.7bn in the corresponding period of 2011. Earnings Per Share (annualized) increased by 160% to 52kobo per share in the half year ended June 30, 2012 from 20kobo per share in the half year period ended June 30 2011. The bank's balance sheet highlights showed total assets increased by 46.9% from NGN 502bn as at June 30, 2011 to NGN 736.9bn as at June 30, 2012. Net Loans and Advances rose by 36% to NGN 274bn as at June 30, 2012 from NGN 201bn as at June 30, 2011. Total Deposit from customers stood at NGN 554bn as at June 30, 2012, which represents 61% growth over the June 30 2011 figure of NGN 345bn. Shareholders' Fund stood at NGN 141bn as at June 30, 2012. Pre-tax (annualized) Return on Assets (RoA) increased to 2.7% from 1.5%, while Return on Equity (RoE) rose to 14% in June 2012 from 5.8% in June 2011. Non Performing Loan (NPL) ratio was 6% as at June 30 2012 compared to 16% as at June 30 2011. It was 7.8% as at December 31, 2011. *(Business Day)*

Since the announcement of a change of leadership in Union Bank, which will see the present managing director, Funke Osibodu hand over to Emeka Emuwa, current Citibank Nigeria managing director, in October, strong investor sentiment has continued to trail the bank's stocks, as it has continued to attract increased demand by investors, Business Day investigation has revealed. This is just as the shares of the bank appreciated at the stock market, as the bank continues to regain more investor confidence, following efforts by the Osibodu led management to reposition the bank for better performance. The shares of the bank have been enjoying high patronage at the stock market, leading to capital appreciation since the announcement. Commenting on the recent development, analyst at Afrinvest said growing demand for Union Bank shares during the week led to a 10.7% mark-up at the close of the week; it was divergent to the lackluster performance of other stocks in the sector last week, with buyers demonstrating caution and leading to mild gains for most stocks in the sector.

Four companies however suffered varied losses this week with Stanbic IBTC leading the pack and dropping 4.6%. Skye Bank, UBA and Sterling Bank were not spared either, with losses of 2.4%, 2.3% and 0.9% respectively. "This appreciation in the share price began not long after the announcement of the change in leadership, which followed an impressive first quarter result, expectedly leading to increased demand by investors who are taking position in the bank, following improved Q1 numbers. It would be recalled the late last year, when the bank made the move to clean up its books by providing for bad loans. The management had expressed optimism that the future of the bank remains bright, saying that the result of the different strategies initiated would manifest in its subsequent improved financial results. Based on the assurance and given the low price at that time, some discerning investors swooped on the shares of Union Bank, a development that lifted the price by 23%. The equity which stood at NGN 4.92 before Union Bank announced its clean-up exercise, rose by NGN 1.07 or 23% to close at NGN 6 per share last Monday.

A stockbroker said that while investors are trying to take advantage of the low price of Union Bank, those who are holding the shares are not willing to part with it given the bright future prospects. Some shareholders of the bank had last week commended the provisions for bad loans, saying it will position the bank for better future performance. Union Bank recently reported a profit after tax of NGN 7.618bn in Q1 showing a growth of 68% from NGN 4.513bn recorded in the corresponding period of 2011. Shareholders' funds stood at a positive NGN 193.84bn in 2012 compared with negative of NGN 123.7bn in 2011. Total assets stood at NGN 1.1tn with deposit of NGN 565.34bn in 2012. Commenting on the results, Group Managing Director, Union Bank of Nigeria Plc, Funke Osibodu, said the Q1 was indicative of the efforts by the board and management to return the bank to its place of pride as a foremost financial institution that consistently creates value for all stakeholders. The bank has now done well to return from the abyss of a bailed out bank with negative capital to one of the most promising financial institutions in Nigeria, she said. *(Business Day)*

When the profitability of Lafarge Cement WAPCO Plc declined for two consecutive years- 2009 and 2010, some shareholders exited, thinking that the downward trend may continue. However, those who understood the reasons for that challenging period for the company, then and held on are now smiling home with fatter dividends. The fortunes of the company have not only began to witness growth but also the shareholders are getting higher compensation inform of dividends. But analysts believe that the rising fortunes of Lafarge Cement WAPCO is as a result of the expansion project it embarked upon in 2009. Known as Lakatabu, the expansion project involved the construction of a new production plant at its Ewekoro, Ogun State site. The 2.5 million metric tonnes cement plant was inaugurated by President Goodluck Jonathan last December. The plant took Lafarge WAPCO's production capacity to 4.5 million metric tonnes. However, while the project lasted, the profitability of the company was affected significantly as majority of the earnings was used to service the loan collected from banks to finance the expansion project.

The company obtained a multi-currency syndicated medium term loan comprising USD 114.5 million and NGN 25 billion with a tenor of 45 and 60 months respectively effective May 2009. The repayment of the loan started last quarter of last year. Given the high interest rate and the pressure the interest payment was having on its bottom-line, the company raised NGN 11.8 billion bonds to refinance the loan. Assessing the rational for the bond then, analysts at Meristem Securities Limited, had said it was a good move. According to them, given the moratorium period, its implication was that the company will repay the dollar loan (principal plus accrued interest) over a period of 15months that is between December 2011 and June 2013. "Likewise, the naira loan will be repaid over a period of 15 months that between March 2013 and May 2014. Bearing in mind that the project (then) is yet to fully become operational at optimal capacity, the loan repayment as scheduled will be a serious strain on cash flow which might impair their dividend paying ability. Hence, issuing a bond to refinance the loan will afford the company an opportunity to optimally manage its cash flow since coupon payment will be bi-annual which will be lower than making principal and interest payment on the loan as currently structured. This is also commendable from working capital management perspective," they said.

The analysts noted that the expansionary activity of would generate enough cash to finance the bond's coupon payments. The impact of the expansion is already being felt going by the financial performance of Lafarge Cement WAPCO for the year ended December 31, 2011. The company's turnover rose by 42% from NGN 43.841 billion in 2010 to NGN 62.502 billion in 2011. Profit before tax grew from NGN 8.464 billion to NGN 10.219 billion, while profit after tax appreciated by 77% from NGN 4.88 billion to NGN 8.5 billion in the 2011. Lafarge Cement WAPCO's focus on continuous business process improvement and alignment with best practise also led to a growth in earnings per share. It rose from NGN 1.63 in 2010 to NGN 2.84 in 2011. Out of the EPS, the shareholders got a dividend per share of 75 kobo, which is 200% higher than the 25 kobo paid in 2010. The company was able to generate significant returns to shareholders using the available shareholder equity with net return on shareholders' funds stood at 16% in 2011. While the return was the same 16% in 2011, it showed an improvement on the 10% recorded in 2010. Still basking in the euphoria of the impressive 201 results, the company has raised investor's hope for higher return in the current year going by its unaudited half year performance to June 30, 2012.

The company posted a turnover of NGN 45.9 billion in 2012, up from N29.4 billion in 2011. Profit rose by 162% from 3.194 billon to NGN 8.8 billion in 2012. Lafarge Cement WAPCO Nigeria Plc has raised investors' hope for a bumper harvest in the current year as the company announced a growth of 162% in profit for the half year ended June 30, 2012. The unaudited result of the company released on the floor of the Nigerian Stock Exchange (NSE), showed a profit before tax of NGN 12.1 billion in 2012, up from N4.6 billion in 2011. Profit after tax rose from NGN 3.194 billion to N8.8 billion. EPS soared by 175% from N1.06 to NGN 2.92 within six months. Explaining the performance, the Managing Director and Chief Executive Officer, of Lafarge Cement WAPCO, Mr. Joe Hudson, the company had continued to optimise production from its new Ewekoro II Plant. "In addition, these results demonstrate the impact of a number of internal process improvements and cost efficiency initiatives. Our new subsidiary, Lafarge ReadyMix Limited has started to operate profitably. We will continue to provide innovative products and services to our valued customers and consumers as we believe that this is the best way to maintain our heritage, touch the society where we operate and provide good returns to our shareholders," Hudson said.

Speaking in the same vein, the Finance Director of the company, Mr. Fred Amobi, stated that through various internal improvements and cost reduction initiatives, the company had kept fixed cost growth below 50% of inflation rate. "The operating margin has doubled from 16% (during the same period in 2011) to 32% in 2012 - a reflection of higher volumes and improved cost management. The company's outlook remains good while it will continuously review its operating environment in order to properly align its strategies and deliver on its promise. Looking at the H1 performance, analysts at FBN Capital Limited, said they have put a price target of N60.80 on the shares of the company. The stock closed at NGN 43 per share last Friday. "Despite delivering strong double-digit growth in sales and EPS in H1 2012, underpinned by a gradual ramp-up of new capacity, Lafarge Cement WAPCO shares have been flattish this year . We expect this to improve in H2 2012 as earnings should remain strong. Our price target implies upside potential of 40% we retain our outperform rating on the stock", they said. According to the analysts, going forward, they expect a slightly more subdued third quarter, due to seasonal trends (the rainy season). However, the forecast sales and EPS growth of 50% year-on-year and 125% to NGN 93.9 billion and N6.37 respectively. "Lafarge Cement WAPCO's 2012 estimated price earnings ratio multiple of 6.8x for 22.5% EPS growth in 2013 is more compelling than the 7.5x multiple for 20% EPS growth that the sector is trading on," they said. Looking at opportunities in the construction industry and in order to deliver higher returns in the future, the company has established a subsidiary called Lafarge ReadyMix Nigeria Limited. Hudson said ReadyMix is a response to the opportunity presented by the local construction industry, explaining that the subsidiary is already making significant in-roads in the construction market of Lagos area with plans to expand its operation to other parts of the country. *(This Day)*

Mobil Producing Nigeria Unlimited and Fishermen have reported an oil spill on the Atlantic coastline in Ibeno, Akwa Ibom State. MPN, an affiliate of US oil major, ExxonMobil operates two offshore oil blocks and a 960, 000 barrels per day crude export terminal, off the Akwa Ibom coastline. The oil giant said in a statement last night that the source of the spill was unknown.
It however stated that a response team comprising officials of National Oil Spills Detection and Response Agency (NOSDRA), MPN and the Department of Petroleum Resources (DPR) had been deployed to the spill site and samples taken to ascertain its source. "Mobil Producing Nigeria Unlimited, operator of the Nigerian National Petroleum Corporation (NNPC/MPN) Joint Venture, confirms that oiling from an unknown source had been sighted on the shoreline, near Ibeno, Akwa Ibom. An emergency response team was immediately dispatched to the shoreline and samples of the substance collected for fingerprinting to determine it source, which remains unknown". The statement signed by General Manager, Public and Government Affairs, Mr. Paul Arinze added that relevant government and regulatory agencies had been duly notified, restating the company's commitment to high safety, health and environmental standard in its operations and well-being of its host communities.

The Zonal Director of the National Oil Spills Detection and Response Agency (NOSDRA), Mr. Irvin Obot said the agency received the report of the oil spill on Monday. "Both the community and Mobil reported that there was an oil spill; Mobil said it was a 'mystery' spill and we have since dispatched our staff to the site. "Investigations are already under way to determine the source and cause of the spill and a fingerprint analysis would trace the source of the oil leakage," the News Agency quoted Obot to have said. Mobil had in 2010 confirmed two oil spill incidents in the Qua Iboe oil fields. The oil major had confirmed a discharge of crude into the Atlantic Ocean from Yoho crude production platform. It said a very minor discharge occurred at Yoho production platform. *(This Day)*

First Bank of Nigeria Plc, the country's third-biggest lender by market value, rose to the highest in more than a year on speculation it will continue to increase profit. The stock gained 2.2% to NGN 12.37 by the close in Lagos, Nigeria's commercial capital, its highest since July 2011. First Bank shares have risen by 39% this year, compared with an 11% increase in the Nigerian Stock Exchange All-Share Index. Profit for the six months through June more than doubled to 46bn naira (USD 293m) from NGN 20.5bn a year earlier, the Lagos-based lender said on July 24. Revenue rose to 182.3bn naira from NGN 145.1bn. “Investors are pricing the impact of First Bank’s strong earnings accretion and cost savings into the share price,” Abiola Rasaq, a Lagos-based analyst at Vetiva Capital Management Ltd., said in a phone interview. ‘From a valuation perspective, we believe our year-end target price of NGN 13.67 is water- tight, especially as we see upside for a full-year 2012 profit- after estimate of NGN 75bn.” Vetiva has an “accumulate” recommendation on the stock, Rasaq said. *(Business Day)*

The shareholders of Consolidated Breweries Plc approved a final dividend of N2.25kobo per share in addition to an interim dividend of 100kobo paid to investors late last year, when added with the interim dividend make a total of N3.25 per share. Consolidated Breweries grew its turnover from N24.5billion in 2010 to N27.9billion during the operating year ended 2011, indicating a 14% growth. Oyin Odutola-Olurin, chairman, Consolidated Breweries plc said at the company’s annual general meeting (AGM) in Lagos last Thursday that the Group however, recorded a 15% increase in turnover from N25.8billion in 2010 to N29.7billion last year. The company’s profit after tax declined by 18% from N3.2billion in 2010 to N2.6billion in 2011, while its Group recorded profit after tax N2.0billion in 2011 from N3.14billion in 2010, indicating a decrease of 37%. Odutola-Olurin attributed the decline in the company’s profit to stagnating volume growth and increasing operational costs occasioned by inclement operating environment in the country during the period under review. “We rely heavily on generators to power our Breweries and the attendant costs of operations always affect our profitability”, she said, adding that “the country’s road network still needs a lot to be desired, resulting in frequent breakdown of our trucks and adding to the already high transportation cost”, she added.

In spite of the harsh operating environment and the insecurity at the northern part of the nation, during the period under review, she disclosed that the company acquired 85% shareholding in Benue Brewery Ltd, brewers of the More Lager Brand of beer while Williams Dark Ale brand and its associated business also joined the company’s stable of quality drinks. She said the acquisition of Williams Dark Ale led to an immediate increase of the company’s commercial team with additional 42 ex-sales staff of Sona Systems Associated Business Management Limited. “The inclusion of the said brand to the company’s portfolio has also proved positive in the results of the last quarter of the year. The acquisition had made it possible for us to foray into unchartered territories in the country where hitherto our presence was not felt”. Describing 2012 to be a promising year, she disclosed that the company had with effect from January 3, 2012, acquired a majority shareholding in Champion Breweries Plc, stressing that the results of the 57% acquisition would be consolidated into the financial statements of 2012. “We are however, confident that as we continue to grow our markets as well as regain share from our competitors, the results will improve in the foreseeable future. Shareholders deserved returns on their investment,” Odutola-Olurin noted. Meanwhile, as at the close of market activities on Wednesday, Consolidated breweries shareprice closed at N6.30. *(Business Day)*

Economic News

Retail investors in the Nigerian Stock Exchange (NSE) have said that the purported control of about 40% equities free-float by foreign investors at the Exchange is due to their negligence by the NSE. Investor's confidence in the Nigerian stock market is low and this is evidenced by a virtual wiping out of the retail segment of the market. This explains to a large extent, why the handful of stockbroking firms which have a catchment of institutional clients virtually run the market as the oligopoly. This revelation comes on the heels of the Oscar Onyema led management of the Nigerian Stock Exchange, targeting USD 1trillion in market capitalisation by 2016, about four years from now. Emeka Madubuike, president, Association of Stockbroking Houses of Nigeria (ASHON) said a lot of es of Nigeria (ASHON) said a lot of work needs to be done concerning the incursion of foreign investors, while disregarding the importance of Nigerian investors. "No market depends on foreigners for growth. We are just sieving the reality at hand. It is not only retail investors, but all Nigerian investors. As we speak, the Pension Fund Administrators (PFAs) are not doing up to 25% that the law specified. Over- reliance on foreign investors is dangerous to the market. A lot needs to be done. In other economies, they have over 60% of their market in the hands of local investors," Madubuike told Business Day.

Oscar Onyema, chief executive officer of the NSE had said at the public hearing on the near collapse of the capital market, that the NSE believes the losses recorded in the market were driven among others, by the lack of investor confidence triggered by losses incurred during the financial meltdown of 2008/2009 as well as by the lack of liquidity and depth in the market. He believes that following the near-collapse of the Nigerian capital market on the heels of the market downturn, "it is important to implement changes to better manage investors' exposure to market risk. The NSE suggests that the minimum subscription amount for both debt (non-sovereign) and equity transactions be significantly raised, such that only qualified institutional investors, market makers and high-networth individuals (HNIs) can directly access the market. This would prevent vulnerable retail investors lacking in-depth understanding of the risks associated with the market, from directly exposing themselves, without the guidance of licensed Asset Managers." Olufemi Timothy, president Renaissance Shareholders Association of Nigeria, said "We retail investors are disappointed over how the NSE ignores our impact on the market, while pursuing foreign investors" who he believes only come into the market to cash out whenever it is ripe. He said: "NSE believes that the stock market is for institutional and foreign investors." The worst of it according to Timothy is the purported threat to ban trading by retail investors. "It is sad," he said. Godwin Anono, chairman, Nigeria Professional Shareholders Association (NPSA) told Business Day that the Nigerian Stock Exchange is not doing enough to bring retail/Nigerian investors back on board the market. "The Nigerian Stock Exchange is not doing enough in this direction. The Stock Exchange should give priority to retail investors. The market is now a buy and sell boys club. Stockbrokers, issuing houses, retail investors associations must be carried along in every transformational agenda, because these people have got nothing again to do other than investing in the stock market. The stock market is still crawling because the NSE ignores the impact of the retail investors," Anono said.

Ayodele Kudaisi of Independent Shareholders Association of Nigeria (ISAN) said, “We retail investors have not felt the impact of the NSE towards bringing back confidence in the market.” “It is difficult to reach them for advice. NSE should improve on its relationship with retail shareholders,” she added.
In the 12 years leading up to the 2008 financial meltdown, the Nigerian equity market returned over 1,200%, but has struggled since then. In 2011, the market lost approximatelyN1.4 trillion in market capitalisation (from N7.92 trillion at the end of 2010 to N6.54 trillion – a 17.42% drop). Amid this trend, Albert Okumagba, Group Managing Director/Chief Executive Officer, BGL plc had noted that: “In addition to a retreat by local mom-and-pop investors, international investors –which according to the NSE CEO hold up to 40% of free float equities on the market –also folded back portfolios and stayed largely away, to obviate risks in the face of the global markets turnmoil.” Boniface Okezie, chairman, Progressive Shareholders Association of Nigeria (PSAN), said: “If NSE is interested in developing the stock market, there is need to seek confidence of the local investors, than going abroad in search of foreign investors because it will not help him achieve his goal. The local investors are the ones that sustain the market, not foreign investors.” *(Business Day)*

Nigeria’s interbank lending rates eased on Friday to an average of 15.83%, two days after the overnight borrowing rate hit a more than 2-year high of 35% on the back of Central Bank of Nigeria measures to tighten liquidity. The cost of borrowing among banks was however, higher than the 17% on average it closed last Friday. 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 central bank has also barred banks that borrow funds from its repo window from participating in foreign exchange auctions or lending the same funds to other banks. Dealers said rates went up on Wednesday because many banks could not access the central bank’s repo window to borrow short-term to meet their obligations as a result of the new rules. *(Daily Trust)*

New car imports into Nigeria rose 15% in the first half of 2012, compared with the same period last year, as credit flows recovered in Africa's second-biggest economy, dealers said on Monday. Car sales in Nigeria are a proxy measure for consumer purchasing power and analysts see them as a good indicator of economic growth in the continent's most populous nation. Nigeria's economy grew 6.17% in the first quarter of this year, down from 7.68% in the fourth quarter last year, according to official figures. Nigerian port figures showed new vehicle imports increased to 24,158 units in the first six months to June, from 21,024 units in the same period of last year, as bank credit started to trickle in, according to vehicle importers. Bank credit to the private sector grew 48% at the end of June, compared from the same period a year ago, Nigeria's central bank figures showed, boosting demand for big-ticket purchases including vehicles. Credit flows grew less than 2% in 2010 as Nigeria's banking crisis bit.

Dealers said vehicle imports had started to recover, driven by an increase in passenger cars, after it took a hit at the start of the crisis, with credit sales then almost at zero. Passenger vehicles accounted for 54% of new car imports in the first half, while the remaining were commercial, port figures showed. Lenders in Africa's most populous nation have all turned a profit in the first half, driven by increased lending, after a 2009 bailout and subsequent sell off of bad loans to a government-owned entity AMCON balanced their books. Dealers said most consumers in Nigeria rely on bank financing to purchase vehicles and estimated the pent-up demand meant sales could recover sharply as credit recovers -- although central bank measures to tighten liquidity this week have pushed up interbank rates, which could hurt lending. Credit accounted for around 22% of a total 75,000 new car imports in 2008, before the bailout. (*Reuters)*

As the naira begins to respond to the tightening measures put in place by the Central Bank of Nigeria (CBN) at its last Monetary Policy Committee meeting, members of the banking community have raised the alarm over the corresponding surge in lending rates which they said is not likely to abate anytime soon. Last Wednesday, the naira closed at its firmest in two weeks, at NGN 160.10 against the dollar from N161.70 the previous day although money market watchers said the rate was still just outside the central bank's 150-160 naira/dollar preferred trading band. The CBN had tightened liquidity in the banking system by raising the Cash Reserve Ratio (CRR), from 8.0% to 12.0%, meaning that banks will now be left with less cash and, therefore, with less money to lend to their customers or play around with, in a measure that the apex bank governor, Mallam Sanusi Lamido Sanusi, said was to check rising inflation and protect the naira. An indication that borrowers are in for a regime of higher lending rates among banks emerged last week when overnight lending rates soared 10 percentage points to a more than two-year high of 35% on Wednesday. Overnight lending rate is the interest rate at which a depository institution lends immediately available funds to another depository institution overnight. Fears were, however, expressed at the weekend that if the rate at which banks lend among themselves could be that high, then, it would be killing for individuals who come for loan.

Call rate rose to 31.933%, 7-day NIBOR rose by 31.9083%, 30-day NIBOR rose by 32.4167%, 60-day NIBOR rose by 33.0750%, while 90-NIBOR rose by 33.25%. According to the international financial advisory firm, Renaissance Capital, increasing the CRR will keep credit growth from strengthening and undermining new lending; particularly to the SMEs that the CBN has taken pains not to hurt with higher interest rates, which would be negative for GDP growth. The firm recalled that the "MPC has opted not to hike the monetary policy rate (MPR) for fear of hurting growth – the committee was particularly concerned about hurting SMEs and putting upward pressure on non-performing loans (NPLs). While we think the policy measures taken will help stem naira weakness. "We think the higher CRR is negative for growth as it will likely curtail new lending, particularly in an environment where liquidity has been particularly tight since May."

As the MPC already pointed out in the 24 July communiqué, significant liquidity on the books of banks has not led to intermediation and lending to the real economy. "Credit extended to the private sector grew by only 3.6% between December 2011 and June 2012, according to the CBN. Sanusi said last month that interest rate cuts weren't the answer to spurring growth and would risk higher inflation. He said Nigeria 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. As part of its bid to reduce naira liquidity, the CBN sold NGN 172.06bn (USD 1.1bn) of treasury bills at an auction last week, with yields rising from a previous sale amid high subscription. The CBN sold NGN 32.06bn of 91- day bills at a yield of 15.04%, 110 basis points more than at an auction July 25. It also sold NGN 50bn of 182-day securities at 16.56%, 162 basis points higher than the previous sale, and NGN

90bn of 364-day bills at 18.17%, a jump of 320 basis points. Bids totalled NGN 172.06bn. *(This Day)*

Trading on the equities sector of the Nigerian Stock Exchange re-opened in an upbeat, following price gains recorded by major blue chip companies, especially UTC and Union Bank, as market capitalisation increased by NGN 11bn. On 13 August 2012 the All-Share Index rose by 34.53 points or 0.1% from 23,239.03 points recorded on 10 August 2012 day to 23,273.56 points, while market capitalisation rose by NGN 11bn from NGN 7,396tn to NGN 7,407tn. Specifically, 20 stocks appreciated in price, as UTC topped the day's gainers' chart with 5.00% to close at NGN 0.84 per share, followed by Union Bank with 4.92% to close at NGN 5.12 per share. Evans Medical, Vitafoam, RedStar Express gained 4.76%, 4.75% and 4.53% to close at NGN 1.10, NGN 3.09 and NGN 2.77 per share respectively. GuarantyTrust Assurance added 4.24% to close at NGN 1.72 per share, while Dangote Sugar Refinery and Neimeth garnered 4.22 and 3.80% to close at NGN 4.69 and NGN 0.82 per share each. Paint Company added 3.77% to close at NGN 2.20 per share, while ROYALEX gained 3.77% to close at NGN 0.55 per share.

However, Eternaoil led others on the losers' chart with 4.85% to close at NGN 2.55 per share. Custodian & Allied Insurance followed with 4.65% to close at NGN 1.23 per share. International Breweries shed 4.41% to close at NGN 6.07 per share, while Livestock dropped 4.38% to close at NGN 1.31 per share. Dangote Flourmill shed 3.99% to close at NGN 6.25per share while TRANSCORP lost 3.81per cent to c lose at NGN 1.01 per share. Diamond Bank, WAPIC, AG Leventis shed 3.69%, 3.64% and 3.51% to close at NGN 2.61, NGN 0.53 and NGN 1.10 per share respectively. Further analysis of 13 August 2012's transactions showed that the banking sub-sector dominated with 142m shares worth NGN 1.2bn in 1,847 deals, followed by the insurance sub-sector with 10m units worth NGN 6m. The packaging/containers sub-sector ranked third with 8.4m shares worth NGN 13m. Transactions in the shares of First Bank lifted activities in the banking sub-sector with 29m shares worth NGN 357m, while Zenith Bank followed with 18.4m units worth NGN 277m. In all, investors exchanged 209m shares worth NGN 1.6bn in 3,306 deals. *(The Guardian)*

Nigeria's naira currency strengthened to its highest in three months on the interbank market on Monday, after the state oil company sold about USD 50m to some lenders amid tight naira liquidity. The naira closed at NGN 157.70 to the dollar, a level last seen on May 14. It had closed at 158.40 to the greenback on Friday. Nigeria's currency has gained about 2.47% in the past week after the central bank introduced tighter measures to control money supply two weeks ago. The central bank in July raised the cash reserve requirement for lenders to 12% from 8% and reduced net open foreign exchange positions to 1% from 3%, to restrict the money supply and support the currency. The bank also barred banks that borrow naira funds from its official window from using those funds to buy dollars at its by-weekly auction, a bid to crack down on currency speculation. "The sale of about USD 50m by (state oil firm) NNPC and the fact that some banks sold down their positions to stay within their approved foreign exchange position provided support for the naira," one dealer said. Dealers said the naira should hover around 157.70-158.50 band in the week, as the market remained relatively dollar liquid. On the bi-weekly foreign exchange auction, the central bank sold USD 147m at 155.83 to the dollar, less than the USD 180m it had offered, and a lot less than he USD

318m sold at same rate last Wednesday. *(Reuters*

There are indications that the missing Superannuation fund of the Power Holding Company of Nigeria (PHCN), formerly known as National Electric Power Authority (NEPA), may have been diverted to a seemingly illegal entity called the NEPA Superannuation Fund Limited. The electricity sub-sector has been in the news over the last few weeks, following disclosures by the Federal Government that over N270 billion PHCN staff pension scheme fund was missing. PHCN's Superannuation Fund, captured within the NEPA Act, was to be made up by 25% contributions of staff salaries and is managed by the PHCN management and the leadership of the three unions in the sector, who are the trustees and sole signatories to the account. Documents seen by BusinessDay dated 9th September 2005 and signed by directors of the Superannuation Fund Limited, showed that a special resolution given during an extraordinary meeting of the board of directors of the group states, "that all Acts, Deeds and Negotiations, Contracts, Agreements and Transactions entered into, carried out and being undertaken by and for NEPA superannuation fund, prior to the incorporation of NEPA superannuation fund limited, be and is hereby ratified.

"That all such Acts, Deeds, Negotiations, Contracts, Agreements and Transactions are henceforth the Acts, Deeds, Negotiations, Contracts, Agreements and Transactions of NEPA Superannuation Fund Limited and shall be of the same effect as if NEPA Superannuation Fund Limited had been a party to it in the place of NEPA Superannuation Fund." Meanwhile, Corporate Affairs Commission documents dated 7th July 2005, show that the Superannuation Fund Limited was registered by some individuals within NEPA with its directors listed as Timothy Olufemi Akintola of NEPA, Ijora-Olopa in Lagos with 1.4 million ordinary shares; Vincent Mamudu of Yaba, Lagos with 1.3 million ordinary shares and Moses Olaniyi Olotu of NEPA quarters, Ijora, Lagos with 1.3 million ordinary shares. PHCN is listed as being allotted 6 million ordinary shares. Other documents from the three other unions in the power sector, namely the Senior Staff Association of Statutory Corporations and Government-owned Companies, National Union of Electricity Employees (NUEE) and the PHCN National Union of Pensioners, had respectively nominated Akintola, Mamudu and Olotu to "subscribe, on behalf of the Association of NEPA Superannuation Fund Limited and should equally hold, on behalf of the association NEPA Superannuation Fund Limited, shares allocated to the union."

Notably, no clear evidence has so far emerged that either the Bureau of Public Enterprises (BPE) or the ministries of power and finance, which may represent the government, are aware of the existence of Superannuation Fund Limited or if any of them were represented in any of the related transactions.
The government has said that it doubts the workers' union and the management ever deducted the 25% from workers' salaries and therefore may have for many years been doing creative accounting to be able to pay those who have hitherto retired from the service. Bart Nnaji, the minister of Power notes that "it is clear from the reports I have, that it is either the PHCN staff did not contribute 25% of their salary or that some unscrupulous officials made away with over N300b which was over the years deducted from their pay".

Nnaji said that if the PHCN's 50,000 employees had over the years been contributing 25% of their salaries to the pension, as alleged by the National

Union of Electricity Employees (NUEE) they should have over N300billion in their bank account. "What we have rather found, is a paltry N3billion, which cannot cover the terminal benefits of up to 30% of the workforce", said Nnaji. In the absence of funds to implement the Superannuation Scheme, the government has ruled that rather than go home with nothing, the workers should revert to the Pension Reform Act and be paid from there. To this end, the Government is said to be withdrawing taxpayers' money from the treasury to pay for the PHCN and its 50,000 workforce, the outstanding 15% of its pension premiums, under the Pension Reform Act, with effect from July 1, 2004. The total fund withdrawn by government for this exercise is pegged at N80billion. *(Business Day)*

THE Export-Import Bank of the United States (Ex-Im Bank) has approved a USD 1.5 billion in financing to support U.S. exports to Nigeria and some other sub-Saharan African countries in the first three quarters of 2012, surpassing the previous record of USD 1.4 billion for the entire year in 2011. According to a media note made available to journalists in New York by the media department of the bank on Sunday, the increase was driven by export growth in several sectors, including machinery, vehicles and parts, commodities and aircraft. The media note further stated that two of the top markets for U.S. exports in the region are South Africa and Nigeria, which are among Ex-Im Bank's nine key country markets. Ex-Im Bank Chairman and President, Fred P. Hochberg stated: "Proportionately, Ex-Im Bank supports more U.S. exports to sub-Saharan Africa than it does to the world at large. Last year, we financed 6.7% of U.S. exports to this region. With this new record in sub-Saharan authorisations already achieved in 2011, we are on target to increase that percentage. "Sub-Saharan Africa is a priority region because many countries have strong prospects for long-term economic growth and infrastructure development. We want to help more U.S. exporters increase their sales to this emerging region."

In 2012, Ex-Im Bank expanded its cover policies in four sub-Saharan African countries: Cameroon (opened for long-term in the public sector), Ethiopia (opened for short-term and medium-term in both the public and private sectors), Tanzania (opened for long-term in the public sector) and Angola (opened for long-term in the private sector). The cover policies changes were approved by the Bank's board of directors, following upon country-risk upgrades determined through an inter-agency country-risk review process. However, Ex-Im Bank Chairman, Hochberg, Vice Chair, Wanda Felton and Bank staff had recently conducted a business-development mission in sub-Saharan Africa, visiting South Africa and Mozambique. The trip included participation in the just concluded U.S.-South Africa Strategic Dialogue with U.S. Secretary of State Hillary Rodham Clinton in Pretoria. During the business visits, Exim Bank Chairman Hochberg signed a Declaration of Intent with the Industrial Development Corp. of South Africa Ltd. (IDC), indicating Ex-Im Bank's interest in financing up to USD 2 billion of U.S. technologies, products and services to South Africa's energy sector, with an emphasis on clean-energy technologies. It would be recalled that in April, Ex-Im Bank authorised a USD 37.2 million loan guarantee to support the export of U.S. road-construction equipment and related services by Hoffman International Inc. in Piscataway, N.J., to the Republic of Cameroon.

In June, Ex-Im Bank approved a USD 7 million loan guarantee supporting the export of dredging equipment and spare parts from Dredging Supply Co., in Reserve. La., to Japaul Oil and Maritime Services PLC in Port Harcourt, Nigeria. Ex-Im Bank is guaranteeing a medium-term loan from RB International Finance (USA) LLC in Bethel, Conn., to Japaul Oil and Maritime Services for the purchase of the equipment. The foreign buyer's primary business is oil and maritime services in the upstream segment of Nigeria's oil and gas industry. Ex-Im Bank is an independent federal agency that helps create and maintain U.S. jobs by filling gaps in private export financing at no cost to American taxpayers. In the past five years, Ex-Im Bank has earned for U.S. taxpayers USD 1.9 billion above the cost of operations. The Bank provides a variety of financing mechanisms, including working capital guarantees, export-credit insurance and financing to help foreign buyers purchase U.S. goods and services. *(Guardian)*

Exactly two months after the Federal Government dissolved the Board of Securities and Exchange Commission (SEC), a new board is yet to be reconstituted, a development market operators said will further delay the recovery of the nation's stock market. They have therefore, called on the government to appoint a new board. The Minister of Finance and Coordinating Minister for the Economy, Dr. Ngozi Okonjo-Iweala, had on June 15, announced the dissolution of SEC's board following the expiration of its tenure of four years. But due to the suspension of SEC Director-General, Arunmah Oteh, by the board then, Okonjo-Iweala announced the appointment of Mr. Brahim Bolaji Bello as acting DG of the commission. The minister had promised to constitute a new board, adding the government was looking forward to the report of the audit that the board ordered to look into the Project 50, which led to the suspension of the Oteh.
While government has received the report and reinstated Oteh for almost a month, the market is still awaiting the constitution of a new board.

Senior stockbrokers and market operators who spoke to THISDAY last Monday, said the government should not delay further in reconstituting the board of the commission. According to them, considering the intrigues that led to the suspension of Oteh and her reinstatement, the commission should have a board that will assist in stabilising the market. "The DG has assumed office for almost a month now and she has been working without commissioners and a full board. Given the controversies surrounding her suspension and recall and the observation of the government pertaining to the report of pricewaterhouse coopers(PWC), there is the need for a board to be reconstituted without delay," a broker said. Another operator explained as the apex regulator of the capital market, leaving only the DG to work without a board would not help in the efforts to regain investors' confidence. "We need a board that is constituted not based on political appointees. But a board that has people who are knowledgeable about the market. The government should bring people who understand the market and when such people work in harmony with the management of the commission, the impact of their decision would be felt and seen in the market," he said. The board of SEC comprise nine members made up of the chairman, DG, three executive commissioners, two non-executive commissioners, and a representative each from the Ministry of Finance and the Central Bank of Nigeria (CBN). *(This Day)*

The demand for diesel has reduced significantly over the past few weeks, causing the price of the product to drop by 6.05%. This follows a significant increase in power supply levels across the country, from the national grid, in the same period. Diesel, which sold weeks back, for NGN 165 per litre at fuel stations, now sells for NGN 155, a drop of NGN 10 per litre, a positive development for users and a pain for importers. Many parts of the country have in recent times experienced improved power supply. Only on Tuesday, the country hit a record level of 4,477 megawatts in power generation. The new peak exceeds the record level of 4,337 megawatts, achieved on Monday, August 6, this year, by 240 megawatts. Before then, it was about 3,800 megawatts. The improved electricity supply, according to industry insiders has been as a result of increased gas supply to the power generating stations, the strengthening of distribution networks and transmission lines, and the fact that some of the National Integrated Power Projects have started contributing to the national grid.

Bart Nnaji, minister of Power, has attributed the sharp increase to gas availability, and praised the Nigeria Gas Company (NGC),adding “gas is coming up gradually and when fully stabilised, we can easily hit 5,000MW.” Strengthening this position, are the additional distribution networks which have come on stream in some strategic locations across the country. The nation’s gas agenda is robust. It puts gas-to-power at the core, but also envisions an aggressive gas based industrial growth. This in turn will drive further growth of demand for power. The plan is for about 3bn standard cubic feetb(bcf/d) of gas, targeted at the Power Sector, with existing Power Holding Company of Nigeria (PHCN) plants being cardinal base load consumers of the product. Additional gas will come from other sources, such as Independent Power Plants (IPP’s). The NIPP has 250 distribution network projects embedded within the existing networks of the 11 Electricity Distribution successor companies of PHCN. As such, the host distribution companies are fully involved in the commissioning and integration of the new facilities into existing networks.

Diezani Alison –Madueke, minister of Petroleum, commenting on the improved power supply in the country yesterday, listed the items completed in the critical pipeline segments that have helped improve supply, as including the 27kmX24inch permanent gas supply pipeline from Itoki to Olorunshogo via Ewekoro, all in Ogun State; the 56kmX24inch Escravos-Warri gas pipeline - doubling the pipeline capacity and enhancing gas evacuation from Escravos, as well as the 130kmX36inch Oben to Geregu pipeline. “The net impact of all these is the addition of 120m cubic feet of gas per day (mmcf/d) to the grid and the permanent elimination of the challenges of low gas pressure that has plagued the Olorunshogo PHCN and NIPP power plants. We are also now well positioned to supply gas to the existing Geregu Power plant and all anticipated future expansions in that axis,’’ she said.

A chief executive officer of one of the major oil marketing companies, who spoke to BusinessDay, said it was true that demand was low, but it could be entirely attributed to improved power supply because usually the demand for the product was limited. Another manager in one of the marketing companies also said that the price of the product has been retreating but added that at this period of the year, the demands is more for Dual Purpose Kersosene and not AGO. Duro Kuteyi, president, Lagos State chapter, National Association of Small Scale Industries (NASSI), said the fall in diesel price may be due to the recent increase in the supply of electricity. “We hope it will continue and not be a flash in the pan”, he told BusinessDay.

Muda Yusuf, director- general, Lagos Chamber of Commerce and Industry (LCCI) said the drop in AGO price,“ is a relief to manufacturers. But is not good news for government, because it means lower revenue". It is the outcome of full deregulation of diesel. Moreover, energy is a big issue. The fall in price can be tied to the ongoing global recession. Growth is declining globally, Nigeria inclusive. This is affecting prices". Olufemi Olawore, secretary, Major Oil Marketers of Nigeria, said that the drop in the price of the product could be as a result of improvement in power supply. But Ikem Oha, the secretary, Depot and Petroleum Products Marketers Association of Nigeria, said the price of AGO which is imported is tied to the international price of crude oil, and could not be attributed to the improved electricity supply.

He said if the price of crude oil was rising, the price of the product would also rise and if it was falling, it would also fall. Victor Ndukauba, vice president Afrinvest, told BusinessDay: "I believe the drop in diesel prices can be tied to a combination of two factors: the nearly 30% fall in crude prices last month had a knock on effect on refining costs, and therefore on the prices of by-products, and the relative improvement in public power supply within the Lagos metropolis, has impacted diesel demand. This may have also contributed to lower retail prices of diesel by marketers looking to achieve faster inventory turn-around". The fall in the pump price of diesel, analysts said, was increasing the risk of loan default by refined products importers, which was in turn raising the risk of higher Non Performing Loans (NPLs), for Nigerian banks. Nigeria imports most of its refined petroleum products because it does not have enough domestic refining capacity. While the price of Premium Motor Spirit (PMS) better known as petrol, is regulated, that of diesel is determined by market forces.

This implies that a diesel importer, who ordered cargoes earlier, may have his margins eroded due to the fall in prices in recent times. Banks financing diesel and other such imports, may be in trouble," said one oil industry insider who declined to be named. Nigerian banks have historically concentrated lending to blue chip companies, particularly in the oil and telecoms sectors, and with interest rates currently hovering above 28%, smaller players in the non-oil sectors are increasingly locked out of credit. "Also, banks no longer finance importation of PMS as their concentration is now on Automotive Gas Oil (AGO) which is now experiencing a glut in the Nigerian market, hence the desperation of the banks to want to sell off whatever cargo they have helped finance, in order to recoup their money." The banks have been burnt before. In 2010, the oil and gas sector got the largest chunk of loans with 20% of all banking loans. The oil and gas sector also had the highest concentration of Non Performing Loans (NPLs) in 2010, at 20.2% of total outstanding bank loans. *(Business Day)*

The Central Bank of Nigeria (CBN) said it plans to issue NGN 70.65bn (USD 445.18m) in treasury bills ranging from 3-month to 6-month maturities at its regular bi-monthly debt auction on next week, as part of measures to tighten liquidity. A statement from the apex bank, said it will issue NGN 30.65bn in 91-day paper and NGN 40bn in 182-day bills on August 23. Nigeria, Africa's second biggest economy after South Africa, issues treasury bills regularly to reduce money supply, curb inflation and help lenders manage their liquidity. *(Business Day)*

Nigeria's gross government revenues rose by 8% to NGN 825.39bn in July, from NGN 763.55bn in May due to higher crude oil exports, the finance ministry said. Nigeria distributed NGN 564.08bn to the three tiers of government for July while NGN 213.10bn was added to the excess crude account (ECA), Minister of State for Finance Yerima Ngamma told reporters. Ngamma said government has removed USD 1bn from the ECA, where Africa's biggest oil producer saves money it earns from crude sales over a benchmark price, currently USD 72 a barrel. *(Reuters)*

Nigeria is likely to be included in JP Morgan's Government Bond Index Emerging Markets (GBI-EM) from October, potentially bringing up to USD 1bn into one of Africa's most developed debt markets, the bank said. The inclusion of the continent's top crude oil producer, which will become the second African constituent of the index after South Africa, will be phased over three months, from October 1 to December 3., JP Morgan said. With around USD 170bn of assets under management benchmarked against the index and given that Nigeria is expected to have a weight of 0.59% in the index by December 3, there could be over USD 1bn flowing into its local bond market in the coming months, said Giulia Pellegrini, JP Morgan economist and strategist for Sub-Saharan Africa. "This is a game-changer for the Nigerian bond market," she said. "With yields currently north of 16%, offering a hefty premium to the current GBI-EM Index yield of 5.8%, that estimate may well be revised to the upside as investors are attracted by the possibility to capture higher returns than in the other local markets in the index." Inclusion in the index would also support the efforts of the Nigerian government to deepen the bond market, Pellegrini added. The total domestic debt stock is currently around USD 38bn, including federal government bonds (accounting for USD 23bn), as well as state government and corporate bonds.

"It raises the visibility of the Nigerian bond market on the international scene, placing what has been so far deemed a "frontier" market a step closer to more mainstream investment destinations," she said. Three Nigerian bonds, maturing in 2014, 2019 and 2022, will be eligible for the GBI-EM as they are the most liquid, though the list may be subject to change depending on market conditions. Inclusion of more bonds in the index is possible in the future, Pellegrini said. The move follows the announcement in April that South Africa would be included in Citi's World Government Bond Index in October. Citi estimates that up to USD 7.5bn could flow into the country's bond market as a result. Since April, foreign inflows have totalled USD 6.2bn, though it is unclear how much of this is related to the WGBI, and yields on government bonds have fallen sharply. While Nigeria's inclusion in the GBI-EM is not of the same magnitude as much larger funds are benchmarked against the WGBI it opens the country up to new foreign investors, said Leon Myburgh, sub-Saharan Africa strategist at Citi. "It now becomes part of a major benchmark and this will force a number of investors who didn't previously look at Nigeria to look at it," he said. "Certainly, it will bring in new flows into the country which it wouldn't have seen otherwise."

Conditions Nigeria had to meet in order to qualify for the index include being classified as a low/upper-middle income country by the World Bank for at least two consecutive years, the availability of two-way daily pricing on its bonds, a sufficiently liquid local bond market and certain requirements relating to settlement. The central bank's lifting of restrictions on foreign participation in the bond market last July also helped to facilitate the inclusion of government bonds in the index, Pellegrini said. "It has removed a barrier to easy entry and exit of foreign investors in the local bond market," she said. "This has spurred renewed interest by foreigners, helping raise market liquidity in and enhance the profile of the local bond market on an international level.*"(Reuters)*

ExxonMobil's Nigeria unit said it was investigating an oil spill near its facility off the country's southeast coast, which local fishermen said had covered the waters where they fish with a toxic film. Mobil Producing Nigeria, a joint venture between ExxonMobil and the state oil firm, said on Wednesday that relevant government agencies had been notified of the spill. "Mobil Producing Nigeria confirms that oiling from an unknown source has been sighted along the shoreline near Ibeno, Akwa Ibom State," spokesman Nigel Cookey-Gam said. "An emergency response team was immediately dispatched to the shoreline, and samples of the substance were collected for fingerprinting to determine its source, which remains unknown." Sam Ayadi, a fisherman in Ibeno, said by telephone that no one had been able to go fishing since the spill was first noticed on Sunday. "The fishermen are still off the waters due to the spill. We cannot return yet. We are waiting for Mobil to open to discussions with us about what happened," he said. Oil spills are common in Africa's top energy producer. Stretches of the Niger Delta, a fragile wetlands environment, are coated in crude. Thousands of barrels are spilled every year, and lax enforcement means there are few penalties.

The companies say the majority of spills are from armed oil thieves hacking into or blowing up pipelines to steal crude, an activity they estimate saps nearly a fifth of Nigeria's output. A landmark U.N. report in August last year slammed the government and multinational oil companies, particularly leading operator Royal Dutch Shell for 50 years of oil pollution that has devastated the Ogoniland region. The government and oil majors have pledged to clean up the region and other parts of the delta, but residents say they have seen very little action. "Because of this spill we have not been going to fish again since Sunday. So we are suffering because this is the only work we do as fishermen," Inyang Ekong said. "This is what we go through each time there is a spill, and that is why the prices of fish are going higher everyday." Several communities have taken Shell to court over a failure to clean up spills, although the oil major says insecurity and rampant oil theft are hampering clean up efforts.*(Reuters)*

A recent research by the Hogg Robinson Group (HRG) has ranked hotels in Lagos as the second most expensive in the world behind Moscow, which oligarchs and bling reputation, pushed to first on the ranking. According to the results of a poll conducted in 50 cities worldwide, a hotel room in Lagos cost an average of £217.05. The report claimed the high rate of hotel rooms in the state could be attributed to the 'high volume of inbound business travel connected with the oil industry'. It added security concerns in the security forces travellers to stay in five-star accommodation. Behind Lagos in third place was Geneva with rooms priced at an average of £215.92, the survey said that hotel prices across the Eurozone had 'either fallen or remained flat'. The survey also found that prices of hotel rooms had increased in both Tokyo and Dubai as they recovered from last year's earthquake, tsunami and Arab Spring. Done twice a year, the HRG research looks at hotel room prices for key business destinations. *(Business Day*

The shareholders of Consolidated Breweries Plc approved a final dividend of N2.25kobo per share in addition to an interim dividend of 100kobo paid to investors late last year, when added with the interim dividend make a total of N3.25 per share. Consolidated Breweries grew its turnover from N24.5billion in 2010 to N27.9billion during the operating year ended 2011, indicating a 14% growth. Oyin Odutola-Olurin, chairman, Consolidated

Breweries plc said at the company's annual general meeting (AGM) in Lagos last Thursday that the Group however, recorded a 15% increase in turnover from N25.8billion in 2010 to N29.7billion last year. The company's profit after tax declined by 18% from N3.2billion in 2010 to N2.6billion in 2011, while its Group recorded profit after tax N2.0billion in 2011 from N3.14billion in 2010, indicating a decrease of 37%. Odutola-Olurin attributed the decline in the company's profit to stagnating volume growth and increasing operational costs occasioned by inclement operating environment in the country during the period under review. "We rely heavily on generators to power our Breweries and the attendant costs of operations always affect our profitability", she said, adding that "the country's road network still needs a lot to be desired, resulting in frequent breakdown of our trucks and adding to the already high transportation cost", she added.

In spite of the harsh operating environment and the insecurity at the northern part of the nation, during the period under review, she disclosed that the company acquired 85% shareholding in Benue Brewery Ltd, brewers of the More Lager Brand of beer while Williams Dark Ale brand and its associated business also joined the company's stable of quality drinks. She said the acquisition of Williams Dark Ale led to an immediate increase of the company's commercial team with additional 42 ex-sales staff of Sona Systems Associated Business Management Limited. "The inclusion of the said brand to the company's portfolio has also proved positive in the results of the last quarter of the year. The acquisition had made it possible for us to foray into unchartered territories in the country where hitherto our presence was not felt". Describing 2012 to be a promising year, she disclosed that the company had with effect from January 3, 2012, acquired a majority shareholding in Champion Breweries Plc, stressing that the results of the 57% acquisition would be consolidated into the financial statements of 2012. "We are however, confident that as we continue to grow our markets as well as regain share from our competitors, the results will improve in the foreseeable future. Shareholders deserved returns on their investment," Odutola-Olurin noted. Meanwhile, as at the close of market activities on Wednesday, Consolidated breweries shareprice closed at N6.30. *(Business Day)*

CONFUSION was the order of the day yesterday, in Abuja, as fuel scarcity saga, which began on Wednesday, worsened in the federal capital city, even as the causative factor(s) became only speculative. The nation's oil marketers had earlier threatened to go on strike, fuelling suspicion that the warning could have given rise to panic buying and concomitant hoarding of the commodity.
There were however, hints that tanker drivers have ceased lifting supplies to the fuels stations in the Federal Capital Territory. Already, the Coordinating Minister of Economy and Finance Minister, Dr. Ngozi Okonjo-Iweala, met with the oil marketers on Wednesday to address issues raised in their threat to embark on strike. The Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, also yesterday, in Abuja, appealed to oil marketers to shelve their strike and allow Nigerians celebrate the Eid-el-Fitr. The minister, who noted the queues at the fuel stations in the Federal Capital Territory, pleaded with the tanker drivers to resume transportation of the product to Abuja. According to her, the Federal Government was taking necessary steps to address their grievances. She assured the tanker drivers that the Ministry of Finance would ensure that the situation was addressed and marketers paid their genuine claims. "It's with a great deal of concern that the Ministry of Petroleum Resources has noticed the

increasing queues at our filling stations, particularly in Abuja. “It is also very clear that the Ministry of Finance is working very hard at this time to address the situation at hand and I will like to appeal particularly to the marketers to please cooperate with the Federal Government, particularly as we go into Eid-el-Fitr,” she said.

She however, stressed that the hitch had nothing to do with the non-availability of the product as the Nigerian National Petroleum Corporation (NNPC) and the Pipelines and Product Marketing Company (PPMC) had 40 days strategic reserve. “I want to assure Nigerians that the NNPC and the PPMC have no scarcity of products and that in fact, we have 40 to 45 days stock in our reserves at this time,” she said. Independent oil marketing and depot companies have asked the Federal Government to pay their outstanding subsidy claims put at N200 billion. The oil marketers warned the government of the impending fuel crisis that would follow shut down of their operation should the Ministry of Finance fail to reimburse them their subsidy claims since January, adding that interest rate has risen to a minimum of 22% while interest charge in Naira stands at N3.7 billion per month. The oil marketing companies, depot and jetty owners under the aegis of Major Oil Marketers Association of Nigeria (MOMAN), Depot and Petroleum Products Marketers Association (DAPPMA), Independent Petroleum Marketers Association of Nigeria (IPMAN), and Jetties and Petroleum Tank Farms Owners of Nigeria (JEPTFON) have warned the Federal Government to pay their members all outstanding subsidy claims or the country will face severe fuel scarcity.

The Associations explained that their members own over 25,000 filling stations have tank farms and storage facilities with about 2.5 billion litres and with dealers in excess of 25,000 and employ about 300,000 station attendants and over 100,000 drivers and mates. They added that there are about 100,000 direct staff and several millions of indirect staff such as contractors and peddlers. The marketers argued that with the current daily consumption of about 35,000mt per day, it means that about 1,050,000 mt tons of premium motor spirit is consumed monthly, which translates to about USD 1,050,000,000 monthly at an average price of USD 1,000 per metric ton. They noted that the subsidy element, which is about 35%, will bring the average amount per month to about USD 367,500,000 (N60,637,500,000), pointing out that with the new payment method, it will take government almost three months to pay one month claim. The Presidential Committee on Fuel Subsidy Payment headed by the Managing Director and Chief Executive Officer of Access Bank Plc, Aigboje Aig-Imoukhede, had in its report noted that both the Nigerian National Petroleum Corporation (NNPC) and the marketers made total claims of N2,109,386,944,946.92 in 2011, with the NNPC claiming N981,734,423,649.56, while the oil marketing and trading companies submitted claims of N1,127,652,521,297.36.

However, the outstanding arrears of 2009 and 2010 subsidies were included in NNPC’s claims for 2011. Of the N981.7 billion claims submitted by NNPC for 2011, the corporation paid itself N764,944,448,471.72 in 2011 by deducting it directly from the cost of crude oil allocated it by the Federal Government. NNPC also deducted another N210 billion in 2012, leaving N6.78 billion as government’s outstanding obligation. But in 2012, the corporation submitted fresh claims of N310,362,437,515.12 as arrears from 2009, 2010 and 2011, bringing its total outstanding arrears for 2011 to N317.15 billion. Okonjo-Iweala said between April and August this year, the government through domestic borrowing had raised N42.666 billion to pay fuel marketers to make products available in the country. The minister, while reacting to the claims by some marketers said the true position was that the government had been meeting its obligations to the marketers for all legitimate claims. The Minister made this clarification at the inaugural meeting of the newly constituted Board of the Nigerian National Petroleum Corporation. She said: “For instance, between April and May 2012, batches D/12 and E/12 involving 14 oil marketers with a claim of N17 billion were fully settled through the issuance of Sovereign Debt Notes and other relevant documentation.” *(Guardian)*

Nigeria's consumer inflation eased slightly to 12.8% year-on-year in July, from 12.9% year-on-year in June, statistics showed on Friday, surprising many analysts who had expected inflation to rise. Food inflation, the largest contributor to the headline index, rose slightly to 12.1% year-on-year in July, compared with 12.0% in June, the National Bureau of Statistics (NBS) said in a report. *(Reuters)*

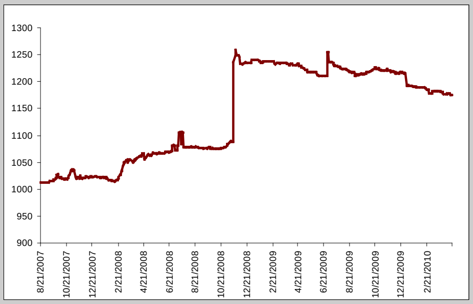
There are indications that the Federal Government of Nigeria (FGN) bonds will be included in the JP Morgan Government Bond Index - Emerging Markets (GBI-EM) in a phased approach, over a three-month period. The JPMorgan’s GBI-EM indices are comprehensive emerging market debt benchmarks that track local currency bonds issued by emerging market governments. The index, which was launched in June 2005 is the first global local emerging markets index. A note made available to THISDAY Wednesday, indicated that the three month would commence from October 1 and end on December 3. It also explained: “During each rebalance date, one third of the notional of each FGN bonds will enter the index. At this stage, the inclusion appears to cover three maturities (one of the 2014 instruments; one of the 2019 bonds and the January 2022 bonds).” It however assumed that due to their secondary market liquidity, the April 2017 bond was omitted. Emerging Markets Strategist, Standard Bank Plc, Mr. Samir Gadio, argued that the planned inclusion of the FGN bonds on the index was expected given that Nigeria’s secondary market bond trading volumes now almost exceed those of Egypt and Morocco and represent about 20% of South Africa’s turnover in normal times.

Also, JP Morgan’s Economist and Strategist for sub-Saharan Africa, Giulia Pellegrini, said: "This is a game-changer for the Nigerian bond market. Inclusion in the index would also support the efforts of the Nigerian government to deepen the bond market.” "It raises the visibility of the Nigerian bond market on the international scene, placing what has been so far deemed a "frontier" market a step closer to more mainstream investment destinations.” Continuing, Gadio added: “But it was generally assumed that the inclusion would take place more in the medium term. The launch of the Primary Dealers Market Makers platform in 2006 ensured some broadly consistent trading activity in on-the-run bonds (and two-way quotes over-the-counter); on the demand side, the market has been underpinned by the relative development of the domestic banking system (despite structural issues in the late 2000s) and a nascent -and fast growing –pension fund industry.

“Of course liquidity is still not adequate in the off-the-run segment (and occasionally in on-the-run securities) and the ability to short bonds is limited, but we think the Nigerian fixed income space has reached a stage that makes it qualitatively different from many other frontier bond markets and increasingly difficult to ignore internationally.” He also forecast that the inclusion of Nigeria’s debt instrument would contribute about 0.59% to the GBI-EM index. “This is not much in proportional terms, but may imply that at least USD 1 billion will come into FGN bonds, which are for example a sizeable amount compared to the free float of the March 2014, June 2019 and January 2022 instruments. “In reality, it will most likely take some time for those accounts to get custody and internal approvals to hold FGN paper, so the squeeze in supply may be somewhat delayed,” he added. *(This Day)*

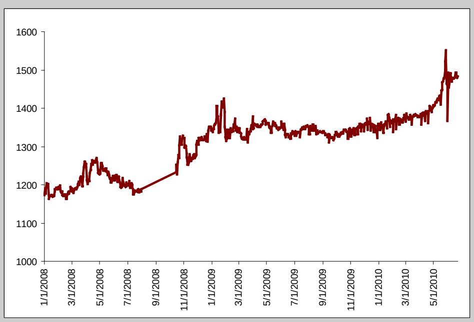
Tanzania

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

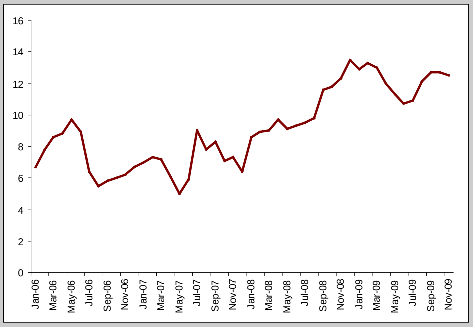
The Tanzanian market closed the week in positive territory with the DSEI gaining 0.20% to close at 1,442.38. Overall, the market's performance was pushed up by NMB (+2.15%), SWISSPORT (+11.67), TWIGA (1.63%) and PAL (+6.82%) gains. Week on week, turnover rose to TZS. 1,117m from TZS 672m posted the previous week.

Corporate News

Petra Diamonds Ltd lowered its production forecast for fiscal 2013, due to a revision of the mining scope at its Finsch mine in South Africa and lower production at its Williamson mine in Tanzania. The company, which has interests in seven producing mines in South Africa and one in Tanzania, said it expects to produce about 2.9m carats for the year ending June 30, 2013, a quarter of a million carats lower than its prior view. It produced about 2.2m carats in fiscal 2012. Petra said its production target of 5m carats a year by fiscal 2019 remained on track. The company said it expected diamond prices to remain flat for the rest of this year. "The rough diamond market is expected to remain under pressure in the short term, however, Petra's view is that the medium to long-term outlook for diamond prices remains positive due to the well-reported medium-term strong supply and demand fundamentals," the FTSE 250 company said in a statement. The Finsch mine, South Africa's second-largest diamond mine by production which Petra bought from De Beers in September, contributed 1.1m carats to overall output in the year ended June 30. *(Reuters)*

Economic News

Tanzania's external debt stock stood at USD 10.35b, being USD 386m higher than the amount recorded at the end of May 2012, the central bank's monthly economic review report for July released shows. "The increase was mainly on account of new external debt disbursements to the government and private sector accumulation of interest arrears," the Bank of Tanzania (BoT) economic review said. BoT report said out of the external debt stock 85.7% was disbursed outstanding debt (DOD) and 14.3% was interest arrears as the ratio of external debt to GDP in nominal terms stood at 43.0% as at end of June 2012. However, as per provisional results of the latest Debt Sustainability Assessment (DSA) conducted in March 2012, the present value of external debt to GDP was 18.9% against the sustainability threshold of 50%, the report added. The profile of external debt by creditor category indicates that stocks of multilateral, bilateral, commercial and export credit debts increased by 2.9%, 0.3%, 10.3% and 2.6% respectively. While the profile of



Source: SAR

external debt stock by borrower category indicates that the central government share of the total external debt stock was 76.4%.

It further added the private and public sector corporations debts accounted for 18.3% and 5.3% of the total external debt stock respectively. The profile of external debt by currency composition indicates that the debt stock was mainly denominated in Special Drawing Right (SDR), US Dollar (USD) and African Unit of Account (AUA), the report said. However, after decomposition of SDR and AUA into basket currencies, USD became the predominant currency at 53.8% followed by Euro at 26.5%. In June, 2012, disbursed and recorded external debt amounted to USD 336.3m, while external debt service amounted to USD 11.7m of which USD 4.0m was principal, USD 3.5m was interest payments and USD 4.2m was arranger fees. The amounts were paid to Credit Suisse London USD 4.2m, IDA USD 1.4m, OPEC Fund USD 1.6m, Export-Import Bank of China USD 0.8m and JICA USD 0.7m. Payments were also made to Kuwait Fund USD 0.8m, ING Bank N.V USD 1.2m and others USD 1.0m. The stock of domestic debt as end of June, 2012 decreased by Tsh 52.3bn (USD 33m) to Tsh 4.17trn (USD 2.65bn) compared to Tsh 4.23trn (USD 2.68bn) registered at the end of preceding month. The decrease was due to relatively low issuance of Treasury Bills and Bonds relative to maturing obligations. The profile of government domestic debt by instruments indicates that government securities accounted for 100% of the total debt stock with government bonds accounting for the largest share of 73.5% followed by Treasury bills and government stocks which accounted for 20.3% and 6.2% respectively.

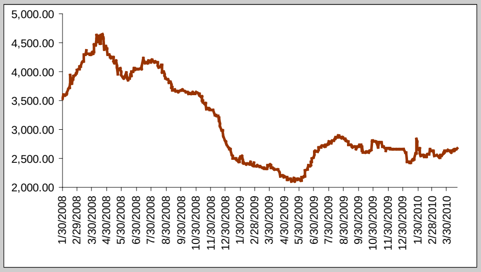
On annual basis, domestic debt stock increased to Tsh 4.17trn (USD 2.65bn) as at the end of June 2012 from Tsh 3.73trn (USD 2.37bn) recorded in the corresponding period in 2011. "The increase was on account of large issuance of government bonds and treasury bills as compared to maturing obligations," the central bank said. The profile of domestic debt by holder category indicates that commercial banks were the leading investors in government securities holding 46.4% of domestic debt stock, followed by the BOT and pension funds, which held 23.7% and 19.2%, respectively. During June 2012, government securities issued amounted to Tsh 103.9bn (USD 66m), out of which, Tsh 58.7bn (USD 37m) were treasury bills, and Tsh 45bn (USD 28.62m) treasury bonds. The cumulative domestic debt issued for financing purposes in financial year 2011/12 stood at Tsh 1.41trn (USD 896.94m), out of which Tsh 990.6bn (USD 630m) were treasury bills and Tsh 418.5bn (USD 266m) treasury bonds. A total of Tsh 211.6bn (USD 134.61m) was due for payment, out of which the principal amounting to Tsh 157.6bn (USD 100.51m) was rolled over while interest amounting to Tsh 54bn (USD 34.37m) was paid out of government resources.*(East Africa Business Week)*

Bank of Africa Tanzania has attributed its successes in the Tanzanian market to its increased lending portfolio to small and medium entrepreneurs (SME), dished out personal loans and the introduction of many new products. The bank doubled its net profit during the first half of 2012 against last year's performance during the same period, saying the achievement was a good sign of its growth and acceptance in the market. The bank's head of finance, Mussa Mwachaga said this was as a result of the bank's customised finance and trade portfolio products that have enabled its customers to secure letters of credit and guarantees with ease. He mentioned some of the new products introduced in the market as home finance, insurance premium finance and smart junior investor account that have catered for new market segments it has focused on. “Going forward the bank is focused on increasing an array of products and services to new sectors,” he said. According to the financial statement released early this month, the bank recorded the profit of 551m/- for the quarter ended June 2012 up from 273m/- recorded in June last year. Further, it recorded a profit of 1.4bn/- for the year ended June 2012 compared to 722m/- witnessed in the same period ending June 2011.

Mwachaga said the bank recorded a net interest income amounting to 4bn/- for the quarter ended June 2012 compared to 3bn/- registered in the same period last year. As for the year ending June 2012, the bank recorded a non interest income of 8.2bn/- compared to 5.7bn/- recorded in the same period in June 2011. “The bank’s non-interest income increased by 37% for the quarter ended June 2012 to 2.9bn/- compared to 2.1bn/- recorded in the same period last year,” Mwachaga said. In the recent years, the bank has strengthened its services and presence in the country with a current network of 16 branches. Since it started operations in the country in 2007, itk has opened ten branches in Dar es Salaam and six others branches upcountry in Morogoro, Tunduma, Mwanza, Moshi, Mbeya and Arusha. In this financial year, the bank is geared to increase its regional presence by opening up four new branches within the country. *(IPP Media)*

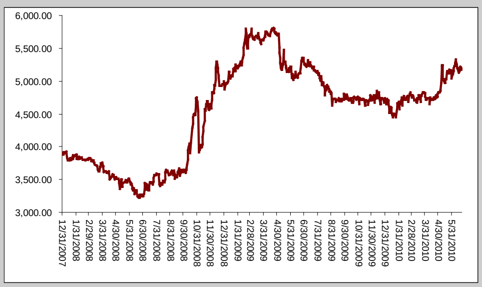
Zambia

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

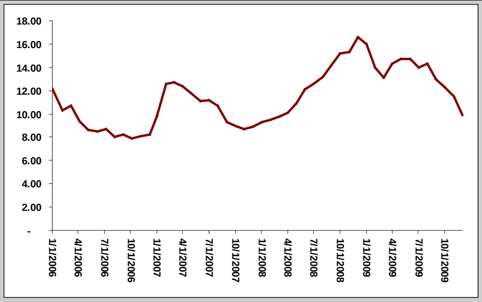
The All Share Index falling 1.6% to close at 3,866.84. Zambia Sugar was the major driver behind the move lower with the name falling 8.7%. Zanaco was the only gainer +1.88% to close at ZMK 163.00.

Corporate News

GOVERNMENT has finally issued a mining licence to Dangote Industries Limited, a Nigerian multinational investor which is constructing a USD 500m cement plant in Masaiti district,Copperbelt Province. Once the company starts production, it is expected to produce 3,500 tonnes of cement per day. Dangote Industries Limited general manager Vivek Heblikar says the company was issued a certificate last week for their economic activities in Zambia. Mr Heblikar confirmed the development in an interview in Ndola yesterday. “We have been issued with a certificate which will comprise a lot of licences, as well as for our mining activities at the cement plant under construction in Masaiti,” he said. Mr Heblikar expressed happiness towards government’s gesture to issue the certificate to the Nigerian conglomerate company. He said works at the site were going on well, adding that the plant is likely to be completed on schedule. “I’m not a prophet, but If all goes well as per company programme, the cement plant will be completed on time,” he said. The plant will be constructed in three phases with the first phase expected to be completed in 2013. Mr Heblikar said Sinoma Engineering Company of China has been contracted to build a modern cement plant.

The construction company is also expected to construct houses for 30 families that have been relocated from the construction site to Lupiya area in Chief Chiwala’s chiefdom. In the first phase, 18 families would be relocated to the named area and thereafter another 12 families would follow. Earlier, Mr Heblikar said the company could not commence compensating the displaced 30 families due to lack of a mining licence. Dangote Industries is the third cement plant to be established in Zambia, from Larfage and Zambezi Portland Cement, a local company that broke the monopoly in the cement manufacturing sector in Zambia. Zambezi Portland Cement and Larfage cement plants are all located in Masaiti district on the Copperbelt. *(Daily Mail)*

ZAMBIA Sugar Plc’s minority investors have bemoaned lower dividends offered to shareholders despite the company’s continued impressive performance. But Zambia Sugar management says the company still owes about ZMK 1 tn debt borrowed from financial institutions to finance the expansion of the Nakambala project. Speaking in Mazabuka at the shareholders’ open day held on Friday last week, Charles Matondo, a shareholder, said dividends are still low despite the company making profits. According to the 2012 annual report, the directors will, during the annual general meeting to be held in Lusaka, propose a final dividend for the year



Source: SAR

ended March 31, 2012 of ZMK 1 per share that will result in a total dividend of ZMK 9.90 per share given to shareholders compared to ZMK 3.55 offered last year. “Shareholders have tightened their belts for too long without getting benefits from the company. The dividend of ZMK 1 per share is very small,” Mr Matondo said. He also wondered how long the company would take to repay the debt to allow shareholders to enjoy the fruits of their investments. Webster Shamfuti, another shareholder, called on other investors to support the company adding that Zambia Sugar is a public firm that belongs to Zambians. “Personally, I have seen the company grow to what it is today. Let us support management, Zambia Sugar is a public company that belongs to us,” he said.

He said the company still has a huge debt that needs to be repaid, adding that there is need to balance what employees get as salaries and the shareholders’ dividends. Responding to shareholders’ concerns, Zambia Sugar corporate affairs manager Lovemore Sievu said the company’s net financing costs are still large. Mr Sievu said this year; Zambia Sugar is expected to pay ZMK 155.4bn interests on the money borrowed. “As shareholders you agree to borrow some money to bring in the big factory that we now have. Before you can get your money (dividend), the financiers of the expansion project have to be given their money first. “Once you pay off the debt, the factory will be completely yours. As of last year, you owed the bank ZMK 1 tn,” he said. Meanwhile, addressing journalists, Mr Sievu said the purpose of the shareholders’ open day is to provide a forum where investors can dialogue with management, appreciate their investment, ask questions and get clarifications on any pending query. He said the company has also introduced an electronic voting system, which will be used by shareholders at the annual general meeting. *(Daily Mail)*

Economic News

SOUTH Korean and Australian companies, Samsung Engineering and OSD Pipelines, have expressed interest to partner in the establishment of an oil refinery in Ndola. This follows the recent signing of a USD 3.3billion memorandum of understanding (MoU) by Bwana Mkubwa Oil Refinery, a local company and Maysen and Browski of Australia. The construction of the refinery and a pipeline is expected create 18,000 jobs and upon completion about 5,000 permanent occupations will be created. Bwana Mkubwa chairman phesto Musonda says his company is now waiting for permission from Government to carry out a pre-feasibility study for the intended construction of a refinery to be situated at the Sub-Sahara Gemstone Exchange Industrial Park. The MoU between Bwana Mkubwa and Maysen Browski was signed in February this year for the construction of a refinery, pipeline and other associated infrastructures. Samsung Engineering and OSD Pipelines are interested in construction of a refinery and a pipeline, respectively.

Mr Musonda confirmed the development in an interview in Ndola yesterday. He said officials from Samsung have since visited Zambia on the matter. Mr Musonda said there was progress which has resulted in Samsung expressing interest to build a refinery. “Samsung’s coming underpins the confidence that investors have in the enabling investment environment in the country,” he said.

Samsung has a turnover of USD 220bn annually and contributes over 25% of

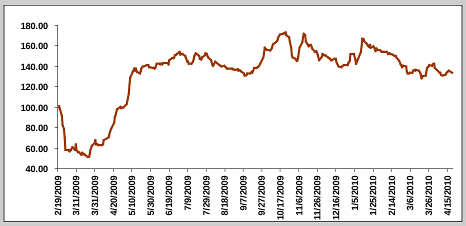
South Korea's gross domestic product. Bwana Mkubwa oil refinery, once completed, will have a production capacity of five million metric tonnes per year. Mr Musonda said there will be spin-off jobs to be created by the petrochemical industries that will help in diversification of the country's economy. He said the plant will contribute to fuel supply stability in Zambia and assist the government to hold sufficient strategic reserves. "It will also reduce import of by-products, save foreign exchange that is bitumen, fertiliser, industrial and pharmaceutical products, jet fuel, heavy fuel and many others," he said. He also said that there will be improvement in incomes in Ndola, the Copperbelt and the country as a whole. Meanwhile, Mr Musonda said his company has already written to Government to authorise the investors to carry out a pre-feasibility study. "We have requested Government's authority to undertake a pre-feasibility study," he said. He is optimistic that soon Government will give its position on the request on pre-feasibility study for the intended construction of a second refinery in Zambia. *(Daily Mail)*

ZAMBIA recorded over USD 40 million (approximately K200billion) worth of investments from Japan between 2005 and 2011 with Hitachi Construction Machinery Zambia alone investing about USD 15million. Deputy Minister of Commerce, Trade and Industry Keith Mukata, however, says there is need for Japanese investors to increase their presence in various sectors of the economy to contribute to the development of the country. Mr Mukata says despite the investors contributing to the country's growth, they stand to benefit as will easily access the Common Market for Eastern and Southern Africa (COMESA) and Sothern African Development Community (SADC) markets due to the country's central location. "For companies that decide to invest in Zambia, our country's central location in SADC and COMESA gives us a competitive market access to nearly 400million people," he said. Mr Mukata said this in Lusaka on Tuesday evening at the Alliance Forum Foundation Business seminar that seeks to strengthen business ties between Zambia and Japan.He said Zambia's political, macroeconomic stability and continued reforms that are targeted at improving the conditions of doing business should attract investors. "In an effort to develop a sustainable industrial base, Government has identified agriculture, manufacturing, tourism, infrastructure, energy and telecommunication…in this regard, investors are encouraged to partner with Government under the Public Private Partnerships (PPPs),"he said.

Mr Mukata, however, noted that Zambia's trade balance with Japan is unsatisfactory as Zambia imports more than it exports with Zambia's exports declining to USD 4million last year from USD 6.9million recorded in 2010. Exports to Japan include copper, lead, tin, aluminium and nickel while Japanese imports into Zambia include motor vehicles, vehicle parts, machinery and boilers. Earlier, Zambia Development Agency (ZDA) acting director general Glyne Michelo said the trade balance between the two countries stood at USD 144million with Japan being the major beneficiary. Mr Michelo expressed optimism that increased investment from Japan will help narrow the huge trade imbalance existing. At the same occasion Japanese ambassador Akio Egawa also emphasised the need for the two countries to strengthen trade ties. Mr Egawa said Zambia is a strategic partner of development in view of the political stability and sound economic interventions. "Japan attaches great importance to the relationship with Zambia because the country is a shining example of peaceful countries in Africa," he said. *(Daily Mail)*

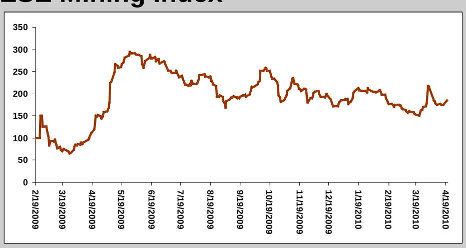
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The Industrial Index gaining 0.58% to close at 133.96 while the Mining Index closed unchanged at 89.04. The best performing stocks were Willdale (+50.00%), Lifestyle (+45.45%), Nicoz (+33.33%), M&R (+25.00%) and Star Africa also (+25.00%). On the losing front we had Cairns (-37.50%), Trust (-37.50%), Celsys (25.00%) and NMBZ (-15.25%).

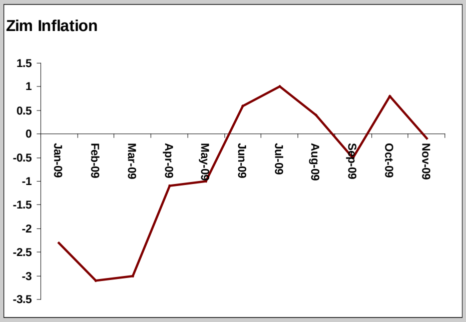
Corporate News

COTTON Company of Zimbabwe (Cottco) managing director, David Machingaidze has said the plans to double cotton production to 200,000 tonnes of cotton in the 2012/2013 farming season. The company's bid to double output shows the sector has not been harmed by a bitter dispute over prices when growers refused to sell their crop this season, unhappy with the prices offered by ginners and merchants. Cottco's contracted farmers produced 104,000 tonnes of cotton in the 2011/12 season. Machingaidze said the company would contract 135,000 growers countrywide in the upcoming season compared to 100,000 in 2010. "We are targeting 200,000 tonnes of cotton in the 2012/2013 farming season. All those who participated in our input credit scheme last year can qualify as long as they have paid their debt," he said. "We are not able to register new growers, those who benefited last year; registration is underway at all Cottco depots nationwide," he added.

Machingaidze, who is also Cotton Ginners Association chairperson, said the sector was poised for growth despite ongoing challenges in the industry. "Apart from the current difficulties like the pricing issues and price controls, the future of the country's cotton industry is still bright," he said adding that Cottco would purchase 150,000 tonnes of seed cotton in the 2011/12 marketing season against the company's ginning capacity of 265,000 tonnes. Blaming poor world market prices, merchants offered between USD 0.36 and USD 0.50 per kg for this season's crop which was rejected by the farmers forcing the government to intervene and fix prices at between USD 0.77 and USD 0.84. Agriculture minister, Joseph Made warned merchants they would lose their licences if they did not pay the prescribed prices. "We are not seeking any negotiations. Ginners who do not comply with this position will have their licences cancelled. This is final and there is not going to be any debate," he said. Cotton is the country's second largest foreign currency earner in agriculture after tobacco and is a source of livelihood for over 250,000 families in the drier parts of Zimbabwe. *(New Zimbabwe)*

BARCLAYS Bank Zimbabwe has said locals now control 30% of the bank following a 1991 public share issue which deliberately excluded foreigners. The bank, along with Standard Chartered and South Africa-owned Stanbic, is under pressure to comply with the country's economic empowerment legislation.

CPI Inflation



Source: SAR

The laws require foreign companies to transfer ownership of at least 51% of their Zimbabwe operations to locals. Empowerment Minister Saviour Kasukuwere has insisted that the banks must come under local control, accusing them of not doing enough to support black-owned businesses. But Barclays Zimbabwe Managing Director, George Guvamatanga said his bank was one of the first to deliberately seek to empower locals. "We became a public company. We issued 30% of the company's shares to Zimbabweans. Foreigners were not allowed to participate on the (stock) market then. That was done intentionally with the intention to empower Zimbabweans," he said.

Application of the empowerment laws to the financial services sector has sharply divided the coalition cabinet with Finance Minister Tendai Biti, backed by central bank governor, Gideon Gono, urging caution. Still, Guvamatanga said Barclays submitted plans to government for a further transfer of shares to meet the 51% threshold required by law. “We (Barclays Zimbabwe) have submitted our (indigenisation) proposal and are awaiting a response from the relevant (Empowerment) ministry. We however remain focused and are looking forward to celebrating 100 years of doing business in Zimbabwe next year." Meanwhile the bank recorded after tax profits of USD 471,433 over the six months to June, down from the USD 731,809 recorded during the same period last year.

Group chairman Antony Mandiwanza partly attributed the decline to increased provisions saying: “An increase in specific provisions largely influenced by the timing and magnitude of the growth in the loan portfolio explains the slight decrease in profit before tax,” he said. The bank expects a challenging operating environment after economic growth projections for the year were revised downwards from 9,3% to 5,6%. “Economic indicators such as the performance of exports and imports reported widening current and capital account deficits also point to strained economic performance during the first half,” Mandiwanza said. *(New Zimbabwe)*

BINDURA Nickel Corporation (BNC) has extended by a month the deadline for a rights issue aimed at raising USD 21m needed to re-start of the company’s closed Trojan Nickel Mine. The rights issue, under-written by parent company Mwana Africa which owns 52.9% of BNC was initially expected to close on at the end of last month but has now been extended to August 31. Last month Mwana Africa said the success of the fund raising bid was dependent on “successful resolution of legacy creditor, staff retrenchment and back pay liabilities at BNC”. And in a statement Monday, Mwana Africa said while an agreement had been reached with creditors more time was needed for negotiations with workers. “Creditors have largely accepted the proposals, and the BNC Board has extended the rights offer closing date to 31 August 2012 in order to allow additional time for staff to respond to the offer made to them,” the company said.

Listed on the Zimbabwe Stock Exchange, BNC runs Africa’s sole integrated nickel mine, smelter and refinery operation in Africa. The company owns and operates the Trojan Nickel Mine, Shangani Nickel Mine and a smelter and refinery, all of which are currently on care and maintenance. Production at the mines stopped over the last few years at the height of the country’s economic and political problems but management considers that conditions are now right for a restart of operations.
Said Mwana Africa CEO Kalaa Mpinga in June: “Economic and operating conditions in Zimbabwe have improved markedly over the past few years, and

following the recent subscription by China International Mining Group Corporation into Mwana, the time is right to proceed with the phased restart of operations at BNC; beginning with mining at BNC's Trojan Nickel Mine." BNC estimates that the total costs of restarting Trojan mine amount to around USD 33m. The USD 21m from the rights issue will take the mine into production with revenue generation in the first year of the restart, and a further USD 12m will be required in the following year. "BNC directors are confident that they can secure the remaining funding requirements from alternative sources, including debt, and will be pursuing this following the rights issue," the company said. *(New Zimbabwe)*

CBZ Holdings Limited (CBZH) is in the process of finalising the merger of its two banking arms, CBZ Bank and CBZ Building Society, a senior company executive said. The merger is expected to be completed by year end. The holdings company chief executive officer John Mangundya told an analyst briefing in Harare last week that work to merge the two entities began two years ago, but had been delayed by tax-related matters. "We are dealing with the tax issues which are delaying the financial consolidation, but all other aspects have been dealt with," Mangudya said.
"We are advocating for product taxes, rather than corporate taxes as we will continue offering building society-like products that are tax free." Mangudya said CBZ Building Society was currently offering mortgage lending of 10 years to its clients. The merger of the banks is expected to result in cost savings and product development. Innovation and an extended branch network would also be enhanced. Two financial institutions, ZB Financial Holdings and FBC Holdings have already announced plans to merge their commercial and building society operations to meet the recently announced new minimum capital requirements.

Reserve Bank of Zimbabwe (RBZ) governor Gideon Gono, recently hiked minimum capital requirements for commercial banks to USD 100m from USD 12,5m. Banks should be fully compliant with the new requirements by June 20 2014, but should meet 25% of the new capital levels by year end. Minimum capital for merchant banks and building societies were raised to USD 80m from USD 10m. CBZH posted a profit after tax of USD 18,3m for the half-year ended June 30 2012 indicating a growth of USD 4,6m from the same period last year, as the group focused on improving earnings. Interest income for the six months period was USD 67,5m compared to USD 48,2m the previous year. In a statement accompanying its half-year unaudited results, CBZH chairperson Luxon Zembe said during the period under review, the group focused on enhancing growth and shareholder value. *(News Day)*

Gwanda based Blanket Gold Mine recorded a 26% increase in gold production, the firm's Canadian owners Caledonia Mining Corporation said 14 August 2012. The mine produced 11,560 ounces of the yellow metal in the second quarter to June 30 - 26% higher than in Q1 and 41% higher than in the second quarter of 2011. The increase was put down to completed maintenance work on of scheduled maintenance work at the no.4 shaft which was completed in early May. The average gold recovery during the quarter increased to 93.9%, compared to 93.2% in the preceding quarter. Meanwhile, the company's cash operating costs in the quarter decreased to USD 547 per ounce compared to USD 648 per ounce in Q1. The firm also told investors that in last month alone (July), the company produced 4,708 ounces. The average selling price was USD 1,599 compared to USD 1,688 in the preceding quarter, it added.

Stefan Hayden, Caledonia president and chief executive, said "Increased gold production, further improvements in gold recoveries and continued close attention to costs contributed to a reduction in average operating costs." He added "The strong operating performance is a testament to the hard work of the management and employees at Blanket and shows the benefits of Caledonia's recent investments in the Blanket mine." He noted the firm had made progress in implementing indigenisation at the mine and that documents relating to the transaction had been signed. "We await only the final approval from the Reserve Bank of Zimbabwe so that all of the transactions can become unconditional," he said. Analysts welcomed the results with one noting: "The numbers from Caledonia are impressive with production up and cash operating costs falling – despite the high royalty payments and costs of indigenisation, the company is generating good cash flow."*(New Zimbabwe)*

MBCA Bank after tax profits jumped by 344% to USD 2m in the interim to June 30, 2012 largely driven by significant growth in net interest income. Operating income came in at USD 10m in the interim to June compared to USD 8m over the same period last year, which represented a 25% growth. “Underpinning this growth was a 50% increase in interest income, mainly due to growth in the loan book of 63% from June 2011 and a 21% increase in non-interest income resulting from increased transactional volumes and agency fees commission,” said MBCA. Operating costs of USD 7,913m decreased marginally from the USD 7,939m incurred in the same period last year. MBCA said that of particular note regarding cost management was the decline in staff costs of 3% to USD 4,397m , resulting from the staff rationalisation at the financial institution. The reduction of staff was concluded in the fourth quarter last year. Cost to income ratio decreased to 74% from the 92% reported over the corresponding period ended June 30, 2011. Loans and advances for the bank were USD 98,6m , representing 51% of the total assets.

The Nedbank-controlled bank said the quality of assets continues to improve as evidenced by the loan loss provision. The loan loss provision in the period under review stood was 1,67% against 2,92% over the same period last year. The balance sheet grew by 6,3% from December 31, 2011 to close at USD 192,057million by June 30, 2012, with loans and advances contributing an increase of 22% to the statement of financial position. Total deposits grew by 4% to USD 156,372m . MBCA expressed strong hope that it would meet new capital levels announced by the Reserve Bank of Zimbabwe. MBCA said that it would submit its capitalisation plan to the relevant authorities by September. Announcing the Mid-Term Monetary Policy Review Statement, RBZ Governor Dr Gideon Gono increased minimum capital thresholds for banks by up to 900%. The minimum capital requirements for both commercial and merchant banks were increased to USD 100m from USD 12,5m and USD 10m thresholds, respectively. Building societies will now be required to have USD 80m from USD 10m , discount and finance houses USD 60m from USD 7,5m and asset management companies should now have USD 5m from USD 1m . Banks are required to be 25% compliant by December this year, 50% by June 2013, 75% by December 2013 and achieve full compliance by June 2014. *(Herald)*

Zimbabwe’s second largest hospitality company, Rainbow Tourism Group (RTG) is planning to retrench scores of employees as it moves to contain costs and realign the operations of the hotel group. Sources this week told NewsDay management had already sent a circular informing employees of the pending involuntary job-cuts. They said the exercise would cut across all departments in which the company felt it could reduce employees without affecting service delivery. The group has an estimated staff complement of over 1 000. RTG is desperately in need of USD 15m to recapitalise the flagging hotel company and retire short-term debts. It also plans to raise USD 5,5m through a rights issue and USD 9,5m through the sale of Bulawayo Rainbow Hotel to the National Social Security Authority. “A circular has been sent to employees, but there is a deadlock regarding the retrenchment package being offered by management,” said a source close to the developments. It is understood that RTG is offering one month salary multiplied by the number of years served as retrenchment package. “It’s not a voluntary retrenchment exercise, its compulsory. Management and employees will have to find common ground with regards to the retrenchment package,” the source said.

RTG acting chief executive officer Paschal Changunda, however, said this was linked to the disposal of some of the group’s non-core assets. He said the group had already disposed two lodges, namely Matobo and Sikhumi that resulted in 24 employees being laid off. “We are disposing some of our lodges,” Changunda said. “On some we have given up the leases so we had to lay off the staff.” Changunda said the group was already in negotiations to dispose of Matetsi Lodge, but could not divulge additional details saying it would jeopardise ongoing negotiations. “We could be signing the agreement of sale today (Wednesday) and Matetsi Lodge will be sold as a going concern,” Changunda said. He said naturally the employees would be taken on board by the new owner, but some would be laid off depending on the buyer’s plans. Changunda said at some point the group would be moving to hotels and some staff would be laid off, but not in large numbers. The hospitality concern last year recorded a loss of USD 371 433 for the year ended December 31 2011 weighed down by high borrowings. *(News Day)*

BancABC Zimbabwe, a unit of ABC Holdings Limited, saw its unaudited profit after tax for the six months to June 2012 climb to USD 6,5m from USD 5,4m during the same period last year. The profits were driven by growth in non-interest income. The group, which has a primary listing in Botswana, achieved a pre-tax profit of BWP 96m , 53% up from the comparative period last year on the back of strong income generation in both wholesale and retail banking segments. The group’s subsidiaries, save for BancABC Tanzania, made profits. ABC Holdings recently raised USD 50m through a rights issue, which closed on July 27. Following the capital-raising exercise, ADC Financial Services and Corporate Development Limited’s shareholding in the group increased to about 42% from 23%. BancABC Zimbabwe received USD 10m in capital from the group. Its retail branch network increased to 19 as of June this year from six in June 2011 and this pushed operating expenses to 101% up to BWP 124m . Net interest income increased by 45% to BWP 95m and non-interest income increased by 77% to BWP 97m .

Loans and advances increased by 63% from BWP 1,5bn in June 2011 to BWP 2,4bn in the current year. “Business growth was hampered by liquidity challenges experienced in the market and the group took a deliberate decision to cut back on lending to manage associated risks. “Nonetheless profitability increased by 30% from BWP 38m to BWP 50m . “This was on the back of growth in all income lines as a result of higher business volumes,” read the statement accompanying the financial results. “While liquidity dragged down performance in the half-year period, the bank’s financial position still rose 16% to

USD 434m as a result of solid deposit mobilisation strategies. "Total lending to other financial institutions and customers over the same period consequently increased to USD 340m , a 29% increase from June 2011." Total deposits in the entire banking sector grew to USD 4bn as at June from USD 3,1bn in December 2011. Notwithstanding the growth, the group warned that the sovereign debt crisis in Europe could slow down business in most markets. *(News Day)*

Econet Zimbabwe has introduced over-the-counter merchant payment systems that allow EcoCash customers to pay for retail purchases using the platform. In a statement yesterday, Econet announced other features on the new platform included a bulk payments facility that would allow payroll and aid distribution directly to EcoCash wallets and inward international money transfer to EcoCash wallets. EcoCash now also allows a direct integration with banks to allow the seamless transfer of value from a customer's bank account to their EcoCash wallet and vice versa. Through the platform, users are able to send and receive money, buy airtime, and make other payments using their mobile phones. The telecommunications company said the integration with banks would make the use of EcoCash a much more convenient experience as it would remove the need for a customer to first make a physical withdrawal of cash from one's bank account and then visiting an agent to purchase e-money or, vice-versa, the need for merchants to cash out with an agent before depositing money into their bank account. Econet said they conducted the migration of the Ecocash service from a platform supplied by Pattern Matched Technologies to one supplied by Comviva.

The Comviva platform, called "Mobiquity", has been widely adopted globally by over 55 leading banks and mobile phone operators. Econet said the strategy behind the move to Mobiquity was to leverage the experience that Comviva had gained through numerous mobile money deployments, which had been incorporated into the Mobiquity feature set. The company expects to shorten the innovation cycle for new EcoCash service by adapting the capabilities of the Mobiquity solution to the specific needs of the local market. "PMT's 'Amethyst' mobile money system has performed exceptionally well and has easily scaled to handle the rapid adoption of EcoCash in the market with complete integrity," reads part of the statement. "Econet's relationship with PMT will continue as PMT is our development partner for a variety of value-added services, including the popular international Send Home Airtime service and various Econet Call Home services." These include touch messaging, international call me back and the newly introduced EcoChat, a WAP-based instant messenger that connects the extended Econet international family. "PMT products which underlie these Econet value-added services include the 'Amethyst' USSD gateway, the 'Emerald' airtime and value management system and the 'Crimson' financial transaction switch," Econet said. *(News Day)*

Listed construction supplies manufacturer, Turnall Holdings, has reported an 8% decline in half year profits as demand for company products suffered from depressed demand. Group profits over the six months to June this year stood at USD 2.5m compared to USD 2.7m last year. Turnover from continuing operations, at USD 18.5m , was also down 16.5% from the USD 22.1 recorded last year. Finance charges topped USD 1.2m over the same period due to increased short-term borrowings. Chief executive John Jere told analysts in Harare that the business had struggled in an operating environment characterised by severe liquidity challenges, working capital constraints, depressed demand and exorbitant interest rates ranging between 15 and 25%. “Exports contributed 7% to sales volumes and total turnover after the re-entry into the South African market in 2012,” Jere said. “Exports are expected to contribute significantly towards overall performance in view of the potential projects in the South African market.” Jere said demand for the company’s products was marginally weaker because of a relatively poor agricultural season. While tobacco performed better than most crops due to improved pricing, cotton and maize disappointed.

Group chairman Herbert Nkala said the results were a reflection of the re-alignment of company operations in response to changes in the macro-economic environment. “The company pursued a strategy to balance working capital demands and volume growth,” he said. “The plan entailed that, as a company, we focus on building a quality customer base in an effort to ensure that we balance recorded sales with customer payments. Nkala however said management was expecting a much better performance in the second half of the year. “The company is expecting a better performance in the second half of the year since the business traditionally does 60% of its volumes and turnover in the second half of the year,” he said. “On the export front, potential significant orders are in the pipeline and only awaiting finalisation of agreements and other relevant documents.” *(New Zimbabwe)*

SECURITIES Commission of Zimbabwe has directed Murray & Roberts to disclose further information on the company’s new shareholders, after the sale of the firm’s 47% stake to Zumbani Capital. Sources familiar with the developments said this week such “disclosures” would help the market to know “exactly” how much is the shareholders’ control of the firm. “It is known that Zumbani is a consortium owned by foreigners, its chairman being Mr Paddy Zhanda and former chief executive Mr Canada Malunga,” said one source. “Even if it will be done in retrospect, it is important for the market to know the composition of Zumbani.” SecZim chief executive Mr Tafadzwa Chinamo confirmed in an interview yesterday but could not give details. “Yes, it is something that we are working on . . . but right now I cannot say much,” he said. A company official, refusing to be named for professional reasons, said Murray & Roberts would soon make an announcement. “We had some issues with SecZim pertaining to the takeover of the company by Zumbani which include the price at which the new shareholder acquired the firm,” said the official. “But this has been resolved and the issue that we are now left with is further disclosure of the composition of Zumbani. “The company (M&R) will soon be making an announcement to that effect.”

Government has amended the Securities Act that would deal with adequate disclosure of the company’s information, among other issues. M&R South Africa sold its local unit to Zumbani Capital at a discount, with the consortium paying just less than USD 1,5 million for the stake. A special bargain of 99,79 million shares went through the market on May 3 this year at US1,47c per share, significantly below the prevailing price. Next month, M&R is due to announce its full year results to June 2012. Chief executive Mr Stewart Mangoma said in March this year the company was targeting revenue to grow by 60% to USD 56 million in full year to June 2012 from a year earlier. The group had an initial target of 100% growth, but had to cut the forecast made in September last year as confirmed contracts started late into 2012.Mr Mangoma said the group could achieve 60% next year, with activity doubling again in construction. But this was entirely dependent on what would happen in the mining sector, given the indigenisation issue. *(Herald)*

Loss-making PG Zimbabwe and Botswana, associate companies of ABC Holdings, have weighed down the profitability of the banking group. The regional banking group plans to raise at least USD 100 million from institutional investors to grow its retail banking units. ABC said a loss of P8 million was recorded by PG Zimbabwe and an associate loss in respect of PG Botswana amid indications that there were no takers for the bank's non-core assets. The financial services group took a decision to fund the capitalisation of the subsidiaries ahead of the conclusion of a rights issue that could result in the selling of some assets and an increase in short-term borrowings. ABC chief financial officer Beki Moyo told NewsDay in an interview yesterday that the group was considering disposing of its shareholding in the building materials manufacturing company. "Our plan is to have a rights offer for both entities. Our investment in both entities remains available for sale as they are considered non-core operations," Moyo said. This follows an announcement by PG Zimbabwe that negations over a planned acquisition had collapsed.

PG Zimbabwe this week released a cautionary statement indicating that the company had cancelled negotiations with a potential partner. "The directors of PG Industries Zimbabwe Limited would like to advise shareholders of the company that discussions with a potential strategic partner which were the subject of cautionary statements published from March to June 2012 have been terminated," the company's secretary said in a statement. Speaking on the sidelines of the company's analysts briefing in Harare on Wednesday, Banc ABC group chief executive officer Doug Munatsi said the group had engaged the African Development Bank and the Development Bank of Southern Africa, among others, in a bid to recapitalise. "These are the institutions that will have long-term funding that we need, but their decision- making is very slow. In the next few days we will have the guys and see how we will have the loan," he said. Munatsi said they expected the second half of the year to be better than the first half. "We expect to grow in Zambia, Zimbabwe and Botswana and have historical growth in Mozambique," he said. Munatsi said the bank was looking for an additional USD 5 million for mortgage financing from Shelter Afrique. He said Shelter Afrique had injected USD 5 million in Botswana and USD 7 million in Zimbabwe so far. BancABC Zimbabwe posted an increase in profit after tax for the six months to June at USD 6,5 million from USD 5,4 million achieved during the same period last year due to growth in non-interest income. The group recorded profits in its subsidiaries expect in Tanzania where the cost of funding has gone up. *(News Day)*

MBCA Bank Limited, a unit of the South Africa headquartered Nedbank Group, is on course to meet the revised phased minimum capital requirements for the financial services sector. The commercial bank wants to submit its compliance plan by next month to the Reserve Bank of Zimbabwe (RBZ). MBCA, whose profit rose a phenomenal 344% to USD 2 million in the interim six months to June 30 largely driven by a solid growth in net interest income and a cut in operating costs, is likely to meet the USD 25 million capital levels required by the central bank by yearend. It achieved a 50% growth in net interest income, which was mainly driven by growth in the loan book. Non-interest income, which is mainly derived from transactional fees and agency fees commission, was up 21% amid plans by the bank to increase this threshold. RBZ governor Gideon Gono recently announced an eightfold increase in minimum capital requirements for commercial banks to USD 100 million in phased capitalisation exercise to be completed by 2015. “Capitalisation levels for commercial banks were increased from USD 12,5 million currently to USD 25 million in December 2012 and on a staggered basis to USD 100 million by June 30 2014. “The bank will present its plan for capitalisation to the relevant authorities by the due date of September 30 2012,” said MBCA chairman, Willard Zireva, in a statement accompanying the interim financial results.

“The bank’s total equity grew by 11% over the December 31 2011 figure of USD 19, 7 million to USD 21,7 million purely from organic growth. “This is above the USD 12,5 million, minimum capital requirement by the central bank. “The bank’s capital adequacy ratio at 14,8% (December 31, 2011: 15,5%) was above the regulatory minimum of 10%.” This means that MBCA now requires less than USD 4 million to raise USD 25 million by December. The bank’s loans and advances amounted to USD 98,6 million, which represents 51% of total assets. MBCA operating costs marginally declined to USD 7,913 million during the period under review from USD 7,939 million incurred in prior year’s corresponding period. “We continue to be optimistic about the future despite the challenges within the political and economic environment. “The operating environment now calls for more efficient and effective growth strategies.
“Deposit mobilisation underpinned by quality credit assessment remains our anchor to a safe, sound and liquid bank,” Zireva added. *(News Day)*

INDUSTRY and commerce Minister Welshman Ncube has instead that Ziscosteel’s USD 750 million takeover by Essar Holdings was not in danger of collapse adding the government would next week meet the Indian steel giant to re-negotiate contested aspects of the deal. Hopes of reviving the collapsed steel-maker, now renamed New Zim Steel, faltered after Mines Minister Obert Mpofu objected to clauses in the deal relating to control of the company’s iron ore reserves. The takeover, negotiated by Ncube, handed the Indian company 80% ownership of New Zim Minerals, Zisco's mining subsidiary which controls ore reserves around the country, but Mpofu urged a re-think, arguing the Indian firm was taking over a USD 30 billion asset for a song. Essar, which had already moved in at the Redcliff-based firm, then ceased operations and stopped paying salaries pending resolution of the dispute. Workers told NewZimbabwe.com Thursday they have not been paid over the last five months. Industry and Commerce Minister Welshman Ncube said next week's make-or-break meeting would seek to reach a new agreement over the mineral resources. “The owners of Essar were supposed to come here this week but they have indicated that they will be here next week for the negotiations,” he said. “It was agreed that we need to make a more equitable shareholding because the current 80 to 20% structure is more in their favour so we need to adjust it.”

Ncube said he was confident the negotiations would pave the way for resumption of work at the company which stopped production in 2008, weighed down by massive debts and numerous other viability problems. “Everybody is willing to come up with a mutually beneficial position for the parties,” he said, adding the deal was not in danger of collapse. Ncube also said Essar had reached an agreement with government over outstanding issues of mining claims. “As far as we know, they are happy with what they got from the Ministry and Mines and Mining Development,” he said. Essar had rejected mineral reserves offered by Government at Buchwa Mine in Zvishavane, saying they were “too deep to exploit”, while those at Ripple Creek near Redcliff were not sufficient to enable them to recoup their investment. Instead, the Indian firm wanted reserves at Mwenezi estimated to contain 30 billion tonnes of iron ore. Touted as the biggest investment Zimbabwe has clinched in years, the Essar deal is expected to bring back life to Redcliff which had become a “ghost town” and also improve the welfare of over 3 500 workers left jobless after operations ground to a halt. *(New Zimbabwe)*

Economic News

THE Zimbabwe Australia Business Council was re-launched last week in a development that is expected to enhance commercial ties between the two countries. The council was established in 1994 to develop business ties between Harare and Canberra, but suspended operations in 2002 due to the country’s economic downturn. Australian Ambassador to Zimbabwe Mr Matthew Neuhaus said the relaunch of ZABC was a vote of confidence in the future of Zimbabwe. “It’s coming alive again,” Ambassador Neuhaus told delegates who attended the function. He said in a globalised world, the future and prosperity of Zimbabwe would depend on “internationalisation rather than indigenisation”. Prominent business people who attended the function include banker Mr Nigel Chanakira, tourism guru Mr Herbert Nkala, Economic Planning and Investment Promotion Minister Tapiwa Mashakada, Deputy Minister of Mines and Mining Development Mr Gift Chimanikire and the Austrade senior trade commissioner for Southern Africa Mr John Madew. An interim board has been appointed. It will be chaired by Mr Andrew MacPherson and Mr Charles Gardiner is the treasurer. Other board members are Harare Mayor Muchadeyi Masunda, Mr Victor Gapare, Mr Nkala, Mrs Judi Ward, Mr John Gardiner and Mr Travlos.

Mr MacPherson said the council would provide a dynamic platform for businesses from both countries to develop and expand “mutually profitable business linkages”. He said trade between the two countries, as well as inbound investment from Australia would be promoted. He added that ZABC would host special events such as inbound trade and investment missions, outbound trade missions and special road shows. “There are great opportunities for sharing the products and expertise of both countries,” he said. The council will hold its first AGM in November. ZABC members are drawn from Zimbabwe’s commercial sector and Australia companies operating in Zimbabwe. The creation of the ZABC reflects the changing local business environment and in particular emphasis towards external trade, exports promotion and attracting investments. Trade between Zimbabwe and Australia steadily rose to A$66m in five years in 1998 but fell to about A$23m in 2000. Since then, there was no meaningful trade between the two countries. Last year, exports to Australia totalled A$6m while imports stood at A$1,5m. Zimbabwe’s major imports from Australia are telecommunications equipment, vehicle spares, agricultural machinery and animal oils and fats while Australia mainly imports tobacco, fresh and crude vegetables. Some landmark Australian investment in the country included BHP Resources, which incorporated Hartley and Selous platinum projects, Rio Tinto and Delta Gold. Beyond mining, Australian investors had various investments in agriculture, education and tourism. *(Herald)*

The Securities Act has been amended to make the Securities Commission of Zimbabwe more effective, extend its powers and provide further protection for investors on domestic capital markets. According to the Securities Amendment Bill of 2012, the changes were meant to address developments that have taken place in financial markets since the Act was enacted in 2004. “This Bill will amend the Act to increase the commission’s effectiveness, extend its powers to provide further protection for investors, and take account of developments that have occurred in the financial sector since the Act was promulgated in 2004,” says the Bill. Amendments to the Act will result in changes to four salient features of the legislation to be renamed the Securities and Exchanges Act. The amendments will see commissioners becoming non-executive, with executive powers vested in the commission’s chief executive officer.

All securities exchanges in the country will also have to be companies rather than mutual associations or other types of corporate bodies. A single Investor Protection Fund will be established to compensate investors who are prejudiced as a result of malpractice or insolvency on the part of either stockbrokers or dealers. Amendments to the legislation will expand the nomination committee to include representatives of insurance firms and pension and provident funds, which are major investors in securities. Previously, the Ministry of Finance appointed committee members. Asset managers and managers of collective investment schemes, currently regulated by the Reserve Bank of Zimbabwe, will now fall under the control of the Securities Commission of Zimbabwe. In the same vein, collective investment schemes were regulated by the Reserve Bank of Zimbabwe under a separate Act, the Collective Investment Schemes Act. This clause will be amended to align it with the Securities and Exchange Act and bring collective investment schemes under the commission’s control. Clause seven of the Bill will amend Section 7 of the Securities and Exchanges Act to disqualify directors of public listed companies and of firms which deal in securities from being appointed to the commission as that might give rise to conflict of interest. Under Section 16 of the Act, newly appointed commissioners will be obliged to disclose all their relevant financial interests before taking up their duties on the commission.

This provision shall require them to make the disclosures upon being nominated. A section will be inserted in the Act to exempt the commission, its members and officers from liability for what they do in the course of their duties. But the exemption will not extend to cover negligence, deliberate wrongdoing or breach of contract. Under Clause 14 amendment, a new Section 35A will be inserted into the Act, giving the commission power to dissolve the board of a registered securities exchange or to dismiss its members. Provisions will also be made in the amended Act to increase the fine for misusing inside information from a fine of level 10 to a fine of level 14 or five times the convicted person’s profits, whichever is the greater. The maximum prison sentence that can be imposed for the offence, which is five years, will remain unchanged. Anyone aggrieved by a decision of the board of a securities exchange or operator of a central securities depository has a right of appeal to the commission and, if dissatisfied by the commission’s decision, takes their appeal to the Administrative Court. This clause, in addition to giving the right of appeal to the commission against decisions of the chief executive officer, will interpose an appeal to the minister, between the commission and the Administrative Court. *(Herald)*

Government will shortly float a tender to determine the quantity of gas in Lupane and the type of machinery required to extract it, a Cabinet minister has said. In 2007, the Government declared the exploration of the gas a priority, but to date no meaningful development has taken place in the area. Industry experts say Hwange holds vast deposits of coal-bed methane gas, some of it estimated to be 95 % pure methane hidden between the area and neighbouring Botswana. Energy and Power Development Minister Elton Mangoma said USD 12m has been set aside for the quantification of the gas in Lupane. “We are going to float a tender this month for the quantification of gas in Lupane to enable us to decide what sort of plant to put there. “We hope that the documents will come back by October and between December 2012 and January 2013 we should have completed the exercise,” he said.

He said work to set up the appropriate plant will start in the first quarter of 2013. “The quantity of deposits will also determine what the gas will be used for. The first priority is power generation. “If there is more we can use it to manufacture fertilisers as well as pumping it to people’s homes for domestic use,” Minister Mangoma said. Minister Mangoma said Government will decide on the ownership structure after the quantification exercise. “We will look into the issue of having a joint venture with private players later,” he said. Experts have warned the country might lose out on its rich coal-bed methane gas reserves as Botswana has already started tapping into the shared resource. There are also fears that the gas was escaping through holes drilled by an unnamed French firm, which abandoned exploration five years ago. Implementation of the Lupane gas project, which was granted National Project Status by Government five years ago, is expected to ease the country’s power woes.*(Herald)*

Zimbabwe's headline consumer inflation slowed a bit to 3.94% year-on-year in July from 3.97% in June, the statistics agency said on 15 August 2012. On a month-on-month basis inflation quickened slightly to 0.23% in July from 0.2% previously.*(Reuters)*

Notes

Securities Africa Limited

South Africa
☎ Direct: + 27 11 243 9030
Fax: + 27 11 268 5708
Zimbabwe
☎ Direct: + 263 4 706012
Fax: + 263 4 705816
UK
☎ Direct: + 44 20 7101 9290
Fax: + 44 20 7691 7057
USA
☎ Direct: + 1 441 278 7620
Fax: + 1 441 295 6735
Email: Mail@SecuritiesAfrica.com