For week ending 1 June 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:

	1-Jun-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.11	0.00	-0.19
DZD	76.23	-1.43	-1.31
BWP	7.72	-1.57	-4.79
CFA	519.17	-1.41	-4.94
EGP	6.02	-1.64	-0.16
GHS	1.88	-0.20	-16.24
KES	85.25	-1.31	-2.02
MWK	266.19	-1.68	-63.91
MUR	28.62	0.27	-1.73
MAD	8.88	-3.95	-3.46
MZM	27,900.00	-0.29	-4.49
NAD	8.40	-2.91	-3.14
NGN	159.10	-0.08	0.43
ZAR	8.52	-2.40	-4.30
SDD	265.86	-0.72	0.09
SDP	2,261.00	0.00	0.00
SZL	8.41	-2.81	-3.27
TND	1.61	-0.67	-7.88
TZS	1,569.29	-0.16	-0.57
UGX	2,452.32	-0.20	-0.21
ZMK	5,265.74	-1.83	-4.95

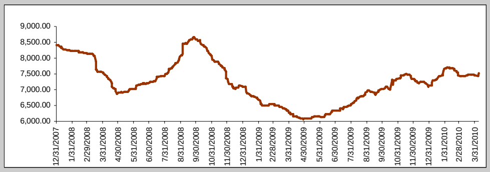
Source:oanda.com

African Stock Exchange Performance:

Country	Index	01 June 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,204.27	0.45%	-1.11%	3.35%	-1.38%
Egypt	CASE 30	4,686.42	-5.74%	-7.26%	29.38%	29.17%
Ghana	GSE All Share	1,022.80	-1.21%	-1.41%	5.55%	-9.20%
Ivory Coast	BRVM Composite	144.04	-0.23%	-1.62%	3.72%	-1.16%
Kenya	NSE 20	3,650.85	0.44%	-0.85%	13.91%	11.66%
Malawi	Malawi All Share	5,886.82	0.19%	-1.46%	9.64%	-33.11%
Mauritius	SEMDEX	1,805.98	-0.46%	-0.19%	-4.36%	-5.99%
	SEM 7	342.29	-0.69%	-0.42%	-2.29%	-3.95%
Morocco	MASI	10,230.29	1.77%	-2.10%	-7.08%	-10.19%
Namibia	Overall Index	859.00	0.00%	-2.83%	2.50%	-0.62%
Nigeria	Nigeria All Share	21,963.87	-1.21%	-1.29%	5.95%	6.40%
South Africa	All Share	34,375.51	0.00%	-2.35%	7.44%	3.00%
Swaziland	All Share	282.63	0.04%	-2.69%	5.29%	1.95%
Tanzania	DSEI	1,318.35	-0.32%	-0.47%	1.16%	0.59%
Tunisia	TunIndex	5,033.72	-0.49%	-1.15%	6.60%	0.66%
Zambia	LUSE All Share	3,871.90	0.58%	-1.22%	-7.14%	-11.27%
Zimbabwe	Industrial Index	131.86	-0.92%	-0.92%	-9.60%	-9.60%
	Mining Index	83.52	-0.51%	-0.51%	-17.06%	-17.06%

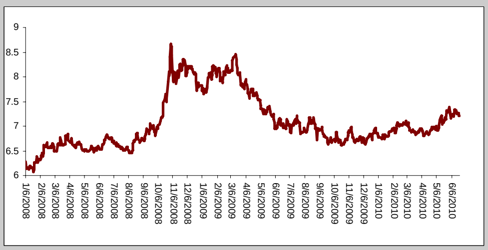
Botswana

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 gained a marginal 0.45% to close at 7,204.27 points. Blue and Aviva led the gainers after adding +8.57% and +7.69% to close at BWP 0.38 and BWP 0.70 respectively. Other notable gains were recorded in Choppies (+2.44%) and Chobe (+2.13%). On the losing front we had BOD (-27.03%) to BWP 0.27, AF Copper (-25.00%) and Betta Beta (-0.97%).

Corporate News

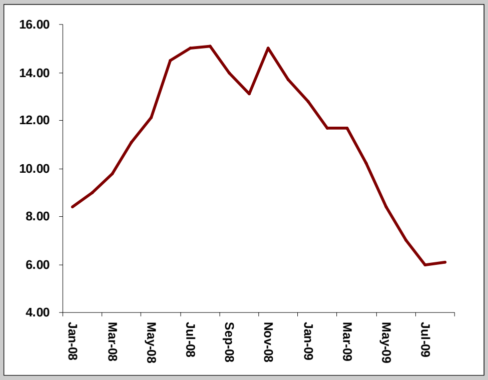
As DeBeers relocates trading from the United Kingdom to Botswana, a few diamond financing banks have also shown interest in bringing their operations to the city of diamonds 'Gaborone'. Confirming the reports to Gazette Business, Bank of Botswana's Spokesperson Andrew Sesinyi said, the reserve bank granted a banking licence to ABN AMRO Bank (Botswana) Limited, whose main focus is financing of diamond businesses and related entities.

"The Bank [BoB] can also confirm that it is processing an application for a commercial banking licence by a wholly-owned subsidiary of Bank of India; one of its activities may include diamond financing," said Sesinyi. Despite ABN AMRO Bank Limited having been operating in Botswana since 2009, Sesinyi noted that also, some of the existing commercial banks have been providing credit and other banking facilities to the entities in the diamond industry. ABN AMRO's International Diamond and Jewelry Group is the first largest diamond bank in the world second by the Belgium's Antwerp Diamond Bank (ADB).

Although she could not be drawn into discussing the matter, Varda Shine Chief Executive Officer of De Beers Diamond Trading Company (DTC) had earlier indicated that Antwerp Diamond Bank was one of the banks that intended seeking operation in Botswana. "Initially there are five banks that have indicated their interest in coming to Botswana, therefore this relocation will nevertheless broaden the opportunities in financial services," Shine explained.

De Beers' international Sales, Aggregation and related functions will be transferring to Gaborone by end 2013.This will play the most significant transfers of business activity to Africa in history, creating the conditions for Southern Africa to become a truly global centre for diamond trading as well as manufacturing. *(Gazette)*

Tourism concern, Wilderness Holding Group has allotted BWP 102m to maintaining all of its existing assets and purchasing new ones in a bid to defend its earnings base. Announcing the group's results for the year ended February 2012, Andy Payne, Wilderness CEO, explained that they have authorised BWP 45m in defensive capital to maintain and refurbish existing assets. "We have authorised a further BWP 57m to develop new camps and



Source: SAR

other assets and thus expand our earnings base," he said.

The investments compare with a total of BWP 58m in the previous year. The group's results are significantly lower than those achieved last year due to capital profits amounting to BWP 87.9m that were included in the results of the prior year. "This was exacerbated by the fact that the weakening of the dollar resulted in unrealised losses on foreign currency denominated loans of BWP 8.2m, a turnaround of BWP 16.2m compared with the unrealised gains reported in the prior year," said Payne at a media briefing in Gaborone yesterday.

The group reported that bed-night sales for the year have increased by five% to nearly 190,000. "We have experienced real growth since last year in all aspects of our business in all countries. Even though there is pressure on the hospitality industry in Botswana, we have managed to be active in our source market," said Payne. The revenue per bed-night increased by an average four% in dollar terms and the turnover increased by 12% to BWP 1.066bn. Performance in Botswana where the group operates 23 camps continues to improve with a 12% increase in bed-night sales.

"This increase was to a degree offset by a 15% decline in bed-night sales in Namibia, where we operate 16 camps," said Payne. He added that the continued decline in the Namibian market is a function of uncertainty in Europe and the over-valued Namibian market dollar. However the group's gross margin%age declined from 44.5% in the prior year to 43.3% in the current year. This decline was caused by a number of inflation and exchange rate related matters but the single largest contributing factor was the 35% increase in the cost of aviation fuel.

Wilderness Holdings Group owns and operates a network of 65 safari camps and lodges in seven southern African countries. In the coming year, the group intends to open a newly re-built Duma Tau camp in Botswana and also commission new camps in the Republic of Congo and Kenya. "While the economic climate remains challenging, real progress has been made in aligning the business to lower levels of demand in the industry," he said. *(Mmegi)*

Economic News

Gaborone's retail property sector has reached saturation point, with the existing malls and other facilities expected to increasingly split business among themselves, a top real estate developer has said. From its beginnings with only the African Mall and the Gaborone Main Mall, the country's mineral wealth and economic diversification have supported the mushrooming of modern malls in nearly every corner of the nation's capital city.

In the past months alone, three major malls - Airport Junction, Rail Park Mall and Sebele Centre - have added density to the retail property sector in Gaborone, which also includes smaller, SMME-driven malls such as KB Mall. The fast-rising Central Business District (CBD) is expected to add its significant weight on the situation, with several top line developments housing retail giants being rolled out. In addition, established retail and office malls like Game City and Molapo Crossing are also expanding, indicating that while the sector is saturated, opportunities for rental income still exist.

On Friday, PrimeTime Property Holdings' executives said the retail property space had reached its tipping point, necessitating innovation among the players involved. The executives said pressure was also mounting on office property in the metropolis. "Retail is already saturated in Gaborone and we can expect the major malls to experience split trade. "It is at times like these, that it is important to be especially careful in one's investment strategy," the executives said in a commentary accompanying PrimeTime's interim results.

"There is a looming oversupply of office space in Gaborone, but mostly in large chunks which are more suited to possible government departments."If the Botswana Development Corporation's Fairgrounds scheme does proceed, that will add to the pressure." The state of Gaborone's retail and office property arena has made headlines in recent weeks, with the launch of several malls prompting comment from some analysts. Despite saturation, PrimeTime Holdings, one of the country's biggest and busiest property developers, was able to boost its rental income by 50% to BWP 31.8m for the six months ended 29 February 2012, compared to the corresponding period last year.

Rental income during the period was boosted by growth in the portfolio, through the finalisation of properties such as Boiteko Junction, the Sebele Centre and the acquisition of a G4S Botswana property for BWP 22.5m. The property in question is being leased back to G4S on a 10-year lease. "Market-related rent escalations continue to be achieved, together with very few units being vacant," the executive commentary reads.

"Proactive property management is the key here to ensuring that tenant failures and bad debts continue to be kept at minimal levels."Going forward, PrimeTime more rental income will come from Prime Plaza, the company's first building in the new CBD, which includes the new Southern African Development Community (SADC) headquarters. Already, PrimeTime has secured a blue-chip tenant for the building, which is Phase One of the company's holdings in the CBD. "This confirms our decision to invest there and confidence in the product that we have produced, which has been well received by the market," the commentary reads. *(Reuters)*

A spurt in imports of machinery and electrical equipment widened the country's trade deficit to BWP 1.6bn in March, more than double the February imbalance, Statistics Botswana data indicates. Released on Tuesday, the latest Statistics Botswana data also indicates that the economy suffered a trade deficit of BWP 2.9bn in the first quarter of 2012, marginally down from the BWP 3.9bn recorded in the last quarter of 2011.

The country's trade balance, or the difference between imports and exports, has been in deficit since October 2008, with the exception of June 2010 and June 2011. The imbalance has largely been on the back of lower diamond exports, compared to higher imports caused by government recession-proofing the economy through spending. Within the first quarter trade imbalance, the March figures were the major contributor coming from deficits of BWP 662m and BWP 652m in January and February respectively.

An analysis of Statistics Botswana's figures reveals that the broader March trade deficit was driven by a 71 month-on-month jump in imports of machinery and electrical equipment to BWP 1.2bn. Imports of machinery and electrical equipment comprised about 20% of the first quarter's imports of BWP 12.9bn, with fuel imports contributing marginally more over the same period.

The first quarter dominance of machinery and electrical equipment imports continues the uptrend seen in recent years, largely a result of government pumpingbns into infrastructural projects such as energy, water, road construction and aviation to support the economy through the recession. For the first quarter, analysts expect that the jump in machinery and electrical equipment imports is largely attributable to commissioning activities for the first 150-megawatt unit of the Morupule B power station.

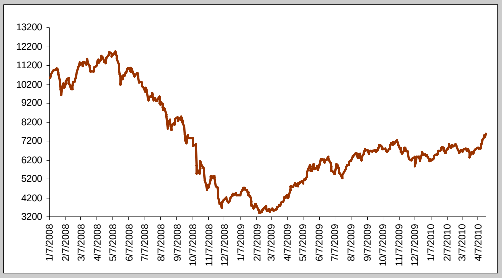
In March, Botswana Power Corporation (BPC) officials told Mmegi Business that the commissioning involved stockpiling of all inputs, back-up components and spares required for the smooth operation of the generators. Analysts said the robust fuel imports in the first quarter, amounting to BWP 2.6bn, could also be attributed to the stockpiling of fuel for Morupule B, higher operation of the diesel-fuelled Orapa power peaking plant and agricultural activities. In addition, the resurrection of the 70 megawatt Matshelagabedi power station in January, also added pressure to fuel imports as the facility is powered by diesel.

The quarter's trade deficit was also adversely affected by the deceleration in diamond exports, due partly to economic uncertainty among consumers in key markets such as the United States and Europe. Diamond exports in the first quarter averaged BWP 2.5bn per month and while they were higher than the last quarter of 2011, the sales were below the record trends seen for most of last year. Statistics Botswana figures also suggest a proportion of the diamond exports for the first quarter was from stockpiles accumulated from the low sales at auctions in the last quarter of 2011 and early in 2011.

Botswana exports diamonds to the De Beers' London-based Diamond Trading Centre for aggregation, then imports parcels for on-sell to the 16 cutting and polishing companies here. Statistics Botswana figures indicate that imports of these parcels slumped by 85% between January and March 2012, while diamond exports remained flat, thus suggesting part of the exports during the period were from stockpiles. *(Mmegi)*

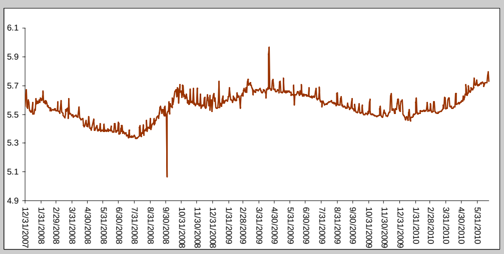
EGYPT

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 CASE 30 Index was down -5.74% to 4,686.42 points. The Arab Dairy Products led the movers after gaining +6.74% to EGP 48.54 followed by Misr Oils and Soap (+5.85%) and NSGB (+5.43%). Egyptian Satellites was the biggest loser after shedding -7.67% to close the week at EGP 5.30. Other notable losses were recorded in: Rowad Tourism (-7.63%) and El Kahera El Watania (-5.45%).

Corporate News

France Telecom acquired 94% of Egyptian mobile phone company Mobinil in a tender offer, Egypt's stock exchange said on Sunday, giving the French group control of a top sector player in a volatile but lucrative emerging market. Mobinil, founded by Egyptian businessman Naguib Sawiris, vies with Vodafone Egypt for dominance of Egypt's mobile market, which was buffeted by political headwinds after an uprising ousted President Hosni Mubarak last year.

France Telecom bought most of the Mobinil shares it did not already own from its local venture partner, Sawiris's Orascom Telecom Media and Technology (OTMT). The French group was already the biggest shareholder in Mobinil, and Egypt is a key part of its efforts to expand in high-growth emerging markets such as Africa and the Middle East.

Egypt is the Arab world's most populous country, with more than 80m people. Mobile subscriptions grew by 25% to 91.1m in the year to March, government figures showed, defying a sharp economic downturn after Mubarak's overthrow. France Telecom on Sunday executed its purchase of 93.9m shares of the 100m outstanding at a pre-agreed price of 202.5 pounds each, for a total transaction value of 19bn Egyptian pounds (USD 3.15bn).

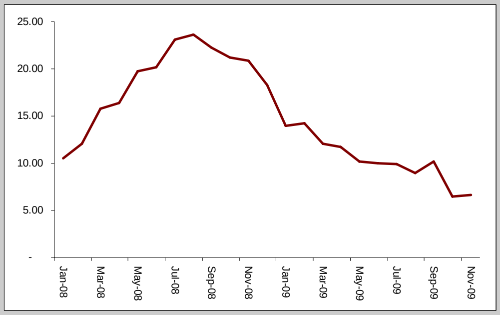
The deal, which was subject to a preliminary agreement struck in February, recasts the terms of its relationship with Sawiris, who had a put option to sell out completely to France Telecom starting in September 2012. Sawiris agreed to keep a 5% stake in Mobinil. *(Reuters)*

Egypt's Orascom Construction Industries (OCI) said on Tuesday it would earn USD 605m from the sale of its 16.8% stake in U.S. grains merchant Gavilon to Japanese trading house Marubeni. The deal is part of a USD 3.6bn takeover by Marubeni of Gavilon, whose other owners includebnaire investor George Soros and hedge fund manager Dwight Anderson.

"The transaction is expected to close by September and OCI will use the cash proceeds to finance its fertiliser group expansion strategy in North America and potentially invest in other opportunities under review," OCI said. "In addition, part of the proceeds will be returned to stakeholders," it said in an emailed statement.

OCI said it bought its stake in Gavilon in July 2008 for USD 340m. Gavilon would continue to market OCI fertiliser products in North America after the sale is continued, OCI said. OCI's share price was steady at 1210 GMT, while the benchmark index had fallen 1.2%. *(Reuters)*

CPI Inflation



Source: SAR

Egyptian investment bank EFG Hermes said on Thursday a group of investors had approached it with a view to presenting a buy-out offer, confirming newspaper reports. EFG - which is in the process of forming a joint venture with Qatar's QInvest - said it had received a letter from Planet, a group of unnamed Arab investors and Egyptian bankers, saying it was interested in buying the company. It was not clear how any buy-out would affect the QInvest deal. "The letter did not contain any detail about the acquirers or the proposed price or any clarifying details," EFG said in a statement to the Egyptian stock exchange. *(Reuters)*

Egypt's El Sewedy Electric, the Arab world's biggest listed cable maker, on Wednesday reported a 44% drop in its 2012 first quarter consolidated net profit which it blamed on political turmoil in its main Middle East markets. Net profit fell to EGP 102.7m (USD 16.99m) from EGP 182.8m in the first quarter of 2011, the company said. Turnover fell by 3% to EGP 3.5bn.

Analysts say the firm cut some production due to weaker demand for wires and cables in Egypt, which is going through a bumpy political transition, and Syria, racked by conflict. A company official said Syria output was 30% of capacity there. "The results are below our estimates," said Essam Abdel Aleem, an analyst at Naeem brokerage. "We are expecting lower profits through 2012 mainly because of the unrest in Syria, which forms 15% of the company's assets, and instability in Egypt."

Sewedy, which has production plants in Egypt and 10 other countries, also makes windfarm equipment. The company said it expected revenue levels in 2012 to be similar to those of 2011. "We expect a marked improvement in Egypt in 2013 once the presidential elections are behind us with political stability restored and the focus back again on infrastructure spending," said Chief Executive Officer Ahmed El Sewedy. Sewedy shares inched down 0.1 lower% on Wednesday while the benchmark index closed fractionally higher. *(Reuters)*

Economic News

The Central Bank of Egypt (CBE) said on Sunday it was lowering the reserve requirement on local currency deposits to 10% from 12% to increase banking sector liquidity, its second such move in two months. The new ratio is effective starting on June 26, the bank said on its website. On March 20, it announced it was reducing the ratio to 12% from 14%.

"To further ease credit conditions in the market and provide additional permanent liquidity into the banking system, the CBE's Board decided to reduce the RRR (required reserve ratio) from 12% to 10%," the bank said. *(Reuters)*

Egypt's consumer confidence index declined in April on the previous month, data from Cabinet's Information and Decision Support Centre (IDSC) showed Wednesday. The index slipped 4.4% to 96 points last month, with the IDSC attributing the fall to households perceiving a drop in their income levels.

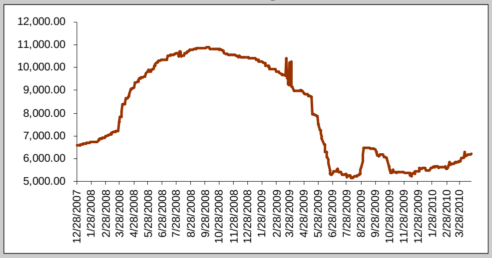
Egypt's family-income index dropped in April by 21.1% to reach 39.9 points, due to a fall in the proportion of Egyptians who said their monthly incomes had increased annually. The economic policy confidence index also shed 0.8% month-on-month in April to reach 77.5 points, due to consumer fears that Egypt's economic situation is deteriorating.

The portion of Egyptians who think the overall economic situation in Egypt will improve in the 'coming period' has dropped to 54.9% of the population in April versus 56.6% in March. *(Ahram)*

Egypt's M2 money supply rose 7.3% in the year to the end of April, the central bank said on Thursday. Money supply was EGP 1,058.9bn (USD 175.2bn), up from GP 1,054.7bn at the end of March and EGP 986.8bn at the end of April 2011. *(Reuters)*

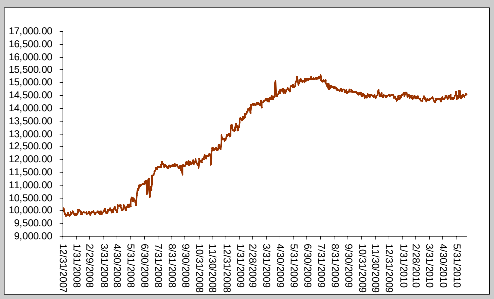
Ghana

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

Stock Exchange News

The GSE All Share Index lost -1.21% to close at 1,022.8 points. GGBL was the main mover after gaining +4.44% to GHS 1.88 followed by GOIL (+2.17%) and Tullow (+1.24%). ALW (-14.29%), Total (-9.68%) and CAL (-4.17%) were on the losing front.

Corporate News

State refinery, Tema Oil Refinery (TOR) is considering listing on the Ghana Stock Exchange by 2014. The move is part of management's strategy to privatize the firm and make it more profitable. The plan must however be approved by government which currently wholly owns the refinery. Managing Director, Ato Ampia however tells Joy Business there are still some issues that need to be addressed, before they go public.

"The first thing to do is that TOR show the path to progress that adds value and that would boost investor confidence. After we have done these little these, little but are so much valued, that will boost the value of TOR's shares at IPO and make sure that government get as much as possible. We want to do it but the timing is when TOR has its image right, has its plan right and its operations right."

The refinery says it needs about 900m dollars to turn around its fortunes. TOR will then join other state institutions like Ghana Commercial Bank, Cocoa Processing Company and Ghana Oil which have been privatized in similar manner. State power generator, Volta River Authority is also looking at the option of listing on stock market. *(My Joy)*

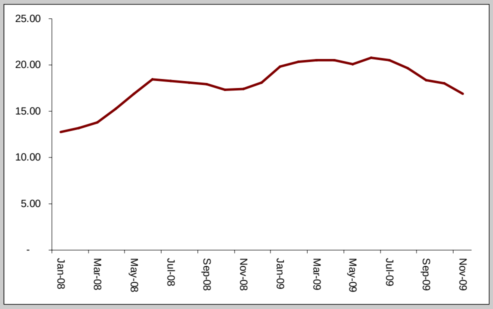
Ghana Commercial Bank said on Wednesday that its net profit for the three months to March rose 18% to GHS 23.384m (USD 12.43m) from GHS 19.764m a year ago. The bank said net interest income for the first quarter rose to GHS 58.373m from GHS 54.273m, representing 7.5% growth. Basic Earnings Per Share were up to GHS 0.35 from GHS 0.30 for the same period in 2011, it said.

However, its net profit for the twelve months to December 2011 fell nearly 65% to GHS 17.972m from a restated GHS 50.880m in 2010, while net interest income slides nearly 28% to GHS 206.812m in the same period. The bank said it would be proposing the payment of a final dividend of GHS 0.07 per share for the 2011 financial year. *(Reuters)*

Economic News

Ghana's only oil refinery has secured some USD 900m in financing from

CPI Inflation



Source: SAR

banks BNP Paribas and Standard Chartered to help it clear its debt backlog and purchase crude oil supplies, its manager said on Thursday. It is the second multi-million dollar bailout since 2010 for the 45,000 barrel-per-day plant, which has run only intermittently for years due to trouble securing credit to line up a steady supply of crude shipments.

Tema Oil Refinery Managing Director Ato Ampiah said BNP Paribas will provide USD 750m in financing, USD 450m of which will be used to pay off debts, while Standard Chartered will provide USD 150m. Details on the terms of the financing were not immediately available. "We will soon put the rest of the details out, but what is important now is that we have reached an agreement with them," Ampiah said.

The oil refinery typically imports crude oil from Nigeria, because it requires an upgrade to run domestically produced oil from Ghana's offshore Jubilee field. The plant's most recent shutdown was on Wednesday - the second outage in as many months due to a lack of feedstock though Ampiah said it was expected to restart by Friday as new supplies become available.

"We have been able to raise some facility for crude now and we are paying for a parcel of 300,000 barrels of crude that has been sitting in our tanks. With this we are preparing to restart this evening or tomorrow at the latest," he said. TOR rents out tank storage on the refinery premises.

The government paid nearly USD 316m to TOR's main creditor Ghana Commercial Bank in 2010, clearing about half of the refinery's debt at the time, but officials have said the plant continued to have trouble securing lines of credit. Ghana sacked TOR's previous director Kwame Ampofo in the midst of its debt troubles in 2010, and frequent shutdowns at the plant triggered worker protests.

Ampiah said last month that the refinery was undergoing upgrade work to its boilers, allowing them to run on cheaper gas instead of oil. A senior energy ministry official told Reuters in May the government hoped to further upgrade the plant and expand its capacity. *(Reuters)*

Finance Minister Dr. Kwabena Duffour is expecting the value of the cedi to stabilize by the end of next month. The local currency continues to decline in value despite interventions by the Bank of Ghana. The currency has depreciated against the dollar by almost 16% since January. But Dr. Duffour has told JOY BUSINESS the decline should be over the end of June.

“Already we’ve put in some measures as you know, but I’m saying that all those measures we put in place are working…therefore we expect that the cedi will stabilize…” Dr. Duffour stated in an interview. Analysts have however questioned government’s projection of the cedi stabilizing very soon and have argued that such interventions take about six months to get the needed results. *(My Joy)*

The International Monetary Fund on Tuesday called on Ghana to tighten policies to keep inflation in line with an end-of-year target and made a direct call for it to end costly subsidies on fuel. The visiting IMF mission told President John Atta Mills - who is facing re-election in December - to end fuel subsidies it estimated cost the nation some GHS 60m a month (USD

31.9m).

Ghana's government says it is still on track to achieve an 8.5% inflation target for the year despite a sharp weakening of the cedi currency against the dollar so far. "With economic growth fuelled by strong domestic demand, policies will need to be tightened to safeguard macro-economic stability and keep inflation within the target band of 5.7-11.7%," the IMF said in a statement.

"This should still allow the economy to expand at a robust pace of more than 8% in 2012," it added, confirming its existing forecast for the West African country, which has seen growth buoyed by December 2010's start to oil production. The cedi has dropped more than 15% against the dollar this year on relentless corporate demand for imported goods, helping to push Ghana's annual inflation rate above 9% in April for the first time in a year.

"We further urged the government to cut the subsidies on fuel and energy consumption, which is only benefiting high income people," IMF mission head Christina Daseking told a news conference. Ghana last December cut subsidies on fuel, but under pressure from the unions threatening to go on strike the government proposed a reduction in the price hikes. *(Reuters)*

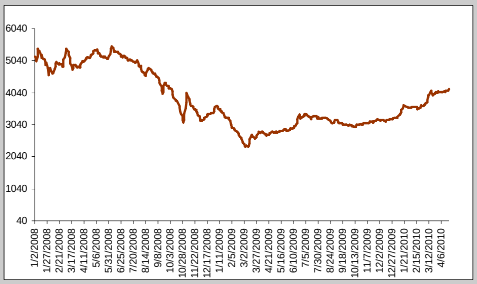
The bilateral trade volume between Ghana and China reached USD 3.47bn with a growth of 69.04% in 2011 according to information gathered by ghanabusinessnews.com. And even though, Ghanaian exports to China grew by 150%, the total value was only USD 400m. Aggregate trade value between Ghana and China rose from USD 170m in 2006 to more than USD 1.3bn by the end of 2010.

China's growing interest in African countries including Ghana is well documented and bilateral trade is an important part of that. Chinese business activities in Ghana is said to have amounted to USD 2.5bn in the first three quarters of 2011, according to the Daily Graphic publication of December 9, 2011 citing Mr Gao Wen Zhi, Chancellor in Charge of Commercial and Economic Affairs at the Chinese Embassy.

China is one of the top 10 investing countries in Ghana. In 2011, 79 Chinese investment projects were registered with Ghana Investment Promotion Centre with a total value of USD 145m. The investment were in construction, mining, steel industry, building material industry, chemical industry, pharmaceutical sectors, food processing, fisheries, agriculture, salt production and so on. *(GBN)*

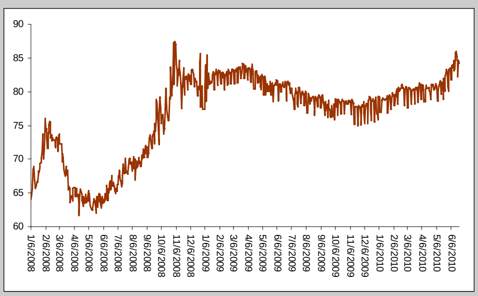
Kenya

Nairobi Stock Exchange



Source: Reuters

KES/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The NSE 20-Share Index was up +0.44% to close the week at 3,650.85 points. LKL led the movers after gaining +26.79% to KES 17.75 followed by Express which rose +11.11% to KES 4.00. Other notable gains were recorded in Access Kenya up +9.47% to KES 5.20 and Unga (+7.00%). TCL was the main loser, shedding -7.69% to KES 24.00 followed by BAICL (-7.69%) and CO-OP which lost -6.79% to KES 15.55. Market turnover was down -25.42% to KES 1.32bn.

Corporate News

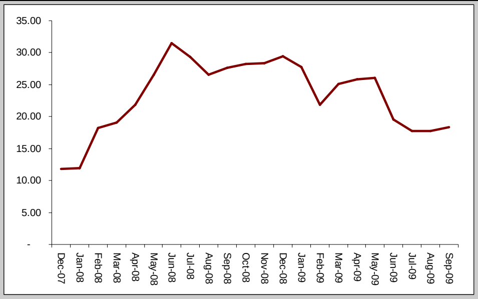
Co-operative Bank group has opened discussions with International Finance Corporation (IFC) with a view to securing USD 65m (KES 5.5bn) additional financing to prop up its forex reserves. This comes barely two months after the bank procured euro 70m (KES 7.4bn) long-term debt financing from the European Investment Bank (EIB) for onward lending to the small and medium sized enterprises and small entrepreneurs.

Group Managing Director and Chief Executive Gideon Muriuki said the proceeds of the US dollar financing from the World Bank's private lending arm (IFC) would go towards boosting the bank's foreign currency reserves. "We are in discussions on that in order to support our foreign currency areas," Muriuki told a media briefing shortly after the bank's Annual General Meeting (AGM) in Nairobi yesterday.

During the event the bank's shareholders approved retention of the same dividend paid in 2010 of 40 cents per share and a bonus issue of one share for every five held subject to the regulator's approval. Muriuki said the bonus shares are meant to free more funds to support the bank's growth, which includes, among others, expansion of branch network, implementation of a core banking project and acquisition of new infrastructure.

He also pointed out that the bonus shares would improve the shareholders value and help support the bank's future rights issues. "We have maintained the same level of dividends to have more retained profits to support our expansion initiatives," Muriuki told the shareholders. The Group posted 20% growth in pre-tax profit during the first three months of this year buoyed by an expanded transaction-based income. Profit before tax (PBT) rose to KES 2.47bn, from KES 2.05bn in a similar period last year.

"The successful strategy of increasing our customer numbers thus increasing the transaction-based incomes is expected to be the key driver of our performance for the rest of the year," said Muriuki. He said the bank's strategy of managing costs continued and focused on staff rationalisation, which saw redeployment of



Source: SAR

staff to new branches. *(Standard Media)*

Africa Oil Corp. report an update on the Ngamia-1 well currently being drilled on Block 10BB in Kenya. The Operator of the well, Tullow Oil plc, announced this morning that they are now drilling in the primary target and initial results appear to indicate the well has intersected further oil bearing sands.

The Ngamia-1 well has encountered oil and gas shows over a gross interval of 140 metres from a depth of 1,800 metres to 1,940 metres. The reservoirs are similar to those previously encountered at a shallower depth. The well will continue to be drilled to a total depth of 2,700 metres and then logged and sampled. This is expected to take a further three weeks to complete. *(Oil Voice)*

The Government is headed for a clash with Lafarge over its directive to have the French conglomerate reduce its stake in East African Portland Cement. Lafarge, which confirmed receiving a letter from the Competition Authority of Kenya, maintains that its shareholding in Portland cement does not allow it to exert control over the company.

“Lafarge holds a minority stake in EAPCC which does not allow it to exert any control over this company, which also acts as a genuine competitor of Lafarge’s subsidiary, Bamburi Cement,” Lafarge’s group communication manager Claire Mathieu told the Nation in an interview. The director of the Competition Authority has threatened to force the multinational to sell its stake in a bid to reduce its influence in the cement sector, given its existing ownership structure.

But Lafarge said the company will send a team to Nairobi to protest the move on grounds that it operates within the competition law. “Lafarge intends to meet with the Competition Authority in Kenya to clarify its position in this respect and ensure that its interest in EAPCC is protected,” Ms Mathieu said but did not disclose the dates of the meeting.

This means that Lafarge will be asking the government to treat its ownership through different companies at EAPCC independently. Lafarge is the single largest shareholder in Portland cement controlling in total 41.7% through Bamburi (12.5%), BCI (14.6%) and Cementia (14.6%). It owns 58.4% of Bamburi. However, Bamburi Cement has already signalled that it is not ready to sell its stake in EAPCC on grounds that it is a separate entity.

“Lafarge is not Bamburi. As Bamburi Cement, we only own 12.5% of Portland and we have no influence on the firm’s AGM. “We also do not appoint directors at the firm,” said Mr Hussein Mansi, the managing director of Bamburi Cement, in an interview with the Nation. *(Nation)*

Two leading players in the local retail sector have disagreed over a proposal to petition the Government to consider formulating a development policy for the sector. While Nakumatt wants the Government to consider hosting a consultative forum with the relevant agencies and retail players to formulate a suitable retail development policy, Uchumi says such a move is unnecessary because it could introduce controls, which go against private sector ideals.

Nakumatt Holdings Regional Strategy and Operations Director Thiagarajan Ramamurthy says formulation of a sectoral development guideline will accelerate growth in the segment and accord it recognition as a key economic driver. The retail sector, Ramamurthy says, is the country's leading formal and informal employer and deserves to be officially recognised and supported to grow further.

"The National Economic Survey, confirms that the retail sector has in the last five years remained stable with an average 18.5% growth and therefore deserves recognition and support through a retail development policy," says Ramamurthy. Nakumatt's call for a consultative forum over the issue has, however, drawn opposition from its key rival for the retail market, Uchumi, which says such a move does not bode well for businesses in the private sector.

"We need more information to give more substantive contributions on the issue, but from where we stand, this could lead to interference by the Government on private businesses and even lead to emergence of price controls," says Jonathan Ciano, Uchumi's chief executive.

According to Ciano, the Government divested from Uchumi through Initial Public Offerings in 1992 because it deemed the sector strong enough to stand on its own. "Inviting development policies for a sector that is so diverse and includes kiosks could take us back a route we have already travelled." *(Standard Media)*

Shares in Kenyan publisher Longhorn debuted on the Nairobi Securities Exchange (NSE) at KES 20 (USD 0.23) on Wednesday, up 43% from its KES 14 listing price, though traders said it could end the day lower. The publisher, which mainly publishes and distributes school text books in Kenya, Uganda, Tanzania, Rwanda and Malawi, listed 58.5m existing shares by introduction on the Alternative Investment Market Segment.

At 0808 GMT, its shares traded at KES 20, but traders said bids were starting to come in below the listing price. With KES 807m (USD 9.4m) in assets, the firm said its revenue for the full-year ended June 2011 doubled to KES 1.1bn.

"Listing on the NSE makes us better positioned to guarantee sustained growth through diversification of products and venturing into new markets such as South Sudan and southern Africa," Janet Njoroge, Longhorn's managing director, told a news conference.

Longhorn Kenya Limited is the first book publisher to be listed on the Nairobi bourse and the second company to list by introduction after infrastructure investment firm TransCentury debuted in July. *(Reuters)*

Kenya Airways has postponed announcing the outcome of its rights issue by one week, as it seeks more time to negotiate with international investors to take up the unsubscribed shares. In a statement sent to the Nairobi Securities Exchange (NSE) on Wednesday, the airline said it will announce the results on June 6, 2012.

Sources familiar with the transaction told the Nation that the airline was yet to conclude a deal with a major international investor by Monday, forcing it to amend the timetable to allow for more time to complete the deal. "The rights issue was under-subscribed and Kenya Airways has had to look for alternative investors to boost it," the source who requested anonymity because he was not authorised to speak to the media said.

The airline, however, refused to comment on who the investor was. According to the original information memorandum on the rights issue, the national carrier was supposed to release the results on Wednesday. It also postponed the date of commencement of trading of the new shares on the NSE from June 14 to 21st of this year.

Electronic crediting of CDS Accounts with the new shares and the dispatch of the share certificates for the new shares or refunds will now be completed on June 14. "The above changes to the timetable have been approved by the Capital Markets Authority," read the statement in part.

The national carrier was targeting to raise KES 20.6bn from the cash call that closed on April 27. However, it is understood that the airline's shareholders failed to take up all their shares. It was further complicated by the fact that its share price on the bourse remained below the rights price for a better part of the issue time, dampening demand for the rights.

For example, on the first day of the offer, the share price dropped below the discounted cash call cost of KES 14 to KES 13.95. In the period, it dropped to as low as KES 12.55 making it more attractive for investors to buy the stock in the open market than take up the rights. *(Nation)*

Family Bank shareholders have approved the lender's quest to raise over KES 4.5bn through a mix of debt and equity to finance its expansion plans. The bank says it has the go-ahead to ask for KES 1.5bn from its current shareholders through a rights issue and seek an additional KES 3bn through long-term debt to strengthen its capital base.

"We have taken a different path from our previous strategy," Family Bank CEO Peter Munyiri said in an interview, after an annual general meeting held at Kenyatta International Conference Centre on Thursday. "We now want to venture into other business segments such as Treasury and foreign exchange, mortgages, and then break into mid-tier corporate lending."

The lender said the funds will be used to finance the opening of nine branches over the next 12 months and roll out 3,000 agents. It currently has 65 branches. It said it will issue 40m shares for the rights. The bank maintained that its plan to list by introduction at the Nairobi Securities Exchange (NSE) is still on course but would depend on the recovery of the bourse.

"We have finalised all plans but postponed the listing until the market fundamentals are right. We could go to the stock market in the second quarter of next year, after the general elections," Mr Munyiri said. *(Nation)*

Economic News

The scramble for talent and clients in Kenya's advertising industry has stiffened with the entry of another multinational player. European adverting firm BBDO is the latest to join a growing list of global companies setting up shop in the country, as they position themselves to tap into the growing advertising spend in the region.

"We believe in strong talent. We will therefore attract an unfair size of talent to our team and this way we would be sure to beat competition," the firm's head of Asia and Africa Chris Thomas told Nation in an interview. The company set up its presence in Kenya last week, saying the country will be a gateway to the East African market.

BBDO, which has 289 offices in 80 countries across the world, reckons that the market is already saturated but is confident that its experience with global brands in key markets will give it a competitive edge over already established firms. Some of its clients operating in Kenya include Pepsi, Diageo and P&G. Others include HP, Blackberry, Mercedes, Jeep, FedEx and Bayer.

It follows in the footsteps of American advertising agency TBWA which set up local presence in East Africa in February. TBWA is owned by the Omnicom group in New York and listed on the NYSE. The entry of multinational companies is likely to renew talent wars in the sector, which has seen some companies raid their rivals for talent to keep afloat.

At the center of this battle is the growing and advertising pie driven by improving economic conditions in the country, which has also seen firms increase their advertising and communication spend. *(Nation)*

The banking sector in Kenya defied a turbulent economic year to post a 20.4% growth in assets in 2011. According to the Bank Supervision Annual Report 2011, total net assets in the industry increased to KES 2.02tn in 2011 from KES 1.68tn registered in 2010, in an environment characterised by high inflation and a volatile currency.

The report shows that the sector registered a 20.5% rise in pre-tax profits to KES 89.5bn last year from KES 74.3bn recorded in 2010. Total net assets in the sector also grew by 20.2% to KES 2.02tn in 2011 from KES 1.68tn in 2010. Gross loans in the sector also grew by 30.2% to KES 1.19tn in 2011 up from KES 914.9m the previous year.

The growth was attributed to the banking sector's move to regional expansion, adoption of cost-effective delivery channels and increased demand on credit by various sectors in the economy. The gross non-performing loans declined by 8% to KES 53bn from KES 57.6bn in 2010.

"Growth was supported by the increase in loans and advances... and increased deposit mobilisation by banks as they expanded their outreach and opened new branches to tap new customers. "The use of agents by banks also contributed to increased mobilisation of deposits," the report read in part. *(Nation)*

A fall in food prices helped slow Kenya's inflation rate to 12.2% in May, increasing the chances the central bank might cut its benchmark lending rate when it next meets on June 5. The Kenya National Bureau of Statistics said food and non-alcoholic drinks prices fell 0.18% during the month, slowing the overall month-on-month increase in the consumer price index to 0.26%.

This left the year-on-year inflation rate at 12.22%, down from 13.06% in March and the lowest level since April last year when it stood at 12.05%. The consensus forecast in a Reuters survey of analysts was for inflation to slow to 12.65% in May. The Central Bank of Kenya has left its benchmark lending rate at

18% since December in a bid to bring down the inflation rate, slow private sector credit growth and prop up the Kenyan shilling.

While analysts agree the next move in rates will be down, the central bank has consistently warned of risks to the inflation outlook to justify keeping monetary policy tight so far this year. The bank's Monetary Policy Committee (MPC) is due to meet on June 5 and analysts remain divided over whether the steady decline in inflation from a peak of 19.72% in November will trump the continued risks to the outlook for prices.

"I expect a turn in inflation, for it to start going up, driven by the high international commodity prices, which we are not immune to, and the depreciation of the currency," said Peter Mutuku, a trader at Bank of Africa. The Kenyan shilling has fallen in recent sessions, despite the central bank's attempts to prop it up, and neared its lowest level this year on Wednesday. "I don't think the Monetary Policy Committee will cut the rate yet, since inflation is still not in single digits," Mutuku said.

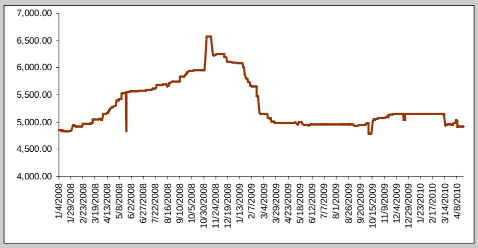
Other analysts said that with the gap between the benchmark lending rate and inflation growing ever wider, there was scope for the central bank to lop 100 basis points off its key interest rate, notwithstanding the potential risks ahead. "Things are finely balanced at the moment, not least because of recent shilling volatility," Razia Khan, head of research for Africa at Standard Chartered Bank.

"There is certainly sufficient justification for a cut of 100 basis points. It's just a matter of how comfortable the authorities feel with overall inflation trends and the potential risks to the FX rate in initiating an easing cycle now," she said. The Ugandan shilling took a hit in March when the central bank cut its benchmark lending rate for a second month in succession, even though inflation was still above 25%. It has kept rates on hold since and meets next on Friday.

"Although we acknowledge the risks that remain, and understand that the decision could conceivably go either way, the time to start cutting interest rates is probably now. We maintain our view of a June rate cut in Kenya," Khan said. *(Reuters)*

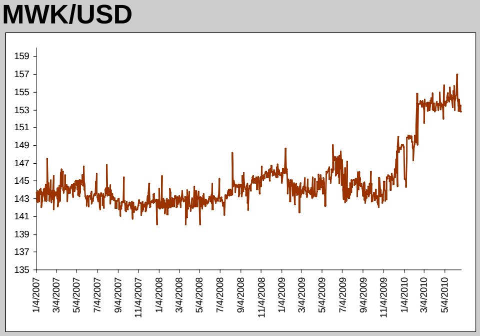
Malawi

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

Stock Exchange News

The market index gained a marginal +0.19% to 5,886.82 points, with thin trades across both local and foreign boards. MPICO (+8.00%) and Old Mutual (+8.93%) were the only counters that recorded price changes during the week to close at MWK 2.70 and MWK 500 respectively. Market turnover for the week amounted to USD 34,635.32.

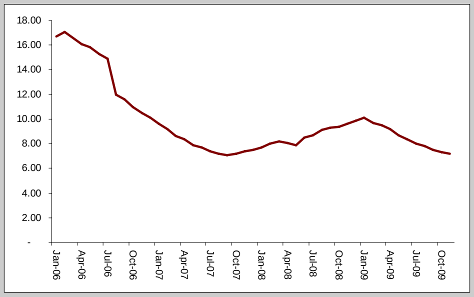
Corporate News

No Corporate News this week

Economic News

No Economic News this week

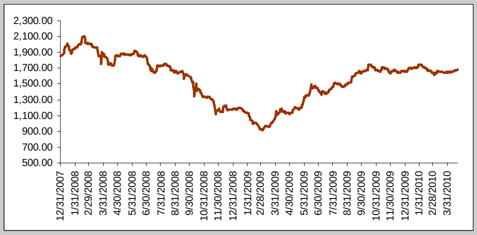
CPI Inflation



Source: SAR

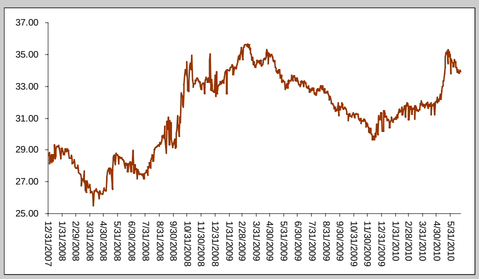
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The SEMDEX was down -0.46% while the SEM 7 lost -0.69% to close at 1,805.98 and 342.29 points respectively. Gamma Civic led the movers, gaining +7.7% to close the week at MUR 377 followed by Omnicare, up +1.4% to MUR 72.00 and ENL Land (+1.0%). ASL led the losers after shedding -6.0% to MUR 86.00 while NIT lost -1.9% to MUR 26.20 and Fincorp shed -1.7%.

Corporate News

Mauritius Telecom, the Indian Ocean island's main fixed-line and mobile service provider, posted a slight rise in pretax profit last year but said there was still no timeframe for a long-awaited listing. The company was expected to list in 2010 and raise USD 1.5bn, according to the budget that year, but the plan was shelved after the global financial crisis knocked one of Africa's most stable and prosperous economies.

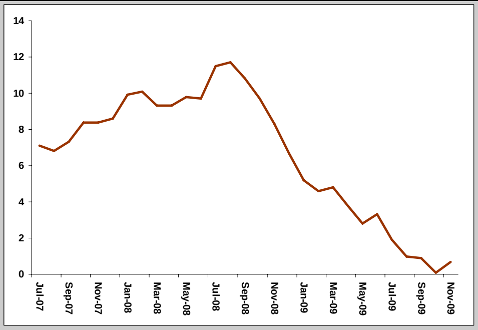
"This decision rests with the main shareholder which is the government," Chairman Appalsamy Thomas said, referring to the timing of an eventual bourse debut. Lallah said shareholders tend to await a favourable economic enviroment before launching an initial public offer. The roughly USD 10bn is projected expanding 3.6% this year against 4.1% in 2011.

The company said its pretax profit crept 4% higher to MUR 2.55bn last year. "The mobile segment maintained its growth and was again the group's most important revenue, with operating revenues of MUR 3.5bn," Chief Executive Sarat Lallah told a news conference. That represented a 4.3% rise in mobile revenues, while the internet segment saw revenues climb 14% to MUR 766m.

Earnings per share rose to MUR 9.77 from MUR 8.98 a year ago, the company said. In 2000, the company sold a 40% stake to Orange, owned by France Telecom (FTE.PA: Quote). The government and the State Bank of Mauritius jointly own 59%, while 1% is owned by present and former employees. *(Reuters)*

Economic News

No Economic News this week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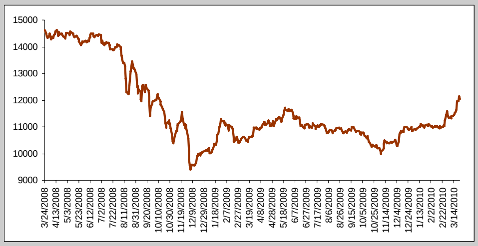
Source: SAR

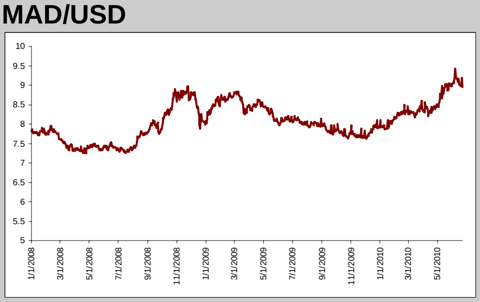
Morocco

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

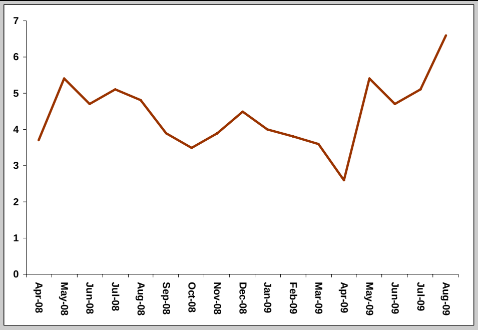
The MASI gained +1.77% to close the week at 10,230.29 points. Gains were recorded in Med Paper (+33.62%) to MAD 31.48, Stroc Industrie (+33.11%) and Oulmes (+12.21%). On the losing front we had Promopharm, down -9.13% to MAD 637, CTM which shed -5.10% to MAD 240 and Maroc Leasing (-4.93%).

Corporate News

No Corporate News this week

Economic News

No Economic News this week



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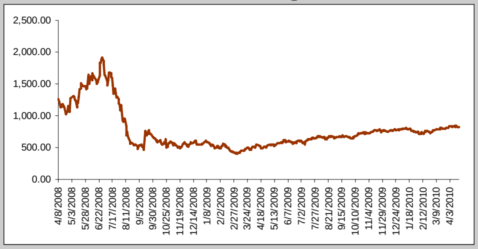
Source: SAR

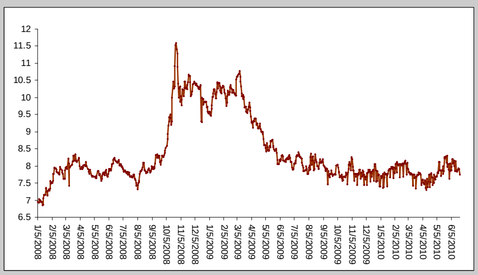
Namibia

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 NSX overall Index was relatively flat at 859.00 points. On the NSX local and DevX, MEI (+100%) and BMN (+7.14%) were the only gainers after adding to NAD 0.02 and NAD 0.15 respectively. EOG was the main shaker after losing -8.57% to close at NAD 0.64 followed by MMS which shed -5.26% to NAD 0.18 and FSY (-4.55%).

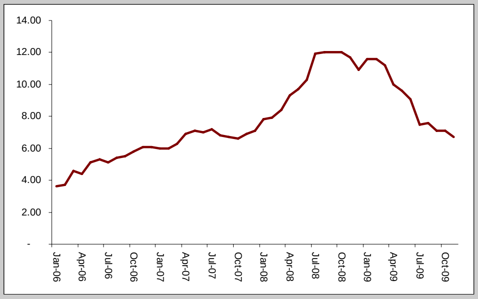
Corporate News

No Corporate News this week

Economic News

No Economic News this week

CPI Inflation



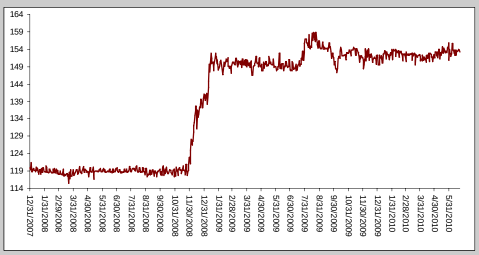
Source: SAR

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 -1.21% to close at 21,963.87 points. May and Baker gained +14.63% to close at NGN 1.41 while Fidson was up +10% to close at NGN 0.88. Other notable gains were recorded in Inter Breweries (+9.14%), Transcorp (+7.78%) and Japaul Oil (+6.67%). On the losing front we had FCMB (-15.29%), NASCON (-14.11%) and Smart Products (-13.16%).

Corporate News

Lafarge Cement WAPCO Nigeria Plc is poised to establish a bag manufacturing firm in Nigeria to facilitate the packaging of its products and boosts its earnings. Chairman of Lafarge Cement WAPCO, Chief Olusegun Osunkeye, who disclosed this at the 53rd Annual General Meeting in Lagos (AGM) held recently in Lagos, explained the company was being established in partnership with bag manufacturing experts who have been packaging Lafarge Plc's products worldwide.

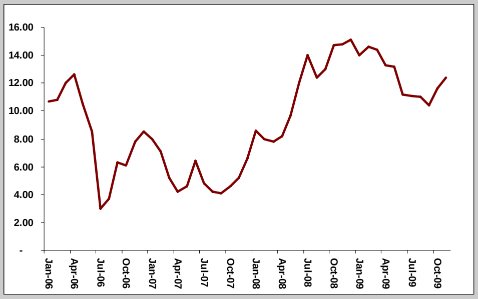
According to him, arrangements are in the final stage for the company to commence operations, noting that it would take care of the company's packaging needs. He said the new company would replace Nigerian Kraft Bags Limited, which was held 56.2% by Lafarge Cement WAPCO and 41.7% by Odua Investment Limited. Osunkeye said the operations of NKB have become moribund while the company was in the process of being liquidated. He explained that getting a functional bag manufacturing firm would save cost and boosts its bottom line on the long run.

The chairman added that the expected measures by the Federal Government towards boosting the housing sector in the country would also bring about an increase in the demand for its products; thus boosting the company's profitability. He said that activities in the building sector industry would improve in the next few years following plans by governments to satisfy the housing needs of Nigerians, noting that this would increase cement consumption.

"Also, we believe that Nigeria's road network would also present a significant opportunity for the cement sector, and the completion of our Lakatabu plant has positioned us favourably to benefit from this potential," he said. Reviewing the financial performance of the company for the year ended December 31, 2011, Osunkeye said that turnover rose by 42% to NGN 62.2bn, while profit after tax also increased by 75% from NGN 4.88bn to NGN 8.5bn.

The board of the directors recommended a dividend of NGN 2.25bn, which was approved by the shareholders at the AGM. The dividend translates into 75 kobo per share. Meanwhile, the Managing Director of the company, Mr. Joe Hudson, commended the shareholders for their support over the years, saying better days are here for them.

CPI Inflation



Source: SAR

"We are grateful to our shareholders, who stood by us all through the years, especially when we were involved in the setting up of our Lakatabu Plant. Now that the plant has taken off, we are going to see even increased activities in our company, and this would be translated to our shareholders.

"Over the years, we have maintained a progressive dividend policy, and we want to assure our shareholders that we would not relent on this; we will ensure that we steer the company in the direction of value generation to all our stakeholders," Hudson said. *(This Day)*

Chairman of May & Baker Nigeria Plc, retired General Theophilus Y. Danjuma has agreed to personally pay the NGN 1.3bn bank loans owed by the company. Shareholders of May & Baker Nigeria Plc last Thursday pleaded with him to bail out the pharmaceutical company from its bank debts. Moving a motion urging Danjuma to intervene by personally repaying the loan at the company's 61st annual general meeting in Lagos, the president of the Shareholders Solidarity, Sonny Nwosu, pleaded with General Danjuma to bail the company out as failure to do so would amount to the company using the rest of its life repaying interest on the loans.

The company chairman who was not indisposed to the plea, asked the shareholders present to put it as a motion. Nwosu moved the motion, saying, "I move a motion authorizing the board and management to seek financial assistance or loan from the chairman, General Theophilus Danjuma retired." The motion was unanimously carried and endorsed by all the shareholders present.

Gen. Danjuma also agreed to help the company to clear the loans. With the highest shareholding of 238.928m shares, about 24.38% of the total interest through T.Y Holding Limited, General Danjuma becomes the largest financier of May & Baker.

The company had last year completed and commissioned a new pharmaceutical manufacturing company, known as PharmaCentre. The company had also in 2010 secured N920m from the Central Bank of Nigeria (CBN) under its intervention fund to manufacturers at 7% interest per annum.

Speaking on the performance of the company, General Danjuma said it's turnover grew by 4.3%, from NGN 4.6bn in 2010 to NGN 4.8bn in 2011 while its profit after tax rose to NGN 255.6m against NGN 192.9m recorded the previous year.

General Danjuma, however, pleaded with the Federal Government to increase its patronage, improve on the current poor infrastructure and address the security challenge in the country. *(All Africa)*

Ecobank Transnational Incorporated (ETI) has signed an agreement with the Public Investment Corporation (PIC), South Africa, which is investing USD 250m in its common equity, on behalf of Government Employment Pension Fund (GEPF). ETI is the parent company of Ecobank Group, a pan-African banking group with presence in 32 countries.

The agreement was signed Monday on the sideline of the ongoing annual meetings of the African Development Bank (AfDB). Group Chief Executive of ETI, Mr. Arnold Ekpe, signed for Ecobank while Chairman of PIC and Deputy Finance Minister for South Africa, Mr. Nhlanhla Musa Nene, and Chief Executive Officer of PIC, Mr. Elias Masilela signed on behalf of PIC.

According to PIC, the investment will represent its first major direct investment in Africa outside South Africa and is in line with GEPF's investment strategy, which has identified Africa as the next frontier for investment growth. The deal is expected to strengthen Ecobank's tier one capital and further enhance its ability to grow its business across the African continent.

In line with the terms of the agreement, the USD 250m share purchase will be effected by the issuance of 3,125,000 shares in Ecobank, representing 19.58% of the total outstanding number of shares. The significant investment will enable PIC to take a seat on the board of Ecobank. Commenting, Ekpe said: "With GEPF as a shareholder, Ecobank will now have a slate of highly reputable local and international shareholders and our equity capital raining programme is coming to an end. Our unparalleled presence across sub-Saharan Africa and our knowledge of local markets will also facilitate the GEPF's investment plan for Africa."

In his own remarks, Masilela stated: "We are excited about the proposed investment we will make in Ecobank. We strongly believe that this is a significant step that will complement the Africa strategy of our major client, GEPF, which seeks to take advantage of private equity opportunities on the continent.

"With this one investment, we will be immediately optimising our footprint on the rest of the continent, an action that would otherwise require multiple investments and huge effort as well as resource allocation," he added. *(All Africa)*

Brighter days are here for shareholders and other stakeholders in the Nigerian Aviation Handling Company (Nahco Aviance) as President Goodluck Jonathan, will tomorrow inaugurate the company's USD 25m ultra-modern warehouse at the Murtala Muhammed Airport, Lagos. Market analysts have said that the warehouse, which is part of Nahco Aviance's transformation agenda, would not only impact on the fortunes of the company and returns to the shareholders, but would also enhance the operations of the Nigerian Customs and boost the Nigerian economy in general.

The board and management of the company had taken the decision to build the new warehouse in order to enhance cargo facilitation, maintain the company's competitive edge and sustain the profitability while also improving service delivery. Explaining the new warehouse's construction, the Managing Director/Chief Executive Officer of Nahco Aviance, Mr. Kayode Oluwasegun-Ojo, said it was part of the transformation programme of the company.

This, he said, entailed expansion and modernisation of its warehouse, acquisition of state of the art equipment, expansion of services to some African countries, development of human resources and upgrading of Information Communications Technology (ICT) infrastructure. According to him, the old warehouse needed to be replaced because it could no longer guarantee seamless cargo facilitation and quality service delivery.

He explained that the physical state of the former warehouse and its infrastructure constituted serious challenge which posed serious operational constraints to the efficiency, safety and security of the company's cargo operations. THISDAY checks showed that the old warehouse was in use for the cargo handling business for three decades and was already subjected to heavy physical wear due to intensive cargo operations, with minimal efforts at physical infrastructure renewal.

However, the management of Nahco, as part of efforts to deliver efficient services and remain a dominant player in the industry, embarked on the construction of the new warehouse. Also speaking on the benefits of the warehouse, Vice Chairman of Nahco Aviance, Alhaji Suleiman Yahyah said it has the capacity to handle over 230,000 metric tonnes of various categories of cargo.

"It was one of challenging projects in our transformation agenda. We are, however, happy the warehouse is ready to be inaugurated and I believe that it would impact significantly in the operations of the company because of the revenue we can derive and smooth operations in the cargo processing in Nigeria," he said.

Yahyah said the warehouse, which is automated, was highly efficient and environmental-friendly, saying it would provide a better platform for the men of the Nigerian Customs Services and other security agents to do their work; as it is a transparent warehouse and is equipped with CCTV cameras. He said for Nahco shareholders, it is one of the best investments ever made, stressing that it would impact significantly on the company's revenue and returns on investments.

Speaking on the transformation agenda of the company, he said, Nahco Aviance decided to diversify across geography business segments; having been a leader in the cargo business in Nigeria. He said, "We are the dominant player in Nigeria. So it makes sense us for to support our clients across the sub-region and across Africa. We are also diversifying into power, which is major focus of the Federal Government.

"Nahco, as a service company, is expanding into power supply and make the right investment with technical support from our partners from Finland so that we can contribute our quota to the development of Nigeria. We believe that Nahco, as a company with the right governance, infrastructure and experience in service delivery, can succeed in rendering efficient services in the power supply business," he said.

He added that Nahco Aviance, which is a major success story in the privatisation programme of the Federal Government, has fetched significant returns to shareholders since it privatisation in 2006, employed many people and contributed to the government's coffers in terms of taxes among others. *(This Day)*

Forte Oil Plc has reported a profit after before tax of N396m for the first quarter (Q1) ended March 31, 2012, raising investors' hopes of ending the year on a positive note. The oil marketing firm had ended 2011 with a loss following the challenging operating environment. However, it has opened the current year with significant recovery.

Forte Oil posted a turnover of N24.7bn the Q1 of 2012, compared with NGN 27.568bn in the corresponding period of 2011. But profit before tax rose from NGN 315.466 in 2011 to NGN 396m in 2012, while profit after tax grew from NGN 262.81m to NGN 396m. The Acting Group Chief Executive Officer of Forte Oil Plc, Mr. Akin Akinfemiwa, recently said that the company had embarked on plans to enhance returns to its shareholders. He said that 2012 would be a year of recovery for the company adding that the company had put in place measures to reward its stakeholders.

“In this time, the company will build on the foundation laid last year through a revamp of its people systems and structures that will give us the required leverage to return to our wining ways. It is expected that shareholders who have waited with bathed breath on when situation will improve in the company, aftermath of the near crash situation in the equities market starting from 2008, will begin to experience a new lease of life as profitability has started to return on all investment front in the company.

“As we move through 2012, we expect financial momentum to build as we restore high-value output in all areas of our business and also bring new projects on stream in the areas of upstream Exportation and Production,” he said. According to him, the company recently carried out a complete restructure of its businesses with the objectives of transforming it into a lean, talent based and technology driven organisation that will be more responsive to the needs of its customers. A part of this step involved a payout of about NGN 8bn as severance package. *(This Day)*

Standard Chartered Bank will be hosting representatives from 15 Singapore companies in Nigeria this week, as part of the Singapore Business Federation’s (SBF) official tour to two West African economies, Nigeria and Benin. The tour would enable the delegation to have a valuable insight into the dynamics of doing business in Nigeria and Africa in particular.

Speaking on the issue, the Chief Executive officer, Standard Chartered Nigeria, Mr Bola Adesola, said: ”We have deep, local knowledge of both Africa and Asia and will continue to provide the necessary financial tools and strategic advice to Asian companies doing business in Africa – assisting sustainable economic development in both regions. This is an excellent opportunity for us to showcase Nigeria and West Africa’s investment and growth opportunities. Standard Chartered is perfectly placed to facilitate and support Africa-Asia trade and investment corridors, and we are delighted to host Singapore business representatives in Nigeria, promoting business partnerships, which stand to benefit the economies of both regions for many generations to come.”

Also, the Chief Executive officer, Standard Chartered, Singapore, Mr Ray Ferguson, said the tour would enable Singapore to forge a strong and healthy business relationship with the two countries. ”Singapore companies cannot afford to ignore Africa from their expansion plans as the continent is now among the fastest growing regions in the world. On the other hand, Singapore’s impressive attributes as a key regional trading centre, the world’s busiest port, and a top location for investments in Asia have also led companies in Africa to view Singapore as a gateway to the rest of Asia.

“This is why in 2010, Standard Chartered formed a strategic partnership with the Singapore Business Federation for the establishment of the Africa Business Group (AFBG)”,he added. He said the group was created as a national platform to facilitate business exchanges between the Singapore business community and that of our counterparts in the Sub-Saharan Africa region.

He said the decision to forge this relationship with SBF rests on two critical elements – our unrivalled market knowledge and presence in both Africa and Asia, and our commitment towards bringing together businesses from the countries the bank operates in, through special projects such as the Singapore-Africa business corridor. *(Nation)*

Four Nigerian telecoms operators have met with the sector regulator to discuss fines imposed earlier this month for poor service quality, the chief executive of Etisalat Nigeria told Reuters on Thursday. Etisalat Nigeria, an affiliate of United Arab Emirates' Etisalat, Airtel Nigeria, Globacom and MTN Nigeria, a unit of South's Africa's MTN, were fined a total of NGN 1.17bn (USD 7.3m) after missing service targets set by the Nigerian Communications Commission (NCC).

At the time, the NCC gave the operators a May 25 deadline to pay these fines, according to an Etisalat Nigeria spokeswoman, with the regulator warning it would charge an additional 2.5m nairas daily until it received payment. The operators claim the performance targets set by the regulator are unclear and seem willing to risk mounting penalties to put their case. All operators are yet to pay the fines, Etisalat said.

"On Wednesday, the four operators met the regulator to discuss the issue of the fines imposed by the NCC," Etisalat Nigeria CEO Steven Evans said in an emailed statement to Reuters. "Whilst no agreement was reached, the operators reiterated their request that the regulator reviews the KPIs (key performance indicators) used for Quality of Service to ensure KPIs are both relevant for users and that the target values are appropriate for the environment given the challenges operators face in Nigeria."

The telecoms firms claim civil unrest, sabotage and a lack of mains electricity are among the constraints hampering their service delivery, with all four operators missing call connection targets in March and April, according to data on the NCC's website. *(Reuters)*

As the new electricity tariff regime takes effect today, it has emerged that more foreign investors have indicated their willingness to invest in the Nigerian power sector. The latest in the series, THISDAY learnt, is a multi-billion dollar investment deal to be signed next week with Daewoo Corporation South Korea.World’s largest electricity company, General Electrical, had earlier in the year, signed a Memorandum of Understanding (MoU) with the Ministry of Power to build of 10,000MW -capacities power plants in the country.

The deal, which is GE first ever investment in West Africa, will see the company also investing between 10 and 15% in the new plants. The Power Ministry also recently signed an MoU with Siemens of Germany to assist Nigeria generate

10,000MW, and invest in new power stations as well as build a service station in the country. A source at the ministry confirmed yesterday that the MoU with the South Korean integrated company would be signed on Thursday. It however said details of the planned investment would be made available early next week.

The source also hinted that international investors' community had in the last few months expressed great faith in the direction which the Nigerian power sector is now heading, adding that more foreign firms have expressed their willingness to invest in the sector since the news of the electricity tariff review. It recalled that the World Bank, world class companies like US Exim Bank, Essar of India and Tata of India as well as Manitoba Hydro International of Canada, have taken concrete steps to participate in the ongoing power sector reform in Nigeria.

Throwing more lights on the new tariff regime, the source explained that residential consumers who fall into the categories of Residential R3 and R4, made up of very rich people, including industries, would be paying about 40% higher under the new tariff structure and not the 88% reported by a section of the media earlier in the year. It said: “Consumers who will notice a significant tariff increase are those who fall into the categories of R3 and R4, made up of very rich people, including industries.

They will be paying about 40% higher, and not the 88% which a section of the media had earlier in the year reported for even all categories of electricity consumers. Nigerians are willing to pay a little higher for electricity if they are assured of constant and quality supply,” the source said. Announcing the June 1 take –off date on May 18, NERC Chairman, Sam Amadi explained that the new tariff was structured to attain cost reflective pricing that will ensure private sector investment in the generation, distribution and transmission of electric power in Nigeria.

Amadi said under the new tariff regime, different classes of consumers will pay different rates applicable to their classes for their electricity supply. He clarified that low income earners who use less electricity will pay less than high income earners who consume more electricity. He further explained that the low income households will pay much less because they “will enjoy the special benefit of not paying a fixed charge for their electricity,” as well as the removal of maintenance charge for all classes of consumers.

The NERC boss said to cushion the effects of the new electricity tariff, the Federal Government has agreed to pay about NGN 100bn in subsidy over the next two years under the second phase of the (MYTO 2). He clarified: “The subsidy will be paid at the rate of N50billion in the 2012 financial year, and another N50bn in 2013, and thereafter cease to pay anymore electricity subsidy, as it is anticipated that as time goes by, more power will be available, and less need for subsidy”.

Part of the incentives is the distribution of free meters and electric bulbs to customers Amadi said. Adding that the DISCOs are expected to begin the distribution to all classes of customers within the next 12 to 18 months to reduce the incidence of estimated billings. To achieve the desired result, all distribution companies had been directed to submit their meter installation plan to NERC in order to receive the meter component of the tariff, before itself.

(This Day)

British American Tobacco (BAT) has defended its right to business and rejected accusations of interfering in public health policy making the World Health Organisation and anti-tobacco campaigners promoting 'World No Tobacco Day.' Director of Corporate and Regulatory Affairs of the firm, Kingsley Wheaton, said BAT reserve the right to express personal views on issues that affect their legitimate business though some may not be comfortable with the nature of their business.

He said: "Some might not agree with what we say, but we think we have the right to be heard as does any other business or anyone else involved in the debate. We have a right to engage transparently on issues affecting our highly regulated product that many adults choose to use. Though it's controversial, it is nevertheless legal." He pointed out that though some people may be averse to smoking, it however does not remove the fact that income from the product contributes to the economies of more than 180 countries worldwide, not only through tens ofbns of pounds in taxes yearly, but also through the 56,000 directly employed and the hundreds of thousands of others employed indirectly by the industry.

Wheaton said BAT reports openly and transparently about their operations globally, while engaging decision makers to aid their understanding of the unintended consequences of some regulations to tobacco business. However, he regretted that despite this, some 'World No Tobacco Day' campaigners are attempting to convince governments to avoid engaging legitimate industry operators, labeling them "industry interference".

He challenged the campaigners and lobbyists whom he tagged 'industry interference' as mischief makers who are bent on deceiving governments globally on the true position of things. The BAT boss insisted that World Health Organisation Framework Convention on Tobacco Control did not instruct governments to stop engaging with tobacco companies, but that in the real sense of it, governments worldwide see the importance of getting a proper understanding of the impacts of regulation from the industry before making policy.

He pledged his company's preparedness to continue to engage transparently on issues that affect tobacco business. Wheaton challenged the campaigners on who they would rather support, a legitimate and accountable company such as theirs or underground criminals with terrorist links who don't care how young their customers are or what they sell? *(Nation)*

Inflation rate may rise from 12.9% to 14% before December because of next month's planned hike in electricity tariff, some financial experts have warned. A new electricity tariff under the Multi-Year Tariff Order (MYTO) is expected to take off on June 1. Nigeria's year-on-year inflation rose to 12.9% in April, after defying all regulatory efforts to rein it in.

According to the experts, the new tariff will foster a higher price regime on consumers and affect their purchasing power. A teacher at the Lagos Business School (LBS), Dr Austin Nweze, said spontaneous reaction would normally follow any price adjustment in consumer products. He said inflation has been oscillating between 10% and 11% for some time, arguing that efforts to have single-digit inflation have been futile.

Prices of goods and services, he said, would increase, relative to the planned increase in electricity bill, adding that operators would transfer every cost incurred to the final consumers. This means consumers would be paying more for goods and services rendered to them. Former President, Association of National Accountants of Nigeria (ANAN), Dr Samuel Nzekwe, said a slight increase in inflation is expected, because of the government's decision to jack up electricity bill.

Nzewke said the partial removal of oil subsidy early in January, the release of budgetary allocations among other issues, have increased inflation, adding that the new electricity bill would not be an exception. He said efforts to cushion the effects of the planned increase in energy tariff would achieve little result, because there is already imbalance in demand and supply of goods.

A member of the Association of Foods, Beverages and Tobacco of Nigeria (AFBTN), Aderemi Ade-gboyega, said power is the major constraint to real sector operators, arguing that attempts to increase the cost of electricity supply would weaken their financial base, as well as that of consumer goods. *(Nation)*

Shareholders of FirstBank of Nigeria, on Thursday, at the Annual General Meeting (AGM) held in Lagos, approved 80 kobo dividend and a new holding company (HoldCo) for the bank. A cross section of shareholders that spoke at the yearly event lauded the management of the bank for the impressive financials posted for the year ended December 31, 2011 and dividend pay-out, despite the harsh operating environment.

According to the President, Nigerian Shareholders Solidarity Association (NSSA), Mr Timothy Adesiyan, the shareholders are impressed with the way the bank is being run, adding that the impressive result posted for the year end was a testimony that the bank is on the right track. He noted that with the impressive 2012 first quarter result released by the bank recently, the shareholders would reap higher dividends in this year end.

In his contribution, General Secretary, Independent Shareholders Association of Nigeria (ISAN), Mr Adebayo Adeleke, lauded the prudent nature the bank is being run, stating that the performance at the key financial indices was laudable. At the meeting, the shareholders also endorsed the plan by the management to set up a HoldCo in line with the directive of the Central Bank of Nigeria (CBN).

The Group Managing Director/Chief Executive, First Bank, Mr Bisi Onasanya, explained that the board had decided on a new structure before the CBN directive, stating that the development would benefit the shareholders. He noted that the management decided not to sell off the subsidiaries as they were doing well and could contribute positively to the HoldCo bottom line. Onasanya further said the bank was following due process to register the new company, noting that shareholders would exchange one for one share in the new holding company. *(Tribune)*

Economic News

Nigeria's interbank lending rates tumbled this week to an average of 10.41%, compared with 14.66% last week, after large cash flows from budgetary allocations to government agencies boosted liquidity in the market, traders said on Friday. Nigeria last week distributed NGN 563.09bn (USD 3.53bn) to its three tiers of government in April, down from NGN 613.70bn in March. The proceeds hit the market on Thursday, raising the liquidity level and forcing down the cost of bank borrowing.

Africa's top energy producer distributes oil revenues among its three tiers of governments - federal, state and local - from central accounts on monthly basis and this provides banks funding for their operations. The secured Open Buy Back (OBB) fell to 10.25%, compared with 14% last week, 175 basis points lower than the central bank's 12% benchmark rate, and 0.25%age points above the Standing Deposit Facility (SDF) rate.

Overnight placement and call money fell to 10.50% each, compared with 15% each last week. "The market is liquid and cost of borrowing is coming down," one dealer said. "The central bank has not been aggressively mopping-up liquidity in the system as it used to do and this has helped the market to retain bulk of the cash inflow." Traders said about 278bn naira, a portion of the budgetary allocations for states and local governments hit the market on Thursday.

The market opened on Friday with a cash balance of NGN 387bn, compared with NGN 32bn last week Friday. "We see rates stabilising at this level or inching up a little next week because we still see the system retaining much of the liquidity unless the central bank resumes aggressive mopping up of liquidity," another dealer said. Traders said matured bills had boosted liquidity and auctions of new treasury bills had failed to match it.

Nigeria sold a total of NGN 126.32bn (USD 791.35m) in treasury bills ranging from three months to one year at its bi-monthly auction, with higher yields on the paper than at the previous auction. *(Reuters)*

A new draft of Nigeria's long delayed oil bill, whose passage is needed to unblockbns of dollars of stalled investment into exploration and production, will be finalised this week, sources close to the matter said on Thursday. A copy of the 200-page Petroleum Industry Bill (PIB) obtained by Reuters includes plans to partly privatise and list the state oil firm, tax oil company profits at 20% for deep offshore and 50% for shallow or onshore, and give the oil minister supervisory powers over all institutions in the industry.

Current oil firm profit taxes are not published. A spokesman for Nigeria's leading operator Shell said he did not know what current tax rates were. Oil majors have worried that the PIB could increase the fiscal burden on them, and it is not clear whether license renewals that have been ongoing will include exemptions from any unfavourable change of terms brought about by the law.

The PIB has been years in the making and the delays have caused uncertainty over the future framework of working in Nigeria, costing the industrybns of dollars of potential investment and the government much-needed revenues. Without it, most analysts expect oil production in Nigeria to decline substantially over the next few years. Nigeria exports more than 2m barrels a day (bpd) of crude oil popular with U.S. buyers because it is light and easy to refine. China and India are also growing takers.

Even when this version gets to parliament, there is no guarantee lawmakers will push it through, as powerful vested interests could block or delay it, as has happened in the past. President Goodluck Jonathan is explicitly behind this version, and it was drawn up by a task force of senators his administration appointed, but even though his party has a majority in both houses of parliament it could still stall if those interests persuade enough lawmakers to scupper it.

"You might think when you've got a (ruling) PDP majority and a president who's PDP it should be easy to pass the bill. Well, it isn't," said Antony Goldman, head of PM Consulting, adding that past experience suggested it was unlikely the bill would go through unmodified. Implementation of some of the bill's provisions is likely to be fraught with complexities, especially restructuring the hugely bureaucratic and corrupt state oil firm.

The state-run NNPC has for decades been at the heart of a network of patronage that still oils the wheels of Nigerian politics. The bill says some of its assets must be incorporated within three months of it becoming law and the government then has three years to list an unspecified part of its shares publicly. But the newly incorporated oil firm will not hold NNPC stakes in unincorporated joint ventures and production sharing contracts, which make up most of Nigeria's oil and gas assets.

Analysts say reform of the state-run NNPC is nonetheless key. "How do you turn the NNPC which for generations has been political into something technical? It's hugely ambitious but something they have to do if oil is to benefit the many, not just the few," said Goldman. The bill as drafted would also roll Nigeria's various regulatory bodies for upstream and downstream into one, and give Oil Minister Diezani Alison-Madueke power to pick who runs it.

Placing all institutions concerned with oil under her supervision may upset those who hoped the bill would curb her already substantial powers. Previously the downstream regulator was independent of the ministry. Alison-Madueke signed a 20-year oil license in February with U.S. oil giant Exxon on one of Nigeria's largest oil assets, which produces over 500,000 barrels per day, but the terms were kept private.

This license renewal came despite the minister saying for years that the delay to the PIB was holding contracts like these up. Alison-Madueke said this week that similar renewals with Shell and Chevron would be signed by June. *(Reuters)*

Decrease in some sectors such as manufacturing, wholesale and retail trade, has dragged down the non-oil Gross Domestic Product (GDP) growth by 0.8% in the first quarter of 2012, data released by the National Bureau of Statistics (NBS), has shown. The sector recorded 7.93% growth in real terms in the first quarter of 2012, compared with 8.73% at the corresponding period in 2011. According to the NBS, the non-oil sector continued to be a major driver of the economy in the first quarter of 2012 despite its decline, when compared with the corresponding quarter in 2011.

The NSB stated that the activity of major industries in the non-oil sector must be enhanced in order to give impetus to its contribution to the Nigerian economy. However, experts at FBN Capital Limited, stressed that there was no need to worry as the first quarter is traditionally the slowest of the year. "The first quarter regularly produces the slowest growth of the year, and 2012 has been no exception. In addition, January brought the partial removal of the fuel subsidy, the nationwide protest and the dampening of consumer demand as a result of the increase in the retail price of premium motor spirit (petrol).

"Policymakers will have noted the impact of their decision for when they attempt to complete fuel price deregulation. The growing insecurity in the North will also have taken its toll of national output," they said. The experts pointed out that, "The FGN's move on the fuel price in January led to nationwide protest as well as pressure on consumer spending on non-fuel goods and services. This is evident in the second largest segment of the economy in constant price terms, wholesale and retail trade, in which growth slowed to 8.4% from 10.1% in Q1 2011.

"Telecoms and post was again by far the fastest growing sector. Our underlying story remains that this strong non-oil growth is driven by robust household demand," they added. Meanwhile, analysis of the NBS data showed that building and construction growth was unchanged at 13.3% y/y. Manufacturing growth, the NBS numbers revealed, slowed disappointingly to 5.2% y/y from 6.2%.

The Bureau cites the failings of the infrastructure by way of explanation: "we would add the impact of the fuel price increase and insecurity in the North." The NBS disclosed that it plans to publish its re-weighted and re-based national accounts, the first in two decades, in Q3, 2012, adding that nominal GDP is likely to be revised upwards by at least 40%. Market watchers believe the agriculture's share of the total would probably be revised downwards, to the benefit of service sectors.

The Bureau said the Nigerian economy when measured by the Real GDP on an aggregate basis, grew by 6.17% in the first quarter of 2012 as against 7.13% in the corresponding quarter of 2011. This result however surpasses NBS' earlier growth forecast for the quarter of 5.34%, which suggests the economy is more resilient than otherwise anticipated.

"Nevertheless, stronger growth is expected in the second quarter of 2012 as a result of recent sectoral policies in the non-oil sector. The 0.96%age point decrease in real GDP growth recorded in the first quarter of 2012 was as a result of decrease in both oil and non oil sectors (manufacturing, wholesale and retail, telecommunication, among others). "The first quarter of 2012 witnessed a decline in economic activity due largely to the partial removal of subsidy on petrol, the subsequent civil protest and weaker consumer demand following the higher price levels across major segments of the economy.

"Higher costs of production and prevailing security concerns also contributed to the decline in growth rate of real GDP during the period. The nominal GDP for the first quarter of 2012 was estimated at NGN 9.142m as against the NGN 8.311m recorded in the corresponding quarter of 2011," the experts added. *(This Day)*

Foreign Direct Investment (FDI) inflow into the country rose to USD

1.574bn in the last quarter of 2011 as against the USD 1.309bn it was as at third quarter 2011, the Central Bank of Nigeria (CBN) has said. The CBN disclosed this in a report titled: 'Developments in the external sector of the Nigerian Economy for the fourth quarter 2011,' posted on its website at the weekend. According to the regulator, the development suggested that there was continued confidence in the Nigerian economy by foreign investors. In contrast, it showed that portfolio investment inflow declined marginally from USD 1.130bn in the third quarter of last year to USD 1.113bn in the period under review.

"The estimates revealed that the external sector performance during the review period remained mixed. It was noted that the economy was faced with the challenges of high import content, gradual rise in the external debt stock and declining agricultural prices in the international market," it said. It also showed that Nigeria's current account posted a surplus position, adding that this was largely influenced by larger surplus in the goods account and lower out-payments in the services account and lower non-oil imports bill.

The report explained: "The movement in the current account position in fourth quarter 2011 indicated an improved balance of trade position occasioned by the lower out-payments on import of goods and services and increased exports. However, the improvement in the current account balance was marginal when compared with the corresponding quarter of 2010."

According to the apex bank, Nigeria's balance in its capital and financial accounts was in deficit during the period under review. But the country's trade balance position improved significantly to USD 8.290bn in the fourth quarter; from USD 4.614bn in the preceding quarter following an expansion in merchandise exports and significant contraction in imports. *(This Day)*

The United States EXIM Bank has signed a Memorandum of Understanding (MoU) with the Federal Government provide USD 1.5billion as its commitment towards the March 2012 deal with London firm, General Electric to provide 10,000 mega watts of electricity by the year 2020. The Minister of Power, Prof. Barth Nnaji, made the disclosure in Abuja at a recent meeting with Trade Union Congress (TUC) and the National Electricity Regulatory Commission (NERC), which was initiated by the Minister of Labour and Productivity, Chief Emeka Wogu.

Nnaji added that 10 power plants would be completed between now and the end of next year through partnership with the Independent Power Producers (IPPs), while training would be provided for electricity workers to man the power plants and new sub-stations being built. He admitted that there was a trust deficit on the part of Nigerians towards the government reforms in the power sector.

"Give us a chance. In fact I will make you a promise; starting from next month, you will begin to see power grow in this country and it will not be reversible. The kind of change we enjoyed after the liberalisation of the telecommunications sector is the same we would have with these reforms in the power sector," he said. The meeting was held to clarify the reforms in the power sector after the TUC made queries concerning power issue in Nigeria during the last May Day celebrations in Abuja. Officials of the NLC were absent at the meeting.

Explaining what has been termed as electricity tariff hike which is due to kick off on June 1, 2012, Chairman of NERC, Dr. Sam Amadi, said it was not an increase, but “rather many people would pay less than what they are currently paying for consumption.” He added that the reforms were also meant to eliminate estimation billing and to increase supply of power so that the regulatory agency can do its work the way it should be done.

Amadi also gave the assurance that all Nigerians would receive meters before the expiration of 18 months; meanwhile he said instead of estimation billing which has been the practice for those who do not have meters, the feeder that supplies each building would be checked to know how much power went through it. Even though part of the campaign is that the urban poor would pay less, Amadi did not give clear criteria for the agency’s definition of the urban poor.

President General of the TUC, Comrade Peter Esele, however said Nigerians were tired of being given timelines as to when power supply would be constant in Nigeria, “which is why the reforms are being received with skepticism by Nigerians.” “Not ensuring that power supply is stable before carrying out reforms that could lead to an increase amounts to putting the cart before the horse. If, after spendingbns of dollars, the sector is still not attractive, why should we trust the government now? We have not been given reasons why thebns did not improve the sector. I tell you, if Nigerians get 13 hours of stable power daily, they will be willing to pay more,” he added. *(This Day)*

Deputy British High Commissioner to Nigeria, Mr. Peter West, has said that the over 40 new alliances formed by British and Nigerian companies are expected to expend over USD 500m in the Nigerian oil and gas industry within the next five years. West, who disclosed this while speaking at the Nigeria-UK Oil and Gas Supply Chain programme in Lagos recently, said the partnerships, some of which will undertake specialist local manufacture, technology cooperation for deepwater production and gas utilisation, have the potential to create new investment, business opportunities and high value employment for skilled Nigerian talents.

He underscored the importance of the Nigeria-UK Supply Chain events, stressing that they bring Nigerian and UK companies together to form sustainable, long term partnerships which will contribute to the competitive delivery of Nigeria's oil and gas projects. Delivering a keynote address at the event, the Executive Secretary, Nigerian Content Development and Monitoring Board (NCDMB), Mr Ernest Nwapa, also disclosed that the proportion of contracts awarded to Nigerian companies in the oil and gas industry has risen to 85%, describing it as a partial percentage value of Nigerian Content achieved by the industry.

Similarly, he informed that the industry has achieved between 85-90% Nigerian Content in engineering, while fabrication tonnage is over 50%, with thousands of jobs created. He explained that although there has been an increase in contracts awarded to Nigerian companies, the industry still had a long way to go towards recording substantial%ages of real Nigerian Content, stressing that real Nigerian Content value is based on the proportion of contract sums spent within the Nigerian economy especially on Nigerian made goods and services rendered with Nigerian owned assets and equipment.

According to Nwapa in a statement yesterday by Obinna Ezeobi, Public Affairs Officer, NCDMB, "the real Nigerian Content value hovers between 12% and 18% at this point, up from 3 to 5% recorded two years ago." He identified a major weakness of the local supply chain in Nigeria as the absence of manufacturing activity and stated that for such a mature industry, a supply chain without local manufacturing is like a house without solid foundation. *(All Africa)*

The newly drafted Petroleum Industry Bill, which is close to being finalised, mandates that oil firms must stop flaring gas by the end of this year, and that if they don't they can be fined. Nigeria, Africa's top oil producer, has long pledged but failed to end flaring, and although officials say it has fallen in the past decade, Nigeria remains the world's second biggest burner of gas associated with crude oil production after Russia.

Many see the new target date to end flaring as unrealistic. "Natural gas shall not be flared or vented after December 31, this year, in any oil and gas production operation, block or field, onshore or offshore, or gas facility," except under exceptional and temporary circumstances, says a new draft of the long-awaited Petroleum Industry Bill (PIB). "Any licensee who flares or vents gas without the permission of the Minister in (special) circumstances, shall be liable to pay a fine which shall not be less than the value of gas."

Nigeria flared some 30bn standard cubic feet of gas in January, according to the latest figures from the Nigerian National Petroleum Corporation (NNPC). That is equivalent to a third of the yearly consumption of an industrialised country like the United Kingdom. Of that, ExxonMobil topped the list, flaring 9.85bn cubic feet out of 38.64bn produced, while Chevron flared 8.25bn cubic feet out of 19.23bn. Leading operator Shell, which runs Nigeria's liquefied natural gas (LNG) plant, flared 5.44bn cubic feet, a relatively small part of the 76.4bn it produced. *(Nation)*

Nigeria has already spent half its 2012 fuel subsidy budget on arrears from last year, the finance ministry said on Wednesday, risking Africa's second-largest economy racking up further debt or running out of money to sustain huge subsidy payments. Nigeria tried to remove gasoline import subsidies in January, but the move more than doubled the petrol price to 150 naira (USD 0.94) per litre, from 65 naira per litre previously, prompting more than a week of strikes and street protests.

The government backed down and partially reinstated the subsidy, bringing the price down to 97 naira per litre. A parliamentary probe that followed uncovered a USD 6.8bn fraud in the subsidy regime and said Nigeria spent 2.58 trillion naira last year on subsidy payments, more than 900% the budgeted amount for the year. President Goodluck Jonathan, the state-owned oil company NNPC and the finance ministry pledged to clean up any inefficiencies, but the latest data shows spending remains out of control.

Nigeria budgeted 888bn naira for fuel subsidies this year but it has already spent 451bn naira on back payments for 2011, the state oil company and finance ministry said, more than double what it had expected to pay in arrears. "This is clearly not sustainable and the ministry has a responsibility to ensure that the lapses that may have led to this unhealthy situation are not repeated," a statement from the finance ministry said on Wednesday.

Africa's biggest crude exporter will need to dip into its oil savings once the budgeted amount runs dry and with only around USD 3.5bn in the excess crude account (ECA) it could be wiped out by the end of the year, economist have warned. The NNPC also owes about USD 3.5bn to oil traders, including Trafigura, according to the parliamentary probe. If that is the case, the excess crude account is essentially empty anyway, so government finances could quickly go into the red.

The ECA, which is supposed to cushion the economy against sudden oil price falls, contained more than USD 20bn in 2007 but has been depleted by continual raiding despite a period of record oil prices. "The subsidy has prolonged a vicious cycle: Nigeria is the top African oil producer, but the country is forced to import large volumes of refined fuel," Samir Gadio, economist at Standard Bank said in a research note on Wednesday.

"From a macroeconomic standpoint, the cost associated with this distortion is becoming unbearable."Decades of corruption and mismanagement mean Nigeria sells almost all its 2m barrels per day of crude oil production rather than refining it for domestic use. At a parliamentary oil committee hearing on Wednesday, Justin Oniwon, the head of the state oil firm -- which seen as one of the main beneficiaries of the lavish subsidy handouts admitted it needed to be scrapped.

"It's my suggestion that we should fully de-regulate the petroleum products market so that the market can stabilize and market forces can determine the prices," Oniwon said. "In the interim, people may suffer but in the long run Nigerians will enjoy price stability." Nigeria's central bank governor, Lamido Sanusi, told Reuters in April the subsidy money would run out well before the end of the year. Sanusi wants the subsidy scrapped but this would be a big risk for Jonathan, given the public reaction in January. *(Reuters)*

Financial market experts have advised members of the National Assembly (NASS) not to go ahead with the proposed amendment of the CBN Act 2007. The analysts, who spoke with THISDAY in separate interviews, said the move would negatively affect the ongoing reforms by the Federal Government. The CBN Act 2007 grants both administrative and instrument autonomy to the apex Bank in the management of the economy.

Both chambers of the NASS had set in motion the process of amending the CBN Act 2007 principally with the aim of diluting the powers of the Board of apex bank. In fact, the bill recently passed through a second reading at the House of Representatives. But Emerging Markets Strategist, Standard Bank Plc, London, Samir Gadio, in a note e-mailed to THISDAY on Monday, argued the formal autonomy of the central bank was a pre-requisite for macroeconomic stability in the country.

Gadio added: “There is such a wide consensus on this concept both in Nigeria and externally that one can only wonder about the real motivations behind the proposed bill to amend the CBN Act. If passed, the new legislation would be a major setback for the reform process and price stability. A setback of such magnitude, that it is still unclear whether the authors of the bill genuinely want it to be adopted.”

According to him, given the magnitude of fiscal expansion at the federally consolidated level in recent years, the independence of the apex bank both in terms of reporting lines and financial resources, "is more than ever required to curb the above mentioned excesses and prevent an endogenous and/or exogenous macroeconomic shock."

Gadio also pointed out that in developing countries (and advanced economies in the past) where monetary policy is heavily influenced by political appointees, the risks had typically been that the authorities would increasingly rely on central bank financing to facilitate rapid public sector credit (often via lower rates).

"Nigeria simply cannot afford such imbalances which would almost certainly result in a spike in inflation and significant pressure on the exchange rate. The priority nowadays is not to compromise central bank independence, but push through key reforms (Petroleum Industry Bill, power sector) that will drive structural transformation and effectively launch the Sovereign Wealth Fund in order to smooth inter-temporal boom and bust oil price cycles," he added.

On his part, the Managing Director/Chief Executive Officer, Mr. Bismarck Rewane, who spoke in a telephone chat with THISDAY on Monday, also advised the lawmakers to jettison the idea of removing the CBN autonomy. "I don't see the rationale for the discussion to amend the CBN Act. What do they want to achieve with that? As lawmakers, they can decide to discipline the CBN by any other means if they want to, but not by removing its autonomy.

If they (the lawmakers) are genuinely concerned about stability of the economy, let them look at the BOFIA and others to amend. "You can't just tamper with something as weighty as the CBN. So I think the lawmakers need to address priority issues in the economy because amending the CBN Act is not going to augur well for the economy," he added. *(This Day)*

Inflation rate may rise from 12.9% to 14% before December because of next month's planned hike in electricity tariff, some financial experts have warned. A new electricity tariff under the Multi-Year Tariff Order (MYTO) is expected to take off on June 1. Nigeria's year-on-year inflation rose to 12.9% in April, after defying all regulatory efforts to rein it in.

According to the experts, the new tariff will foster a higher price regime on consumers and affect their purchasing power. A teacher at the Lagos Business School (LBS), Dr Austin Nweze, said spontaneous reaction would normally follow any price adjustment in consumer products. He said inflation has been oscillating between 10% and 11% for some time, arguing that efforts to have single-digit inflation have been futile.

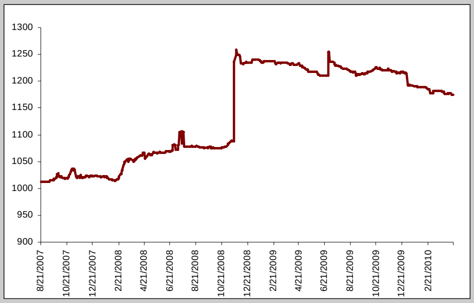
Prices of goods and services, he said, would increase, relative to the planned increase in electricity bill, adding that operators would transfer every cost incurred to the final consumers. This means consumers would be paying more for goods and services rendered to them. Former President, Association of National Accountants of Nigeria (ANAN), Dr Samuel Nzekwe, said a slight increase in inflation is expected, because of the government's decision to jack up electricity bill.

Nzewke said the partial removal of oil subsidy early in January, the release of budgetary allocations among other issues, have increased inflation, adding that the new electricity bill would not be an exception. He said efforts to cushion the effects of the planned increase in energy tariff would achieve little result, because there is already imbalance in demand and supply of goods.

A member of the Association of Foods, Beverages and Tobacco of Nigeria (AFBTN), Aderemi Ade-gboyega, said power is the major constraint to real sector operators, arguing that attempts to increase the cost of electricity supply would weaken their financial base, as well as that of consumer goods. *(Nation)*

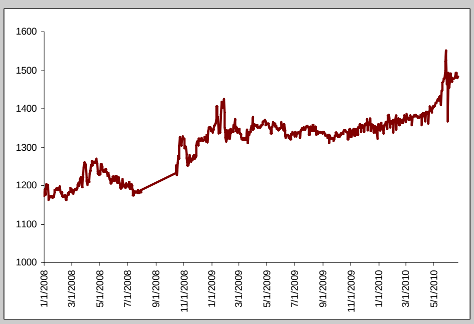
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The DSEI lost a marginal -0.32% to close at 1,318.35 points. Swiss was the only mover after gaining +4.00% to close at TZS 1,040 while TBL was the main shaker after shedding -3.10% to TZS 2,500 followed NMB (-2.20%) and CRBD (-2.00%).

Corporate News

No Corporate News this week

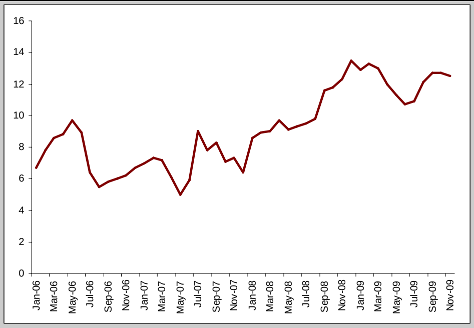
Economic News

High taxes, poor infrastructure, unreliable electricity supply and the uncontrolled inflow of foreign products at lower prices are some of the reasons cited that are hindering local firms from competing on the world market. Speaking to the East African Business Week during Tanga Cement's AGM in Dar es Salaam last week, the Managing Director Mr. Erik Westerberg said that there is poor and unreliable rail transport in the country and that it is escalating the prices of cement products in the country.

"We are relying on road transport to move our products which is very costly," Westerberg said. "If we were to use rail transport it would reduce the costs of production thereby reduce the final prices." Westerberg added that these costs were affecting productivity of manufacturers in the country and therefore causing an increase in prices of local products. He added that, if the rail transport was to be reliable, there would be an assurance that the prices of cement in the country which is currently sold at USD 9.61 a bag could drop further.

"There is unreliable rail transport in the country. The increase in the costs of our products is partly due to poor infrastructure," Westerberg said. He noted that only a total of 75,000 tons of cement was being produced by Tanga Cement using the locally available clinker while the yearly demand stands at 1.3m tons. "The rest depends so much on imported clinker so as to meet the 1.3m tons which is proving to be very expensive compared to the locally made clinker," Westerberg said

He said that the company would soon launch an initiative aimed at using locally manufactured clinker that will reduce importation of such products which are increasing the costs of production. "We realized that it was important for us to use the locally produced clinker in order to reduce the costs involved in the expensive imported clinker. This will also mean increasing our production as well because there will be a marked reduction in costs as a result," he said



Source: SAR

He also noted that there is an urgent need for the Tanzanian government to level the playing field for both local and foreign companies. "We usually pay a lot of taxes which the government reinstated in 2005 while at the same time, we face an acute shortage of power where about 30% of the total electricity required to run the company depends on the company's own production. Partly, this are some of the reasons for the high cement prices," Westerberg said.

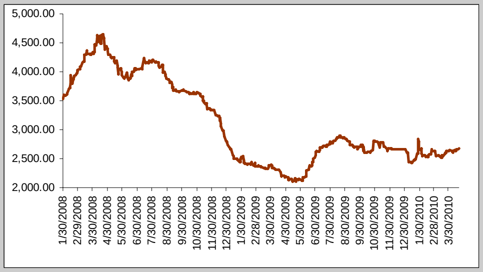
He added that last year, Tanga Cement generated 12% of electricity while at the same time importing coal from South Africa for electricity production to run their machines. The Cement firm's chief said that they hoped to start buying locally produced coal. He advised the government to come up with better ways of controlling the influx of low priced foreign construction materials. "These foreign manufacturing companies enjoy subsidies from their governments, they have a reliable electricity, while enjoying a very good infrastructure" he said.

Of recent, Tanzanian market has seen the flooding of Cement from India, Pakistan and China at lower prices which is threatening out competing that from the local companies whose cement prices are higher. He advised the government to reinstate tax exemptions to bring down the cement prices. Meanwhile, the company has approved the construction of a second kiln to counter the rapid economic growth of the East African Community.

The TCC board of directors approved the construction of a second kiln, a move which will see the manufacturer increase its production capacity by 600,000 tonnes a year. Mr Westerberg said, the construction of the second kiln is expected to commence in the third quarter of 2012, with commissioning in the first quarter of 2015. The project will cost an estimated USD 165m. *(All Africa)*

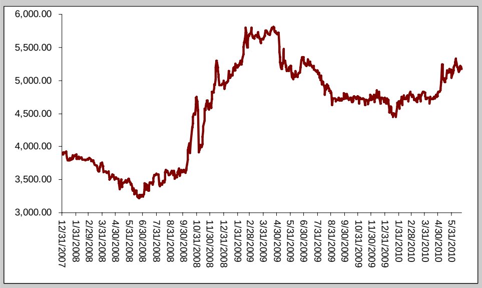
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The LuSE index gained 0.58% to close at 3,871.90 points. Zambeef led the gainers after adding +3.70% to ZMK 2,800 followed by SCB which rose +3.45% to ZMK 3.00 and AELZ (+2.86%). Investrust was the biggest loser after shedding -5.03% to ZMK 17.00 followed by FQMZ, down -2.06% to ZMK 4,750 and ZSUG (-0.40%).

Corporate News

Illovo Sugar has reported an 18% rise in diluted headline earning per share to ZAR 1.325 in the year ended March 2012, from ZAR 1.121 a year earlier. Group turnover grew by ZAR 1.1bn to ZAR 9.2bn, while sugar sales volumes fell by 5% as a consequence of the lower sugar production. However, the group operating margin increased from 12.7% to 14.7%, resulting in a 31% increase in operating profit from ZAR 1.03bn to ZAR 1.35bn.

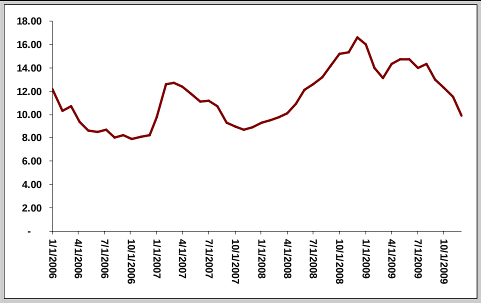
The contributions to operating profit were sugar production 59%, cane growing 30%, downstream and power generation 11%. The country contributions were Malawi 39%, Zambia 33%, Tanzania 11%, South Africa 7%, Swaziland 6% and Mozambique 4%. Illovo's total dividend was up 18% to 66.0 cents.

“We are pleased to report much improved results for the year with operating profit up 31% and headline earnings per share up 18%. Production prospects for the group are positive with increased areas under cane and a return to more normal weather,” said Illovo managing director Graham Clark.

“Market conditions remain buoyant. The termination of our involvement in a potential greenfield project in Mali is disappointing but provides an opportunity to re-deploy a very experienced project team elsewhere in the group to pursue other growth opportunities. Group sugar production fell in total by 7% in 2011/12, from 1.639m tons to 1.526m tons.

In South Africa, the drought-impacted reduction was again material with sugar production being some 24% below 2010/11. The reduction in South Africa was only partially offset by increased sugar production in Malawi, Mozambique and Swaziland, while small reductions were recorded in Zambia and in Tanzania, where an abnormally wet season restricted factory throughput. Looking ahead, the company said current 2012/13 season should see a new record volume of group cane production.

Sucrose levels look set to be more normal with early season trends supporting this likelihood. “Therefore, an increase in anticipated sugar production is expected from a better season in South Africa, and further increases elsewhere in the group. Market opportunities remain positive and an ongoing focus on lowering costs of production should limit the impact of inflation on the group cost base,” the company said. *(IOL)*



Source: SAR

Zambia has opened talks with foreign firms Gunvor and Trafigura regarding a two-year supply of oil and refined fuel starting this year, a senior government official said on Monday. Energy secretary George Zulu said the government was talking to Geneva-based Gunvor over the supply of 1.4m tonnes of oil and Trafigura on the supply of diesel and petrol.

"The negotiations should be concluded within 10 days," Zulu said in a statement. Ten foreign companies, including Glencore Energy UK Ltd, in March tendered to supply oil to Zambia, the public procurement agency said. Zambia had invited tenders after the expiry of a contract with Glencore under a two-year arrangement from March 2010. Africa's top copper producer imports all its petroleum requirements, mainly from the Middle East, through the port of Dar-es-Salaam in Tanzania. *(Reuters)*

Economic News

Zambia's 2011 copper output fell to 739,759 tonnes from 767,008 tonnes in the prior year, the Central Statistics Office said on Thursday. Production of cobalt rose to 2,137 tonnes from 2,128 tonnes in 2010, the statistics office said. *(Reuters)*

Zambia's inflation quickened to 6.6% year-on-year in May from 6.5% in April, the Central Statistics Office said on Thursday. "The increase is attributed to increases in prices of food prices," the CSO said. *(Reuters)*

The World Bank has urged Zambia's government to stop setting prices at which it buys maize from local farmers and allow the prices to be determined by the market to promote sustainable growth in the agriculture industry. Zambia announced this week that it would buy maize from small-scale farmers at ZMK 65,000 (USD 12.17) per 50 kg bag in the 2012/2013 season.

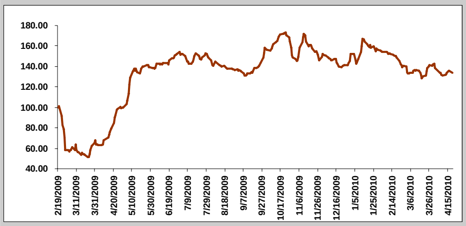
The government normally buys the maize at higher prices than those offered by private buyers to ensure higher returns for the farmers. It then sells it at reduced prices, locally and within the region. The World Bank said the policy was costly and not sustainable in the long term and urged the government to review it. "This old policy has not resulted in significant reduction in rural poverty and job creation. This policy direction has also limited private sector investments in the agriculture sector," it said in a statement on Thursday.

Analysts have also raised concerns about Lusaka's costly spend on maize, done via the Food Reserve Agency, saying the government was effectively using "treasury funds to subsidise the region". Zambia's maize output declined by about 6% to 2.8m tonnes in the 2011/2012 season. *(Reuters)*

SECURITIES AFRICA

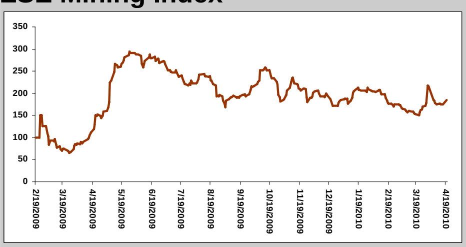
Zimbabwe

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 market closed the week on a negative note with Industrial Index closing -0.92% lower at 131.86 points while Mining Index was down -0.51% to 83.52 points. Interfin and Cairns led the movers after gaining +100% and 50% to close the week at USD 0.002 and USD 0.0075 respectively. Other gains were recorded in Pelhams up +46.00% to USD 0.0073 and Bindura which put on +20% to USD 0.03. PGI and Fidelity led the losers after shedding -33.33% and -31.25% to USD 0.01 and USD 0.11 respectively. Other notable losses were recorded in Interfresh (-25.00%) and Nicoz (-20.00%)

Corporate News

TA Holdings is considering pulling out of Zimbabwe Fertiliser Company and PG Industries as the businesses are now regarded as “non-core” to group ambitions. Group financial director, Mr Bothwell Nyajeka told an Imara conference last week the group would dispose of its shareholding in the two entities to focus on its core business. TA controls 20% in Zimbabwe Stock Exchange-listed PG and 22% in ZFC.

“The group’s interest in ZFC of 22% is considered no longer core to our chemical ambitions and we wish to disinvest from this company,” he said. ZFC sells 135 000 tonnes of fertiliser a year, though production is dependent on the availability of ammonium nitrate from Sable. Capacity utilisation is about 40% and operations continue to be negatively impacted by the liquidity constraints.

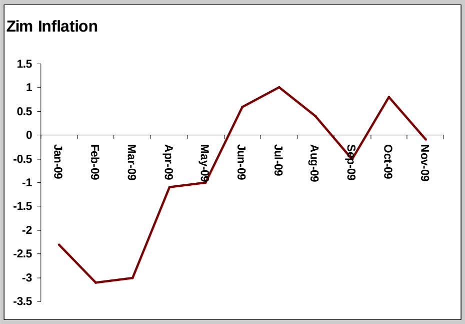
The decision by TA to pull out of PG came after BancABC sold its 15% stake in the building materials company in 2010, after it displayed a number of losses. Despite topline growth ahead of inflation, heavy interest costs continue to negate positive performance in many listed companies. Imara says a classic case is that of PG, whose gearing stands at a high of 136%.

Several other companies remain hugely undercapitalised, hampering earnings growth and curtailing share price performance. Mr Nyajeka said in their agro-chemicals business, a viable tariff for Sable has been finalised with Government for 2012, which should ensure that the company remains at break-even levels.

TA controls 51% of Sable Chemicals that has an electrolysis plant and an ammonium nitrate plant. Mr Nyajeka said his company would move to full ammonia importation by the end of 2012 to end the company’s reliance on electricity for the chemical’s manufacture. Sable currently has rolling stock/tank cars capacity to transport up to 3 000 metric tonnes of imported ammonia a month.

Mr Nyajeka said Sable would refurbish an additional 30 tank cars to increase

CPI Inflation



Source: SAR

ammonia importation capacity from 3 000 to 4 000 metric tonnes a month by the end of December 2012. This will increase plant capacity utilisation to 40% by end of year which will result in the company breaking even. “The company will acquire additional 50 tank cars during 2013 which will increase plant capacity utilisation to 55%, which will make the company profitable,” said Mr Nyajeka.

Sable plans to build up ammonia imports to ensure 100% plant capacity utilisation in the next two years until the advent of coal gas in approximately five years. TA has insurance and hotel business interests in Zimbabwe and Botswana. Mr Nyajeka said all Zimbabwe insurance companies have forecast healthy increases in underwriting profits. They have also forecast underwriting profits of USD 2m in 2012.

TA reported an improved operating result to record an attributable profit of USD 4,6m from a loss of USD 6,4m for the year ended December 2011. The turnaround was driven by strong performance from external operations and fair value adjustments. *(Herald)*

RIOZIM Limited is likely exercise its pre-emptive rights over the Murowa Diamond mine as Rio Tinto plans to dispose of the diamond producer. Global mining conglomerate, Rio Tinto owns 78% of the Murowa mine, while RioZim owns 22%. Murowa, which is located near Zvishavane, produced 324 000 carats in the last financial year. Rio Tinto signalled its intention to

leave the diamond industry in March, effectively inviting bids for its USD 1,2bn diamonds business, which also includes two other mines in Australia and Canada. “Pre-emptive rights” are basically the rights of current shareholders to maintain their fractional ownership of a company by buying a proportional number of shares of any future issue of common stock.

Reuters reported last week that RioZim has opened talks with Rio Tinto in a bid to take full control of the Murowa Diamond mine as the global mining major seeks to leave the gem business, Reuters reported last week. Locally-owned RioZim was created in 2004 when Rio, the world’s third largest miner, largely left Zimbabwe, while retaining its diamond interest.

Reuters quoted Mr Harpal Randhawa, whose private equity group Global Emerging Markets (GEM) recently bought 25% of the Zimbabwean firm, as saying that RioZim was keen to exercise its pre-emptive rights to acquire Rio Tinto’s shares in Murowa. “We’re now in discussions with Rio Tinto Plc to acquire the 78% of Murowa that they want to offload,” he said.

Mr Randhawa, who said only time would tell if his group’s decision to invest in RioZim was “either brave or stupid”, said the firm was compliant with Zimbabwe’s empowerment laws as it was 54% controlled by locals. The Zimbabwean Government is currently championing a law that seeks to transfer at least 51% shareholding in foreign firms to locals.

Several foreign firms, including the world’s two largest platinum miners, Anglo American Platinum and Impala Platinum are in talks with the Government over plans to turn over majority stakes in their local operations to Zimbabweans. “The main constraint that indigenisation has put on any company is a capital constraint due to the limited ability of locals to inject capital,” said Mr Randhawa.

RioZim, battling to clear a USD 50m debt owed to local banks, badly needs to recapitalise its gold mines and develop its substantial coal and chrome concessions. The company also operates gold, nickel and copper mines. RioZim posted an operating loss for the year ended of USD 8,1m. The loss was a significant downturn from a profit of USD 9,3m the company posted in 2010. *(Herald)*

Property firm, Mashonaland Holdings posted USD 1,9m in profits for the six months ended March 31, 2012 driven by positive lease agreements. Revenues for the group during the period grew 35% to USD 3,5m from USD 2,6m recorded in 2010. Operating profit for the group showed a 39% positive variance to USD 2,5m from USD 1,8 recorded in the comparable period last year.

Group chairman, Mr Elias Mushayakarara said management was aware of uncertainties in the micro-economic environment and expects the future rent negotiations to be largely reflective of the operating environment. During the period under review rentals were renegotiated to market levels. "The macro-economic environment remained stable during the period under review.

"However, the persistent liquidity challenges coupled with lack of robust economic growth drivers slowed business growth,' said Mr Mushayakarara. The group's average portfolio yield remained at 9%. Office, retail and specialised health sectors posted a yield of 9% while the industrial and residential sectors achieved a yield of 11% and 7% respectively.

Vacancy rate for the group increased from 7% to 8% as tenants gave up space citing increased total costs of occupation. The group also cited high costs of utilities, which resulted in a sharp rise in occupancy costs during the period under review. Zimbabwe's property market has been affected by tight liquidity on the market that has seen rentals per square metre narrowing. This has forced some firms to consider diversifying they revenue streams.

Due to low disposable tenants are struggling to pay competitive rents with default risks being a major threat. Largely, the property market as much as the construction sectors is affected by lack of access to capital, high costs of mortgage finance with short term repayment periods and land availability and increasing prices.

High costs of servicing and construction, investor confidence, absence of partnerships between financiers and developers and no significant supply of new stock for over 10 years continue to haunt the sector. The rental market has seen rentals stabilising further since the beginning of the year. This is largely a result of most tenants having reached their limits in terms of ability to pay and since 2009, rent review periods have increasingly been getting longer and longer.

As a result, fewer leases are reverting to the market in any particular period. Going forward, Mashold is planning for two property developments, an office park in Avondale and a residential housing project in Westgate. The projects would be funded from the company's cashflow and from borrowings. Mr Mushayakarara said in addition to a number of development projects that are at planning stages, the company will continue to actively seek value-creating opportunities on the local property market. "Growth prospects will be sought in both green and brownfields projects," he said. *(Herald)*

MINES Minister Obert Mpofu has said the cabinet has endorsed the USD 750m takeover of ZISCO by Essar Africa holdings adding he expects production to resume soon at the Redcliff-based firm. “The issue was decided in Cabinet that it (Essar) is a good deal,” Mpofu told the Bulawayo Chronicle.

Essar Africa recently announced it was stopping the payment of salaries blaming the lack of production at the company. Operations have yet to start several months after the deal was concluded because of a disagreement between Mpofu and Industry and Commerce Minister Welshman Ncube over the transfer of mining rights to Zisco’s iron ore resources.

But Mpofu said he would soon meet Ncube to resolve what he described as a small issue. “There are certain clauses that need to be revisited (but) that is a small issue that will be relooked at,” he said. “We have to discuss it with Prof Ncube and approach Essar. We shall be relooking at the mineral clause, as you aware we were not involved when the deal was concluded.” Mpofu said he was confident the negotiations would be concluded soon enabling the company which ceased production in 2009 to resume full operations. *(New Zimbabwe)*

SEED CO profit for the 12 months to March 31 climbed 10% to USD 19m on the back of growth in volumes. The leading breeder and distributor of hybrid seed turned over USD 118m, a 20% positive variance compared to the USD 97m generated last year.Group finance director Mr John Matorofa said sales volumes for the group also went up 22% to 67 240 metric tonnes during the period under review with Zimbabwe sales volumes increasing 74%.

Malawi was the only market that registered minimal growth compared to all other countries in which Seed Co operates.A robust production base and balanced seed stocks following two seasons of successful production helped the group to meet demand. In total the group’s maize seed sales went up 25% as the group pursued to increase market coverage on the back of abundant stocks.

“With a very strong stockholding position, the group will take advantage of the increased demand in some markets, and improved production efficiencies. The production capacity in the new markets of Tanzania, Kenya and Ethiopia continues to grow,” said Mr Matorofa. Total assets for the group grew 28% from USD 123m to USD 157,4m driven by a 39% growth in current assets as well as the group’s continued investment in property, plant and equipment.

Mr Matorofa said inventories for the group were up due to a 68% increase in maize production and the expected maize production for this coming season was reduced 64% in a bid to wind down the carry-over stock. “Trade receivables increased 36% and allowances for credit losses amounting to USD 2,3m have been made on some doubtful and slow paying customers,” he said.

During the period under review, West African collaborative efforts with other organisations were initiated and the group is expected to benefit from these synergies. In East Africa better performing varieties are at an advanced stage and this is expected to contribute significantly to group profitability. Seed Co released an additional eight products on to the market, five of which were maize and two soyabean varieties and a wheat variety.

Going forward, Mr Matorofa said the group foresees growth driven by positive developments in the region. “In Malawi the economy is expected to improve and we anticipate improvement in margins in 2013. “With the new developments in West Africa, we expect to sell the first bag of certified seed in 2013. We also anticipate further growth in East Africa,” said Mr Matorofa. *(Herald)*

The African Development Bank (AfDB) has advised the government to move in and restart the country’s largest nickel mine as demand for the metal remains high. The regional bank in its latest monthly update said the government stood to lose out significant revenue should operations at Bindura Nickel Corporation (BNC) remain idle.

The price of nickel has been bullish in recent months at a time when BNC has been idle due to capital constraints. Demand for the mineral, a product primarily used to protect steel from corrosion, reached a peak of USD 1 677,50 per ounce at the beginning of April only to retreat to USD 1 664,30 by the end of the month.

“The price of nickel warrants that the government of Zimbabwe takes a keen interest in the reopening of the Bindura Nickel Corporation underground activities so that the Bindura Smelter and Refinery start operating at full production level,” reads the AfDB report. In April, BNC, a unit of Mwana Africa Plc, announced that plans to restart the nickel mine were “a step closer” following a fundraising exercise.

It is understood that the China International Mining Group Corporation is planning to invest USD 21,2m into Mwana Africa for the resuscitation of BNC. Mwana Africa holds 84% shareholding of BNC. The investment from the Chinese mining group will result in the resumption of operations at BNC, which was put on care and maintenance in 2008, after a sharp decline in global nickel prices and production problems.

In his state of the economy update early this month, Finance minister Tendai Biti said despite an increase in production in the mining sector, government anticipated a decline in demand for the country’s commodities, which could be triggered by the eurozone debt crisis. “One of the downward risks we are facing is the potential decline in the demand of our commodities,” Biti said.

“In the last three years, this economy was driven by strong commodity demand, in particular the price of diamonds, platinum and gold. “It is foreseeable that with the developments that are taking place in Europe, the eurozone crisis, demand for our commodities might actually slump. “This again will have a negative effect on Gross Domestic Product growth rates.” *(News Day)*

Alternative Investment Market-listed (AIM) firm Cambria Africa says it will proceed with a secondary listing on the Zimbabwe Stock Exchange after Celsys Limited shareholders approved a takeover by the company. Celsys shareholders held a Scheme of Arrangement meeting on Monday and voted on an offer to receive Cambria shares in exchange for their Celsys shares or cash. Cambria already held 60% of Celsys.

Under the scheme, for 686 Celsys shares, shareholders will receive one Cambria share or for every one Celsys share a payment of 0,03c would apply. The High Court will be presented with the new development on June 6. “With approvals in place for the acquisition of the outstanding shares held by minorities in Celsys, Cambria will undertake to proceed with the listing on the Zimbabwe Stock Exchange (ZSE) over the coming period," Cambria said.

The company will retain its primary listing on AIM. According to Cambria, the rationale of the scheme was influenced by the need for a significant capital injection, estimated to be in excess of USD 5m in the medium to long term. The money would be for expansion plans as well as to consolidate the company's market position and thereby earn commensurate returns for shareholders.

The initial expansion plans were primarily funded by Cambria through a shareholder loan of approximately USD 4,5m, which remains payable to date."Given the local capital market conditions and historical trends, Cambria, a major shareholder in Celsys, is of the view that any equity-based funding will result in the unfair dilution of the minority shareholders," said Cambria before the meeting.

It also said minority shareholders might not want to have additional exposure and risks associated with any debt-funding structure and Cambria was not prepared to accept the increased risks associated with providing meaningful additional debt to the company in its current ownership structure.

Cambria will become the first secondary listing of a European company on the ZSE since 1999, the first public listing of shares on the ZSE since 2010, and the second listing of shares on the ZSE since the adoption of the multiple currency system.

Celsys' main business is the production of security documents such as chequebooks and share certificates, among others. Other Cambria subsidiaries include Paynet, Leopard Rock, Millchem, CES Zim and ForgetMeNotAfrica. *(News Day)*

Production of platinum at Zimplats, a unit of South Africa's Impala Platinum, rose 7% to 45 000 ounces during the third quarter ending March 31 2012. Platinum in matte produced by the mine was up from 42 000 ounces produced during the same period last year as plans to increase production remained on course.

Cumulatively, platinum output at Zimplats dropped to 131 000 ounces during the first nine months of the year compared to 137 000 ounces recorded during the same comparative period. "Platinum production in matte rose by 7% to 45 000 ounces in line with the corresponding increase in tonnes milled to 1,07m. "The Phase 2 expansion project remains on schedule to increase production to 270 000 ounces of platinum in FY2014," said Bob Gilmour, the group's corporate relations executive in the third quarter production report.

In March this year, the company presented a new indigenisation plan to the government following pressure to comply with regulations compelling foreign-owned companies to dispose 51% of their shareholding to locals. Under the deal with the government, 10% of Zimplats will be issued to the Community Trust, and 10% to an Employee Share Ownership Trust.

"Following compensation at fair value in lieu of empowerment credits for previously released ground, Zimplats will make available for sale a 31% fully contributory stake in Zimplats for cash at an independently determined fair value to broad-based indigenous Zimbabwe groupings. "Management remain in negotiations with the government of Zimbabwe to finalise the agreed plan," Gilmour said.

Gross platinum production for the platinum group also declined by 46% to 230 000 ounces for the quarter compared with the corresponding period a year ago due to a job action at its Rustenberg unit. "The strike resulted in significantly lower production at Impala Rustenburg while a reduction of third party ounces impacted Impala Refining Services (IRS)," the report added.

"While both palladium and rhodium were similarly affected, the effect on nickel was mitigated by the processing of nickel sulphate stocks. "Platinum production in matte rose by 7% to 45 000 ounces in line with the corresponding increase in tonnes milled to 1,07m. "The Phase 2 expansion project remains on schedule to increase production to 270 000 ounces of platinum in FY2014." *(News Day)*

Kingdom Financial Holdings Limited is seeking to raise USD 200m in debt capital and offshore lines of credit to further capitalise its operations. The capital will comprise USD 50m in debt through the issuance of redeemable convertible debt securities and USD 150m in offshore lines of credit from international finance funding institutions. Shareholders gave directors the go-ahead to raise the funding at the firm's annual general meeting held in Harare this week.

The company also approved to change the name of the group to AfrAsia-Kingdom Zimbabwe Limited following the establishment of a partnership with the AfrAsia Bank of Mauritius. The change of the name awaits outstanding regulatory notifications. AfriAsia Bank gained a 35% stake in KFHL after an equity injection of USD 9,5m early this year.

Kingdom shareholders approved a USD 10m debt capital in September last year but agreed on a more significant capital boost for further recapitalisation of its business. Group chairperson Ms Sibusisiwe Bango said the changing operating environment and increasing competition in the financial services sector necessitated additional funding.

The capital is expected to strengthen the capital adequacy of the group's largest operating subsidiary, Kingdom Bank Limited. This would lower KBL's risk profile and enhance its ability to raise more deposits in the local market. "The capital would also promote general corporate expansion in line with the group's growth strategy," said Ms Bango.

"KBL is currently unable to fund a strong deal pipeline due to the liquidity constraints that characterise the Zimbabwean market since the dollarisation of the economy in 2009. "Enhanced liquidity through more deposits, along with the long-term funding provided by the debt capital and as well as lines of credit, will allow KBL to grow its loan book and underwrite new business, and promote general corporate expansion in line with the group's growth strategy." *(Herald)*

Telecel Zimbabwe took a 375 000 knock on its subscriber base during the first three months of the year, figures from the Postal and Telecommunications Regulatory Authority of Zimbabwe show. Potraz statistics for the period under review show that Telecel lost some 375 000 subscribers from its 1,8m subscriber base as at the close of last year.

Telecel's network coverage currently stands at 58% and Orascom Telecom which partly owns the local unit recently indicated that it plans to expand its network to cover at least 85%. Prior to the decline Telecel had added on the largest number of subscribers (575 000) since The company is down to 1,5m subscribers, effectively putting them in third place in terms of the country's mobile telecommunications service providers, displacing NetOne, which is now in second position. Econet continues to rule the roost with 6,4m subscribers.

The State-owned operator, NetOne, currently has 1,6m subscribers having added 144 000 subscribers to the 1,4m they had as at December 2011. On the other hand, Econet Wireless Zimbabwe continued with the incremental trend in respect of its subscriber base, adding on 714 000 subscribers during the period under review. Econet currently has 6,4m active subscribers.

The country's largest mobile telecoms provider's growth may have contributed to the rise in Zimbabwe's teledensity rate, which now stands at 78,8%. National teledensity rose by 4,1% from the 74,7% that was recorded at the beginning of the year. The Ministry of Information and Communication Technology is currently propagating a five-year strategic plan to 2014, in which it targets to increase national teledensity by 10% each year.

A country's teledensity measures the number of active mobile phone SIM cards and landlines as a percentage of the country's total population. A high teledensity rate typically results in declining tariffs as competition between operators increases. Zimbabwe's mobile telephony tariffs are already fairly competitive compared to those of other operators in the region.

A growing teledensity rate combined with rising Internet connectivity can also result in greater information and communication technology start-up activity. Meanwhile, the country's fixed telecommunications operator TelOne has bucked a protracted "stagnancy-decline" trend in respect of its subscriber base by increasing it by 35 119 subscribers during the period.

Prior to this TelOne had 337 881 subscribers, figures which showed that it had lost around 50 000 subscribers since 2009. Observers attribute the fixed telecommunications provider's recorded growth to the low-cost ADSL broadband that it is offering. ADSL (Asymmetric Digital Subscriber Line) is a high-speed Internet access service that utilises the existing copper telephone links to send and receive data at speeds that exceed conventional dial-up modems. Access to the ADSL service typically requires an active landline subscription. *(News Day)*

TN Financial Holdings Ltd (TNFH) is pushing for board representation at Pelhams Ltd following the diversified group's acquisition of around 58% of the listed furniture company's total issued share capital. TNFH CEO Tawanda Nyambirai confirmed sending a letter to Pelhams requesting board representation. "We requested board representation and asked for five or six seats," Nyambirai said. "We have made the sentiment known to the current board. We don't want it to be hostile."

Nyambirai said he expected to hear from Pelhams before today. Asked what course of action he would take should Pelhams not meet his request for board representation, Nyambirai said TNFH would have to call for a shareholders' meeting. "But I am confident it will not get to that," he said. TN Asset

Management Nominees, an investment company representing Nyambirai, bought businessman Oliver Chidawu's 36% stake in Pelhams in a special bargain of 358 207 502 shares at 0,71c in October last year.

Chidawu had placed the shares as collateral for a USD 3m loan from businessman Jayesh Shah and after Chidawu failed to honour the terms of the loan agreement, Shah sold the collateral to TN Asset Management Nominees. Chidawu attempted to block the transaction through an urgent court application but the court dismissed the application on the grounds that it was not urgent.

TN later bought an additional 22% stake in Pelhams, giving it a 58% effective control of Pelhams. TNH qualifies for a board seat for every 10% of equity held. Nyambirai dismissed rife market speculation that relations between himself and Econet Wireless founder Strive Masiyiwa had gone awry, amid reports the telecoms tycoon had muscled his way into the lawyer's TN Bank.

The market was abuzz with rumours that Masiyiwa intended to convert a USD 20m debt in TN Bank into equity, but Nyambirai discounted this, saying Econet would bring in new capital. "Strive and I are still very close. Those are just wishes. The capital that is coming to TN Bank is new capital," he said.

Businessdigest in March exclusively reported that Econet Wireless Zimbabwe, the country's largest mobile phone operator in terms of subscribers and coverage, was on the verge of concluding the acquisition of 49% equity in TN Bank. Econet agreed to pay USD 20m for a 49% stake in TN Bank, a development that valued the bank at approximately USD 40m. The mobile phone operator's decision to buy into TN Bank was part of a wider plan to facilitate and broaden its EcoCash product, which the mobile phone operator launched in partnership with the bank.

Analysts said the deal would help create business synergies for the bank and Econet. Ecocash is a mobile money transfer product. TN Bank was actively involved in the registration of EcoCash clients. TNFH has said that it will de-merge TN Bank and the furniture division and list the businesses separately on the Zimbabwe Stock Exchange, a move management hopes will unlock share value. *(The independent)*

RioZim Ltd is forecasting a loss of USD 8m in the full year to December, weighed down by Empress Nickel Refinery (ENR), a major drag on operations, GEM chairman Harpal Randhawa said. Harpal's GEM Raintree recently acquired a major stake in RioZim. The group will however return to profitability in 2013, forecasting a profit of USD 20,89m. Harpal said revenue was forecast at USD 62,21m and should have doubled to USD 131,29m in 2016.

Earnings before interest taxes, depreciation and armotisation (EBITDA) are forecast at USD 2,21m. Randhawa said the group would have cash but would still have losses. "ENR will bear losses but have cash, while Renco will make a USD 9m profit. We will lose more than USD 8m, but next year the EBITDA and cash will have a correlation pointing to an improvement," Randhawa said.

He said RioZim was renegotiating the tolling contract for nickel matte it has with Botswana's BCL, saying it was "designed for the group not to make money." He stressed that the major debt the group had stemmed from the ENR contract. Before raising capital recently, RioZim owed banks and other creditors more than USD 60m but expects this to be USD 35m by year end and zero next year.

The group was negotiating a restructuring of the major portion of the bank debt. Randhawa said they were putting together a syndicated loan facility to refinance all bilateral agreements under a common loan agreement. “We will also re-negotiate terms and conditions with key creditors,” Randhawa said. Randhawa said the main objective for the company was to bring down the high cost of production. Currently, Renco was the only cash cow of the business, he said.

He said over a period of 120 days, the intention was to improve the efficiencies at Renco by opening up seven new faces, which should increase mine output closer to the rated plant capacity of 950 tonnes per day from the current levels of 750 tonnes per day. The mine is currently producing approximately 55kg/month but with the coming in of additional capital this will increase to monthly production of 100kg for 2012, 105kg for 2013, 140kg for 2014 and 160kg for 2015.

He said the group is currently negotiating for another gold mine with a 5m ounce resource, which will be put into a sub unit, RioGold. In addition to this, Randhawa said his group had a tailings dump with 5 tonnes of gold. The sub-unit would also be made up of Renco and Cam & Motor mines. Randhawa said the plan was for the group to put different lines of business into indigenous sub-units. The units will be 51% indigenised with the remaining 49% used to acquire capital.

He said the new dispensation would stabilise and improve operations at Renco and ENR by providing the necessary working capital and capital expenditure. GEM Raintree acquired a 24% stake in RioZim after shareholders passed a resolution in March in favour of the business consortium to underwrite a USD 5m rights issue.

The company was seeking approval from shareholders to raise USD 10m by way of a private placement, USD 5m through a rights issue and USD 45m via convertible debentures to Mauritius-based GEM Raintree, but the Securities Commission of Zimbabwe questioned the amount of disclosure on the deal, particularly the details relating to the debenture. RioZim last week indefinitely called off its AGM. *(The Independent)*

Financial Services group, Tetrad Holdings Limited, returned to profitability for the six months ending March 31 2012 after achieving an after-tax profit of USD 5,4m buoyed by its flagship investment banking unit and property division. During the same period last year, the group recorded a loss of USD 306 000 as future merchant banking in the country remained bleak due to liquidity constraints on the domestic market.

Tetrad Investment Banks (TIB) bottom-line stood at USD 742 122 compared to a loss of USD 564 777 achieved in the previous year underpinned by growth in net interest income. The banks net interest income increased by 97% to USD 2,3m in the current year on the back of growing deposits in the banking sector from USD 1,17m recorded during the same comparative period. The banks total revenue increased by 132% to USD 4,2m during the period under review.

TFS Management Company, the groups asset management arm posted a loss of USD 269 139 compared to a profit of USD 98 238 due to poor performance of the Zimbabwe Stock Exchange. Funds under management amounted to USD 40 020 675 up 8% from the same period last year. Management is very confident that the unit will return to profitability and the loss will be reversed by year-end, said group chairperson Miccah Moyo in a statement accompanying financial results.

A high claims ratio affected Tetrad Hail Insurance profitability despite achieving a 4% growth in gross premium compared to the same period last year. Total assets stood at USD 79m up 225 from last years figure of USD 64m as TIB plans to transform into a commercial bank. The banks capital was at USD 13,4m, a figure above the USD 12,5m prescribed minimum capital.

Minimum capital refers to capital representing a permanent commitment of funds by shareholders of a banking institution, which is available to meet losses incurred without imposing a fixed unavoidable charge on the institutions earnings. This capital is among many lines of defence against losses in the banking sector. In March, group chief executive officer Emmanuel Chikaka said TIB was seeking regulatory approval to roll out its retail banking operations. *(News Day)*

Zimbabwe Stock Exchange (ZSE) listed agro-concern, Ariston Holdings, concluded an USD 8m rights offer, which saved the group from a going concern crisis amid prospects of returning to profitability. Ariston, which posted a USD 226 000 after-tax loss for the half-year ended March 31 2012 yesterday announced the group had secured a strategic partner to shore up business that was teetering on the brink of collapse due to capital constraints.

Group revenues declined by 3% to USD 6,7m. Turnover for its flagship Favco grew by 24% to USD 4,3m and contributed 65% to Aristons turnover. Favco posted a profit before tax of USD 154 000 while other units operated in the red. South Africa-based Afrifresh, underwriters of Aristons USD 8m rights issue, became the major shareholders in the ZSE-listed company following the capital raising exercise.

Ariston announced that within a month after the capital injection, the group retired expensive debt and paid most creditors. In our 2011 annual report, we commented that in an effort to secure essential refinancing, discussions with a strategic partner were at an advanced stage. We are pleased to report that these discussions have been concluded and the group managed to raise USD 8m worth of capital, reads a statement accompanying the financial results.

As the group was working on the capital raise, some shareholders put together bridging finance in March 2012 and the rights offer injection was received during the second week of April 2012. It should be noted that as a result of lack of funding, the groups going concern was in doubt. Following the injection of fresh capital by shareholders, overall prospects are positive.

The groups horticultural division was hardest hit by capital constraints and frequent power outages. Claremont Estates turnover of USD 595 000 was 9% of group turnover, an increase of 15% compared to the prior year. The unit, however, posted a loss before tax and profit of USD 158 000. *(News Day)*

EDIBLE oils producer Olivine Industries plans to spend USD 1.6m USD on contracting farmers to produce soya beans on 10,000 hectares, up from

2,000 hectares last year. State-owned Industrial Development Corporation (IDC) and AICO Africa Limited jointly own Olivine Industries with 51% and 49% stakes respectively.

Shortages of soya beans, a liquidity crunch and imported products have affected the company's viability over the years but AICO Africa Limited group chief executive officer Patrick Devenish said soya beans represent one of the major raw materials at Olivine. "We have been funding soya bean production in the country and in the 2012/13 farming season we are increasing the hectarage under contract farming to 10,000 hectares from 2,000.

We want to ensure the availability of raw materials so we need more of the crop," Davenish said early this week. Devenish said the company would buy the soybeans from the farmers at prevailing market prices. "Through contract farming, the farmers are guaranteed a market which is one of the important things in farming. Farmers will be paid markets rates," he added. Zimbabwe's soya bean production has been on the decline over the years due to lack of markets as local companies have reduced production as consumers prefer cheap imports.

Soya bean currently fetches 530 USD per tonne. Established in 1931, Olivine manufactures a wide range of consumer and industrial products such as vegetable oils, margarines, bakers' fats, soaps, candles, dried beans and a wide range of canned foods. *(New Zimbabwe)*

Economic News

Deposits in the entire banking sector rose to USD 4bn this month from USD 3,3bn in January amid calls by the Reserve Bank of Zimbabwe (RBZ) for more lending to the countrys small-to-medium enterprises (SMEs). Presenting oral evidence before a Parliamentary Committee on SMEs, RBZ governor Gideon Gono last week said the countrys financial services sector had loaned out USD 2,8bn by mid-May out of the total deposits.

The central bank chief urged lawmakers to craft a harmonised law that encouraged growth of small enterprises after it emerged that 5% of the total loans advanced during this period went to SMEs. Gono said his forthcoming monetary policy statement expected in July would tackle bank charges, which had been criticised for discouraging deposits into the formal banking sector.

This comes after a survey commissioned by the Finance ministry revealed that 33% of the population does not save money due to limited banking products and high bank charges. The survey also showed that a third of Zimbabwes population are between the ages of 21 and 30 and require viable economic activity to eke out a living. As at May 18, the total loans that were extended to SMEs by the various institutions amounted to USD 164, 4m, Gono said.

That is what is out there supporting the SMEs. Out of total loans that stood at USD 2,8bn USD 164 and 4m accounts for 5% of the total loans. It is sad to note and report that Barclays Bank has not extended a penny to anybody in the SME sector. We cannot as a central bank prescribe or force banks to lend to SMEs. We can at best use moral suasion. But moral suasion is something that banks can take or decide not to take.

There is no law that I can use and say to a particular bank, your threshold of support is below the legal minimum. He said the growth of SMEs operating in urban centres was being curtailed by a plethora of legislative and regulatory impediments. SMEs, according to official figures, constitute 70% of the economy which means that the bulk of economically-active Zimbabweans are employed by the sector.

It is high time we have one consolidated legislative piece that looks into the welfare of SME as well as the informal sector and ensure that the informal sector and interests of those are captured by all economic actors, Gono said. If 40% of the total population is below the age of 30 and we do nothing in terms of creating an enabling environment for them to find a source of livelihood, then we are sitting on a time bomb and we will not escape responsibility of what will come out of that. *(News Day)*

Zimbabwe's sugar production contributed 372 000 tonnes to Tongaat Hulett's total sugar production of 1,15m tonnes for the year ended March 31. The Zimbabwe operation's output reflected a 12% increase as the group met its anticipated overall output for the 2011-2012 year. Tongaat's total production for the year ended March 31 rose by 14% to 1,15m tonnes, in line with projections made last year.

Sugar production in Zimbabwe rose to 372 000 tonnes from the previous year's 333 000 tonnes. Most of the increase came from the Hippo Valley Estates. The Zimbabwean sugar operations generated a profit of USD 84m, compared with the prior year profit of USD 63m. The 12% increase was second only to Mozambique's 42% output bump, as both countries benefited from improved exports.

"Both the Mozambique and Zimbabwe operations benefited from higher export realisations and domestic prices in line with regional pricing levels," said Tongaat in a statement. Tongaat also has operations in South Africa and Swaziland. Output in South Africa went up by 7%. Group revenue for the period under review rose to USD 1,4bn, up 24,8% from the previous year.

The company attributed this to the increased sugar production and improved realisations in the regional and European Union sugar markets. Total profit from the various operations grew 53% to USD 238m. But the company's headline earnings grew 11% to USD 106m, from USD 96m in the previous year.

Headline earnings are the main profit gauge in South Africa. Tongaat said diluted headline earnings per share for the year to end-March totalled 819,4 cents from 739,6 cents a year ago. Tongaat also said it expected sugar production to increase by between 12% and 25% in the 2012/13 season. *(Herald)*

Zimbabwe's total gold deliveries for April declined by 2,9% to 1 112,4kg. The decline was largely caused by a dip in the fortunes of the primary producers. But the African Development Bank, in its monthly economic review, reported an increase in gold production by small-scale miners. "Small-scale miners' deliveries increased by 16% while deliveries by primary producers declined by 7,3%," said the AfDB.

Last month's gold deliveries were higher when compared with figures of the comparable period last year. On a year-to-year basis, total gold deliveries grew by 24,4%, while deliveries from small-scale miners and primary producers grew by 66,9% and 15,7%, respectively. A positive gold output in the interim will ensure that producers benefit from the prevailing high gold prices.

The international prices of precious metals appear to be largely benefiting from a constantly weak United States dollar and the eurozone financial crisis, as investors now favour investing in commodities. This should largely benefit the local gold sector, which this year expected to grow by 12%.

According to the AfDB, gold prices during April were significantly higher, ranging between USD 1 630 and USD 1 677 during the period. Spot gold was yesterday trading at USD 1 580,42 per ounce, up 0,4%. Analysts estimate that the price of gold will next month range between USD 1 530 and USD 1 600 per ounce, depending on developments in the eurozone, with its seemingly unending crisis.

But despite the decline in gold deliveries in April, the average growth rate for the first four months of this year remained fairly positive at 2,89%, with a cumulative total of 4 238,95kg. But this was lower than the average growth rate of 5,77%, recorded during the first three months of the year, in which the country registered a cumulative total of 3 126,6kg. The AfDB projects that deliveries of the precious metal will maintain the upward momentum to reach the annual target of 13 000kg by the end of the year. *(Herald)*

Mozambique authorities have stumbled on the existence of natural gas and coal deposits in Manicaland Province. Manicaland already boasts huge deposits of alluvial diamonds in Marange. The discovery of natural gas and coal could see the province becoming one of the richest in terms of minerals. Mines and Mining Development Deputy Minister Gift Chimanikire confirmed in a recent interview that Mozambicans discovered natural gas on their side of the border (Manica) that they said was flowing into Zimbabwe's Manicaland Province.

They also discovered coal in Tete Province whose deposits they claim run into Zim-babwe. Deputy Minister Chimanikire got the information from Mozambique's Ministry of Mines during an official visit recently. "According to details from the Ministry of Mines in Mozambique, natural gas from their side is flowing into Zimbabwe," he said. During their exploration works, the Mozambicans hinted on the existence of coal in Manicaland and discovered diamonds in Manica Province.

Manica Province shares the border with Manicaland in the eastern part of the country. Forty% of the country is yet to be explored and the discovery of precious minerals has at times been out of sheer luck. There are, however, plans by Government to carry out extensive exploration work in the country. "There are plans by Government to carry out an aero magnetic survey. It was initially done in the 1980s but was stopped as a result of a civil war in Mozambique. We floated a tender that flopped because of irregularities," Deputy Minister Chimanikire said.

He added: "We are going to form a joint venture between Government and the private sector to carry out the survey and the exploration company will soon go on the ground. A tender will be floated soon." Deputy Minister Chimanikire said investors especially those from South Africa have shown a lot of interest in carrying out the aeromagnetic survey. An aeromagnetic survey is a common type of geophysical survey carried out using a magnetometer aboard or towed behind an aircraft.

It is similar to a magnetic survey carried out with a hand-held magnetometer but an aeromagnetic allows much larger areas of the earth's surface to be covered quickly. Natural gas is a naturally occurring hydrocarbon gas mixture consisting primarily of methane. It is widely used as an important source of energy and can generate electricity.

Natural gas is found in deep underground natural rock formations. Oil is also another resource found near and with natural gas. Zimbabwe also boasts rich coal-bed methane gas reserves in Lupane, Matabeleland North Province.While no investments have been made as yet in Lupane, Botswana has already started benefiting from the shared resource. The country is believed to have the largest reserves of methane gas in sub-Saharan Africa. *(Herald)*

Notes

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