SECURITIES AFRICA

For week ending 21 September 2012

Weekly African Footprint

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

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

Currencies:

	21-Sep-12	WTD %	30/12/2011	YTD %
Currency	Close	Change	Close	Change
AOA	95.17	0.01	94.93	0.25
DZD	78.87	-0.33	75.24	4.82
BWP	7.52	-0.44	7.37	2.07
CFA	494.29	-0.80	494.74	-0.09
EGP	6.07	-0.06	6.01	0.99
GHS	1.89	0.34	1.62	16.84
KES	83.47	0.70	83.56	-0.11
MWK	288.33	6.73	162.40	77.55
MUR	29.17	-0.06	28.14	3.68
MAD	8.54	-0.38	8.58	-0.47
MZN	28.60	-0.35	26.70	7.12
NAD	8.12	-0.36	8.14	-0.23
NGN	156.61	-0.14	159.79	-1.99
ZAR	8.31	1.75	8.17	1.69
SZL	8.14	-0.97	8.15	-0.05
TND	1.56	-0.40	1.49	4.51
TZS	1,545.79	-0.09	1,560.40	-0.94
UGX	2,474.02	0.11	2,447.24	1.09
ZMK	4,942.70	-0.24	5,017.54	-1.49

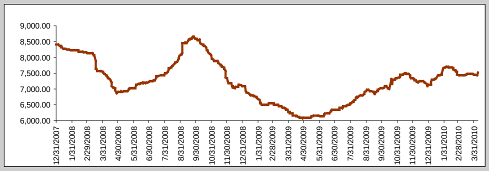
Source:oanda.com

African Stock Exchange Performance:

Country	Index	14-Sep-12	21 September 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,361.27	7,348.95	-0.17%	-0.08%	5.42%	2.93%
Egypt	CASE 30	5,662.15	5,827.91	2.93%	3.36%	60.89%	59.89%
Ghana	GSE All Share	1,036.39	1,039.94	0.34%	-2.44%	7.32%	-10.39%
Ivory Coast	BRVM Composite	147.31	147.39	0.05%	-6.23%	6.13%	-1.25%
Kenya	NSE 20	3953.50	3927.44	-0.66%	-0.22%	22.54%	24.09%
Malawi	Malawi All Share	5,939.41	5,926.44	-0.22%	0.71%	10.37%	-33.03%
Mauritius	SEMDEX	1,702.24	1,716.84	0.86%	-3.48%	-9.08%	-16.13%
	SEM 7	331.28	332.10	0.25%	-4.06%	-5.20%	-12.55%
Namibia	Overall Index	894.00	908.00	1.57%	0.70%	8.35%	7.29%
Nigeria	Nigeria All Share	25,337.18	25,873.71	2.12%	2.47%	24.81%	27.59%
Swaziland	All Share	284.32	284.32	0.00%	0.52%	5.92%	5.49%
Tanzania	DSEI	1,452.15	1,454.42	0.16%	0.30%	11.60%	12.71%
Tunisia	TunIndex	5,124.47	5,011.11	-2.21%	-4.98%	6.12%	0.11%
Zambia	LUSE All Share	3,713.15	3,710.36	-0.08%	1.35%	-11.02%	-8.34%
Zimbabwe	Industrial Index	140.02	142.43	1.72%	1.72%	-2.35%	-2.35%
	Mining Index	88.48	93.50	5.67%	5.67%	-7.15%	-7.15%

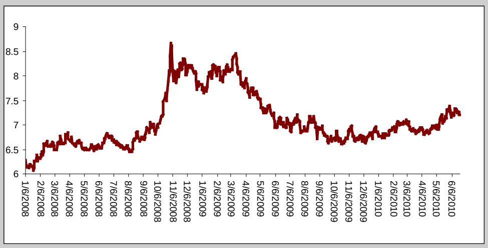
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



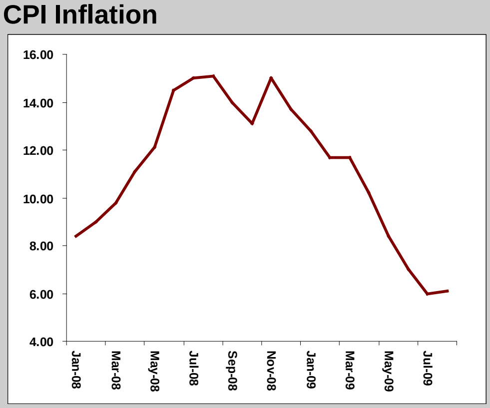
Source: Reuters

Economic indicators

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

Source: World Development Indicators

CPI Inflation



Source: SAR

Stock Exchange News

The DCI closed the week 0.17% in the red at 7,348.95pts. Sechaba ended the week at BWP 15. ABCH closed at BWP 4.15. FNBB and Letshego traded at BWP 2.94 and BWP 1.39 respectively.

Corporate News

Standard Chartered Bank Botswana profits for the six months ended June 30, 2012 dipped by a marginal 9 percent on higher operating expenses despite the bank recording an increase in operating income. For the period, the Standard Chartered Bank's profit after tax dropped to P124m from P136m in the corresponding period last year as operating expenses rose by 13 percent to P263m: "The increase in operating expenses is attributed to our accelerated investment as the bank spends on service delivery training and customer channels. During the period, the bank opened a new branch at Airport Junction Mall. We also opened a 24-hour full service call centre - the only one in the market," said the bank in a statement that accompanied the results. Driven by a healthy 11 percent rise in interest income as the loan book grew by 8 percent to P4.5bn, Standard Chartered's operating income rose from P419m to P433m. Loans and advances to other banks rose significantly from P129m to P920m. In an attempt to manage liquidity, in a market that has to deal with an extra P5bn due to the central bank's open market operations interventions, Standard Chartered Bank say they have taken a strategic decision to cut down on deposits.

The Bank of Botswana late last year moved to constrain Bank of Botswana Certificates (BoBCS) to P10bn from as high as P15bn in 2010,stressing their cost and the need for banks to innovate "alternative bankable projects." "Deposits from non-bank customers reduced by 19 percent to P7.3bn, as a result a strategic action to manage excess liquidity and reduced margins. On the other hand corporate and institutional deposits in the first half of the year recorded a 31 percent decrease. The intervention of the central bank late last year resulted in excess liquidity and up to a 200 basis points reduction in rates," read the statement. As a result, the bank says it has restructured its deposit book by winding down expensive wholesale liabilities. For the year, the bank also managed to control bad debts as the impairment charge was down 56 percent to P10m from P23m. Total assets also fell 9.4 percent to P9.6bn. *(Mmegi)*

Air Botswana (AB) has increased its fleet of aircrafts to eight following the purchasing of a 93-seater recently, the AVRO RJ-85 from Germany's Lufthansa Airlines company. The aircraft, according to AB's Acting Chief Executive Officer, Joe Motse, is expected to land in Botswana next month. The purchasing of the aircraft, which cost close to P22m, comes just a month after another aircraft of the same make and price was purchased from the same company. The AVRO RJ-85 which is already in the country was revealed last

Friday at the Sir Seretse Khama International Airport (SSKIA) in an event that marked the partnership between AB and the Botswana Investment and Trade Centre (BITC) when it became the first AB aircraft to be branded with both the traditional AB colours as well as those of the BITC's Brand Botswana initiative.

The co-branded aircraft displays the identity of the national carrier on its tail and the Brand Botswana logo appears on its body. This is expected to ensure exposure of the two symbols in the airline's destinations which include among others South Africa and in the near future, Malawi and Kenya. Motse told Gazette Business that the two flights are expected to operate in all AB routes including the new ones, that is; Gaborone-Lilongwe, Gaborone-Blantyre, Gaborone-Cape Town, Maun-Johannesburg and Gaborone-Nairobi which are expected to be launched soon. Asked if they meet demand, Motse said the available aircrafts meet the current schedules and enable the company to seek for new markets. He added that the AVRO RJ-85 is bigger than those in their existing fleet and they are equipped with bigger engines.

He further said the aircraft is equipped with modern technology which enables automatic landing that is favourable to all weather conditions. "The AVRO RJ-85 is a four-engine jet with a short take-off and landing capability. It is a 1999 model with a carrying capacity of 93 passengers, as compared to the 72 of its predecessors," he said. Although it is an old model, AB said that before purchase, an extensive and exhaustive exercise was undertaken to identify the best maintained plane. It is anticipated that its arrival will alleviate some of the pressure that has been experienced with its current fleet. It will help in exploring new routes as well as other business areas such as cargo handling due to its larger cargo capacity.

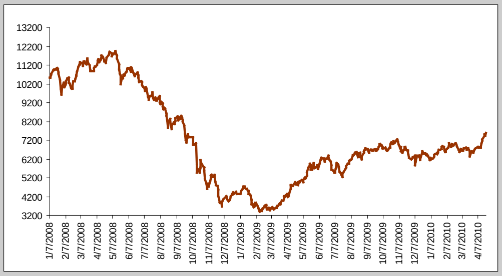
Meanwhile, the AVRO RJ-85 currently at SSKIA has been named 'Gcwihaba', a Sesarwa name which translates to 'Hyena Hole.' It was named after the Gcwihaba caves, a beautiful heritage site in the North Western part of Botswana. The naming of this aircraft will ensure exposure of the trademark. *(Gazette)*

Economic News

In August, headline inflation, as measured by the Consumer Price Index (CPI), fell to 6.6 % from 7.3% in July. Inflation decreased in several commodity groups, including: food (from 8.0% to 7.8%); housing water, electricity, gas and other fuels (from 7.4% to 6.8%); furnishing, household equipment and routine maintenance (from 7.4% to 7.1%); transport (from 11.1% to 7.6%, where a fuel price increase in August 2011 fell out of the calculation); and miscellaneous goods and services (from 1.5% to 1.1%). However, this was partially offset by higher inflation for: clothing and footwear (from 6.1% to 6.6%); recreation and culture (from 5.1% to 5.7%); and restaurants and hotels (from 6.5% to 6.8%). Inflation remained unchanged for alcoholic beverages and tobacco (7.1%), health (6.4%), communication (0.6%) and education (6.4%). The trimmed mean measure of core inflation fell from 6.8% to 6.3%, while inflation excluding administered prices rose slightly, from 6.5% to 6.6%.*(Bank of Botswana)*

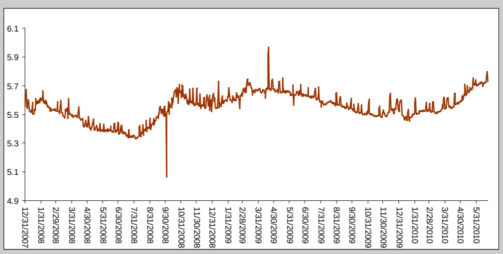
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The EGX30 index advanced by 2.92% to end the week at 5,827.91pts. OCI traded 1% higher at EHP 291.26. SODIC lost 5% at EGP 24.54. Citadel increased by 18% to EGP 4.33. Egyptian Fincial Group lost 6% to close at EGP 12.16.

Corporate News

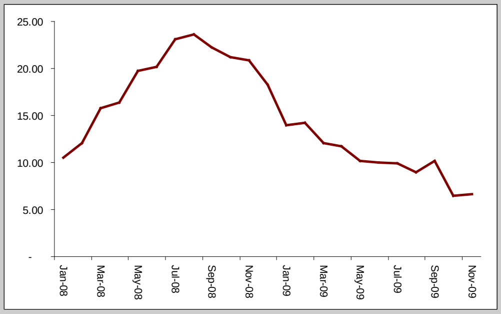
Revenue from Egypt's Suez Canal will not fall this year from the USD 5.2bn it achieved in 2011, the head of the Suez Canal Authority Mohab Memish said on Thursday. Memish said the canal, which is a vital source of foreign currency in Egypt along with tourism, oil and gas exports and remittances from Egyptians living abroad, was among the most profitable entities in the country. Revenue rose to USD 446.6m in August, up three percent from July. The canal authority raised toll fees for all vessels passing through the waterway by three percent in March. *(Reuters)*

Shareholders of EFG Hermes, Egypt's biggest investment bank, reaffirmed on Sunday their approval of a planned tie-up with Qatar's QInvest after demands by the regulator for more information on the deal were met, EFG said in a statement distributed by the stock exchange.
The Egyptian Financial Supervisory Authority (EFSA) had rejected decisions approved by EFG shareholders in June because the firm had not clarified points including minority rights. EFG and QInvest sealed the agreement in May to hive off EFG's investment banking business in a joint venture in which state-backed QInvest would hold a 60% stake. EFG's shares were trading 2.6% higher at 1045 GMT. *(Reuters)*

Cairo-based Ridge Islamic Capital said on Wednesday it has USD 100m to raise its capital and invest in funds over the next two years to tap a growing market for Islamic finance. The firm was launched on Wednesday after Dubai-based regional investment company Ridge Solutions International Holdings, which is providing the USD 100m, acquired Egyptian investment banking and asset management firm El Rashad. El Rashad operated on conventional financial lines but Ridge said assets that it managed would now be converted to be sharia compliant, according to a timeline set by a sharia compliancy board, likely to be about two years. Future investments would all meet Islamic principles. "With a population that exceeds 83m and the government-set target to increase Islamic and Sharia compliant finance, Egypt represents an attractive proposition for us to present and differentiate our products from modern and traditional Islamic banking," Miguel Henriques, chief executive of Ridge Solutions, said in a statement.

The parent company for the Ridge group of companies, Ridge Solutions Group, is based in Angola. The Egyptian firm now has paid-in capital of 22.5m Egyptian pounds, and manages a fund and portfolio investments worth about

CPI Inflation



Source: SAR

20m pounds in total. "We are going to increase it (the capital). We don't know yet by how much because we are bringing in USD 100m and we are going to put that USD 100m either into capital or in funds that we are establishing here," he said at the launch. He added that this decision would depend on how best it could leverage its investment and attract other investors. One of the first initiatives by Ridge Islamic Capital is to set up a USD 150m Islamic fund of funds, possibly for launch by the end of this year or the start of 2013, covering the Middle East and North Africa. Henriques said Cairo would be the base to expand into the Middle East and North Africa. In Egypt, where an Islamist president now rules, he noted opportunities in real estate. Officials from Egypt's Islamist Freedom and Justice Party have said they aim to boost the market share of Islamic banks in Egypt to 35% in five years from roughly 5% now. They say they will do this by increasing the total size of the banking sector, not by penalising conventional banks. The FJP is the political party of the Muslim Brotherhood, the group the propelled President Mohamed Mursi to power after the overthrow last year of Hosni Mubarak, whose government neglected or discouraged Islamic finance. *(Reuters)*

Egypt's Orascom Construction Industries (OCI) said on Thursday its joint venture with its BESIX subsidiary had won a USD 400m project to build a shopping mall in Sixth of October City on the western outskirts of Cairo. The 162,500 square metre shopping and leisure mall, which is being developed by Dubai's Majid Al Futtaim group, will include skiing and amusement parks. Construction is scheduled for completion in 34 months, OCI said in an emailed statement. *(Reuters)*

Economic News

Egypt's prime minister told international investors on Monday that he was working on rapid measures to make Egypt more attractive and get the economy back on track after more than a year and a half of political turmoil. Hisham Kandil also said his government was open to increasing the amount of financial support it was seeking from the International Monetary Fund (IMF). Speaking in a rare hour-long conference call with investors, he said Egypt aimed to quickly wrap up crucial loan talks with the IMF, take tangible measures to get fiscal problems under control and resolve investment disputes. Egypt's government has been on a charm offensive over the last few weeks to lure investors and aid from foreign governments to restart an economy that has grown by an anaemic 2% since last year's popular uprising. So far it has attracted billions of dollars in commitments.

"We are aiming within three months to create quick wins on the ground," said Kandil, who was named prime minister by newly elected President Mohamed Mursi on July 24. These included a quick revival to the country's tourism, which before the popular uprising that ousted Hosni Mubarak in early 2011 accounted for about 10% of economic activity and was a major source of jobs and foreign currency. "One of the low-hanging fruits we are aiming at is the tourism industry," he said.

Analysts say that attracting tourists back to the country anytime soon will be more difficult than ever after the internationally televised scenes of violent street protests last week over a film that denigrated the Prophet Mohamed.

Kandil said he hoped to wrap up negotiations for a USD 4.8bn loan with the International Monetary Fund within two months and did not rule out seeking even a greater amount from the IMF. "We don't mind increasing that to a higher level, but we need to conclude our discussions," he said. "Once we complete our discussion and agree on a programme, I don't see any problem with increasing that."

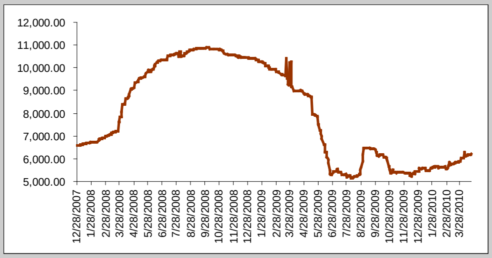
Egypt desperately wants the funds to plug twin deficits in its budget and balance of payments that mushroomed after the uprising chased investors and tourists. The new government is putting the final touches on an economic reform programme that it hopes to open up for public discussion and present to the IMF in the coming weeks, Kandil told the investors. The programme includes cutting government costs by targeting subsidies to those who most need them and increasing revenue by improving the taxation system, but without adding new taxes, he said. Another priority is to resolve investor disputes that have simmered in the political vacuum of the last year and a half.

"Once they are resolved, and I'm talking about weeks, we will be giving messages not only to their countries and to the outside world, but we will be resolving issues that are stalling many investments and been putting lots of people out of work," Kandil said. In the last few weeks alone, Qatar has promised Egypt USD 2bn in budget support and USD 18bn in investments, the United States has said it is working to forgive USD 1bn in Egyptian debt and Turkey said it is preparing a financing package worth USD 2bn. Kandil said the new government had received various offers worth USD 150bn. "If we can get this year 5% of this or 7% of this I think we can make a big difference in this country, and it will snowball." *(Reuters)*

The International Monetary Fund said on Wednesday it will send a mission to Egypt in coming weeks to discuss possible financial help once the government has finalized its economic program, and hopes to conclude the loan talks by year end. "The Egyptian authorities are working on their economic program," the spokesperson said. "As soon as that process is completed, we will be ready to send a technical team to Cairo to discuss possible financial support for a home-grown program." Egypt has requested a USD 4.8bn loan from the IMF to help plug twin deficits in its budget and balance of payments that have mushroomed since popular protests last year and lingering insecurity have kept investors and tourists away. *(Reuters)*

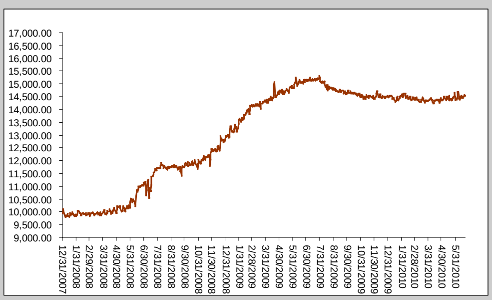
Ghana

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 Composite Index (CI) appreciated by 0.03% to close at 1,039.9pts. The banking sector moved up by 2.8% on the back of a 9.1% increase in ETI which closed at GHC 0.12. SG-SSB was down 9.1%, CAL bank lost 3.1% while SCB traded 1.2% lower. The FCMG ended 1.4% higher despite a 10.5% decline in PZX at GHS 0.17. GGBL added on 4.2% at GHC 2.50.

Corporate News

No Corporate News this week

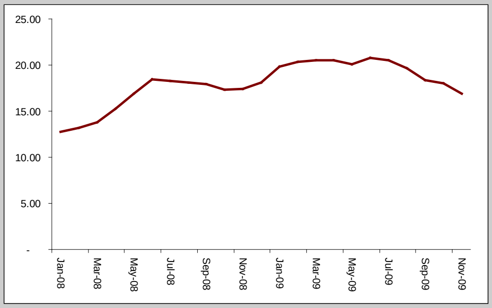
Economic News

Italian energy group Eni, Africa's biggest foreign oil and gas producer, and partner oil trader Vitol said they had made their first important oil discovery offshore Ghana where they operate two blocks. During production tests, the well produced about 5,000 high quality barrels of oil per day although the flow rate was constrained by inadequate surface infrastructure, Eni said in a statement on Thursday. Eni said the discovery had commercial potential and confirmed the importance of the block in terms of oil present, as well as natural gas and condensates. Swiss-based Vitol, known for its role as a middle man, buying and selling cargoes on the global market, has taken steps in recent years to acquire upstream and downstream assets.

As Africa's newest oil exporter, Ghana has attracted strong interest from exploration companies despite missing output targets last year after Tullow Oil postponed production from its lucrative Jubilee field. Eni, which is sitting on massive gas reserves in Mozambique that have drawn a lot of interest from other majors, is keen to expand its footprint in Africa. The planned sale of its controlling stake in Italian gas transport group Snam will raise about 6bn euros in cash and remove 11bn euros of debt from the Eni balance sheet, resources that could be used to fund upstream business. The Ghana discovery was made in the country's Offshore Cape Three Points block in which Eni owns a controlling 47.2% stake, Vitol's Ghana branch has a 37.8% stake and Ghana's state oil firm GNPC has 15%. *(Reuters)*

The import of refined oil products between January and July, this year totalled USD 1.3bn while crude oil imports amounted to USD 557m, the Bank of Ghana (BoG) recently stated at its 52nd Monetary Policy Committee (MPC) meeting in Accra. While the development depicts the a high level of premium the country places on imported refined oil products vis-à-vis crude, its trade account deficit widened to USD 2bn from January to July

CPI Inflation



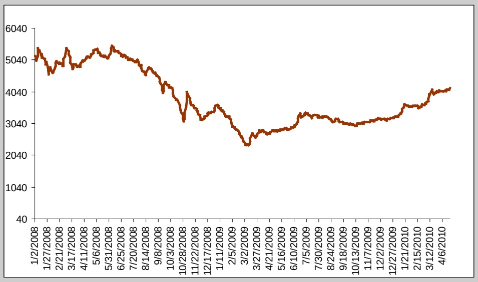
Source: SAR

2012 compared with a deficit of USD 1.3bn in the same period of 2011. Some players in the oil industry have indicated that it is inexpensive to import and sell refined oil products. But the workers' union of the Tema Oil Refinery (TOR) has often protested against the shift towards the importation of more refined oil products, saying the move would hamper efforts at sustaining TOR.

CITY& BUSINESS GUIDE attempted to contact management of TOR to comment on the current situation of the company, but the calls went unanswered. Gas imports through the West Africa Gas Pipeline were estimated at USD 107m while total merchandise imports were estimated at USD 10.4bn, representing a year-on-year growth of 18.3% over the same period last year. Oil import, including crude, gas and refined products, amounted to USD 2bn compared to USD 1.9bn recorded in the corresponding period in 2011. Total non-oil imports amounted to USD 8.4bn. Of this, capital imports were estimated at USD 1.9bn; intermediate imports amounted to USD 4.1bn and consumption imports USD 1.84bn. Total merchandise exports from January to July 2012 grew by 12.9% on a year-on-year basis to USD 8.4bn mainly driven by high export receipts from gold, cocoa beans and crude oil. Exports of gold amounted to USD 3.5bn, cocoa beans, USD 1.8bn and crude oil USD 1.6bn. Other export receipts, including non-traditional exports, amounted to USD 1.5bn. *(Daily Guide)*

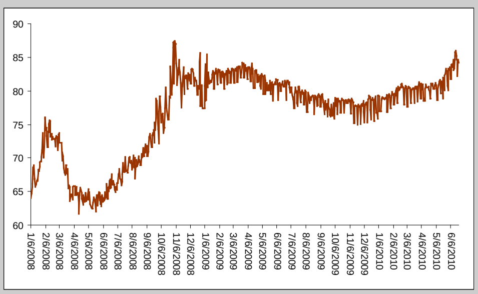
Kenya

Nairobi Stock Exchange



Source: Reuters

KES/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

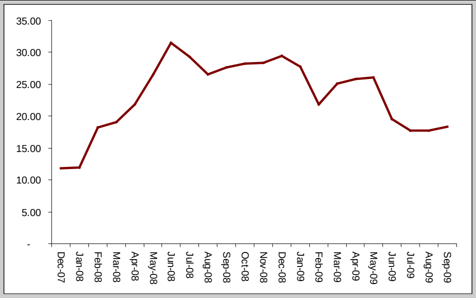
The NSE 20 index edged down 1.4% w/w to end at 3,899.6pts while the NASI was down 0.2% w/w at 86.41pts. EABL lost 1.7% at KES 226. KCB closed the week at an average price of KES 27 up 1.9%. Equity Bank edged up 5.6% at KES 23.50. Co-op Bank was up 5.6% at KES 12.25. Safaricom held steady at KES 4 after book closure. Bamburi gave up 4% to KES 167.

Corporate News

CfC Stanbic Holdings rights are trading at a premium five days into the opening of the lender's cash call as few investors seek to dispose of their entitlements at the Nairobi Securities Exchange. Kenya's sixth largest lender's share and rights have been trading on very thin volumes since investors started trading last Wednesday indicating investors prefer to maintain their stock. This is expected to further push up the prices as was the case in the recent Diamond Trust Bank and NIC Bank rights issues. The lender's stock closed at an average price of Sh43 on a volume of 2,700 shares traded as at the close of business Tuesday while the rights traded at an average price of Sh5.50 on a volume of 7,600. This means that an investor who buys the rights in the open market would have to spend at least Sh38.50 to buy the rights and participate in the issue. As at the end of last week, only 1,300 rights had been traded at an average price of Sh4.75. The bank's majority shareholder has committed to take up its rights and has also underwritten the remaining ones, meaning that a full subscription for entire offer is guaranteed.

Samuel Wachira, general manager at Francis Drummond and Company, said that the other shareholders are better off taking up their rights because they would end up getting diluted and this may lead to loss of capital gains in the case of the share price going up and less dividends. "It is a very thinly traded share. I think they (other shareholders) will end up taking up their rights," said Mr Wachira, adding that the bank has few shareholders with less than 10,000 shares compared to other listed firms. CfC Stanbic Holdings, which owns CfC Stanbic Bank and CfC Financial Services, is selling 121.63m shares to existing shareholders at the ratio of four new stocks for every nine held at Sh33 a share. The rights issue offer price is a 22.9 per cent discount from the average price over the one month period to July 4. *(Business Daily)*

Telecoms operator Safaricom is negotiating with a musician to settle a copyright infringement dispute out of court, Commercial Court judge Joseph Mutava was told on Tuesday. "We are talking to amicably settle the dispute and we would require more time to reach a settlement," Safaricom said through the firm of Ochieng', Onyango, Kibet, and Ohaga Adocates. The judge deferred the case to October 18 when the parties will record a settlement. Safaricom moved swiftly to calm the situation after Mr Mutava directed the Criminal Investigations Department and a copyright inspector to accompany



Source: SAR

musician John Boniface Maina to Safaricom's headquarters in Nairobi and conduct an inventory of his songs. Mr Maina, popularly known as JB Maina, sued the firm for allegedly using 10 of his songs as ringtones through its "Skiza" and "Surf 2 Win Promotion". The mobile operator has denied the allegations, saying that they signed a Content Provision Agreement with Interactive Media Services and Liberty Afrika Technologies, which are licensed by the Music Copyright Society of Kenya (MCSK).

Mr Mutava had earlier directed that the musician should be given access to Safaricom's head office to make copies of all purchases and sales records of his songs. Mr Maina, through lawyer David Miriti, claimed that since 2009 Safaricom has been charging customers Sh5 for every ringtone the subscriber downloads to their mobile phones and had received over Sh60m on account of his songs without compensating him. Mr Maina is demanding Sh5m in damages in addition to any amounts due after accounting for the alleged illegal sale of his songs. He has accused Safaricom of infringing on the copyright of the songs Muiritu wa Kabete, Tiga Kumute, Mundia Tawa, and Tuhua Twa Rose. Safaricom is further accused of engaging in piracy by reproducing, modifying, mutilating, and offering the songs for sale through downloading and subscribing after entering a code via mobile phone and the Internet.

Mr Maina argues that the company made animations of his music and benefited through his works without his consent. "There is an intention by Safaricom and third parties to defraud me of the revenue from my intellectual property," says Mr Maina in a sworn affidavit. Safaricom has brushed aside Mr Maina's claims, saying that all payments related to the download of his music were made to Liberty Afrika as per the content provision agreement. MCSK admits signing a content provision agreement with Liberty Afrika in 2009 assigning Safaricom rights, licenses, and sub-licences. *(Business Daily)*

The Kenya Electricity Generating Company (KenGen) plans to set up a 10 megawatt solar power plant in a bid to diversify its power generation resources. If successful, the plant will be an addition to the company's green energy power generation plants which are hoped to provide a long term solution to the current high cost of electricity. The plans were disclosed by KenGen's managing director Eddy Njoroge on Wednesday while speaking at the treasury building where the minister of finance signed a loan with the Kingdom of Belgium to fund the second phase of expanding the company's Ngong based wind power plant. "Plans to set up a 10 megawatt solar power plant are under consideration. We are yet to decide on the location of the plant between Lamu and Magadi," said Mr Njoroge.

Statistics from the ministry of energy show that green energy resources such as wind, solar and geothermal are largely unexploited despite them being cheap and reliable than the hydro and thermal resources. Exploitation of wind energy for example is estimated to be about 0.1% only while hydro resources account for about 47% of the total local electricity generation. KenGen will receive a total of Sh1.32bn from Belgium with half of the funds being secured under a zero credit arrangement between the two governments while the other part will be financed through a concessional credit arrangement with the KBC bank of Belgium. According to Mr Njoroge, the second phase of the expansion is expected to begin in October, taking a period of 12 months to completion.
It will see installation of an additional 6.8 megawatt capacity to the plant. The company is also in talks with the Spanish government to secure a Sh2.2bn (20m

Euro) loan to finance the installation of an additional 13.6 megawatt capacity to the wind plant. *(Daily Nation)*

Power producer KenGen is looking for an adviser to help it secure financing worth USD 5bn (Sh420bn), through debt and equity, for new electricity plants. The power firm plans to increase its capacity to 3,000 megawatts, from the current 1,183MW, by 2018 to meet growing electricity demand amid robust economic activity, according to a proposal it has sent to top banks. The financing, which will be staggered over a six-year period, will be the biggest fundraising plan by a single company in corporate Kenya. “KenGen is therefore soliciting proposals from qualified firms to provide the services of a financial advisor and arranger,” KenGen said in its request for proposals seen by the Business Daily. Kenya faces constant power blackouts as demand for electricity continues to outpace supply in what has cut the country’s power deficit the difference between consumption and electricity generated to below 4% against the set optimum level of 15%.

The company said that the financial advisor and arranger would “execute the financing plan to assist KenGen in identifying, designing, executing a suitable financing programme incorporating both debt and equity capital for its capacity expansion.” The proposal was sent out in June and closed on July 27, with the winner expected to be picked on November 1. The proposal states that KenGen is looking at a mix of financing options, including a syndicated loan, joint ventures, public private partnerships, as well as local and international bonds. “The company targets to maintain a corporate leverage ratio of 70% debt and 30% equity,” KenGen said. KenGen’s total borrowing stood at Sh64.1bn in the year ended June 2011 compared to Sh59.6bn the year before. *(Business Daily)*

Economic News

The Kenyan shilling weakened early on Monday, dragged down by energy sector importers buying dollars, and traders said lower interest rates in the market could weigh on the local currency further. At 0703 GMT, commercial banks quoted the shilling at 84.45/65 per dollar, 0.2% weaker than Friday's close of 84.30/50. "There is pent up demand (for dollars) as we approach end month, mainly from the energy guys. The shilling will remain under pressure for now," said Julius Kiriinya, a trader at African Banking corporation. "If the shilling crosses 85.00 the central bank may come in with repos and even direct sale of dollars to support it." The central bank has been actively intervening in the foreign exchange market this year by occasionally selling dollars directly to commercial banks and regularly mopping up excess liquidity via repurchase agreements (repos).

Traders said lower interest rates in the wake of a record 3.5 percentage point cut in the key central bank rate on September 5 could also pressure the shilling lower. The cut turned round months of relatively tight monetary policy and brought rates down to 13%. Typically, by making credit cheaper for importers and lowering the cost of commercial banks holding more dollars rather than shillings, low interest rates put the Kenyan currency under pressure. An auction of Kenyan government debt last week was under-subscribed - yields on the benchmark three-month Treasury bill fell 29 basis points to 7.515%, while the six-month paper dropped to 8.993 from 9.351% previously. "With interest rates coming down we expect the shilling to come down too. There is also excess liquidity in the market," said Solomon Alubala, head of trading at Co-operative Bank of Kenya. *(Reuters*

Turkish steel makers are seeking a larger share of the local market following shrinking demand from their traditional European Union markets, where the construction sector has taken a hit from the credit crisis. Buoyed by prospects of growing consumption of steel in the decade-long Kenya construction boom, the manufacturers' representatives have pitched tent in the country hoping to land big ticket infrastructure projects and engaging new importers. Namik Ekinci, who is heading a 25-member delegation, says that Kenya holds huge potential as a steel consumer owing to the level of new construction amidst shifts in the international markets where demand has 'significantly' slowed down. "Kenya is potentially a very big market for our steel because of the huge development projects," said Mr Ekinci. "European market is practically gone." Official date indicates Kenya imported about 866,000 metric tonnes of steel in 2011, with over 70,000 tonnes being sourced from Turkey representing 8%.

Mr Ekinci anticipates that the local market could shore up sales for the Turkish steel manufacturers, whose export business dealt a major blow by the credit crisis in the European countries, previously its main market. But the slowdown in steel consumption has also been noted in the local market, at least in the eight months to August. Total steel imports from Turkey dropped by more than half to 28,000 tonnes in the period owing to a decline in the construction sector following a hike in interest rates since the last quarter of 2011 which has discouraged fresh bank borrowing. "We expect that the drop is only due to short-term shocks," said Mr Ekinci, projecting that sales will pick up after the trade fair. Narendra Raval, the managing director of Devki Steel, reckons that the demand for steel has dropped by about a fifth this year, compared to last year. *(Business Daily)*

NIC Bank is set to net more than the Sh2bn it was seeking from shareholders in the rights issue which closed last week, the management and analysts have said. Transaction advisers NIC Capital said that while it could not give specific figures signs are that the bank's rights issue is headed to become the second successful cash call of 2012 after Diamond Trust Bank's (DTB) earlier in the month. "Indicative numbers point to an oversubscription," said NIC Capital general manager Wilson Nyakera. His assertion on Monday followed Friday's statement by NIC Group managing director James Macharia forecasting full subscription on the eve of the issue closure "given our track record of profitability, good management and sound expansion strategy".

According to the information memorandum, results are expected to be out on October 11. The new shares will start trading on the Nairobi Securities Exchange (NSE) on October 23. Dealers who spoke to the Business Daily said that signs were that there would be an oversubscription but doubted if it would match or surpass the DTB rights issue which was oversubscribed by 82%. DTB attracted Sh3.36bn against the Sh1.8bn it was seeking. Dealers and analysts said that the warm reception from investors arose from NIC's low level of exposure to loss from bad debts and the discount on the offer price. "From a non-performing loan perspective, NIC currently sits pretty with more than 95% of its total loan book collateralised," says a banking report by Standard Investment Bank (SIB) which covered the listed lenders.

SIB's report shows that last year the bank's NPL ratio stood at 3.4%, lower than Barclay Bank's 5.4 but slightly higher than DTB's 0.9 and the industry 3.3% average ratio. Analysts also said that oversubscription will not be a surprise but the extent of investor interest is important. Johnson Nderi, a research analyst at Suntra Investment Bank, said that there had been demand due to the discounted offer price. "The share price of the rights is attractively discounted given its fair value," said Mr Nderi. The Sh21 rights offer price was a 22.4% discount on the weighted average closing market price of the share over six months up to February 24. From the onset, the bank had been assured of at least Sh318m after First Chartered Securities, its biggest shareholder gave a commitment to take up its rights. First Chartered Securities which holds a 15.84% of the issued shares of NIC Bank has agreed to subscribe for their full entitlement under the rights issue," says the bank's information memorandum.

As at June 30 the bank had 25,196 shareholders but the top 10 controlled 52.03% or 205m of the banks 394m shares.Family Bank, Jamii Bora Bank, CfC Stanbic and StanChart are the other banks seeking funding from shareholders through rights issues generally expected to hit targets due to the backing of their core stakeholders. *(Business Daily)*

Investors are expected to pile into a 15-year Kenyan bond issue on Wednesday, the country's first offering of long-term debt in more than a year, as they seek to lock in yields which are falling now that inflation and interest rates are declining. The sale is expected to confirm that the yield curve has returned to normal after short-term yields fell below long-term yields last month. Analysts expect strong demand from fund managers and insurance firms at Wednesday's sale of the 15-year bond and see the weighted-average yield falling to 10-11%. At the last 15-year bond auction in April 2011 the yield rose to 12.388%, from 10.923% previously. The Central Bank of Kenya, which has rationed long debt securities since the middle last year as it waited for yields to fall further, plans to sell up to 15bn shillings of the 15-year issue, with a fixed coupon rate of 11%.

"The market is very liquid and investors will be bidding cautiously (lower rates). We expect high subscriptions from funds and insurance investors," said Caleb Mutai, a fixed income trader at Tsavo Securities."The yield curve is changing from the inverted position we saw last year. It will correct further as yields on the lower end keep falling." For the past year, yields at the short end of the curve had been above those of long-term paper as inflation soared, reaching nearly 20% in November 2011. Yields have since come down after the central bank adopted an aggressive tightening stance and reined in inflation. Falling inflation has prompted the bank to cut interest rates since July to support the economy, putting further pressure on yields. The benchmark 91-day T-bill yield has dropped from a high of 20.8% on January 19 to 7.5% at a sale last week.

Interest in the 15-year bond issue is likely to distract investors from T-bill sales this week, analysts said. "Investors are looking for medium to long-term investments, that's why we expect the yield on the 91- and 182-day bills to stabilise because investors will be focused on the 15-year bond," said Ronald Lugalia, a research analyst at Afrika Investment Bank. "It's a timely move by the central bank to offer the paper now after inflation has fallen significantly," he said. Yields on 182-day and 91-day Treasury bills, due to go on sale on Wednesday and Thursday respectively to raise a combined 8bn shillings are expected to be stable in low demand. A T-bill auction last week was undersubscribed and yields on the benchmark three-month bill fell 29 basis points to 7.515%, while the yield on six-month paper slipped to 8.993 from 9.351% previously. *(Reuters)*

Kenya's central bank will focus on lowering inflation and maintaining exchange rate stability to spur growth in east Africa's biggest economy, Governor Njuguna Ndung'u said in the bank's September newsletter. The bank said in the newsletter it will aim to keep inflation expectations within the government's 5% medium-term target and keep the shilling stable to help foster growth. "Looking ahead, monetary policy will focus on anchoring inflation expectations to low levels within the target and sustaining the stability of the exchange rate," Ndung'u said. "This would provide a stable macroeconomic environment necessary to support a stronger economic growth base and a planning horizon by private sector for higher investments."

The bank early this month cut its key lending rate by a record 350 basis points to 13%, largely in line with market expectations and against a background of reducing inflationary pressures and exchange rate stability. Kenya's year-on-year inflation fell for the ninth straight month in August, and faster than expected, to 6.09%. Projected good rains and a stable supply of food is expected to further ease the country's inflation. Ndung'u said the bank will also strive to maintain adequate stocks of foreign exchange reserves that provide a buffer for shocks and confidence in the market. The official usable foreign exchange reserves rose last week to USD 5.193bn from USD 5.147bn the previous week. Kenya and east Africa's other main economies of Tanzania and Uganda took a hit from soaring inflation and weakening currencies in 2011, prompting policymakers to adopt a tight monetary stance.

Kenya ramped up the central bank rate by 11 percentage points in the last quarter of 2011 to 18% after inflation surged towards 20%, and held it there for seven consecutive months, before cutting it to 16.5% in July. The tightening has yielded fruit this year with inflation falling and the Kenyan shilling regaining stability. But high borrowing costs have dealt a blow to growth, which slowed to 3.5% in the first quarter of 2012 compared with 5.1% for the same period last year. That was the slowest first-quarter growth figure for Kenya since 2008, Kenya National Bureau of Statistics data showed. *(Reuters)*

International oil exploration companies that recently discovered natural gas reserves off the Kenyan coast have rejected revenue sharing contracts signed with the government. The four companies are now demanding a revision of the terms to give them a bigger share of income generated from the operations. The consortium early this month announced the discovery of significant reserves of natural gas in the Mbawa-1 well — making it Kenya’s first ever gas find. The companies had, however, been licensed to explore only for oil reserves, and the operators say they need to sign separate revenue sharing contracts with the government. Energy Permanent Secretary Patrick Nyoike said the exploration firms have rejected a “conversion factor” that would have modified their current oil revenue sharing terms to a contract for natural gas mining. “We don’t have a (revenue sharing) model for gas,” said Mr Nyoike in an interview. “We had given them oil terms, we’ll modify the contract,” he added.

The exploration firms are demanding a bigger share of revenues based on the argument that tapping gas reserves costs more than developing oil wells.

America's Apache Corporation leads the consortium with a 50 per cent stake. Other partners include Origin Energy Limited (20 per cent), Tullow Kenya BV (15 per cent) and Pancontinental Oil and Gas of Australia (15 per cent). The discovery of gas reserves came barely five months after Tullow Oil, a London Stock Exchange listed firm, announced it had struck significant reserves of oil in Turkana County, near Kenya's border with South Sudan. "We now require a comprehensive policy to cover all aspects of exploration. Prospecting for gas and oil are totally different and we need a law to harmonise such issues and spare investors any form of frustration," George Wachira, a consultant at Petroleum Focus said. The Energy PS said the government has sought assistance from the World Bank and the African Development Bank (AfDB) to draft revenue sharing contracts for exploitation of natural gas wells. Mr Nyoike said the World Bank is expected to bring to the table the best international practices in revenue sharing between governments and firms involved in tapping of natural gas deposits, while AfDB is expected to share the African experience. A team from AfDB is expected to discuss the matter with Mr Nyoike Wednesday.

African countries that have already developed natural gas wells and could therefore offer draft revenue sharing models include Libya, Algeria and Egypt. Uganda has also made major strides towards adopting a comprehensive oil exploration policy. The country is expected to conduct a licensing round for hundreds of square kilometres of exploration acreage after Parliament passes new oil laws expected by the end of this year. Tanzania and Mozambique have also recently announced the discovery of huge natural gas deposits, but these are yet to be developed for commercial exploitation. Recently in Ghana, the push for transparency in contracts has seen Tullow Oil and Kosmos Energy post contracts online in US Securities and Exchange Commission filings, and the Ghanaian government has now asked that all agreements be made public. In July 2010, the US Congress passed the Dodd-Frank Act requiring greater transparency of oil, mining and gas companies listed on US exchanges.

The Kenyan government's revenue sharing contracts with oil exploration companies are negotiated by the ministry of energy, and have not been made public. A draft contract that the PS had showed the Business Daily in March showed that 40 per cent of the first 20,000 barrels of crude produced from an oil field would belong to the government. The proportion rose in a graduated scale to more than 70 per cent of the production as the daily output increased. Each contract is unique to accommodate special circumstances of each explorer, and includes provisions for the government to acquire stakes of more than 10 per cent in firms that strike commercially viable deposits. In a research note released early this month, analysts at Deutsche Bank said that excluding "State back-in rights," the Tanzania government's share of revenues from a generic offshore development was close to 60 per cent, compared to Kenya's 40 per cent, meaning contractors would make more from Kenyan deposits. Tanzania has ordered a review of all existing contracts with gas and oil exploration companies by November 30, 2012, saying some were not in the country's interest. Earlier in September, state-run Tanzania Petroleum Development Corporation (TPDC) delayed a licensing round for nine deep-sea oil and gas blocks previously set for this month until a parliamentary vote on a new gas policy in October. *(Business Day)*

The top five banks are the most expensive lenders, according to a new study commissioned by the Kenya Bankers Association (KBA). The same institutions also have lower deposit rates, leading to them having the

largest spreads relative to medium and small banks. The big five benefit from their market power based on the fact that they hold the largest amounts of deposits — which constitute 75 per cent of sources of funds for lending in commercial banks. According to CBK deposit and net assets data for 2011, the top five banks are KCB Group, Equity, Barclays, Co-op Bank, and StanChart. Shareholder expectation was also seen as among the reasons for the spread, as the management was constantly under pressure to raise earnings per share and consequently dividends. All the top five banks are listed at the Nairobi Securities Exchange (NSE), whose performance is under constant watch from investors. “You would expect the big banks to be more efficient and therefore have lower spreads, but in reality they have bigger spreads,” said Ms Maureen Were, an economist working at the Kenya School of Monetary Studies (KSMS).

Speaking at a banking conference at the Hilton Hotel in Nairobi Tuesday, Dr Were said that literature on bank interest rates showed that high spreads were a reflection of the sector’s inefficiency and level of development. She was presenting a paper titled Determinants of Interest Rates Spread, co-authored with Joseph Wambua, at the conference called by KBA to review various preliminary studies relating to the industry. Participants at the conference suggested that the big banks have managed to collect more deposits because they have a better reputation — which in turn has enabled them to lend more. “Probably spreads are not a reflection of efficiency. But they have to do with the fact that people have more trust in these banks and so they take in more deposits,” said Radha Upadhyaya of the University of London’s School of Oriental and African Studies. She said that there was a perception that high interest rates and the high spreads in the 1990s were a result of high nonperforming loans (NPLs), but it has since emerged that the spreads remain high despite the fall in NPLs.

Dr Were noted that over 50 per cent of all loans and advances were given by large banks, while medium-sized ones gave out about 40 per cent with small banks giving out less than 10 per cent. KBA head of research Jacob Oduor said that the spread might also be a reflection of demand and supply of funds in the market. “My hypothesis is that the spread may also be an issue of demand and supply. Large banks have the largest number of loan applications showing high demand, but their funds are not unlimited and therefore can have a higher spread,” said Dr Oduor. Dr Were said the spreads tend to be similar on average in sub-Saharan Africa. In South Africa, South Asia and the Pacific, however, the spread is much lower. Participants also wanted the research, on further refinement, to show the nature of spreads on corporate and retail clientele. Capital Markets Authority manager for research, market infrastructure and product development Sammy Mulang’a said that it was important to look at the interplay between listed and the non-listed banks to show whether there were differences in spreads. *(Business Daily)*

Kenya is seeking nearly 400,000 tonnes of oil products for October and November delivery, about 60 percent more than previously purchased volumes, traders said on Wednesday. The country's energy ministry wants 125,966 tonnes of jet fuel, 101,635 tonnes of gasoline and 166,924 tonnes of gasoil for delivery from mid-October to mid-November, they said. The tender closes on September 20 and is valid until September 21. The country last bought close to 250,000 tonnes of oil products for delivery in September and October. *(Reuters)*

The Kenyan shilling snapped a two-day losing streak on Wednesday helped by dollar inflows from farming exports, and traders said foreign appetite for a 15-year Treasury bond could buoy it further. On the Nairobi Securities Exchange, stocks inched up for the first session in four. At the 1300 GMT close of trade, commercial banks quoted the shilling at 84.70/90 per dollar, off an intraday low of 84.95/85.15 and firmer than Tuesday's close of 84.80/85.00. "There is still (dollar) demand from the oil sector. But (trading above) 85 may be difficult because there are sell orders from tea and horticulture guys lined up above that," said Robert Gatobu, a trader at Bank of Africa. Tea and horticulture exports are some of the leading foreign exchange earners for the east African nation, raking in a total USD 2.5bn in 2011. Martin Runo, a currency trader at African Banking Corporation, said the persistent absorption of liquidity by the central bank was also supporting the shilling.

The regulator soaked up 5bn shillings in repurchase agreements on Wednesday. Traders said dollar inflows from foreign investors buying into a 15-year bond worth 15bn shillings would also support the shilling in coming days as buyers made their payments. "The bond sale today is another reason we may not break 85.00. We may see inflows from foreign investors once the sale is closed," Gatobu said ahead of the sale. The auction results showed Kenya's 15-year borrowing costs fell to 12.089% at the oversubscribed auction from 12.388% at its previous sale in April 2011 as investors starved of long-term paper bought heavily. Meanwhile, Kenya's 182-day Treasury bill fetched a weighted average yield of 9.625% at an undersubscribed auction from 8.993% last week, the first time the yield has risen since July 25. In stocks, the main NSE-20 share index crept up 0.06% to 3,959.10 points. "There has been moderate activity in the (equities) market as investors participate in the 15-year bond," said Ronald Lugalia, an analyst at Afrika Investment Bank. Kenya Power, the country's sole electricity distributor, rose 2% to 17.45 shillings as investors bet it would post higher earnings for the year ended in June. Good rainfall this year filled the lakes supplying the country's hydro-powered dams, improving output.

Yields on Kenya's 15-year Treasury bond fell less than expected in an oversubscribed auction on Wednesday, which fixed income traders said pointed to the Treasury needing cash to cover budget spending. The weighted average yield on the 15-year security fell 30 basis points to 12.089% as investors starved of long-term paper bought heavily. The bank received bids worth 24.15bn shillings and accepted offers worth 19.53bn shillings. It had offered up to 15bn shillings worth of the paper. "The results are not what we expected. It seems like the central bank is desperate and is now taking higher bids (rates)," said Alex Muiruri, a trader at African Alliance Investment Bank. "Going forwards we could see rates on other papers come up a bit because of this."

Fixed income traders had expected debt rates to fall after the central bank cut its benchmark lending rate earlier this month by a record 3.5 percentage points to 13%. Falling inflation had also been expected to reduce yields. The Treasury has "been redeeming a lot of bonds and bills this last few months. So that puts them under pressure to pick as much as they can," James Chweya, a fixed income trader at Standard Chartered Bank, said. On Kenya's 182-day Treasury bill, the weighted average yield rose to 9.625% at an undersubscribed auction on Wednesday from 8.993% last week, climbing for the first time since July 25. *(Reuters)*

Treasury bill yields appeared to reverse their downward trend after investors kept away from the weekly auctions denying the government funds needed to payoff short-term maturing debts and fund its operations. This week the yield on 91-day Treasury bills rose by 0.132 percentage points to 7.647% from 7.515%. The yield on 182-day Treasury bills rose by 0.272 percentage points to 9.265% after consistently declining during the prior six auctions. The latest six-month government paper attracted 83 bids worth Sh1.811bn against a targeted Sh4bn indicating the low appetite by investors for the paper and the government accepted all the bids.

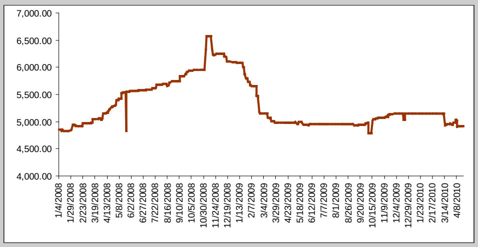
Only 89% of these were competitive, indicating that investors have been bidding higher and pressuring up the rates. The three month government paper attracted bids worth 4.95bn against a target of 4bn. George Guy, a fixed income dealer at Genghis Capital said that yields reversed the downward trend to attract investors. He noted that the higher yields were also influenced by the 15-year-bond whose auction was held on Wednesday. “I can attribute this (yield going up) to the fact that it (182-day bill) was undersubscribed. Most investors have been shying away from T-bills,” said Mr Guy. Yields on the three- and six-month papers kicked off a downward trend in the first week of August and had dropped to a low of 7.515 and 8.993% respectively.

The 15-year-bond on the other hand attracted 703 bids worth Sh24.15bn against a targeted Sh15bn and the yield only dropped marginally to 12.089% from 12.388% during the last auction in April last year. Probably next week we may see the yields going up higher but once investors get confident then we might see them stabilise,” said Mr Guy. The Central Bank of Kenya has been pushing down the rates in response to falling inflation. The Kenya National Bureau of Statistics last month said that the cost of living decelerated to 6.09% in August from 7.74% in July the lowest it has been in more than a year.

The banking regulator cut its benchmark rate to 13% from 16.5% this month in response to the slow rise cost of living. The value of bonds traded has gone up sharply over the past few weeks a move that the Central Bank and analysts have attributed to the falling returns in the Treasury bill market. As at Friday last week, bonds worth Sh49.56bn were traded over a two week period, an amount that exceeds monthly turnover in the past 13 months, bringing the cumulative turnover of bonds traded since the year began to Sh381.2bn. Data from the Nairobi Securities Exchange shows that in the first eight months of last year, the cumulative bond turnover stood at Sh323.01bn while the value of bonds traded in 2010 over the same period was Sh361.19bn. *(Business Daily)*

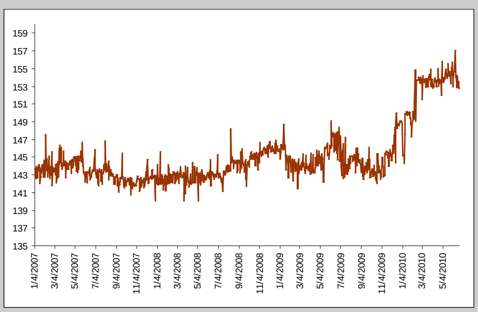
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The Malawi All Share Index ended the week 0.22% lower at 5,926.44pts. Trading was recorded in 8 counters only with turnover of USD 103k. FMB and Illovo remained unchanged at MWK6.50 and MWK 150. Standard Bank closed at MWK 120 from MWK 118 last week. TNM dropped MWK 10 to end at MWK 1.75. NITL was level at MWK 17.50

Corporate News

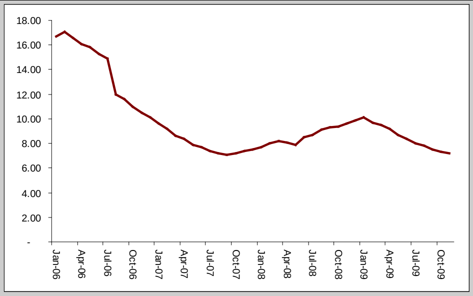
No Corporate News this week

Economic News

Malawi's consumer inflation quickened to 25.5% in August from 21.7% in July, the National Statistical Office said on Monday. *(Reuters)*

Malawi President Joyce Banda arrived in New York on Monday, at 9pm (Tuesday, 3 am Malawi time) where she is expected to make her first appearance as Head of State and present her maiden speech at the UN General Assembly. Banda will frist to the world leaders on September 26, 2012. According to State House Press Officer, Tusekele Mwanyongo, the President arrived in New York through the John F. Kennedy (JFK) International Airport and was welcomed by Esther Mcheka Chilenje Nkhoma, the Deputy Permanent Representative, Malawi Mission at the UN, and Anitta Kalinde, Malawi's Gender, Children and Social Welfare Minister, among other officials. "The President is in New York to deliver her maiden address to the UN General Assembly. Whilst in New York, the President will endeavour to cement ties with the international community for their continued support of Malawi; to help ordinary Malawians deal with the current economic challenges and put Malawi back on the path to economic growth," Mwanyongo told Nyasa Timesin a telephone interview from New York. President Banda with UN Secretary-General Ban Ki-moon (when he visited Malawi): On official visit to US President Banda ascended to power on April 7, 2012 after the death of her predecessor, Bingu wa Mutharika. She is the first female President in Malawi and Southern Africa and the second in Africa after Ellen Johnson Sirleaf of Liberia.

State House press officier said President Banda will also meet global leaders in business, philanthropy and governments and Malawians in Diaspora to attract investment into Malawi. The press aide observed that as the second female President in Africa, President Banda has become a leading figure in Africa and that her vision for Malawi has gained support from around the world. "Apart from attending the gathering of world leaders, the President's other main focus whilst in New York is to strengthen the support of the international community for Malawi," he said. "Her Excellency will be meeting

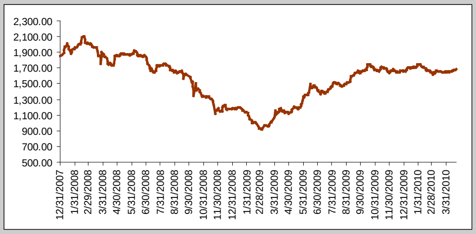


Source: SAR

with a wide range of potential investors to Malawi to promote Malawi as a place to do business. She has said, more than once, that Malawi's economic recovery is dependent on private sector development through, among other initiatives, attracting more investors to Malawi," said Mwanyongo. This year's UN Summit, which will be attended by over 193 heads of state and governments, will meet under the theme 'Adjustment/settlement of international disputes or situations by peaceful means'. *(Nyasa Times)*

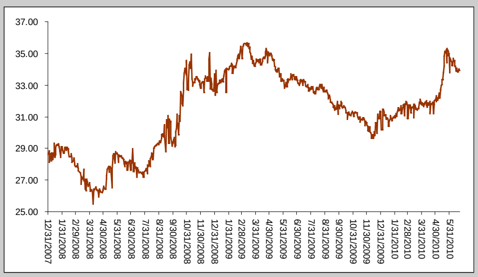
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

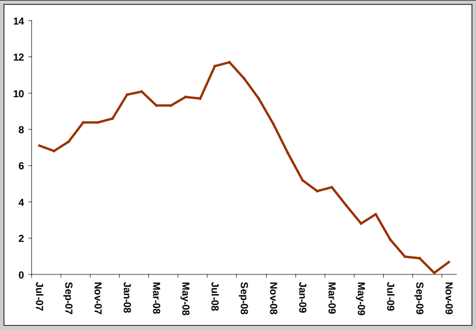
The Semdex edged up 0.9% at 1,716.84pts while the Sem-7 increase by 0.2% at 332.10pts. Turnover stood at USD 3.5m. Go Life International was the main gainer climbing by 14.3%. MCB and State Bank, remained level at Rs164.00 and Rs82.00. Vivo Energy increased by 1.2% to Rs167.00. Omnicane decreased by 0.7% to Rs75.00, whilst ENL Land Ordinary went up by 2.1% at Rs39.30

Corporate News

No Corporate News this week

Economic News

No Economic News this week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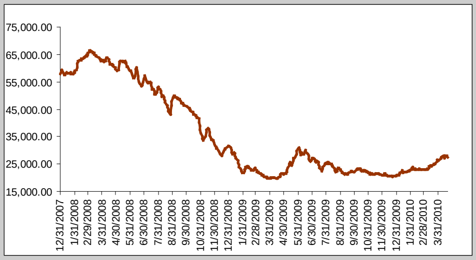
Source: SAR

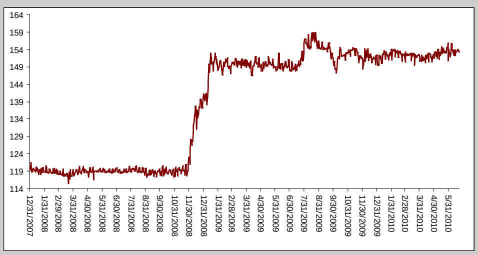
Nigeria

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

CPI Inflation

Stock Exchange News

The All Share closed the week higher, gaining by 2.21% to close at 25,873.71 points. Top gainers were Fidson (47.62%), UBN (27.16%) Cutix (25.83%) and AIICO (20.00%). Top losers were Livestock (-4.73%), Aglevent (-3.70%), RTBRISCOE (-2.15%) and UBA (-1.50%). A turnover of NGN 14.252bn was recorded.

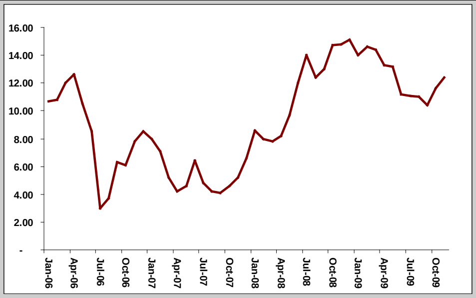
Corporate News

DANGOTE Cement has approved the opening of more cement depots across the country to further take the products nearer to the people. With this, the company has liberalised its distribution channels by widening its sales point network. The company is also adding more lines to its existing cement plants across the federation with the attendant expectation that it would lead to reduction in the price of the commodity. This, it believes, will also ensure not only the stability of price, but also guaranteeing availability at the most reasonable price. Group Managing Director of Dangote Cement, Devakumar Edwin said in Lagos at the weekend that the company, at the height of skyrocketing price of cement, had acquired 5000 trucks to boost its logistics and pave the way for even distribution of the product across the nation.

According to him, having solved the problem of logistics, the next phase is to ensure a wider distribution depot and register more dealers and bring the product closer to the customers. He explained that "with Obajana's 10. 25 metric tonnes per annum (mtpo), and its fourth line under construction, the company's production capacity will be far above the nation's demand. It would be recalled that the company's Benue plant of 3.5mtpa is producing to capacity. When added to the 6 mtpa Ibese plant production, the company will have a total production capacity of 19.75mtpa. "What we are doing now is to liberalize the distribution network by increasing our depots and registering more credible distributors. All we required is the Certificate of company registration, two passport photographs and letter of intent.

"Henceforth, we are guaranteeing 48 hours registration with a minimum purchase of one trailer load that is 600 bags monthly. In fact no deposit is required. And customers can collect from any of our plants", Edwin stated. According to him, individuals, corporate organizations and institutional buyers seeking to buy Dangote cement in bulk could just walk into any of the company's depots or offices nationwide. He added that the company has begun a media campaign aimed at sensitizing the people to this development. "On the long run we hope that this effort will not only make cement available in every nooks and cranny of Nigeria but will reduce the price and make the price stable. *(Guardian)*

Nigeria's Guinness, a unit of Diageo, said on Monday its full-year pre-tax profit to June dropped by 19.48% to 21.07bn naira, from 26.17bn naira the previous year. Sweetening the bad news, it also said shareholders will get a



Source: SAR

dividend of 8.0 naira per share or one bonus share for every 33 held by shareholders. Gross earnings however rose to 126.28bn naira, compared with 123.66bn naira in the same period of last year, Guinness said in a statement to the Nigerian Stock Exchange. Guinness shares were flat at 260.18 naira on the local bourse on Monday. *(Reuters)*

First Bank of Nigeria Plc has provided an asset finance facility of USD 29.030m to Broron Oil & Gas Limited, a fully indigenous engineering outfit for the funding of a multifunctional field support vessel and other equipment for an on-going contract with Mobil Producing Unlimited. Speaking recently during the christening of the vessel, DSV AVIANNA, at the Naval Dockyard in Lagos, the Special Adviser to President Goodluck Jonathan on Technical Matters, Mr. Sullivan Akachukwu Nwakpo, urged other indigenous companies to tap into the huge benefits of the Nigerian Content Act, which was signed by the president in 2010. He noted that the Nigerian Content Law would not be useful unless indigenous operators develop the courage to access the law. "I am sure that there are so many Nigerians, who have sufficient funds to do better than what we are seeing today but they appear not to have picked the courage to believe that there is a law signed by the president that actually works," he said.

First Bank has committed well over N500bn to financing oil and gas projects in Nigeria as part of efforts to enhance local capacity and competitiveness, according to statistics released by the bank. The sum represents the bank's total financing activities for the upstream, midstream, and downstream sub-sectors of the oil and gas industry in 2011. The bank is committed to growing its involvement in the oil and gas industry and assisting particularly indigenous firms take full advantage of the opportunities in the industry in line with the Nigerian Content Act. Some of the bank's financing activities in the sector include funding rig acquisition for indigenous operators, financing lines to indigenous fabricators for oil and gas contracts, funding specialised vessel acquisition scheme for local content support, and supporting major pipeline distribution and gas infrastructural development projects in several communities. The latest beneficiary of the funding, Broron Oil & Gas Limited is an indigenous engineering outfit incorporated in 2007. The company provides services to the oil and gas industry in the area of mechanical, instrumental process and safety engineering. It is a project, development, engineering and construction management company with specialisation in offering technical and commercial solutions for its clientele base. *(This Day)*

First City Monument Bank Plc (FCMB) has reassured its various stakeholders and those of FinBank that the two institutions which have been going through the process of integration will conclude the merger process in October, 2012. Segun Odusanya, Deputy Managing Director/Executive Director (DMD) of FCMB who gave this reassurance in a chat with newsmen in Lagos over the weekend said the process is 95% completed. "Our initial target was second quarter of the year, but we got delayed by issues around the Capital Market probe and the removal of the Securities and Exchange Commission Board. Things are now back to normal, and most of the approvals have been obtained". The FCMB DMD also revealed that post merger, the bank which has been noted for its niche in corporate banking will be expanding its retail banking focus to create a more robust and stable institution. "We want to drive solutions across the various segments – corporate, commercial, small enterprises and consumer segments – of the economy. We have been doing this organically in the last five years, and have seen steady growths in all these segments".

According to Odusanya, the acquisition of Fin Bank is expected to give two/three years leap (especially in the area of branch network, liquidity, and balance sheet size) to FCMB. He revealed that with the acquisition, FCMB has doubled its branch network, doubled its customer base, improved the liquidity position of the bank, and all these create a very good platform to provide better customer-centric products and services in the consumer space. "We are now better situated to provide our expertise to more commercial and small enterprises to grow their businesses with not just the banking products we offer, but also with our expertise in corporate and financial advisory. We want to help create more entrepreneurs in this country and the opportunity to do this is enormous" he stated.

He went further to state "We are aggressively driving retail, but in doing this, we are not de-emphasizing corporate. We have made a lot of investments in people, products, systems and branches (from the acquisition) in both segments. "We understand that both segments complement each other, and for us to continue to create endearing value a universal bank, we needed to provide services based on deep rooted insights across all the segments. We are currently having discussions with the central bank to further extend these services to the mass market". *(Vanguard)*

Guinness Nigeria Plc, which is the highest price equity in the breweries subsector of the Nigerian Stock Exchange (NSE), yesterday declared a dividend of N8.00 per share for its shareholders for the year ended June 30, 2012. The N8.00 dividend, however, is 20 per cent lower than the N10.00 shareholders received last year. Besides, directors of the company have given the shareholders a scrip issue option, saying that shareholders who are entitled to receive the cash dividend have the option of receiving a scrip issue instead in the ratio of one new share for every 3 shares already held as at October 5, 2012. The brewing firm witnessed a growth in turnover for the year but recorded a decline in profit. Guinness ended the year with a turnover of N126.288bn, up from N123.663bn in 2011. But profit before tax fell from N26.177bn to N21.075bn, while profit after tax followed the same downward trend, to closed lower at N14.671bn in 2012, compared with N17.928bn in 2011.

As a result of the decline in profit, the directors slashed the dividend per share by 20 per cent from N10.00 to N8.00. The equity remained static at N260.00 per share at the stock market yesterday, while investors traded 223,756 shares worth N58.366m in 87 deals. Meanwhile, trading at the stock market remained bullish as the new week opened. The NSE All-Share Index appreciated by 0.14 per cent to close at 25,373.83, while market capitalisation added N11bn to be at N8.077tn. Thirty-one stocks appreciated led by Flour Mills of Nigeria Plc with N1.50. UAC of Nigeria Plc trailed with a gain of N1.47, while International Breweries Plc, UACN Property Development Company Plc, Roads Nigeria Plc and Union Bank of Nigeria Plc chalked up N0.68, N0.51, N0.48 and N0.35 respectively. Conversely, 17 stocks depreciated led by Cadbury Nigeria Plc with a decline of N1.07, while PZ Cussons Nigeria Plc followed with a loss of N0.58. *(This Day)*

FOR the first quarter (Q1) ended June 2012, Honeywell Flourmills Plc recorded a turnover of N10.739bn compared with N9.318bn attained within

same period in 2011. Profit after tax, according to the company also increased from N46m in 2011 to N475m within the period under review. In the Q1 result presented to the Nigerian Stock Exchange (NSE) yesterday, the company explained that selling and administrative expenses stood at N1.257bn as against N911m in the previous year. The company explained that other income stood at N38m, leaving finance income at N306m. Value of property, plant and equipment was put at N30.42bn compared with N28.970bn. The figure of trade and other receivables was put at N8.680bn, leaving cash and bank balances at N5.315bn as against N4.060bn.

According to the board of the company, total assets in the first quarter was put at N50.517bn, while short term loans and overdrafts stood at N19.301bn from N15.834bn in 2011. Honeywell Flour Mills had for the nine months period ended December 31, 2011, recorded turnover of N27.9bn, up by 6% over N26.3% recorded in 2010. Profit after tax according to the company, also increased by 23% to N1.7bn. The company had explained that total assets as at December 31, 2011, stood at N44.3bn, 33% increase from N33.3bn as at December 2010. The company also explained that the new facilities being constructed, as well as the equipment being installed "were state-of-the-art and the very latest in milling technology", adding that "this will help to improve our operational efficiency, ensuring that we produce only high quality food products for our customers. The resultant future effects should be a boost to our top and bottom line numbers. "Management expects this improving trend to continue well to the end of and beyond the financial year in March 2012." Honeywell Flour Mills is the producer of Honeywell Superfine Flour, Honeywell Semolina, Honeywell Whole Wheat meal and variants of Honeywell pasta and Honeywell Instant Noodles. *(Guardian)*

The Local Content initiative of the federal government has received a boost as five deposit money banks, Fidelity Bank Plc, Access Bank Plc and First Bank Nigeria Plc, including two foreign institutions, Citi Bank and Standard Chartered Bank, signed a Memorandum of Understanding (MOU) with Shell Exploration and Production Companies in Nigeria. The MoU signed in Port-Harcourt will see the five money lenders providing support to Nigeria contractors towards the actualization of Nigeria's Local Content aspirations. The initiative is aimed at placing Nigerian contractors at the fore-front of service delivery to the Oil and Gas industry. In his welcome address, Managing Director and Country Chair, Shell Companies in Nigeria, Mutiu Sunmonu, said that Shell is committed to supporting the federal government's efforts to reform the industry especially through the local content policy. He noted that the scheme will address the issue of access to funds which appears to be a serious nightmare to operators in the industry.

"Financing of projects has traditionally been a major challenge to contractors' growth and participation in the delivery of goods and services to the oil and gas industry" Sunmonu added that he is "positive that with the scheme being launched today, financing difficulties will be greatly reduced." He explained that banks have committed to relaxing the collateral security requirements, reducing interest rates and establish their competitive advantage and become global players." He called on the contractors to work in the spirit of the partnership by fulfilling their obligations to the banks. "The presence of the Chief Executives of Nigeria's most prestigious banks at this launching is an indication of their commitment to the success of this scheme. I, therefore call upon our contractors not to default on loan payments, and to apply the funds to the agreed projects. “It is only by keeping to the spirit of the opportunity that you can become bigger, global business. Sunmonu said that he is optimistic that the scheme will play a key role in achieving Nigeria’s aspiration of contributing a significant proportion of the global energy requirement.

In his remarks, the Managing Director & Chief Executive Officer, Fidelity Bank Plc, Mr. Reginald Ihejiahi, described the venture as a national challenge which must be met, adding that Fidelity is proud to be associated with the initiative, while calling for more private sector-led initiatives in the country. Ihejiahi also explained that the bank has the capacity to support the project with over two decades of experience in financing contractors to the IOCs and existing contract finance facility that ties into the Shell Proposed Fund. Specifically, he said that Fidelity has “enhanced market competitiveness through improved infrastructure, quality service delivery systems and increased nationwide spread with branches located in the oil and gas hub of Port Harcourt, Warri and Lagos for proximity to the Oil Service providers.” He said that Fidelity would deploy its experience in Oil and Gas Contractor Finance to the Shell Scheme for quick turnaround, business advisory and access to finance as well as leverage on its extensive correspondent banking relationship for seamless international trade and transaction banking operations. *(Vanguard)*

Two out of the companies shortlisted to buy state-owned power utilities, which are also listed on the Nigerian bourse, namely Oando Nigeria plc and Julius Berger plc have witnessed significant mark-up in their share price since they declared their interest to bid for the state owned utilities. In the case of Julius Berger Nigeria Plc, the country’s largest construction company by market value, gained for the first time in seven days after it was shortlisted among companies to buy state-owned power utilities as the company’s stock gained 4.7% to N28.80 at the close of market activities, its first rise since Sept. 10. The shares have fallen 8.9% this year, compared with a 23% rise in the Nigerian Stock Exchange All-Share Index. For Oando Plc, Nigeria’s leading indigenous integrated energy group, the company which was recently listed on the Toronto Stock Exchange has also witnessed relative mark-up in its stocks rising consistently, since its declaration for the state owned utilities and its listing on the TSE (Toronto Stock Exchange) to close at N13.66.

This is however a new rise, since its last rising streak in May 7, which saw it head for the longest rising streak in three weeks after it gained 5%, the limit, to N16.75. Oando, was recently listed on the Toronto Stock Exchange, after its acquisition of Exile resources, a Canada based oil company.
Earlier on, a joint statement to the investors through the Nigerian Stock Exchange (NSE) said both companies on July 28, 2011 agreed on a due diligence, ahead of the acquisition “by Exile of certain interests of Oando in respect of Oil Mining Leases and Oil Prospecting Licenses, in exchange for 100,000,000 post-consolidation common shares in the capital of Exile.” The parties agreed to negotiate exclusively with each other in good faith and use their reasonable efforts to discuss for a definitive agreement to give effect to the acquisition latest by September 30, 2011.

Nigeria, Africa’s top oil producer, is selling majority stakes in 17 power generation and distribution companies spun out of the former state utility, Power Holding Company of Nigeria, as it seeks private investment to curb power shortages. Manitoba Hydro Electric Board of Canada signed a contract on July 23 to run the state-owned Transmission Co. of Nigeria, a deal that marked the start of a market-driven electricity industry in the West African nation. *(Business Day)*

First Bank of Nigeria Plc has introduced a platform targeted at the over 101m active mobile subscribers in the country. The product, called Firstmonie, is expected to reduce the country's unbanked population. According to statistics from the Nigerian Communications Commission, Nigeria now has over 101m active subscribers, with over 71% teledensity penetration. Speaking at the media launch of Firstmonie in Lagos, the Chief Executive Officer of First Bank, Bisi Onasanya, said the future of banking would be driven by various e-banking initiatives. Onasanya reiterated the financial sector's drive to partner with the telecommunications sector to fast track the adoption of mobile banking in the country and subsequently boost the Central Bank of Nigeria's cash-less economy initiative.

According to him, to ensure seamless transactions, First Bank was leveraging on the network platforms of the four major telecommunications operators including MTN Nigeria, Airtel, Etisalat and Globacom. The bank chief, who said his financial institution was leveraging on the fund transfer capability of the mobile telephony to offer world class services, noted that mobile phone has the capability to store monetary information and like other channels of e-banking, is closer and always with the customer. "Nigeria remains largely under banked. But to reduce this gap, we have introduced Firstmonie, which is easy to use, convenient and backed by transaction integrity. We are bringing mobile wallet into the mobile phone," he stated.

Explaining the functionality of the new solution, First Bank's Group Head, e-Business, Chuma Ezirim, said the solution was for existing and potential customers, with a target of 10m users in its first year of operation, adding that it can be used by anybody. Ezirim said the bank now has over 650 connected branches across the country, adding that Firstmonie will have about 10, 000 human agents to drive the initiative. According to him, the bank will drive the usage through three approaches, which are telco agnostic, mobile phone agnostic and multi-channel platform. On the issue of possible network challenge plaguing telecoms operations in the country, the e-business boss said: "It is a factor beyond the control of Firstbank. We have provided alternative channels including the Internet platform. But we are sure that the operators are working on that challenge and we have assurance that there won't be problem.

"Securitywise, we have provided a platform that is secured, through user specialised PIN, which is for the user alone and can only be breached if third party has access to it." Though First Bank has over 1900 ATMs across the country, Ezirm said in the case of withdrawal via the ATM, recipient or user can for only access such on FIrst Bank ATMs alone for now. "But we are currently working with NIBSS to ensure interoperability with other ATMs on this. We hope that by first quarter of next year that should have been resolved", he stated. According to him, Firstmonie can be used to pay bills; airtime top up; shopping; bank transfers; send money via mobile (P2P registered and unregistered) among other channels.*(Guardian)*

Shares in Nigerian Breweries closed at all time high of 150 naira (USD

0.95) on Thursday, helping lift the all-share index up almost 1%, two days after the bourse started market making. Nigeria's bourse introduced market making on Tuesday, starting with sixteen blue-chip shares including the brewer, and relaxed restrictions on price swings for those stocks to 10% a day, from 5% a day. The brewer has gained 45% so far this year to value the local unit of Dutch brewer Heineken at 1.1tn naira (USD 6.98bn). It gained 6.23% on Thursday. The stock market rose 0.91% to 25,875.31 points, its fourth consecutive.

It has risen 23.69% since the start of the year, achieving a 45% return in dollar terms, owing to a stronger currency, to become Africa's third best performing index, according to the MSCI equity indices. Low yields, low growth and high debt in the developed world have spurred demand for frontier market assets, as investors drastically revise their traditional views of risk, reversing a trend last year. Top gainers included pharmaceutical firm Fidson, up near the maximum 10% daily limit allowed for stock eligible for market making. Heavyweight flour millers Dangote Flour and Honeywell Flourmill, each gained 5%. *(Reuters)*

Economic News

The third round of Quantitative Easing (QE3) embarked upon by the US Federal Reserve will benefit Nigeria, as the liquidity provided by the action finds its way to frontier equity and fixed income assets and commodities like oil. The US Federal Reserve Chairman, Ben Bernanke, Thursday announced an aggressive stimulus programme that involves open ended Mortgage bond purchases to the tune of USD 40bn a month. The amount is equivalent to 14.8% of Nigeria's Gross Domestic Product (GDP). "The Fed is trying to direct QE3 more to the direct area – via helping housing – while QE1 and QE2 had bigger effects outside the US, in driving up oil prices and pushing currencies stronger," Charles Robertson, head of Macro- Strategy and Chief Economist at Renaissance Capital tells BusinessDay. "Taken together however, we do see this encouraging foreign money into local bonds, including Nigerian bonds. That in turn may drive down domestic yields, and when this happens, it can lift equities." Nigerian equities recently touched multi week highs with the all share index (ASI) moving above 25,000 points last week.

The ASI is up 22% year to date, led by gains in bank stocks and Dangote Cement which makes up a third of the index. Nigeria earns 80% of government revenue and up to 90% of foreign exchange (FX) earnings from crude exports. The price of Bonny light crude has jumped 20.5% in New York since July 2, reaching as high as USD 117.72 a barrel Friday. Dollar reserves which have moved in tandem with higher oil prices, are up 22.7% year to date, reaching USD 40.4bn according to September 12 data from the Central Bank of Nigeria (CBN). The naira is up 3% so far this year, the best performer in Africa. "Nigeria's macroeconomic variables support strong attraction for foreign capital," said Abiodun Keripe, analyst at GTB Asset Management Limited. Razia Khan, Africa regional economist at Standard Chartered says Nigeria - given its imminent inclusion to JP-Morgan's bond index, will be a key beneficiary of the likely flow into risk assets, based on the US Fed action. "This should lead to further currency strength, so the inflation profile in Nigeria will actually benefit as the naira becomes stronger. Rather than complicate the

CBN's efforts to achieve lower inflation, it could actually help their cause, while driving down bond yields in the process."

Lower bond yields may make it more attractive for banks to lend to companies in the real sector, as opposed to stocking up on Government debt. Inflation for July 2012 printed at 12.8%, down marginally from a month earlier, and the 228th Monetary Policy Committee (MPC) meeting will commence today (Monday) to determine the next direction of interest rates. The CBNs has held its Monetary Policy Rate (MPR) steady at 12% this year. The expected increase in fund flows (stemming from the fed action) gives the CBN flexibility in its interest rate policy, although analysts note the flows are a double edged sword, due to unresolved Euro sovereign debt worries and intermittent fears of a global slowdown. Samir Gadio, an Emerging Markets Strategist at Standard Bank London, says that the global uncertainty is unlikely to dissipate for some time, with periods of risk-on followed by periods of risk-off, which will result in significant -but episodic- volatility in international capital markets. "This has the potential to translate into intermittent portfolio flows reversals, especially in the case of the less liquid markets, and even fluctuations in commodity prices," he said. "In such a context, countries with a fiscal buffer and prudent macroeconomic stance, are likely to reduce the impact of an unexpected systemic shock." *(Business Day)*

Nigeria's economy grew 6.28% in the second quarter of this year, driven by non-oil sector growth, while inflation fell for the second straight month in August helped by tight monetary policy, the National Bureau of Statistics (NBS) reported. GDP growth in Africa's second largest economy accelerated in the second quarter, up from 6.17% in the first quarter, which was the lowest quarterly rise in three years. "The non-oil sector was driven by growth in activities recorded in the building and construction sector, while oil sector output decreased (compared with Q2 2011)," the NBS said in a report on Sunday. Nigeria's economy is expected to expand at a slower rate this year, after rising 7.4% in 2011, due to disruptions to oil production and economic weakness in developed countries that buy its gasoline-rich crude. Consumer inflation eased to 11.7% year-on-year in August, down from 12.8% in July, largely due to a fall in food inflation which dropped to 9.9% in August from 12.1% the previous month, NBS said. Average crude oil output from Africa's largest producer rose marginally to 2.38m barrels per day (bpd) in the second quarter, from 2.35m bpd in the first quarter. This was down from 2.45m bpd in the second quarter last year.

Oil accounts for more than 80% of Nigerian government revenue and around 95% of its foreign exchange earnings. Although Nigeria's economy has been one of the fastest growing in the world, poor fiscal management, corruption and poor infrastructure has wasted some of these gains. The NBS relies on data from the state-owned Nigerian National Petroleum Corp to compile its oil statistics. It said high interest rates and lower food prices had helped temper inflation. "The relative moderation in the index is attributable to the relative slower rises in both the Food and 'core' indices partly as a result of aggressive monetary policy initiatives by the Central Bank of Nigeria (CBN), base effects and a much lower rise in several food prices," the bureau said. The CBN monetary policy committee will meet next week and while the inflation numbers will feed some private sector demand for a loosening of monetary policy, most analysts are expecting rates to remain at 12%, as they have been since November last year. The rate decision will be announced on Tuesday.

(Reuters)

Nigeria, the world's fourth biggest cocoa grower, aims to double output to 500,000 tonnes over the next three years as it tries to expand its exports beyond oil, an industry body said on Friday. The Cocoa Processors Association of Nigeria (COPAN) said the government had distributed around 10,000 improved seeds to farmers in its 14 cocoa-producing states and production increases would start by 2014. "There are a lot of initiatives by the government to raise production volumes. In another three years, we see cocoa volumes going from 250,000 to 500,000 metric tonnes," COPAN secretary Felix Oladunjoye told Reuters. The government had also started to subsidise fertilizers for farmers, strengthen industry regulation to boost volumes and distribute chemicals to fight disease. Demand for the raw beans from Nigeria was growing, he said but this was not the case for the semi-finished cocoa products. Demand for those had dropped by around 70% over the last three years, he added.

The debt crisis in Europe has led to big cuts in demand for cocoa products - butter, liquor, powder and cake - from Western and Asian markets, he said, noting that most European chocolate makers preferred to buy raw beans. Grinding had fallen to 20,000 tonnes a year, out of a capacity of 150,000 tonnes, owing to low global demand, Oladunjoye said. Nigeria was processing around 230,000 tonnes in 1986 when the sector was first deregulated. Volumes of beans produced had stayed between 200,000-250,000 tonnes over the past three years, Oladunjoye said. He expected local demand to pick up some of the slack from lower sales in Europe. *(Reuters)*

The Nigerian naira fell to its lowest in a week against the U.S dollar on the interbank market on Tuesday, as strong dollar demand outpaced thin supply from an oil company and some offshore investors into local debt. The naira closed at 157.75 to the dollar, weaker than the 157.55 it closed at on Friday, but back at the level it was last Monday. Dealers said unit of Addax petroleum sold about USD 10m to some lenders on Monday, while dollar flow from offshore investors trickled into the market, but not enough to stem the depreciation. The naira has been hovering at around 157-158 level for three weeks, owing to dollar sales by the state oil company, multinational oil firms and inflows from offshore investors buying local debt.

Dealers said the naira weakened to as low of 157.90 intraday because of buying by some importers, but closed at 157.75 after Addax released its bid result. "We see the naira trending around the present level for the rest of the week because of anticipated dollar inflows from offshore investors ... in a bond auction later in the week," one dealer said. Nigeria plans to issue 60bn naira (USD 379.75m) in local bonds, with maturities of between five and seven years at its regular auction on Sept. 19. At its bi-weekly foreign exchange auction, the central bank sold USD 130m at 155.78 to the dollar, compared with USD 200m sold at the same rate at the last auction on Wednesday. *(Reuters)*

Nigeria plans to raise 862.99bn naira (USD 5.5bn) worth of treasury bills with maturities ranging from three-months to one-year in the last quarter, central bank said. The bank said over the weekend it would auction 220.04bn naira worth of 3-month bill, 381.30bn worth of 6-month paper and 261.65bn naira in 1-year note, spread over four auctions. Offshore investors have been showing increasing interest in sovereign debt from Africa's second biggest economy, ahead of next month's inclusion of Nigeria's bonds in JP Morgan's emerging market government bond index. Nigeria, Africa's second biggest economy after South Africa, issues treasury bills regularly as part of monetary control measures to help lenders manage their liquidity. *(Reuters)*

The National Council on Privatisation, Tuesday approved the technical bid evaluation of a total of 21 firms for the various distribution companies. Atedo Peterside, member of the National Council on Privatisation (NCP) stated this yesterday while briefing State House correspondents after the NCP meeting, presided over by Vice President Namadi Sambo, at the Presidential Villa, Abuja. The council has also scheduled the financial opening bid ceremony for the generation companies for Tuesday, September 25, 2012 at Anambra\Borno\Cross River Halls, Transcorp Hilton Hotel, Abuja. The NCP however announced that none of the two bids received for the Kaduna DISCO was technically qualified, and has therefore directed the Bureau for Public Enterprises to invite fresh bids from all the prequalified bidders, in accordance with Plan B in respect of the privatisation of any unsold successor company. The NCP said that the BPE would also invite fresh bids from all the shortlisted bidders that paid the required USD 20,000 fee for the bid documents.

The meeting, the fifth by the National Council on Privatisation for 2012, approved that the bidders be invited for the financial bid opening stage, scheduled for October 10 upon the submission of their individual post qualification studies. A breakdown of the companies showed that the Ibadan Distribution Company, (Ibadan DISCO) had Western Consortium, Integrated Energy Distribution and Marketing Company and Kepco/NEDC Consortium, as the preferred bidders. Ikeja Distribution Company had Oando Consortium, Amperion Power Distribution Company Limited, Honeywell Energy Resources International Limited, Integrated Energy Distribution and Marketing Limited, Vigeo Holdings,Gumco, African Corporation AFC &CESC, Kepco/NEDC Consortium, West Power and Gas, Rockson Engineering Limited. Only two companies were approved for the Abuja, DISCO, and they are Kann Consortium Utility Company Limited and Interstate Electrics Limited.

On the other hand, Rensmart Power Limited, Proglobal Power International Consortium, Interstate Electrics Limited and Eastern Electric Nigeria Limited, were approved for Enugu DISCO. Jos DISCO had only Aura Energy Limited, while Eko DISCO had Oando Consortium, Integrated Energy Distribution and Marketing Limited, Sepco-Pacific Energy Consortium, Honeywell Energy Resources International Limited, Kepco/NEDC Consortium and West Power and Gas. This is just as Power Consortium and Rockson Engineering Limited will have to slug it out for the Portharcourt DISCO, while Yola DISCO had only Integrated Energy Distribution and Marketing Company as the approved bidder. Kano also had Sahelian Power SPV Limited, while Benin DISCO had Southern Electricity Distribution Company, Rensmart Power Limited, Vigeo Power Consortium and Rockson Engineering Limited. *(Business Day)*

Retail Investors at the Nigerian Stock Exchange (NSE) have been prohibited from participating during the rollout period of the Securities Lending Programme, BusinessDay has learnt. Rather, only Qualified Institutional Investors (QIIs) –Fund Managers, Insurance Companies, Investment/Unit Trusts, Multilateral and Bilateral Institutions, Market Makers, Professionally managed staff securities purchase schemes, Trustees/Custodians, Stock broking firms, and High Net-worth Individuals (an individual with net worth of at least N300m, excluding automobiles, homes and furniture) are allowed. With the kick-off of Market Making Tuesday at the Exchange, the Nigerian Stock Exchange believes that for the programme to be vibrant, there must be Securities Lending and Short Selling structures in place – a place and arrangements to borrow some of those securities for trading. The Exchange informed Dealing Member Firms on Tuesday, that this decision not to allow Retail Investors to participate in Securities Lending, is in line with the operational guideline for Market Making, Securities Lending, and Short Selling.

In a circular (Market Bulletin/BDR/CIR/95/DK/09/12) to Dealing Member Firms, Olufemi Shobanjo, Head, Broker/Dealer Regulation, stated "No Retail Investor Participation During Rollout Period of the Securities Lending Programme." The Exchange has also warned its dealing members that any contravention of the regulatory regime of Market Making, Securities Lending, and Short Selling, as set forth in the relevant rules and guidelines will be severely sanctioned. The operational guideline states that Dealing Members must not borrow, or make arrangements to borrow securities directly from investors, without the intermediation of Securities Lending Agents (SLAs). "Only Securities Lending Agents (SLAs) registered by the Securities and Exchange Commission are permitted to engage in securities lending. During the roll out period, only the securities of Qualified Institutional Investors (QII) can be made available for borrowing, pursuant to appropriate agreements with SLAs," the guideline stated. The NSE told dealing members that, "Following the introduction of Securities Lending, please be informed that Dealing Member firms may only participate in the programme via approved Securities Lending Agents (SLAs) registered by the Securities and Exchange Commission (SEC). During the roll out period, only securities owned by Qualified Institutional Investors (QIIs) may be used for securities lending.

The SEC has defined a QII as a purchaser of securities that is financially sophisticated, as defined by the SEC in its Rule 350." Currently, the SEC has registered the following institutions as Securities Lending Agents: Stanbic IBTC Bank Plc, United Bank of Africa Plc. In addition, the SEC is processing other applications. "Please note that a subsequent phase of the Programme will extend to other market participants, including retail investors. The Exchange will communicate the roll out plans for that phase at the appropriate time," Shobanjo added. The Global MASTER Securities Lending Agreement has been developed as a market standard for securities lending. "All securities lending transactions should be subject to a written legal agreement between the parties concerned. Standard agreements should be used wherever possible," part of the guideline stated. *(Business Day)*

Investors in the oil and gas, and insurance subsectors of the Nigerian Stock Exchange (NSE) continued to count their losses despite significant recovery some other sectors of the market is witnessing. As at the close of trading last Monday, the two sub-sectors were the only ones with their indexes without growth since the beginning of the year. The NSE has seven indicators to gauge the performance of the market, a major one- NSE All-Share Index(ASI) and six other sectorial indexes. While five of the indicators have posted year-to-date (YTD) growth of between 21 per cent and 274 per cent, the oil and gas, and insurance indexes are in negative, posting a decline of 24.3 and 11.5 per cent respectively. For instance, the benchmark gauge-ASI recorded YTD growth of 22.3 per cent as at last Monday. The NSE Consumer Goods Index, even recorded a higher growth of 274 per cent. The Banking

Index rose by 45.2 per cent while the NSE 30 Index appreciated by 29.2 per cent. The newly-introduced Sharia-compliant NSE Lotus Index has appreciated by 21 per cent. Conversely, the NSE Oil and Gas index has recorded a decline of 24.3 per cent, while the NSE Insurance Index has posted a decline of 11.5 per cent decline. Market operators said the poor performance of the two indicators reflected the general performance of the companies in the subsectors.

In the insurance subsector, apart from three stocks- Aiico Insurance Plc, Intercontinental WAPIC Insurance Plc and Mansard Insurance Plc that have witnessed various level of growths, the remaining stocks have either recorded losses or have remained static. Similarly, no stock in the oil and gas subsector has appreciated in value as at last Monday. Only Beco Petroleum Plc remained static. But MRS Oil Nigeria Plc declined 45.2 per cent. Oando Plc declined by 37.9 per cent. Others are: Japaul Oil and Maritime Services Plc went down by 34.4 per cent); Conoil Plc (34.3 per cent), Total Nigeria Plc (30.8 per cent); Mobil Oil Nigeria Plc (14.3 per cent);Forte Oil Plc (6.3 per cent). However, market analysts believe the decline in the prices equities in the sub-sectors is also an opportunity for investors to take position in some the firms that have strong fundamentals or making significant investments in their operations. They cited Oando Plc, for instance, which recently completed the reverse takeover . Exile Resources Incorporated with the listing of the company's shares on Toronto Stock Exchange (TSX).

After the takeover, the company was renamed Oando Energy Resources Incorporated (OER) and has been listed on the TSX. Commenting on the new development, the Chief Executive Officer of Oando Plc, Mr. Wale Tinubu, said: "We are excited that the reverse take-over is complete and that the TSX has given its approval for the listing of OER. This platform is expected to enable capital raising to meet OER's immediate strategic objectives of growth in the upstream sector. Although Oando Plc will initially own 94.6 per cent interest in OER, the listing opens up the opportunity to present OER to a new world of investors with the distinct appetite for E&P investments." *(This Day)*

Nigeria's naira firmed slightly against the U.S. dollar on Wednesday, a day after the central bank left interest rates on hold and said it would keep monetary conditions tight, dealers said.
The central bank kept rates on hold for the sixth time in a row at 12% on Tuesday, welcoming improved growth and a slight fall in headline inflation. But it said monetary measures will remain hawkish for the foreseeable future. Financial markets in Africa's second biggest economy were closed when the rate decision was made on Tuesday. The naira opened for trade at 157.50 to the U.S. dollar on Wednesday, higher than Tuesday's close of 157.75. Dealers said the naira was partly driven by inflows from foreign investors buying bonds at an auction on Wednesday and oil companies selling the greenback to lenders.

"Chevron sold around USD 113m to some lenders. NLNG sold an undisclosed amount and (there were) inflows from investors buying bonds," one dealer told Reuters. Nigeria plans to sell 60bn naira in bonds on Wednesday with maturities of five and seven years. The central bank said USD 1.4bn of foreign investment flowed into debt in August. Olayemi Agbe-Davies, a bond dealer at Standard Chartered Bank, told Reuters debt markets had anticipated the hold decision on rates and already factored it into bond pricing, so yields were largely steady on Wednesday. *(Reuters)*

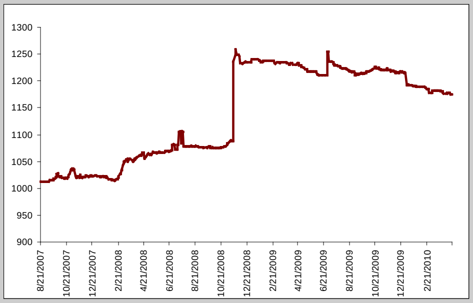
Nigeria's state governors vowed on Thursday to go to court to stop the government putting oil revenues into a sovereign wealth fund. Africa's top crude producer has been moving closer to joining its OPEC partners in creating a sovereign wealth fund for long-term investment of its oil cash. The governors, who enjoy luxurious lifestyles and wield huge patronage, had been opposed to the fund because they feared it would reduce their share of the oil money. The country pumps over 2m barrels of oil a day but economists say revenue over the decades has been wasted on bloated government wages, a vast patronage network that gets costlier closer to election time, or plain embezzlement.

The sovereign wealth fund aims to tie up a portion of the oil cash in a government-run investment portfolio, buying anything from mainstream assets such as stocks and bonds to direct foreign investment. Nigeria is one of only three OPEC members that does not have such a fund. Nigeria's oil earnings over a benchmark price are currently paid into the Excess Crude Account (ECA), which is meant to be for the benefit of future generations or cushion against oil price shocks. But there is little oversight of it and it is often raided even when oil prices are high. It now contains around USD 8bn and is distributed between the three tiers of government, including the 36 states.

Last year, the governors went to court to try to block the fund's creation, arguing it was unconstitutional for the federal government to control all excess oil funds, instead of distributing them. The 36 governors have said they do not trust central authorities to manage the fund. Nigeria's finance minister Ngozi Okonjo-Iweala seemed to have talked them around in June, and they agreed to it. As a compromise the sovereign wealth fund is supposed to start with just USD 1bn. But Okonjo-Iweala made it clear last month she wants it to replace the ECA. "On the Excess Crude Account, the forum unanimously decided to head back to court to enforce the federal government's adherence to the constitution," a joint statement by the governors said. *(Reuters)*

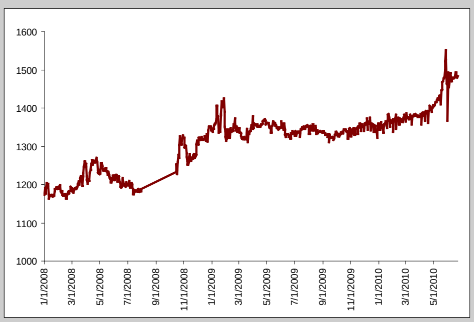
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The DSEI closed 0.61 points (+0.16%) higher at 1,454.42 points. TCC gained 3.63% to close at TZS 4000, CRDB gained 2.22% to close at TZS 115 and Swissport gained 1.47% to close at TZS 1 380. NMB, Simba, Twiga, TOL remained unchanged. TBL lost -2.24% to close at TZS 2 620.

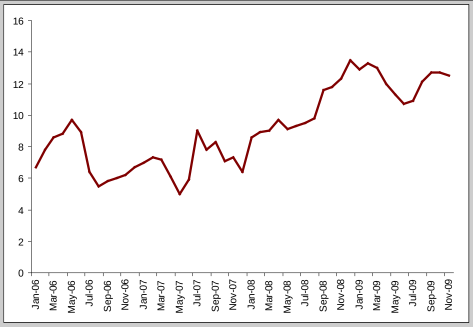
Corporate News

No Corporate News this week

Economic News

Tanzania's energy minister has ordered a review of all contracts with oil and gas exploration companies by November 30, saying some were not in the country's interest and should be revoked, adding to measures already under way to overhaul the country's energy policy, newspapers reported on Sunday. Earlier in September, state-run Tanzania Petroleum Development Corporation (TPDC) delayed a licensing round for nine deep-sea oil and gas blocks previously set for this month until a parliamentary vote on a new gas policy in October. Tanzanian newspapers quoted Energy and Minerals Minister Sospeter Muhongo saying that the incoming board of the TPDC had until the end of November to complete the review of contracts. "Some of the agreements are really shoddy and they need to be revoked," Muhongo was quoted saying in the privately-owned Guardian on Sunday newspaper. "I can't tolerate agreements which are not in the country's interest but they benefit a few individuals." Newspapers reported that the nine board members were handed bags containing the 26 existing production sharing agreements and told to start work right away.

East Africa has been a focus of hydrocarbon exploration after substantial deposits of crude oil were found in Uganda in 2006 and major gas reserves were discovered in Tanzania and Mozambique. In June, Tanzania - which already uses some of its natural gas to produce electricity and to power industry - said it had nearly tripled its estimate of recoverable natural gas reserves to up to 28.74 trillion cubic feet (tcf) from 10 trillion following recent major discoveries. Opposition lawmaker Zitto Kabwe has urged the government to impose a 10-year moratorium on issuing new licences. Tanzania's energy ministry has been in talks with the country's largest gas producer - PanAfrican Energy, a unit of Toronto-listed Orca Exploration - over payment of USD 33m. A parliamentary investigation said last year that PanAfrican had denied TPDC a share of gas revenues, a finding that Orca strongly rejects. Among other companies exploring in Tanzania are Norway's Statoil, Ophir Energy and BG Group, which have all made significant offshore natural gas discoveries offshore. Others include Canada's Wentworth Resources, which along with its partners is building a 532 km gas pipeline from Mtwara in southern Tanzania to



Source: SAR

the commercial capital Dar es Salaam at a cost of USD 1.06bn, expected to take 12-14 months to complete. *(Reuters)*

TANZANIA needs to strike a balance between imports and exports to raise gross official reserves to at least 4.5 months of imports of goods and services, Bank of Tanzania (BoT) Deputy Governor Juma Reli has said. Speaking at an African Export-Import (Afreximbank) roadshow in a Dar es Salaam hotel on Monday evening, the deputy governor advised the country to increase exports, particularly tourism to achieve the target. He said Tanzania was currently a net importer, with total imports for 2011 reaching 8.65bn US dollars against exports of 5.66bn dollars, commending the important role Afreximbank was playing to promote trade in Africa.

BoT's support in trade financing, he said, was even more critical at the time when the global economy was experiencing many challenges which have the potential to significantly reduce trade volumes and the supply of offshore funding. "We note that Afreximbank has remained strong in the midst of these challenges, as evidenced by its 40% year-on-year growth in loan approvals to 3.75bn dollars in 2011," Mr Reli said. Tanzania is one of the founding shareholders of Afreximbank, which staged the roadshow with the main objective being to increase awareness of the organisation and its products in the local market. Afreximbank was established in October 1993 as a Pan African Exim Bank to stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit oriented financial institution. Mr Reli said the central bank was encouraging increased private sector credit, currently projected to grow at 20% in the 2012/2013 fiscal year. "It's expected that Afreximbank's financing facilities will greatly contribute to the achievement of this noble goal."*(Daily News*

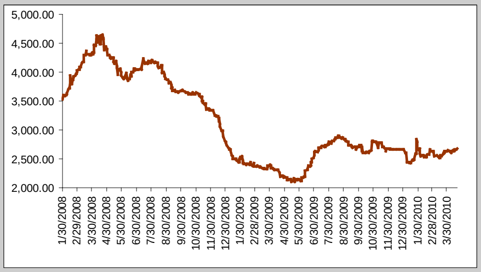
Tanzania will not revoke existing oil and gas contracts, its energy minister said on Tuesday, two days after he was widely reported in local media saying unfavourable deals would be scrapped. East Africa is a new hotspot in hydrocarbon exploration after substantial deposits of crude oil were found in Uganda in 2006 and major gas reserves were discovered in Tanzania and Mozambique. Some of the world's biggest energy firms jostling for space in the region are finding themselves negotiating with governments that are themselves learning how to negotiate energy contracts. Energy and Minerals Minister Sospeter Muhongo confirmed a review of all Production Sharing Agreements that had been ordered but said this was because east Africa's second biggest economy was preparing a new gas policy. "We are not trying to stop any business. We will not revoke any contract, we will respect all contracts," Muhongo told Reuters.

There was no immediate reaction from the companies exploring in Tanzania, including Norway's Statoil, Ophir Energy and BG Group, which have all made significant offshore natural gas discoveries offshore. Muhongo said the review was procedural. It was critical, he said, officials were familiar with the terms of old contracts to avoid making mistakes as they drew up new deals. Earlier this month, the state-run Tanzania Petroleum Development Corporation (TPDC) delayed a licensing round for nine deep-sea oil and gas blocks previously set for this month until a parliamentary vote on a new gas policy in October. "Right now as a country, we are in the gas boom and we don't have gas policy in place. In June, Tanzania - which already uses some of its natural gas to produce electricity and to power industry - nearly tripled its estimate of recoverable natural gas resources to up to 28.74tn cubic feet (tcf) from 10tn following recent major discoveries.

Muhongo said he had been misquoted in Tanzania's local media over the weekend. "The review of the 26 existing contracts should not frighten anyone," the minister said. Recent gas strikes off east Africa's seaboard have led to predictions the region could become the third largest exporter of natural gas on the planet. Muhongo denied Tanzania was looking to shift the goal posts. "Our country is reviewing its policy. Is that something new?" he said. "We want both the companies that are investing in the country and Tanzanians to benefit from the oil and gas projects." The speed with which east African countries like Tanzania adapt to their newfound resources could determine whether the region lives up to its reputation as the latest great oil and gas frontier, with big implications for global energy flows as well as regional energy flows. "This is completely new business to us. We are learning," Muhongo said. *(Reuters)*

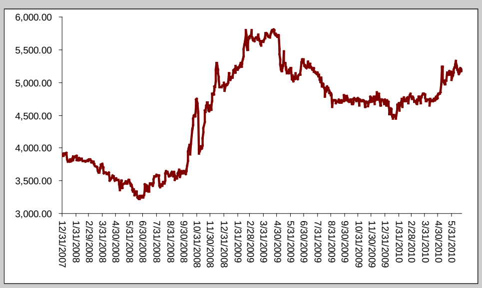
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The LuSE index ended the week 0.93% higher at 3,713.15 points. BATZ was the only gainers after adding +3.33% to ZMK 1 550. Zain was the biggest loser after shedding -0.28% to ZMK 701 followed by CECZ, down -0.15% to ZMK 684.

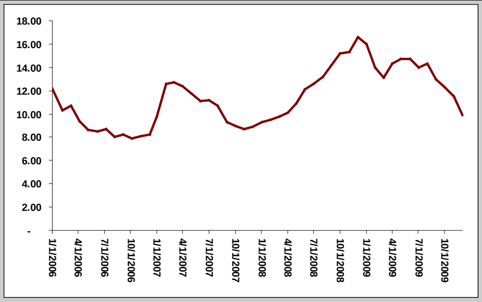
Corporate News

No Corporate News this week

Economic News

BANK of Zambia (BoZ) says the success of the currency rebasing exercise will largely depend on partnership with commercial banks. And Bankers Association of Zambia (BAZ) has congratulated Government through the Ministry of Finance and BoZ for the successful launch of the debut Eurobond of USD 750m. BoZ Deputy Governor Administration Tukiya Kankasa-Mabula said in all measures being put in place to improve the economy, commercial banks have a very crucial role to play. She said the rebasing of the currency exercise will have implications on business in the economy including changes to accounting software, tax aspects, ATMs and cash registers. “Given the improved economic performance, it has become necessary to re-align and configure our currency in line with the macroeconomic fundamentals. “The expectation is that all commercial banks support the central bank to ensure that collectively, we build a financial sector that is modern and responsive to the needs of our economy,” Dr Mabula said. The Deputy Governor was speaking on Friday night during the BAZ annual ball at Lusaka’s Hotel Intercontinental. Dr Mabula said the low level of inflation, coupled with favourable macroeconomic conditions, provided an opportune time to rebase the Zambian currency.

She said despite the policy changes embarked on, there remains a lot to be done in the areas of financial inclusion, financial education and consumer protection in the banking industry. Dr Mabula said in this regard, BoZ has developed branchless banking frameworks and a national strategy for financial education in partnership with other stakeholders. She commended the commitment that BAZ has made in the revised code of banking practice relating to the provision of ‘no frills account’ to certain segments of the population. Dr Mabula said “The central bank will be interested to receive information on how BAZ is performing in the area of financial inclusion as they have issued a ‘practice note’ to assist commercial banks overcome some of the know your customer challenges faced”. And BAZ chairperson Friday Ndhlovu said interest so far expressed in the bond is reflective of the confidence investors have in the Zambian economy and the people.



Source: SAR

"It is an undeniable fact that the country is poised for growth if only the current economic potential is tapped," he said. Mr Ndhlovu said BAZ recognises the important role that banks play in facilitating trade and commerce hence their commitment to BoZ, the public and the government. He said BAZ will remain committed to ensuring that the banking industry continues to deliver the benefits of competition to the Zambian banking customers and the public. *(Daily Mail)*

AFRICAN Development Bank (AfDB) has commended Zambia on the successful issuance of the USD 750m Eurobond, saying political stability coupled with 7.7% economic growth rates over the period 2009-2012 have contributed to the successful issuance. AfDB country representative Freddie Kwesiga says the economic strides the country has posted over the years have positioned Zambia as a stable investment destination with moderate risk of default thus being in the position to borrow easily from the external market. Dr Kwesiga said in response to a Daily Mail query that Government should ensure that proceeds from the Eurobond are used to finance infrastructure development primarily energy and transport to enhance the energy sector and open up new industries in rural regions. He said AfDB stands ready to partner with Government in the mitigation of power deficits currently being experienced, saying the bank has injected funds in the development of the Itezhi-Tezhi power project.

"The bank will continue to augment government's efforts in infrastructure development by financing trans-boundary infrastructure projects such as Kazungula, Mpulungu, Lake Tanganyika and East Africa Energy Interconnector Power Pool and provide capacity building to ensure the successful implementation and maintenance of these projects", he said. Dr Kwesiga also said there is need to allocate funds to the agricultural sector adding that Government should focus on smart subsidies that encourage private sector investment through public-private partnership (PPP) arrangements. He said the bank's African legal facility will provide technical and legal assistance to the PPP unit in the ministry of Finance to ensure the operationalization of PPP financing of projects and ensure that the benefits of the bond accrue immediately. *(Daily Mail)*

THE Kwacha is likely to strengthen in the medium term on the back of the USD 750 million Eurobond as most traders in the market position themselves for the expected inflows. According to the Barclays treasury newsletter, real impact of the USD 750 million Eurobond is yet to be seen on the currency. Monday's trading session, opened at K4,960/80. However, a mismatch in demand and supply, led to the local currency, depreciating against the greenback by K20 in the mid-morning session. The Kwacha weakened by a further K20 in the afternoon session to close at K4,990/K5,010. The bank further notes that liquidity dipped further on Monday to K341.50bn from K547bn in the previous session. "Overnight interbank interest rates rose to 7.72% from 7.53%, representing appetite for liquidity," notes the bank. The central bank was in the market in its Open Market Operations through term deposits and a total of K 300bn was on offer. Barclays adds that bids were accepted at rates of nine% on seven days and 14% on 28 days. Standard Chartered Bank however notes that the market was very quiet and no major activity was registered on Monday. "Yesterday the market opened K4, 970 to K4, 990 and closed 10 points weaker. Today (Tuesday) we expect activity to pick up. Focus range is K4, 950 to K5, 050," adds that bank.

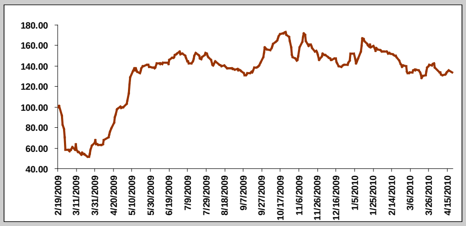
Meanwhile, the Lusaka Stock Exchange (LuSE) All Share Index closed at 3,710.64 points up by -0.33% from previous week closing of 3,698.32 points. The year to-date in Kwacha was down by 6.41%. LuSE weekly news reports that a total of 134,272,865 shares were transacted in 205 trades resulting in total turnover of K3.8bn. The most active stocks were registered in Standard Chartered Bank Plc, Puma Energy Plc and Copperbelt Energy Corporation Plc. Further trading activity was recorded in African Explosives Zambia Plc, British American Tobacco Zambia, Celtel Zambia Plc, Lafarge Zambia Plc, Real Estate Investments Zambia Plc, Others are National Breweries Plc, Zambeef Products, Zambia Breweries Plc, Zanaco Bank Plc and First Quantum Minerals Zambia Plc. *(Daily Mail)*

Zambia plans to spend USD 5.6bn on building roads over the next five years under a programme to modernise infrastructure in Africa's top copper producer, a presidential spokesman said on Wednesday. About 2,300 km (1,430 miles) of roads would be built at a cost of 7.9 trillion kwacha under the first phase of the project, which is due to start this week, President Michael Sata's spokesman, George Chellah, said in a statement. "The launch of this project signals the beginning of the revolution to modernise Zambia," Chellah said. A second phase will cover 3,049 km of roads at a cost of 11.25 trillion kwacha, while the third will upgrade 2,862 km of roads at a cost of 9 trillion. According to the U.S. Central Intelligence Agency's World Factbook, Zambia has about 20,000 kms of paved roads and 71,000 kms of unpaved roads. The southern African country this week sold a debut USD 750m Eurobond, whose proceeds will be used to upgrade infrastructure, particularly in the transport and energy sectors. *(Reuters*

A unit of China Nonferrous Mining Corp has won Zambian approval to build a USD 832m copper mine that will add 60,000 tonnes to the country's annual output of the metal, a company spokesman said on Thursday. Zambia's environmental management agency, whose approval is required for all large infrastructure projects, has allowed NFC Africa Mining Corp to proceed to with its South East Ore Body Project, about 400 km (250 miles) northwest of Lusaka, NFC Africa spokesman Nelson Jilowa told Reuters. The building will start this year, Jilowa said. NFC Africa would build a copper processing plant and sink four shafts for production, services and ventilation, he said. The copper concentrate will be processed further at the Chinese-owned Chambishi Copper Smelter or other smelters located on the Copperbelt, Jilowa said. The South East Ore Body had copper ore reserves estimated at more than 76m tonnes at an average grade of 2.18%, according to a document submitted to the environmental agency. *(Reuters)*

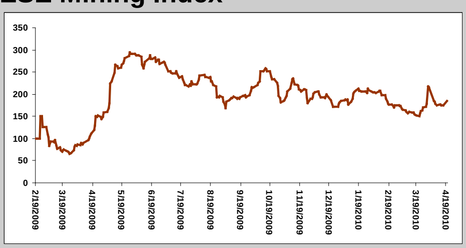
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

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

Source: World Development Indicators

CPI Inflation

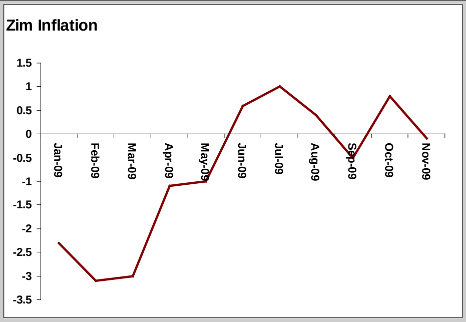
Stock Exchange News

The industrial index closed the week 1.72% higher at 142.43. The mining index closed the week 16.18% higher at 93.50. Falgold, Willdale and ZBFH were the top gainers of the week, up 93.80%, 50.00% and 27.78% respectively. While Trust, Pioneer, Phoenix and LifeStyle recorded the most significant losses, down 50.00%, 40.00%, 20.00% and 20.00% respectively.

Corporate News

DELTA Corporation is pressing ahead with its plans to reduce the discount threshold to wholesalers of its beverage products under a raft of measures being strongly resisted by the wholesalers and retailers' lobby group. The newly formed Beverage Wholesalers and Retailers Association of Zimbabwe plans to discuss its grievances with Delta's senior management. Before the latest move, wholesalers enjoyed a 5% discount on purchases. Under the revised agreement Delta seeks to reduce this to 2,6%. "As a consideration for stocking and wholesaling the products, Delta will grant a 2,6% off the price of products ordered by the wholesaler(s)," said a company spokesman. Delta corporate affairs director Mr George Mutendadzamera had not responded to e-mailed questions as promised by the time of going to print yesterday. But commenting on the related issues earlier, he had said the arrangement was not a new phenomenon. "It has always been the practice that our partners either wholesale or retail our products," he said. "This is so because as a distribution agent, any given wholesaler receives from Delta a discount on the wholesale price of our products which in turn allows that wholesaler to sell to our customers (retailers) at the wholesale (recommended) list price." But BWRAZ president Mr Isaac Kanjera said the members would meet Delta executives and obtain legal counsel before signing the agreement. "In terms of the value chain analysis of the business it (Delta) is not taking all the stakeholders into account," said Mr Kanjera. He said that while Delta wanted to reduce the percentage discount to wholesalers it required retailers to sell at recommended prices, which reduced the operators' margins.

The arrangement could affect all players along the value chain, as most of the wholesalers double up as retailers as well. BWRAZ also wants to meet Delta's senior executives to air their grievances over the proposals in the new agreement, which bars wholesalers from running bottle stores. "The wholesaler shall not, at any time during the continuance of this agreement, operate as both wholesaler and retailer for the products," reads part of the proposed agreement. The fresh agreement was meant to run for the 12 months starting from March this year, but most of the wholesalers only received copies of the new proposals last month. Wholesalers have expressed concern over the beverage manufacturer's plans saying it smacks of interference in their activities and want the firm to concentrate on production. Against this background wholesalers want Delta to leave distribution to independent players in order to eliminate a single dominant player's control over the entire value chain. Delta is the country's only



Source: SAR

manufacturer of lager beers and also holds a significant stake in spirits manufacturer and distributor African Distillers Limited. Earlier discussions between BWRZ and Delta operations director Mr Etherton Mpisaunga did not yield he desired results and the beverages association now wants dialogue with the firm's chief executive, Mr Pearson Gowero. The meeting with Mr Gowero would not take place over the last few weeks as he was abroad on business. *(Herald)*

Zimre Property Investment profit before tax doubled in the six months to June 30 to USD 1,44m buoyed by improved project sales. Profit after tax jumped 105% from USD 0,70m in the comparative period. Revenues closed the half-year period up 50% at USD 2,81m from USD 1,85m while administration and other operating costs went up 39% from USD 1,04m to USD 1,44m. In a statement accompanying the company's interim results, Zimre Property chairman Don Mothobi said the company would continue to develop its land banks in line with its strategic thrust and remain focused on the projects with short-to-medium-term returns. "Disposal of serviced stands in Zimre Park Masvingo is on-going with stands worth USD 1m sold over the past six months from January to June 30," he said. "Total sales achieved to date since the project went on sale in August 2011 is USD 2,14m, which represents a 43% recovery of total amount spent on the project."

He said the approvals of the Tynwald project comprising of 321 high density residential stands houses and a USD 4,5m cluster house development in Marlborough were at an advanced stage. Mothobi noted that debtors remained a problem as businesses faced the same liquidity challenges and consequently rising voids particularly on office and industrial space. "Unavailability of long-term debt finance continues to curtail activity in the property sector," he said. "Your company will focus on property developments for disposal in line with market needs and prevailing economic conditions." Average rentals according to Mothobi were stagnant at USD 7, USD 15 and USD 1,50 per square metre for offices, retail and industrial space respectively. "The average rent collection was 100% for the period," Mothobi said. "However, the collection curve was not a smooth one, indicating persistent debtor's problem emanating from the current liquidity challenges." He noted that the inability by the property sector to access long-term debt finance, coupled with lack of effective demand for new space had curtailed new large-scale property developments, confining most projects to refurbishment and small redevelopments. *(News Day)*

TELECEL Zimbabwe will install more than 200 new base stations by next December under an expansion programme targeted at ensuring the network covers 85% of the country. The project, following a USD 70m capital injection from new shareholders Vimpelcom, is estimated to cost between USD 30m and USD 40m. Chief executive Mr Francis Mawindi told a media briefing yesterday that Telecel was on an expansion drive that would increase coverage to 90% of the country over the next 12 months. "By the end of the year, we expect to have completed the installation of base stations at more than 200 new sites, bringing to more than 575 the number of base station sites we have," he said. "This should mean by the end of the year about 85% of the country's population will have access to Telecel's network. Next year we hope to push the coverage up to 90%." Network and capacity expansion would increase Telecel's subscriber base to 2,67m from 2,2m by December.

As it invests in infrastructure and capacity expansion, the firm is locating new base stations close to the power grid which would be equipped with back-up batteries and generators. The approach is meant to minimise disruption of service resulting from load-shedding. “We are also putting in back-up transmission links, so that, if a link fails, the standby link can be used, minimising any downtime and facilitating continuous network availability,” he said. Telecel has also installed and commissioned new intelligent network management systems to provide customers with more advanced value-added services. The platform will enable contract customers to check their bills the same way pre-paid customers check their airtime balance. Subscribers will also be able to set a limit on their accounts and when they reach the limit, will be able to buy and load airtime in the same way that the pre-paid customers do.

The country’s second largest mobile operator, after Econet, has also invested heavily in data services, which are accessible through most of the telecomms firm’s 2G base stations. Marketing and public relations director Mr Obert Mandimika said data services have grown exponentially since introduction and now account for 4,2% of revenue. Looking into future expansion, Telecel says it would consider listing on the Zimbabwe Stock Exchange as an option to raise funds. This will be one among several other options that include shareholders, vendor financing and buyer’s creditor facilities. But a listing on the ZSE would help the firm resolve its longstanding irregularity regarding the lopsided shareholding. On licensing, Telecel said it was committed to restructuring the shareholding to a 40-50% arrangement in favour of locals. While the shareholders have not addressed the anomaly 15 years later, Mr Mawindi said there was sufficient commitment from owners to comply with the laws of the country.

The firm says part of its social corporate responsibility was to enhance universal access to mobile telecommunication services. Telecel is credited with the drastic fall in the price of sim cards in the country with its mobile lines selling for just 50 cents. Russian telecomms giant Vimpelcom now indirectly controls Telecel Zimbabwe after it acquired the majority stake in Orascom of Egypt, which wholly owns the local company *(Herald)*

ZIMBABWE’S largest telecoms company, Econet Wireless Zimbabwe, announced Tuesday that its customer base has surged to over 7m connected users from 6.4m in February. In a statement, the company, which will report on its half year results in the second week of October, said that after a slow start due to capacity constraints which had resulted in shortages of Buddie lines, the number of connected users had surged forward to 7.1m. The company said it had increased capacity significantly to about 8.5m customers and had mopped up the backlog in demand. “Demand for Econet lines is extremely high and when the company temporarily suspended issuance of new lines, a black market for its lines immediately emerged, with people paying over USD 20 for a Buddie line, even though a smaller operator was selling lines at just USD 1,” the company said.

“Econet Wireless assures its customers that the shortage of lines is a thing of the past and that it has capacity to go right up to 8.5m.” Meanwhile, CEO Douglas Mboweni, said that he is now satisfied that over 90% of Zimbabweans businesses are Econet customers, under its Business Partna brand. “Our research shows that corporate Zimbabwe, both big and small, gets its service from Econet,” Mboweni said. “We are very pleased to see that the most serious business users are our customers now. We are working hard to ensure that we give them the services they need," he said. Econet has invested more than a billion dollars in network development since launching operations in the country in 1998. The company, which controls 70% of the local market, says it is on course to achieve 100% coverage of the whole country well before its 2015 target. *(New Zimbabwe)*

OLD Mutual intends to invest about USD 200 million in private equity and infrastructure next year, outgoing chief executive Mr Luke Ngwerume said yesterday. "We are hoping that at least USD 100 million will be invested in private equity next year," said Mr Ngwerume in an interview with the Herald Business. "We would also want (to invest) USD 100 million per year in infrastructure. We really like infrastructure. It is a very good way of stimulation. We were the major source of funding for Zesa, Hwange, Ziscosteel (now NewZimsteel) and municipalities. It is not that we have money in our bank (account) but we have realised that we have potential to raise capital." Mr Ngwerume, who is set to leave the company end of this month, said the sectors that would be targeted include mining, agriculture, tourism and services. Currently, Old Mutual's investment in private companies is around USD 80 million. Its portfolio on the Zimbabwe Stock Exchange is about USD 300 million, said Mr Ngwerume. On the Distressed Industries and Marginalised Areas Fund, Mr Ngwerume said about USD 14 million had been disbursed so far, and Bulawayo has received half of the funds. He said the DiMAF was meant for struggling companies that have potential to turn around. DiMAF was established as a solution to reverse the trend of company closures.

Government was supposed to contribute USD 20 million to the fund, with Old Mutual chipping in with the other USD 20 million. On the Youth Fund, about USD 1,6 million has been disbursed. Mr Ngwerume said a team of 10 professionals has since been set up to oversee implementation of the programme. Old Mutual set up the USD 10 million youth fund which is being administered by CABS as part of meeting its indigenisation and empowerment obligations. Mr Ngwerume said the fund was set after realisation of limited employment opportunities. "The young people they don't have employment opportunities but we have got to empower them. So two and a half percent (of the company's shareholding) was donated to a trust and that is now being used as security to CABS. The collateral is the (businesses) idea, model and on that we can lend," he said. Mr Ngwerume said Old Mutual was fully committed to fully comply with the country's indigenisation and empowerment laws. The indigenisation requires foreign-owned companies to turn over at least 51% of their shareholding to locals. "We are thinking (on how to fully comply) but I can assure you that the solution that we will come up with will be broad based," said Mr Ngwerume. "In the process, instead of making the cake smaller, we will make it larger. There are no two ways. It's either we pack our bags but as long as we are here we will comply." On the state of the insurance industry, Mr Ngwerume said despite penetration levels being low as compared to the pre-hyperinflation environment, the upside potential is huge. Commenting on prospects of the economy, he said Zimbabwe was poised for growth. *(Herald)*

BINDURA Nickel Corporation will start exporting in the first quarter of next year, as the reopening of Trojan Mine begins, chairman Mr Kalaa Mpinga said yesterday. The nickel miner raised about USD 21m through a rights offer, enabling it to restart Trojan Mine, placed on care and maintenance in

September 2008. "The USD 21m will allow us to start and we should be able to start exporting concentrate in the first quarter next year," Mr Mpinga told an annual general meeting. "We are now out of the intensive care and, next year, will probably leave the hospital." Mr Mpinga said a full recapitalisation of USD 33m is required for BNC to achieve an average 7 000 tonnes of concentrate a year over a three-year period. Chief operating officer Mr Batirai Manhando said an additional USD 12m would be raised through debt. This would be much easier when the mine resumes operations. In an update on plant maintenance, Mr Mpinga said repairs had covered the main rock shaft bunton sets, main rock shaft ore, bin and waste conveyors, crushing plant steel structures, electrical panels and electric cables, overhauling crushers, conveyors and screens and hot commissioning of the crushing circuit.

He said work on the main steel structures in the milling section remained to be done. Mr Manhando said the new shareholding structure of the company to be announced soon would reflect the new holdings of Mwana Africa plc, which underwrote the rights issue and ownership of creditors and staff.
About 67,18m shares, out of 700 073 894 shares offered, were taken up by shareholders or third parties who acquired rights, through the ZSE. The remaining shares were taken up by the underwriter, Zimnick Limited, a wholly-owned subsidiary of Mwana Africa Plc. The rights offer take-up represents a 9,6% subscription. *(Herald)*

Hwange Colliery Company Limited (HCCL) returned to profitably in the first six months of the year on the back of the introduction of cost-cutting measures and firming demand for coke in the region. Net profit for the six months to June 30 was USD 500 000 from a loss of USD 1,5m over comparative period last year. Sales revenues were up 6% to USD 51,8m. Administrative costs declined to USD 10,9m from USD 16m over the same period last year. In a statement accompanying the HCCL's interim results, company chairman Farai Mutamangira said the recapitalisation programme being carried out would result in improved production performance. "The company's unaudited net profit after taxation of USD 512 006 compares favourably to the USD 1,5m loss recorded for the same period in 2011," Mutamangira said. "This improved financial performance is attributed to a favourable sales mix and aggressive cost management decisions adopted by the company." HCCL's finance costs almost doubled to USD 899 000 from USD 453 000 attributed to high borrowing costs on the short term working capital secured from local financial institutions.

He said the commissioning of USD 6,3m equipment under a pre-purchase financing structure and the awarding of tenders for the supply of mining equipment worth USD 40m, was underway. "The company will continue to meet some of its recapitalisation requirements organically, while actively pursuing negotiations for working capital facilities with financial institutions," Mutamangira said. During the period under review, HCCL recorded a 261% increase in coke sales from 18 943 tonnes to 68 336 tonnes as a result of firming demand from regional markets. Coking coal sales decreased from 364 688 tonnes 270 276. There was, however, a significant jump in the sales of coal fines and breeze to 206 753 from 108 476 tonnes. Mutamangira said the Enterprise Planning System implemented by the company beginning in May, had resulted in the redundancy of over 200 jobs. "A retrenchment exercise is currently underway and this is expected to result in the reduction of overheads," he said. *(News Day)*

Economic News

ZIMBABWE plans to raise power output to 10 000 megawatts in line with targets for a USD 100bn economy by 2040. The Government was thus committed to continue investing in new power generation capacity to close the supply gap. Addressing the Mining Indaba last week, Zimbabwe Energy Regulatory Authority chairperson Mr Canada Malunga said Government had recently launched its National Energy Policy. This calls for capacity expansion of 800MW at the Batoka Gorge hydropower power station by 2020 and 300MW at the Kariba South hydroelectric power station by 2016. The country is already pursuing a number of smaller hydropower plants, after issuing licences to independent power producers.

Speaking at the same forum, Zimbabwe Power Company managing director Mr Noah Gwariro said the power utility intended to invest USD 900m in existing plants to increase production capacity, as provided for in the energy policy. ZPC would extend the Hwange Power Station's capacity by 600MW. Mr Gwariro said the power projects were at an advanced stage of development and would add 900MW to the national grid by 2016. Expansion of Hwange and Kariba South was so far between 80 and 90% complete, while work on development of the Lupane gas project was 10% complete. Mr Malunga said the new energy policy acknowledged the role of renewable-energy sources and that the power regulator was working on an Independent Power Producers policy framework that the Government would have to consider.

This would assist in crafting a renewable energy policy framework and drafting a tariff framework for renewable energy technology. The regulator has licensed various large electricity generation projects, investing in 11 new projects with a combined capacity of about 5 400MW and valued at USD 10bn.
Mr Malunga said all the new electricity projects would be expected to join the Southern African Power Pool. Zimbabwe faces a crippling power shortage and is at present able to generate about 1 200MW against the peak period national demand of about 2 200MW. The power deficit has spawned frequent power cuts to industry, commerce and domestic users and has become a major obstacle to the recovery of the fragile economy. There have been no significant investments since independence in 1980.

Zimbabwe relied on imports since there was surplus in the region and had the resources to do that because the economy was performing well. But growing demands from the region and the economic instability over the last decade meant the country had neither the resources nor sufficient supplies from the region.*(Herald)*

Government has engaged Japanese and Chinese investors to set up a mining exploration company, a senior official has said. The Mining Promotion Corporation will be charged with conducting mineral exploration throughout the country to ascertain Zimbabwe's reserves of various minerals. The corporation will be a subsidiary of the Zimbabwe Mining Development Corporation. Mines and Mining Development Deputy Minister Gift Chimanikire said it was crucial to secure foreign partners with the requisite technologies and finance for mineral exploration. "The mining industry has revolutionised, exploration is now done by satellite. On our own we don't have the capacity to set up that company, so we are talking to Japanese and Chinese investors who are expected in the country next month," he said. Mr Chimanikire said presently at least 40% of the country was not explored. He said Government was targeting to have the company in place before the end of this year. .*(Herald)*

THE International Monetary Fund (IMF) executive board meets next month to decide whether or not it should have an accelerated engagement on Zimbabwe. If the board rules in Zimbabwe's favour, it would open the taps for lines of credit badly needed to revive the economy after a decade of recession. The meeting comes after Zimbabwe has made strides in embracing reforms, with the assistance of the global lender. Finance minister, Tendai Biti, said Zimbabwe was confident of a positive result from the meeting. "We believe that our macro-economic fundamentals are sound," said Biti. "Sterp (Short Term Emergency Recovery Programme) is on course. MTP (Medium Term Plan) is on course and there should be no reason at all why a positive decision should not be made in our favour."

He said the positive outcome would enable Zimbabwe to deal with its arrears clearance plan. Zimbabwe's debt, Biti said, prevented the country from accessing the necessary levels of capital finance at the IMF, World Bank and African Development Bank (AfDB). As at June 30, Zimbabwe's arrears to the IMF stood at USD 135m under the Poverty Reduction Growth Trust, while USD 932m was owing to the World Bank and USD 570m to AfDB. Zimbabwe's total external debt stands at over USD 9bn and has been termed as unsustainable up to 2029. The re-engagement meeting also comes after a joint IMF/World Bank visit to Zimbabwe in June as a follow up to meetings in Tunisia and Washington DC where consensus was built among all creditors and other stakeholders over the process of resolving the country's external debt.

Early this year, principals in the inclusive government approved the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy that uses a combination of debt relief and resources pledging to clear the country's debt. Next month's meeting would come up with recommendations on how Zimbabwe's indebtedness should be tackled. According to a joint IMF/World Bank approach to debt reduction, no poor country faces a debt burden it cannot manage. Under its Heavily Indebted Poor Countries (HIPC) initiative, 36 countries 30 of them from Africa have benefited from the USD 76bn in debt-service relief over time. HIPC is complemented by the Multilateral Debt Relief Initiative that allows 100% relief on eligible debts by three multilateral institutions IMF, World Bank and the AfDB for countries completing the HIPC Initiative process.

To qualify for HIPC, a country should be able to borrow from the World Bank's International Development Agency, which provides interest-free loans and grants to the world's poorest countries. A country should also have faced an unsustainable debt burden and established a track record of reform and sound policies through IMF and World Bank supported programmes. It should also have developed a Poverty Reduction Strategy Paper (PRSP) through a broad-based participatory process.
Once a country has made sufficient progress in meeting these four criteria, the Executive Boards of the IMF and World Bank formally decide on its eligibility for debt relief, and the international community commits to reducing debt to a level that is considered sustainable. *(The Standard)*

ZIMBABWE's economy is in a state of limbo as growth projections made

by Treasury are not likely to be achieved, economic analysts have said. In his state of the economy report for July to August 2012, Finance minister Tendai Biti said the economy remained depressed, with funding challenges for both the private and public sectors, despite the prevailing stable macro-economic environment. Exports and imports maintained an upward trend, cumulatively reaching USD 2,16bn and USD 5,1bn respectively by end of August 2012. However, this gave a USD 3bn trade gap, worsening the trade deficit. He said major challenges bedevilling the economy included revenue underperformance, an acute liquidity crunch, underfunding of government programmes, low foreign investment and a continued high debt overhang blocking any new financing.

In his Mid-Term Fiscal Policy review statement, Biti cut growth projections to 5,6% from 9,4% and attributed this to the underperformance of the diamond revenue. Economist, John Robertson, said the 5% economic growth expected this year was highly unlikely to be attained. “We would really be lucky to grow by 2,5% this year, as it is difficult to tell where that growth will come from,” said Robertson. “Although gold production was up 13%, low prices countered this development. Tobacco production improved greatly, but this sector alone is insufficient to cater for the economy’s needs.” He said subdued prices almost cancelled out improvements witnessed. Mineral exports shipments accounted for the bulk of exports at 70,7%, due to high global demand and improved capacity utilisation, followed by tobacco at 12,3%, manufacturing at 7,9%, and agriculture at 8,5%. In July, revenues stood at USD 257,5m while the preliminary figure for August stood at USD 263m against targets of USD 271,2m and USD 280,7m respectively.

Biti has for long argued that Treasury was receiving insufficient remittances from diamond sales, a major factor that has affected government’s expenditure plans. Consequently, Treasury earlier this year revised the national budget downwards from USD 4bn to USD 3,4bn. Economist, David Mupamhadzi, said government’s failure to undertake critical development projects would negatively affect the economy as the nation’s needs remained high. “Government cannot meet expenditure prioritised for the year this will adversely affect service delivery as well as expenditure aimed at infrastructure development critical for economic recovery,” he said. He said government should seek alternative sources of finance and come up with a legal institutional framework for Private-Public Partnerships. Despite the relative economic stability achieved with the inception of multiple currency use, foreign investment has not been as forthcoming due to government policy inconsistency that forces investors to adopt a “wait and see” approach.

The investor apathy due to perceived country risk, has also partly led to liquidity challenges on the domestic market. During the period under review, bank loans and advances to the private sector increased by 5,02% to USD 3,23bn. Economic commentator, Eric Bloch, said the banking sector’s loan contribution in this regard to the private sector was too minimal to have a meaningful impact on the economy. “All businesses were left severely under-capitalised in the aftermath of the hyperinflation experienced in 2008. There is need for substantial recapitalisation to get industry ticking again,” he said. Biti recently travelled to South Africa to meet his counterpart Pravin Gordhan requesting a USD 100m budgetary support. The South African government indicated last week that it would open its purse if Zimbabwe negotiated for the financial aid in the letter and spirit of the Global Political Agreement, which gave birth to the coalition government in 2009. *(The Standard)*

ZIMBABWE'S headline inflation has maintained a downward momentum from the previous month, going down 0,31% to 3,6% in August as economic activity remains depressed. Low or moderate inflation is generally attributed to fluctuations in real demand for goods and services. Latest figures from the Zimbabwe National Statistical Agency show that the annual rate of inflation went down rather significantly in August after taking a marginal dip in July. "The year-on-year inflation rate for the month of August 2012 as measured by the all-items Consumer Price Index stood at 3,63% on the July 2012 rate of 3,94%," reported Zimstats. In normal situations, a decline in the rate of inflation would be welcome. But with the country currently facing significant inflationary pressures emanating from among others the poor harvest in the current season, demand for rental accommodation and increasing utility prices, observers believe the downturn in annual inflation lately is largely due to poor economic performance.

Analyst Mr Trust Chikohora said the low inflation is due to the fact that the demand side of the economy has been depressed since the beginning of the year and this is reflected through reduced appetite for goods and services in the economy. "Demand is generally depressed as consumers have very limited cash-flows due to the prevailing liquidity crunch. Money supply continues to be low and availability of credit remains on the low side. The market remains a buyers' market and so prices tend to be subdued," he said. Since the beginning of the year, inflation has ranged between 4,3% (the highest, in January) and 3,63% (the lowest, in August) and largely remains within the 5% target for the year. Zimstats figures show that food and non-alcoholic beverages are the major contributors to annual inflation which is prone to transitory shocks at 4,20%, while non-food inflation stood at 3,38%.

Meanwhile, month-on-month inflation also went down during the period under review. "The month-on-month inflation rate in August 2012 was 0,18 shedding, 0,41 percentage points on the July 2012 rate of 0,23%," said Zimstats. The month-on-month food and non-alcoholic beverages inflation stood at -0,11% in August 2012, shedding 0,09 percentage points on the July 2012 rate of -0,02%. The month-on-month non-food inflation stood at -0,21%, shedding 0,54 percentage points on the July 2012 rate of 0,33%. In terms of outlook, observers contend that the inflation rate will remain in the targeted band, although upward shifts can be expected in the interim. "Lately, we have seen some increases in the fuel price, but this may not yet have had an impact on the general level of prices," said Mr Chikohora. "Such inflationary pressures may have some impact later on in the year and as we get into the festive season, especially with cash boosts like bonuses which usually drive spending. However, we should still close the year with inflation levels of not more than 5% as forecast in the Budget." *(Herald)*

AfrAsia Kingdom Zimbabwe Limited founder and director Nigel Chanakira has blamed the skewed distribution of bank deposits for the relatively low confidence in the local banking system. In a presentation to delegates attending the just-ended Mining Indaba in the capital, Chanakira said the absence of an effective lender-of-last-resort following the introduction of the multiple currency regime in 2009 had resulted in a high liquidity risk in the banking sector. The debt-ridden Reserve Bank of Zimbabwe (RBZ) is currently undercapitalised to carry out this function with analysts saying the country's largest bank CBZ, which carries out the bulk of banking transactions, assumed the de facto role of lender-of-last-resort. “Skewed distribution of deposits reflects high liquidity risk and low confidence in the sector. About 60% of the deposits are concentrated in five banks,” Chanakira said. “This has been perpetuated by the government, which has converted one commercial bank into a central bank in the presence of the RBZ.” Official figures show that total deposits had grown by a phenomenal 1 097% from USD 300m in February 2009 to USD 3,64bn in July 2012. Chanakira said although deposits had increased reflecting growing confidence in the banking sector, the recent closures of local banks had dented that confidence. Figures from the central bank show that 90% of bank deposits are transitory.

The country’s top banks by deposits as at June 30 were CBZ (USD 672,09m); BancABC (USD 363,78m); Stanbic (USD 332,80m); Cabs (USD 283,61m) and Standard Chartered (USD 281,31m). The major sources of deposits are services, individuals, financial firms and building societies, while the loans derived from those deposits are mainly taken by distribution, manufacturing, agriculture, services sectors and individuals. Despite its 50% contribution to national exports, the mining sector contributes only 3% of total bank deposits and 7% loans and advances. Loans have grown by 2 772% from USD 100m to USD 3,2bn during the same period. The loans derived from deposits were mainly taken up by distribution, manufacturing, agriculture, services and individuals. The number of operating banking institutions (including POSB) declined to 25 from 26 following the voluntary surrender of a banking license by Genesis Investment Bank while Renaissance Merchant Bank converted into a commercial bank. *(News Day)*

Zimbabwe's consumer inflation slowed further in August to 3.63% year-on-year from 3.94% in July, the statistics agency said on Monday. On a month-on-month basis inflation was at -0.18% from 0.23%. *(Reuters)*

China's Guangdong Bureau of Coal Geology plans to invest USD 3.5bn to build a 1,200 megawatt thermal power plant in Zimbabwe, local media reported on Tuesday. The southern African country currently generates about 1,000 MW of electricity, half of its peak demand, and is battling frequent power cuts which have affected industry and mines. A delegation from the Chinese company is currently visiting Zimbabwe to explore opportunities in the power sector, the state-controlled Herald newspaper reported. "We came here to observe and study the possibility of building a thermal power plant," Mu Yong, a director at the Chinese firm, was quoted as saying. "Our proposed budget is about USD 3.5bn for a 120m watts plant."

In July, Energy Minister Elton Mangoma told parliament that China Railway International, a subsidiary of China Railway Group and Zimbabwe's state power utility ZESA were planning to jointly run a coal mine that would supply a proposed 1,000 MW thermal power station. Finance Minister Tendai Biti has said Harare was negotiating with Beijing for a USD 350m loan to expand its Kariba South power station to provide an additional 300 MW of power to the current 750 MW, as Chinese interest in Zimbabwe's power sector grows. China's Sino Hydro is the sole bidder for the Kariba South project. *(Reuters)*

Trade between Zimbabwe and Indonesia continues to grow with more than 25 local business people expected to participate at the 27th edition of the Jakarta International Expo. Last year only 15 Zimbabweans showcased their products at one of the world’s biggest trade fairs in Jakarta while 10 Indonesians exhibited at this edition of the Zimbabwe International Trade Fair. The week-long expo will run from October 15 to 21 and more than 8 000 buyers and exhibitors around the world are also expected to showcase their products. Speaking to The Herald after a meeting with the business people on Tuesday, Indonesian Ambassador to Zimbabwe Mr Eddy Poerwana said the increase of the number was encouraging. “We are taking more than 25 Zimbabweans to Indonesia this year as compared to last year’s 15. “We have received an offer from our Government to bring Zimbabweans who can buy Indonesian products. “The idea is to link Zimbabwean business people with their Indonesian counterparts for them to form business synergies.

“The relationship has to be reciprocal to ensure mutual benefit for both countries,” he said. Ambassador Poerwana said he would also work to ensure that Indonesian business people come to Zimbabwe for the United Nations World Tourism General Assembly to be held in Victoria Falls and Livingstone next year. He said tourism was one of the fastest growing industries in the world. Ambassador Poerwana said most Zimbabweans going to Indonesia this year were interested in various business sectors. “Most of them specialise in textiles, medicine, processed food and furniture among other sectors,” he said. Ambassador Poerwana said there where already some Zimbabweans participating at the World Tobacco Asia 2012 Expo currently underway in Jakarta. The World Tobacco Asia 2012 Expo where the Tobacco Association of Zimbabwe is participating started last Wednesday. Indonesia has the world’s fastest-developing cigarette market and 30% of the estimated 248 million adult population smokes, which makes Indonesia the fifth largest cigarette market in the world. Indonesia is also a recognised tobacco friendly market with no smoking bans or other restrictions and regulations in contrast to other countries in the Far East. Another business delegation from Zambia is also expected take part at the Jakarta International Expo. *(Herald)*

State Enterprise and Parastatals minister Godern Moyo says the government is considering setting up a railway regulatory authority (RRA) to formulate, monitor and evaluate the railways industry. The authority would be in charge of licensing of operators and the provision of any necessary training, as well as ensuring that they have fair and equitable access to rail infrastructure.

Its responsibility would entail monitoring access and equipment contracts between infrastructure entity and operators, safeguarding and promoting interests of customers by protecting competitive and efficient rail transport. “The railway regulatory authority will be created to, among other things, regulate the railway industry and more importantly to ensure that rail safety standards and quality of service is maintained,” said Moyo. Moyo told NewsDay on Tuesday the regulatory authority would be set up at the same time as the planned restructuring exercise of the National Railways of Zimbabwe (NRZ). It is envisaged that the RRA would be self-financing and run along commercial lines. It will derive its revenue mainly from rail service providers licensing fees, concession fees, inspection or audit fees and government grants or loans.

Under the proposed turnaround strategy for the NRZ, the loss-making entity would be unbundled into three companies dealing with infrastructure, freight and passenger services whose operations and management will be totally divorced from each other. It is understood that the Attorney-General’s Office was working on a draft Railway Regulatory Authority Bill, which is awaiting Cabinet consideration of the memorandum of the principles of the proposed Bill. “The envisaged Bill provides for the creation of a Railway Regulatory Authority whose main function is to regulate in the following manner: promote competition and innovation; ensure that health, safety and environmental standards are complied with; ensuring fair play between and among players," Moyo said. "When established, the new regulatory body would be tasked with setting up and implementing norms for fair practice between infrastructure, freight and passenger entities." According to the proposal, RRA would attend to complaints about anti-competitive behaviour and arbitrate on disputes among railway industry players, encourage sound investment in rail transport, investigate accidents and carry out inspections or audits of rail service providers. *(Newsday)*

Zimbabwe Stock Exchange-listed transport and logistics concern Pioneer Corporation Africa's earnings per share for the six months to June rose to 0,12 cents from 0,01 cents recorded during the same period last year, buoyed by increased business from foreign subsidiaries. The group's profit from operations decreased to USD 353 000 during the period under review from USD 483 000 posted in the same period last year. Revenue marginally increased to USD 13,5m from USD 12,6m on the back of fluctuations in commodity and fuel prices. "The business environment continues to be challenging with incessant fluctuations in commodity and fuel prices," said Pioneer chairman Patrick Chingoka. "The liquidity deficit prevailing in the local market has presented challenges on working capital. "The group has managed to perform relatively well in the current environment due to an aggressive approach in meeting customers' needs." Revenues for the half-year improved by 5,6% to USD 13,58m (2011: USD 12,866) resulting in profit from operations of USD 352 000 in the first six months of the year.

Growth on revenues, Chingoka said, were organic and driven by an efficient and newer asset base. Last year Pioneer bought a fleet of trucks from rival logistics firm Unifreight. "Foreign subsidiaries continue to perform well and their reporting currencies are principally the South African rand and Botswana pula, which were converted to United States dollars at relevant cross rates for reporting purposes," Chingoka said. He said performance in the second half of the year is expected to improve, buoyed by the acquired assets, which will improve efficiencies in the medium and long term. "The recapitalisation programme has resulted in increased amortisation costs. "The business is now operating at efficient levels due to newer fleet," Chingoka said. Pioneer is one of four companies that failed to comply with the exchange's listing requirements when it missed the March 31 2012 deadline to publish its full-year results for the year ending December 31 2011. The company eventually complied. *(News Day)*

Notes

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