SECURITIES AFRICA

For week ending 22 June 2012

Weekly African Footprint

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

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

Currencies:

	22-Jun-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.12	0.00	-0.20
DZD	77.46	0.04	-2.95
BWP	7.54	0.75	-2.32
CFA	506.67	0.29	-2.41
EGP	6.03	-1.11	-0.34
GHS	1.92	-0.43	-18.22
KES	82.17	1.39	1.67
MWK	267.74	0.65	-64.87
MUR	29.56	-1.05	-5.08
MAD	8.72	-0.96	-1.69
MZM	27,760.00	0.14	-3.97
NAD	8.11	1.20	0.40
NGN	160.76	1.07	-0.61
ZAR	8.26	0.43	-1.01
SDD	264.30	-0.22	0.67
SDP	2,261.00	0.00	0.00
SZL	8.12	1.26	0.32
TND	1.58	0.23	-6.15
TZS	1,554.93	-0.12	0.35
UGX	2,447.44	0.06	-0.01
ZMK	5,087.75	0.93	-1.40

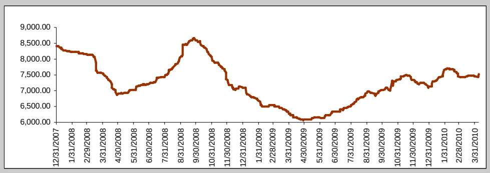
Source:oanda.com

African Stock Exchange Performance:

Country	Index	22 June 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,289.24	0.36%	1.11%	4.57%	2.20%
Egypt	CASE 30	4,031.60	-8.77%	-9.76%	11.30%	10.92%
Ghana	GSE All Share	1,032.83	0.13%	-0.30%	6.58%	-9.85%
Ivory Coast	BRVM Composite	147.83	0.31%	0.61%	6.44%	3.94%
Kenya	NSE 20	3,704.70	0.28%	1.70%	15.59%	17.55%
Malawi	Malawi All Share	5,954.98	0.19%	0.85%	10.91%	-32.73%
Mauritius	SEMDEX	1,780.58	-0.46%	-1.49%	-5.71%	-10.26%
	SEM 7	339.54	-0.47%	-1.51%	-3.08%	-7.76%
Morocco	MASI	10,034.72	-0.18%	-1.12%	-8.86%	-10.37%
Namibia	Overall Index	908.00	1.79%	3.03%	8.35%	8.78%
Nigeria	Nigeria All Share	21,394.77	0.99%	2.08%	3.20%	2.58%
South Africa	All Share	33,900.05	-1.38%	-0.96%	5.95%	4.89%
Swaziland	All Share	284.32	0.00%	1.27%	5.92%	6.25%
Tanzania	DSEI	1,433.60	9.25%	9.12%	10.00%	10.39%
Tunisia	TunIndex	5,019.52	-0.35%	-0.12%	6.30%	2.01%
Zambia	LUSE All Share	3,862.42	-0.83%	0.10%	-7.37%	-8.39%
Zimbabwe	Industrial Index	130.36	-1.34%	-1.34%	-10.63%	-10.63%
	Mining Index	81.51	-0.09%	-0.09%	-19.06%	-19.06%

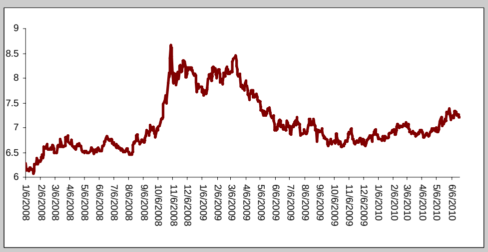
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



Source: Reuters

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The DCI gained +0.36% to close at 7,289.24 points. RPC Data and Blue led the gainers after adding +16.67% and +10.53% to close at BWP 0.35 and BWP 0.42 respectively. Other notable gains were recorded in AF Copper (+10.00%) and Discovery (+6.47%). Choppies (-0.60%) and Letshego (-2.00%) were the only shakers. Market turnover for the week amounted to BWP 7.79m.

Corporate News

Gem Diamonds said initial production at a mine in Botswana would be delayed until the first half of 2014 following an accident that killed two employees. Production at the Ghangoo mine was scheduled to start in 2013 at an initial rate of 100,000 carats per year, rising to a peak steady state production of 780,000 carats per year, according to the company's website.

Two contractors died when the ground collapsed at the face of a tunnel at the mine, the company said in a statement. Gem Diamonds, which focuses on large, high-quality diamonds, said a full assessment of the accident's impact on the project timeline and overall costs is ongoing.

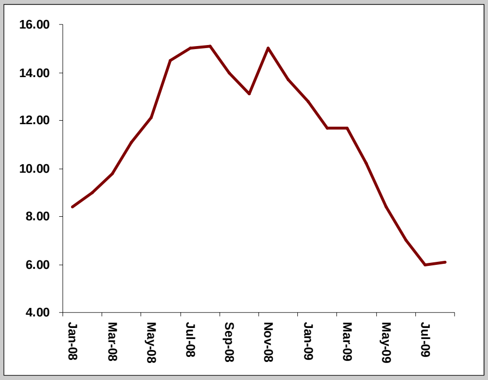
The company said it had spent about USD 31m of the USD 85m budgeted on the Ghangoo project. Shares in Gem Diamonds were down about 4% at 201.3 pence at 0715 GMT on Monday on the London Stock Exchange. *(Reuters)*

Economic News

Botswana's headline consumer inflation quickened to 7.7% year-on-year in May from 7.5% in April, the statistics office said on Friday. Month-on-month prices accelerated to 1.3% in May from 1.0% in the previous month. *(Reuters)*

Botswana's economic growth could be slower than previously anticipated as a weaker global economy knocks demand for diamonds, a Reuters poll showed on Tuesday. Gross domestic product in the land-locked nation will only expand 4.1% this year from 5.1% last, but accelerate to 5.1% in 2013, the poll of ten economists found. A similar survey in March projected growth at 5.2% this year and 5.4% next.

At the end of 2011 the economy shrank 5.8% on a quarter-on-quarter basis, as mining output contracted sharply, after expanding by 5.5% in the previous quarter. Diamond mining is the mainstay of the southern African nation, accounting for about a third of overall output, and some economists nudged down growth forecasts on global uncertainty - mainly due to a struggling U.S. economy, the world's biggest consumer of polished diamonds, and a slower Chinese economy. Growth predictions for a diamond exporting nation like



Source: SAR

Botswana tend to vary widely amongst forecasters because of price uncertainty associated with the precious stone, with a bearish bias in times of uncertain global headwinds.

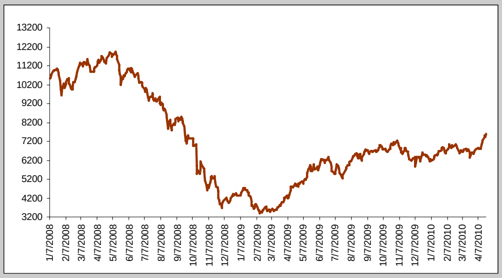
Forecasts in the poll for 2012 growth ranged from 3.9 to 7.0%. "The current fragile external environment poses considerable uncertainty on the global economic outlook and mineral export demand," said the International Monetary Fund in their recent visit to the country. Even with the slowdown tiny Botswana still punches above Africa's heavyweight South Africa, which is expected to grow around 2.8% this year.

Consumer inflation had been slowing in Botswana since January but increased to 7.7% year-on-year in May from 7.5% in April. Inflation is likely to average 7.9% this year and ease to 6.7% in 2013, the poll predicted. "We expect that the disinflationary trend will continue for the rest of the year," said Standard Bank in a client note.

Like nearby South Africa, Botswana targets keeping inflation between 3 and 6%, and the central bank has held the benchmark interest rate at 9.5% since making a 50 basis point cut in the fourth quarter of 2010. Inflation in South Africa has been hovering just above the top of the target and is expected to ease back into target in the coming months. *(Reuters)*

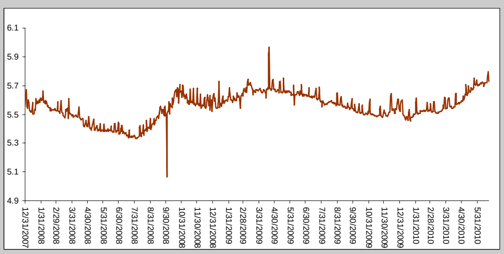
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The EGX CASE 30 Index was down -8.77% to 4,031.60 points. Trans Oceans led the movers after gaining +8.33% to USD 0.13 followed by Arab Pharmaceuticals (+6.78%) and El Kahera El Watania (+6.48%). Tourism Urbanisation was the biggest loser after shedding -9.00% to close the week at EGP 6.57. Other notable losses were recorded in: Egypt Aluminium (-8.81%) and National Company for Maize Products (-7.93%).

Corporate News

Investors in an Egyptian petroleum refinery project, led by Citadel Capital and Qatar Petroleum, have secured USD 3.7bn in financing for the facility, the project operator said on Thursday. The financing, put together by private equity firm Citadel, includes a USD 1.1bn equity investment and is backed by a USD 2.6bn debt package, Egypt Refining Company (ERC) said in a statement. Project partners include the Egyptian government.

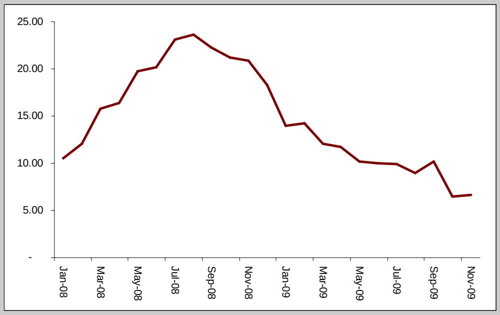
The ERC project is to produce more than 4.1m tonnes of refined products and oil derivatives annually, including more than 2.3m tonnes of Euro V diesel per year. This is expected to cut Egyptian diesel imports by up to 50%. The ERC said the refinery, on the outskirts of Cairo, will contribute USD 300m in direct benefits to the state and create jobs. It is set to start operating in 2016.

"(The project) will reduce present-day diesel import needs by 50%, improve air quality in the Greater Cairo Area (and) help reduce Egypt's annual subsidy bill," ERC said. A series of attacks on the natural gas pipeline that runs from Egypt to Israel has cut off supplies to the region and have forced Egypt to seek more fuel from abroad to meet rising demand from power generation and fuel needs for heavy vehicles.

Egypt's military rulers have sought to hike diesel imports as fuel shortages in central Cairo this year have caused long queues at petrol stations and traffic jams in some main thoroughfares, angering the public. In its latest tender, Egyptian General Petroleum Corp (EGPC) was seeking to buy more than 1m tonnes of gasoil, or diesel, from July to September, worth around USD 1bn almost as much as it sought in the preceding six months.

Under the financing package for the refinery, EGPC has invested USD 270m for a 23.8% interest in the project while Qatar Petroleum International committed over USD 362m for a 27.9% stake, the statement said. Citadel has directly and indirectly invested over USD 155m and holds an equity stake of 11.7%.

CPI Inflation



Source: SAR

Other participants include Gulf Arab investor, the World Bank's financing arm, the Netherlands' development bank FMO, Germany' s p rivate-sector lender DEG and InfraMed Infrastructure, a private and independent investment fund. EFG Hermes Investment Bank acted as placement manager for the equity component. The financing is backed by a USD 2.6bn debt package arranged by ERC's financial advisor, French bank Societe Generale and made up of senior and subordinated debt issued to Asian and African development agencies and banks. *(Reuters)*

Economic News

Egypt's economic growth will slow to under 2% this year from 2.5% last year because of political turmoil, the country's central bank governor said on Sunday. "We have a revolution," Farouk El-Okdah told Reuters when asked why growth would slow. He did not elaborate. Okdah was speaking on the sidelines of a meeting of officials from the Arab Monetary Fund and central banks in the region.

In April, the International Monetary Fund forecast Egypt's gross domestic product growth would slow to 1.5% in 2012 from the 1.8% which it estimated for 2011. Political uncertainty since the ouster of President Hosni Mubarak in February 2011 has stifled investment and hurt trade. *(Ahram)*

The Monetary Policy Committee of Egypt's central bank has left its key lending rate unchanged at 10.25% and the deposit rate at 9.25% after its regular meeting, it said on its website Thursday. All nine economists in a Reuters survey had forecast the committee would hold the overnight rates unchanged. The bank also left the discount rate unchanged at 9.5% and week's repurchase agreement (repo) rate at 9.75%. *(Ahram)*

The prospect of a coherent government that can heal Egypt's ailing economy receded further on Monday after the army rulers tightened their grip on power, throwing their promised transition to democracy into doubt. A military decree issued on Sunday night as the country's first free presidential election was ending gave the generals power to make laws and decide who writes a new constitution. It follows a court ruling last week that effectively dissolved parliament, the only state institution with a popular mandate.

Egypt's economy has wilted since a popular uprising unseated president Hosni Mubarak 16 months ago, sparking months of social unrest and political turmoil. Investors dashed for the exits after the uprising and are still sidelined, unimpressed by the army-backed government's attempts to stabilise the business environment and unnerved by the risk of a sharp currency decline that could wipe out any returns.

Egypt's fiscal deficit ballooned, leaving little room for urgent structural reforms withoutbns in financial support from foreign donors such as the International Monetary Fund. But a USD 3.2bn emergency facility from the IMF hangs on forging a political consensus for economic reforms that look harder to achieve as a stand-off worsens between the army and political forces. "There is no parliament agreed on, so a military government cannot commit to long-term reforms in Egypt and neither can a president with very few real powers," said Said Hirsh, an economist at Capital Economics.

Since it took power, the army-backed government has drawn down foreign reserves by more than half to defend Egypt's currency and finance a growing balance of payments deficit. At the same time, it has funded a mushrooming budget deficit with short-term borrowing from local banks, squeezing the credit market and pushing up interest rates. At an auction on Monday, the yield on 91-day treasury bills touched its highest in at least 15 years.

The policies which helped the government get through the transition period are becoming increasingly unsustainable. On Friday, the credit-rating agency Fitch downgraded Egypt's sovereign credit rating further to junk status, saying the country's murky political outlook was likely to delay the structural reforms needed to kick-start recovery. The rating, cut by one notch to B-plus from BB-minus, has a negative outlook, meaning there is a greater than 50% chance of more downgrades in the next 12 to 18 months. The belief had been that a new government would move quickly to reach a loan agreement with the IMF to give it space to get its finances in order.

Before it agreed to a loan, the IMF had been demanding Egypt first implement austerity measures to get its budget deficit under control, line upbns of dollars in finance from foreign donors and get broad domestic political support for any agreement. "How can you possibly make these huge economic decisions in such circumstances?" said Gabriel Sterne of Exotix. "You've had no decision on the IMF or the exchange rate since the start of the revolution and this looks like a further delay and possibly a considerable one at that."

Egypt's uprising hammered the economy by chasing away tourists and foreign investors and prompting government employees to strike for higher wages. The economy contracted by 4.3% in the first quarter of 2011 and since then has remained stagnant. The balance of payments deficit burgeoned to USD 11bn in the first nine months of its 2011/12 fiscal year, more than double year-ago levels, as inflows of capital largely dried up.

Still, Egypt probably has quite a few months leeway before any crunch, economists say. In May, it raised USD 1bn by selling dollar-denominated treasury bills to local banks, which led to a USD 300m net increase in foreign reserves. Earlier in June, the government received USD 1.5bn in budget support from Saudi Arabia. Egypt is expected this month to get USD 1bn to USD 2bn from the sale of local mobile telephone operator Mobinil to France Telecom.

And last week, a group of investors announced it had secured a USD 3.7bn loan for the construction of an oil refinery outside of Cairo. This will help the economy cover USD 1bn in maturing Eurobonds and USD 700m in Paris Club debt it must repay in July. But potential dollarisation and more harm to tourism from the new political turmoil could put added pressure on the balance of payments. Sterne said one danger was that Egyptians might move their funds out of Egyptian pounds and into dollars.

"What worries me about the foreign reserves is they are trending down because confidence in the Egyptian pound is being steadily eroded," he said. The big test, however, may come late this year, when the first of the one-year dollar-denominated T-bills the government started issuing last year to shore up its reserves begin maturing. It will have to repay or roll over more than USD 4.25bn of these bills from Nov. 30 to Feb. 22.

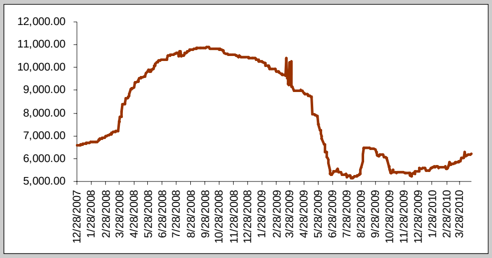
One economist said the central bank could muddle through by means of palliatives such as new dollar T-bill offerings, a squeeze on imports and small cuts to energy subsidies. A fall in international commodity prices would also help. Whoever controls the government will need legitimacy to push through austerity measures such as tax increases and a reduction in the subsidies it pays on energy products. "No government can handle the social and political ramifications of any real austerity or structural reform of the budget at this stage," said Youssef Kamel, a Cairo-based analyst with Rasmala.

In the run-up to the presidential vote, the Brotherhood said that if elected, it would move fast to negotiate IMF and World Bank loans, and hinted it might seek a bigger IMF package than the USD 3.2bn the current government has asked for. While in parliament, the strongly free-market Brotherhood blocked an attempt by the military-backed government to push through an IMF accord, saying it had not been given sufficient information and should not be held responsible for repaying funds whose disbursement it would not control.

Now, with the military possibly in control of legislation and the Brotherhood claiming the presidency, the tables may have reversed, and it may be the Brotherhood that faces trouble getting its policies adopted. "It may be that once this settles down and assuming Morsy gets in, maybe they can start to do something. But you've got to get parliament sorted out too and that will take a while," Sterne said. *(Reuters)*

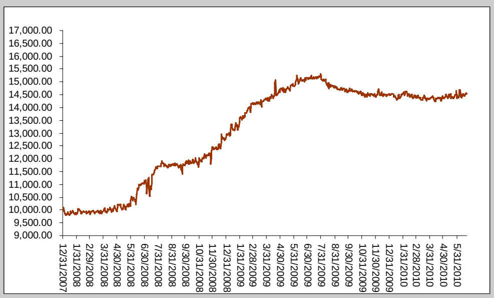
Ghana

Ghana Stock Exchange



Source: Reuters

GHC/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The GSE All Share Index gained +0.13% to close at 1,032.83 points. SG-SSB was the main mover after gaining +12.20% to GHS 0.46 followed by CAL (+3.85%) and GCB (+1.03%). SIC (-6.06%), GOIL (-2.04%) and SCB (-0.36%) were on the losing front. A total of 4.73m shares valued at GHC 2.56m traded during this week.

Corporate News

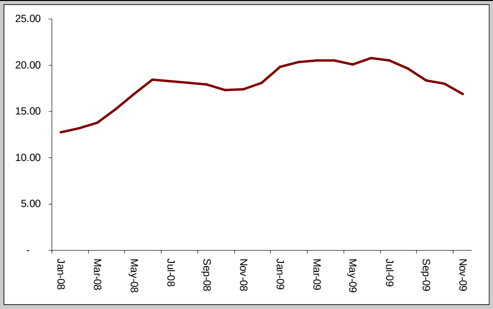
Mr Patrick Akorlie, the Managing Director of Ghana Oil Company (GOIL), on Thursday said the company had taken a giant leap into the energy sector by expanding its venture from fuel retailing to other industrial businesses. “The energy industry is the totality of all of the industries involved in the production and sale of energy, including fuel extraction, manufacturing, refining and distribution GOIL is ready to take advantage of the industry,” Mr Akorlie told the Ghana News Agency in an interview in Accra.

He said in anticipation of the economic transformation and middle-income status, GOIL had moved into other areas such as vehicle lubricants, engine oil, liquefied petroleum gas (LPG) and bitument. “We are a leader in the local bunker fuel trading industry providing marine gas and fuel to ocean going vessels since 2004 we have acquired major stake holdings in the Ghana Bunkering Service. “GOIL has extensive experience in the bunkering market and through its leadership has assumed a premier bunkering operation with a global footprint. Now Ghana can proudly say she has bunkering experts in GOIL,” he said.

He said the company incorporated as a private limited liability company on June 14, 1960 as AGIP Ghana Company Limited with the objective of marketing petroleum products and related products particularly fuels, liquefied petroleum gas (LPG), lubricants, bitumen, and speciality products in Ghana was capable of competing in the industry. Mr Akorlie, who had served under various capacities over the past 18 years from a casual worker to his current position, touted the company’s recent re-branding as a major shift to transform the image of GOIL and project it as preferred choice for consumers. *(GBN)*

Economic News

Ghana has recorded total revenue and grants amounting to GHS 5.1bn from January-May of 2012, provisional data from the Bank of Ghana (BoG) has shown. During the five-month period, total tax revenue was GHS 4.4bn as against GHS 3bn recorded during the corresponding period in 2011, according to the central bank’s Monetary Policy Committee (MPC), June 13, 2012. “… for the first five months of 2012 – total revenue and grants recorded a year-on-year growth of 34.5%, amounting to GHS 5.1bn,” the MPC said, adding that grants disbursements amounted to GHS 293.8m.



Source: SAR

Total expenditure for the same period amounted to GHS 7.5bn, representing a year-on-year growth of 44.9%, it said. Of this, statutory payments amounted to GHS 5.4bn, comprising mainly of wage-related payments of GHS 4bn and discretionary payments of GHS 2.1bn, representing 38.9% of total payments, the central bank explained.

The country recorded a narrow budget deficit of GHS 2.4bn. “The deficit together with a net foreign loan repayment of GHS 119.7m created a resource gap of GHS 2.5bn which was financed from domestic sources,” the BoG stated. The banking sector financed 58.9% of the deficit, with the non-bank sector financing the remaining 41.1%, it added. *(GBN)*

Ghana’s foreign reserves fell to USD 4.3bn as at June 8, 2012 from USD 5.4bn in December 2011, the central bank has said. The country’s foreign reserves is less USD 1.1bn between the December 2011- June 2012 time periods. Speaking to journalists in Accra, Governor of the Bank of Ghana (BoG), Kwesi Amissah-Arthur said the country’s USD 5.4bn gross reserves is equivalent to “2.5 months imports cover” of goods and services. *(GBN)*

Oil imports into Ghana reached USD 1.5bn in the first five months of 2012, according to the Bank of Ghana (BoG). Oil imports in the same period of 2011 were USD 1.2bn, the central bank said in a press release June 13, 2012. Out of the total imports, crude oil amounted to USD 483.4m while refined oil products were USD 967.9m, the BoG said. Gas imports through the West Africa Gas Pipeline was estimated at USD 73.5m between the five-month period.

On the other hand, total non-oil imports, categorized by the Broad Economic Classification (BEC), amounted to USD 6bn, compared with USD 4.7bn recorded in the corresponding period in 2011. Capital imports of this, according to the release were estimated at USD 1.3bn, intermediate imports USD 2.9bn, consumption goods USD 1.3bn and other imports USD 439m. Total merchandise imports were USD 7.5bn during the five months, which indicated a growth of 27.9% on a year-on-year basis while total merchandise exports were USD 6.6bn representing a year-on-year growth of 24.6%.

There were higher receipts from gold, cocoa beans and crude oil exports as commodity prices increased during the period. “Export receipts from gold amounted to USD 2.7bn, cocoa beans were USD 1.6bn, while crude oil was USD 1.2bn during the period,” the BoG said adding, “Other exports, including non traditional, amounted to USD 768.2m”. The central bank indicated that balance on the trade account therefore registered a deficit of USD 937.3m by end May 2012, compared with a deficit of USD 597.2m recorded in the same period a year ago.

Balance of Payments for the first quarter of 2012 also recorded a deficit of USD 1.3bn, compared to a deficit of only USD 154.2m in the same period of 2011. The BoG attributed the widening balance of payments to the deterioration in both the current account and the financial and capital accounts. *(GBN)*

The Bank of Ghana (BoG) has mopped up GHS 1.2bn in excess liquidity from the system in a bid to stem the exchange rate pressure and reduce the demand for dollars. In a move to halt the growing trend of ‘dollarisation’ and stabilise the cedi, the central bank is also reviewing the currency composition of the reserve requirements of commercial banks.

The Governor of the BoG and Chairman of the Monetary Policy Committee (MPC), Mr Kwesi Amissah-Arthur, at a news conference in Accra Wednesday, announced a hike in the prime interest rate by 50 basis points to 15%, the third rate hike this year, as part of efforts to fend off mounting inflation and stabilise the local currency. Dollarisation is characterised by a tendency for businesses to sell their goods and services in foreign currencies, particularly dollars. Service providers quote exchange rates that are significantly off-market.

The fringe exchange rates trickle down into the market and become benchmark rates, unduly influencing market rates. The situation has fuelled price increases in the country and led the BoG to tighten monetary policy, alter bank reserve requirements and reintroduce several bonds. “The committee notes that the measures have begun to take effect. Increase in the policy rate has led to upward adjustments in rates of money market instruments and improve the attractiveness of cedi assets, compared to foreign currency assets,” Mr Amissah-Arthur said.

According to the governor, though the BoG was not considering abolishing the operation of foreign exchange accounts by citizens, it would move to restore the pre-eminence of the cedi in domestic transactions, which required strict adherence to the provisions of the Foreign Exchange Act 2006 (Act 723) and the accompanying regulations. “It is our view that this will contribute to restoring confidence in the cedi,” he said, adding that “the bank will issue the necessary notices to this effect in due course”.

He was worried about the large dollar deposits in commercial bank accounts, which he said had significantly contributed to the exchange rate pressure. The share of foreign currency deposits to total deposits in the banking system increased from 27.9% in April 2010 to 28.2% in April 2011 and 31.8% in April this year.

This means that some commercial banks have more foreign currency deposits than domestic currency in their total deposit. The BoG feared that those banks could be importing large volumes of foreign currency to service the needs of their clients. During the first five months of this year, the cedi has depreciated cumulatively by 15.1% against the US dollar, compared to 1.9% depreciation in the same period of 2011.

In recent weeks, however, the pace of depreciation of the cedi has moderated as a result of the measures introduced to restore stability. The real effective exchange rate depreciated by 6.8% between January and April 2012, compared with a real appreciation of 5.9% in the same period of 2011. But Mr Amissah-Arthur assured Ghanaians that the end of the cedi fall was in sight. *(Ghana Web)*

Ghana’s first shorebase facility to support offshore oil and gas activities is under construction at Funko in the Ahanta West District of the Western Region. There are growing concerns about inadequate space at the Takoradi Port for supply vessels in the wake of commercial oil and gas production and this facility can accommodate between 12 to14 vessels when completed.

The facility is closer to the jubilee field. The first phase of the project which is in three phases will cost about 70m dollars. It is the brainchild of a Ghanaian company, the Gulf Western Group, and is being financed by private individuals and directors who make up the Funko Lagoon Development Board. The shorebase with four berthing points will have dock facilities, an enclosed light fabrication & open fabrication yard, logistics center which will be built in collaboration with the Ghana Shippers Authority, a helipad for air-lifting services and a slipway/dry dock amongst others.

The Base Director for the Funko Lagoon Development Board, Albert Obimpeh-Abedi, who spoke to Maxx Business at a forum to sensitize the host communities of Funko, Adjua and Apowa, and other stakeholders about the project, said they are excited about the fact that the initiative is solely Ghanaian, indicating a fulfilment of local content participation in the oil and gas industry.

"This facility is built to suit facility because we have had interactions with almost all the oil and gas companies to suit their operations. Funko Lagoon Shorebase is a complimentary project to support the existing shortages in our commercial Port. Currently if you take a driver down the Sekondi shoreline, you will see a whole lot of supply vessels on the ocean with no dedicated spots for them to operate from. So the investment that we are putting here will partly solve the problem of the supply vessels.

Oil and gas is all about heavy logistics and saving these oil companies supply times ends up helping them a lot so this is a project of national interest. This is proudly made by Ghanaians for Ghanaians" he noted. Mr. Obimpeh-Abedi says the shorebase will also have a facility that will assist in the supply of Ghana's Gas Plant to be built in the Ellembele District. "The good news is that Ghana has got a lot of gas and the country has also been experiencing gas shortages.

With the availability of gas, as part of what we are doing, we are planning to do Phase three of the project to develop additional tanks and an LPG train that vessels can come and offload gas into the tanks for local distribution" he added. Unlike other projects, the Funko Lagoon Development Board has in place a programme to ensure that the livelihood of the locals who are predominantly farmers and fishermen, are not affected. Already about sixty locals have been given some training and are engaged in the initial works.

The activities of fishermen in the enclave will also be improved with the construction of the Adjua and Funko fishing Wharfs especially dedicated to modernize fishing activities in the community, whilst they will also benefit from some social amenities. The previously stagnant Funko Lagoon which was breeding mosquitoes is to be replaced by an active water body osquito free.

As part of the project, there will be school of Marine Engineering – an offshore oil and gas specialty school to give opportunities to community youth to gain the required skills needed for the industry. The Funko Lagoon Development Board is at the concluding part of securing final approval from the Environmental Protection Agency (EPA), the Ghana Maritime Authority and other regulatory agencies. The Board is also putting forward a proposal to the Ghana Free Zones Board to make the enclave a free zone area.

Some chiefs of the beneficiary communities have received the project with great excitement in anticipation that their communities will develop whiles their youth will get jobs to do. The Chief of Funko, Nana Kow Nkani IV and the Chief of Adjua Barima Diaw Quaicoe III, told Maxx News they would be sensitizing their youth on the need to acquire the needed skills to gain employment with the company. *(Myjoy)*

The Bank of Ghana (BoG) says it is monitoring the downgrades suffered by some banks in the Eurozone especially where the country keeps some of its reserves and resources. Some banks in the Eurozone have been downgraded and others are seeking bailouts, as recently seen in Spain.In a move not to allow Ghana's reserves to be at risk, the BoG Governor, Kwesi Amissah-Arthur told a press conference in Accra June 13, 2012 that the central bank is reading downgrading reports of some banks in the Eurozone and the central bank will remove its reserves in those banks if these are downgraded or are found to be in danger.

"We are holding some of our reserves and nostro balances with some of these banks…We read reports very carefully and anytime we find a bank downgraded or in danger, we are looking at whether we have some money sitting at those banks and how we can get it out quickly," Amissah-Arthur told journalist. He hoped the euro does not die because the West Africa Monetary Institute (WAMI) is "trying to emulate the euro".

In a press release, the BoG Monetary Policy Committee (MPC) noted that that challenges in the Eurozone continue to pose threats to the global economic outlook and there are substantial downside risks to growth due to the austerity measures being implemented in parts of the zone. In a report issued recently, the World Bank says it expects a long period of volatility in the global economy as the Eurozone debt crisis escalates. The report warns developing nations to expect weak growth and tough times and urges countries to take adequate long-term measures to ensure that economic growth can be sustained.

Like other countries which rely on the export of primary commodities, the MPC stated that Ghana's economic prospects will be "determined by the restoration of growth in the advanced and emerging economies, especially the Eurozone and China". Mr Amissah-Arthur warned that the demand for commodities in the Eurozone is low and Ghana's foreign exchange earnings could be affected.

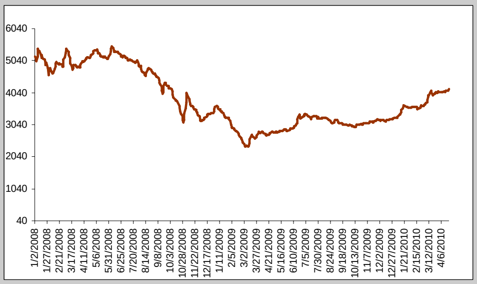
Ghana's export receipts from gold amounted to USD 2.7bn, cocoa beans were USD 1.6bn, while crude oil was USD 1.2bn during the five months of 2012, according to the BoG. Other exports, including non traditional, amounted to USD 768.2m. The country's foreign reserves fell to USD 4.3bn as at June 8, 2012 from USD 5.4bn in December 2011, the central bank said. The BoG said the country's USD 5.4bn gross reserves is equivalent to "2.5 months imports cover" of goods and services. *(GBN)*

Ghana recorded an amount of USD 5.9bn as inward remittances through the banks end of April 2012. The recorded remittances represented a year-on-year growth of 7.5%, according to a Bank of Ghana (BoG) statement released last week. Of the total amount, USD 622.3m were accrued to individuals, recording a growth of 6.6% over the same period in 2011, the central bank said. Most remittances are sent by Ghanaians living abroad. *(GBN)*

SECURITIES AFRICA

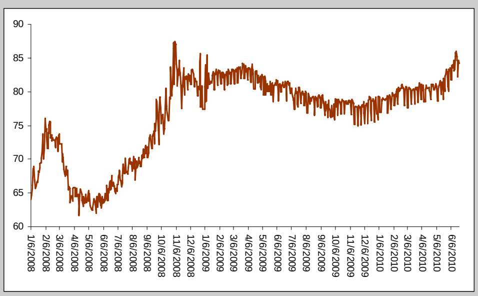
Kenya

Nairobi Stock Exchange



Source: Reuters

KES/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The NSE 20-Share Index was up +0.28% to close the week at 3,704.70 points. KenolKobil led the movers after gaining +14% to KES 14.25 followed by Pan African which rose +11.03% to KES 40.25. Other notable gains were recorded in SCB +9.34% to KES 199 and Bamburi (+5.81%). COOP was the main loser, shedding -17.75% to KES 11.35 followed by Limuru (-10%) and Sasini which lost -7.69% to KES 11.40.

Corporate News

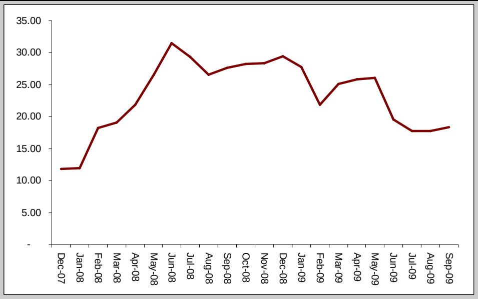
Kenyan-listed private equity firm Centum Investment said full-year pretax profit fell 40%, hit by a jump in the cost of credit and currency swings. Chief executive James Mworia told an investor briefing on Tuesday the 2012/13 year would be "equally challenging" and that by the end of the period about a quarter of the group's assets would be invested outside Kenya.

Pretax profit fell to KES 1.37bn (USD 14m) in the year to March, Mworia said. "The year to March was a very challenging year ... the cost of credit increased sharply to more than 20%, the foreign currency market experienced wild gyrations and liquidity was very tight throughout most of the year," Mworia said. Kenya's shilling plunged 25% against the dollar last year and consumer prices skyrocketed before the central bank stepped in.

The regulator raised its key lending rate 11%age points in the final quarter of 2012, prompting a rally in the local currency and sending borrowing rates soaring. Mworia said earnings per share for the year fell to KES 1.79 from KES 3.44. "We continue to enhance our exposure to private equity and real estate while reducing exposure to market securities," Mworia said. Centum Investment said last year it planned to invest over 50% of its assets outside Kenya, the region's biggest economy. *(Reuters)*

Kenyan tea grower Kapchorua , which in January was hit by the loss of production due to severe frost, said it expects full-year profit to the end of March to fall more than 25% from a year ago. The firm's 2011 full-year pretax profit halved to KES 63.5m (USD 747,900) due to rising production costs. Kenya is the world's leading exporter of black tea, which earned it USD 1.27bn last year. *(Reuters)*

Kenyan fuel marketer KenolKobil issued on Tuesday a profit warning for the six months ending June, saying its performance will be hurt by foreign exchange losses, falling international oil prices and high financing costs. The company, which is a takeover target of Swiss-based Puma Energy, a subsidiary of Trafigura Beheer, also said it expected its full year 2012 earnings to be lower than the previous year.



Source: SAR

It said foreign exchange hedging positions it took in 2011 to cushion foreign exchange volatility had translated into losses and high financing costs in Kenya and other markets it operates in the region, and in the euro zone were hurting its net profit margins. "Management expects that the company's results for the six months ending 30th June 2012 will reflect all the above mentioned negative factors," the company said in a statement.

"Should international oil prices, currency trends and financing costs among other factors improve, it would reverse some of these negative effects and reflect more positive results for the full year 2012." KenolKobil, which also operates in eight other African countries including Uganda, Burundi, Tanzania, Rwanda and Zambia, posted a 74% rise in pretax profit last year to KES 4.9bn (USD 58.19m).

Its pretax profit for the first half of 2011 jumped 86% to KES 3.22bn . KenolKobil said last month it expected the sale of a majority stake to Puma Energy by key shareholders to be completed within a few months. Its shares were suspended indefinitely from trading on the Nairobi Securities Exchange after the announcement that it was in talks with Puma Energy. *(Reuters)*

After announcing a 53% drop in net profits last week, Kenya Airways now stands to benefit from a growing focus on African investments by the Dutch national airline KLM. KLM, which is also the second biggest shareholder of KQ after the government commanding a 26.73% stake in the company, Tuesday said it was shifting its investments focus to Africa in the wake of the ongoing Euro zone economic crisis that has discouraged many investors in the region.

“We are facing a very bad economic crisis here in Europe and so we have had to cut local investment. Instead, we are going to invest more in Kenya and Africa as a whole through our partner Kenya Airways,” said KLM group managing director Camiel Eurlings. He said that the company has put in ‘one of the biggest investments in recent times’ towards the ongoing expansion of Kenya Airways to be able to handle KLM growth strategies for the continent.

“We want to conduct more expansion in Africa via Kenya Airways who are already our partners. "We are aware of the huge competition from Ethiopian Airline and Middle East carriers who benefit a lot from government funding but KQ should win the markets because of its location, natural resources and its connections to the rest of Africa,” said Mr Eurlings adding that KQ’s profit slump was expected since the whole aviation industry is going through rocky times.

He was speaking at the Schipol Airport in Amsterdam after flagging off the first ever trans-Atlantic bio-fuel flight to Rio de Janeiro. Mr Eurlings said that the introduction of bio-fuel flights to other destinations as a way of promoting environmentally sustainable aviation will follow as soon as there is enough stock of the product.

The Dutch Minister of Infrastructure and Environment Joop Atsma crowned KLM as a pioneer in the global aviation industry and promised that good%age of all government flights will be on bio-fuel by next year. Use of bio-fuel is considered as one of the primary means by which the industry can reduce its carbon footprint and is lighter than the traditional kerosene resulting in reduced fuel consumption by air crafts. *(Nation)*

Equity Bank is awaiting a policy directive from the Central Bank before reviewing its interest rates, Managing Director James Mwangi has said. Lending by banks has dropped due to the high interest rates, but Mwangi said the bank has kept its interest rates affordable for the youth and farmers at about 25%. He said the macro-economic conditions are behind the high cost of loans, but Equity is not ready to act unilaterally to lower them as this would distort the CBK's monetary policy.

Asked how much longer he intends to remain at the helm of the bank, Mwangi said he still has unfinished business at the institution. Mwangi spoke yesterday on the sidelines of his visit to the Standard Group Centre where he met Deputy Chairman and Chief Executive Officer Paul Melly. Mr Melly described Mwangi as an accomplished leader in the banking industry who transformed a micro-finance unit into a major player.

"He saw an opportunity to build the structure into a major leader in the banking sector," Melly said. He said Equity Bank facilitated access to credit by people previously ignored by the industry and made a major difference. Just as significantly, said Melly, the bank influenced the direction of the industry by adopting a model that saw it expand when other banks were closing their branches.

Mwangi said the State should automate all its operations, arguing that there would be more efficiency if the Port in Mombasa, Ministry of Lands offices, and other public institutions were computerised. The Equity Bank Chief Executive said Kenyans should choose leaders who will have a positive impact on national development.

"Kenyans must up the game in their expectations and demands," he said, urging leaders to create a Brand Kenya with national values and shun tribal politics. He warned that Kenya is in danger of becoming a net consumer rather than a producer. "We are becoming indebted. We have to live within our own means," said Mwangi.

Melly said by winning the 2012 Ernst & Young World Entrepreneur of the Year, Mwangi was at the level of Kenya's world-class athletes in marketing the country abroad, and attributed Equity's success to prudent strategies adopted by management.

Dr Mwangi was picked from among 59 finalists vying for the titles across 51 countries, and was recognised in a ceremony held in Monte Carlo's Salles des Etoiles. "Even those (investors) who did not want to look at Kenya before will want to see if there are opportunities for investment," said Melly.

Mwangi said the award was an acknowledgement that Africans can dominate business. "Africa has now created an environment for international investors," he said, adding that Africans can achieve anything they aspire for. He noted that this was a challenge to entrepreneurs to exploit the resources available on the continent. *(Standard Media)*

Kenya's sole refinery will start buying its own crude oil next month to start operating as a merchant refinery, a move that is expected to lower retail fuel prices in the country, its chief executive said on Wednesday. CEO Brij

Mohan Bansal said the plant, which processes 1.6m metric tonnes of crude a year, will no longer be just a toll refinery after signing a USD 250m credit line from Standard Chartered Bank to finance crude imports.

"This is the first step towards merchant mode", which will help the company better manage inventories and establish strategic reserves of oil, Bansal told reporters after the signing of the deal. Its move into the market will add another competitor to Kenya's existing fuel marketers, which may help ease a range of problems in the energy sector including fuel shortages and high pump prices.

Until now, marketers have been importing oil and paying processing fees to the refinery, which is owned by the Kenyan government and Essar Energy. The refinery will now start to procure crude itself, process it and sell refined products to marketers as well as continuing to process oil for a fee. Kenya imports Murban crude from Abu Dhabi and the occasional Arabian heavy and medium crude through an open tender system (OTS). Fuel marketers place their bids, and the winner imports enough crude for the whole industry for a month.

Patrick Nyoike, permanent secretary at the country's ministry of energy, said the OTS system would remain. But the refinery will be able to source cheaper crude by not restricting itself to Murban and may even buy blended crude in order to lower import costs, Bansal said. Meanwhile, officials at the refinery said they were carrying out a study to determine how much more money it needs for an upgrade. The ageing and outdated plant, first built in 1963, is inefficient, contributing to higher retail fuel prices.

Its management plans to modernise the plant by 2016/2017, a target date that it pushed back by a year after the discovery of oil in Kenya. Refinery officials hope the refinery will be able to process crude from Kenya as well as from its neighbours Uganda and newly independent South Sudan. *(Reuters)*

The battle to control the internet market intensified after Airtel slashed prices for its modems by half on the same day that Orange launched a new internet access device. Airtel said on Tuesday that its modem for the 21Mega bits per second (Mbps) will now retail at KES 1,999 from Sh4,500 while customers on 7.2 Mbps will now pay KES 999 down from KES 1,999 it charged previously. Orange launched a 3G Wi-Fi Router targeted at the small and medium enterprises (SME) market that can connect up to 20 end users at a time.

“Despite the sector contributing to 18.4% of the country’s GDP and employing over 5m people, the SME sector continues to experience constraints that include limited access to information and technology,” Telkom Kenya CEO Mickael Ghossein said in a statement. The firm is eying small start-up businesses including small hotels, restaurants, business centres, cyber cafés, schools and other small-sized businesses.

“The device is also ideal for schools and apartment blocks as it allows for sharing of broadband internet costs with others using a payment interface that is flexible and secure,” Orange said in the statement. Mr Ghossein said the router that will retail at Sh36,950 also allows for regulation of speeds and change of passwords, thus enhancing security, and the possibility of having more than one tariff plan. *(Nation)*

Nairobi Centum Investment Co, Kenya’s largest publicly traded investment

group, said it will increase real estate and private equity holdings and trim stock market exposure after full-year earnings fell by almost half. Net income dropped 48% to KES 1.19bn and investment income declined by a similar amount, the company said in a statement emailed by the Nairobi Securities Exchange.

An increase in the cost of credit, foreign currency fluctuations and a fall in the Nairobi stock market made 2012 “a very challenging” year, Centum said. “We continue to enhance our exposure to private equity and real estate while reducing exposure to listed equities,” the company said. The Nairobi stock market fell 13% in the year through March, after inflation peaked at 19.7% in November and interest rates rose to a record 18% the following month.

The currency also slumped to a low of 106.75 against the dollar on October 11, before recovering. Centum reduced its equity holdings to 12% of the total portfolio by March from 39% in 2009, and held 14% of its investments outside of Kenya last year, versus having almost none three years ago. “Whereas the profitability results are disappointing, we think there is significant value yet to be unlocked from the business, embedded in a potentially understated net asset value,” Nairobi-based Standard Investment Bank Ltd wrote in a research note.

In 2012-13, Centum said it expects several projects it has been working on for the past two years to mature, which may produce “very significant” returns. “With the maturity of these projects, we expect to significantly de-link our performance from that of the capital market and be in a position to consistently deliver significant positive returns,” CEO James Mworia said in the statement.

Centum reduced its debt by half to KES 1bn, according to the statement. Cash and cash equivalent holdings grew to KES 1.5bn from KES 0.2bn, Company Secretary Naomi Nyamongo said by phone from Nairobi. *(Gulf News)*

Kenyan group Uchumi Supermarkets expects sales to rise a third to KES 16bn (USD 191m) in its 2011/12 year ending this month. "(In) the coming financial year we expect our sales to increase by another KES 4bn, driven by the maturity of the greenfield branches we have opened," chief executive Jonathan Ciano also told Reuters.

Ciano, who revived the company after it was shut down for a month in mid-2006 due to insolvency, said Uchumi was benefiting from new outlets. "In Uganda we opened three (stores), Tanzania one and in Kenya two," Ciano said, adding that another store would be opened in Kenya within the next week.

The company was looking to expand into new geographical markets within the east African region, he said Uchumi, whose shares are some of the top-performing on the Nairobi bourse this year, posted a 26% jump in first-half pretax profit to KES 204m. *(Reuters)*

Kenya Petroleum Refineries Limited (KPRL) has received a loan worth KES 21bn (USD 250m) from Standard Chartered Bank Plc, which is set to boost its long-awaited business transformation. The loan, signed Wednesday, represents 75% of the funds needed for the refinery to modernise its technology and start importing its own crude oil.

KPRL currently operates as a toll refinery processing crude imported by oil marketing companies operating in Kenya. Plans for the firm to switch from the toll system to a merchant system that would see it import its own crude oil and sell processed products in the market for a profit have been underway since last year.

However, lack of working capital has derailed the process. The new system was supposed to go live in January, a deadline that was then pushed to April 1 and subsequently to July 1. “The first step to switching to merchant mode is to buy our own crude. This money will allow us to do that. The first consignment is expected next month,” said KPRL CEO, Mr Brij Bansal.

However, Energy PS Patrick Nyoike revealed that modernisation of the technology would miss its completion deadline of 2015 by about two years. Transformation of KPRL into a merchant facility is expected to increase efficiency at the refinery. Currently, the plant is operating at 40% capacity processing about 1.6m tonnes of crude oil annually. *(Nation)*

Economic News

Kenya's economy will grow by 5% this year and next but additional external shocks would place east Africa's biggest economy under severe stress, the World Bank said on Monday. With Kenya gearing up for its first nationwide elections early next year since a disputed poll in late 2007 triggered widespread violence, the bank warned that Kenya's economy was "out of balance".

"In the absence of economic and social turbulence, Kenya should grow at 5% in 2012 and 2013, which would still be substantially below its neighbors," the bank said in a report. Kenya's external position is vulnerable to shocks as the current account deficit has soared, the World Bank said, forecasting the deficit could reach 15% of gross domestic product this year.

"This is among the worst external balances in the world and poses a significant risk to Kenya's economic stability," it said. "An additional external shock, especially a sharp rise in oil prices, would trigger severe economic stress, especially if accompanied by capital outflows." The Washington-based body projected Kenyan inflation would remain below 10% in the second half of 2012. A fall in food prices helped slow Kenya's inflation rate to 12.2% in May after it peaked at nearly 20% late last year. *(Reuters)*

Kenya's central bank sought to mop up KES 5bn (USD 58.9m) in excess liquidity via repurchase agreements (repos) on Monday. The regulator has been mopping up liquidity since April 5 and introduced longer tenure repos during a policy meeting earlier this month, which traders said were supporting the shilling. *(Reuters)*

Kenya's central bank, keen to bring down the cost of borrowing domestically, rejected most bids on a 10-year Treasury bond auction on Wednesday and the yield on the paper fell. The weighted average yield on the 10-year bond fell to 12.705% from 13.089% at its last sale last July, the central bank said. "The central bank is much more keen to bring down the yields after it received money from the syndicate loan," said Mercy Njoroge, a trader at Tsavo Securities.

"Guys hungry for a long term paper had bid as high as 15% on the bond." The government moved to borrow USD 600m via an international syndicated loan to plug a domestic borrowing gap and avoid paying steep prices locally after yields soared on the back of rising inflation and tight liquidity in the last quarter of 2011.

Traders had expected the regulator, which had not issued a 10-year bond for almost a year after yields shot upwards on the back of high inflation, to reject bids and bring down its yield. The bank intended to raise up to 5bn shillings from the bond. It received bids worth 4.07bn shillings, an 81% subscription rate, and accepted 445.7m shillings.

In the same sale, the yield on the 182-day Treasury bills edged up to 10.857% from 10.737% last week and accepted all the 1.17bn shillings it received on the six month paper. The bank said it will sell 182-day Treasury bills worth 2bn shillings and 91-day Treasury bills worth another 2bn shillings at next week's auctions. *(Reuters)*

The World Bank said on Thursday it would give Kenya two loans worth a total USD 600m to improve water and sanitation services in major towns for an estimated 3m people and to rehabilitate infrastructure within the capital. While East Africa's biggest economy has invested heavily infrastructure, especially in areas like roads and power transmission and generation since President Mwai Kibaki took office in late 2002, it still faces funding gaps.

Johannes Zutt, the World Bank country director for Kenya said the Nairobi Metropolitan Services Improvement Project, which is co-funded by a government injection of USD 330m, would benefit 1.5m living in the capital. "This project will help Nairobi to meet its enormous needs for infrastructure and services, so that it remains a liveable and business-friendly city as well as an engine of future economic growth," Zutt said. Among the projects targeted include improvement of streets, sidewalks, lighting, drainage, sewage collection, wastewater treatment, and solid waste disposal.

Another USD 300m will go towards improving water and sanitation services in major towns in the country, World Bank said. Through its lending arm, the International Development Association, the bank has already invested USD 150m towards the government's water and sanitation services improvement project.

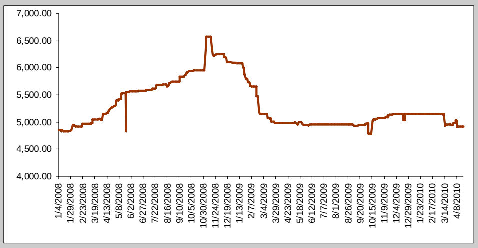
The bank, which expects Kenya's economy to grow 5% this year, said the east African nation was one of the most water-scarce countries in the world, with a majority of its citizens unable to access clean water at an affordable price. In all, the IDA has already invested over USD 2bn in sectors like water, energy and transport infrastructure in east Africa's biggest economy.

World Bank's loans typically have zero or very low interest charge and repayments are stretched over 25 to 40 years, including a 5 to 10-year grace period. Kenya has invested heavily in roads and power transmission, but much of the country is still without sufficient infrastructure. Businesses complain of inadequate roads to reach markets and frequent power cuts which slow down economic growth.

In February, the Finance Ministry said that the country had a funding gap or about USD 44bn needed in the next five to eight years to address infrastructure requirements and this would also need inpt from the private sector to meet it. *(Reuters)*

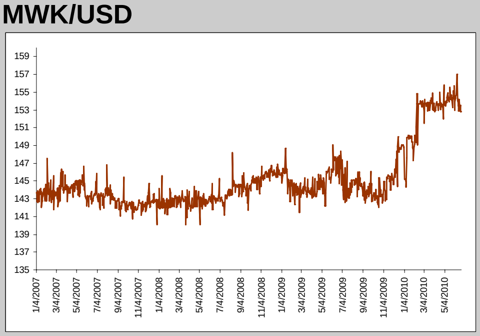
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

Stock Exchange News

The market index gained +0.19% to close at 5,954.98 points, with thin trades across both local and foreign boards. NBS was the only counter that recorded a price change after adding +4.71% to MWK 14.66. Market turnover for the week amounted to USD 42,292.42.

Corporate News

No Corporate News this week

Economic News

Malawi's donors have pledged USD 496m in budget support for the 2012/13 financial year, more than double pledges for the previous year's budget, Finance Minister Ken Lipenga said on Friday. Malawi's economy had been teetering on the brink of collapse after former President Bingu wa Mutharika picked a fight with donors whose support usually accounted for about 40% of the budget. New President Joyce Banda, who came to office in April after Mutharika died of a heart attack, has worked to restore aid flows frozen in the diplomatic fights.

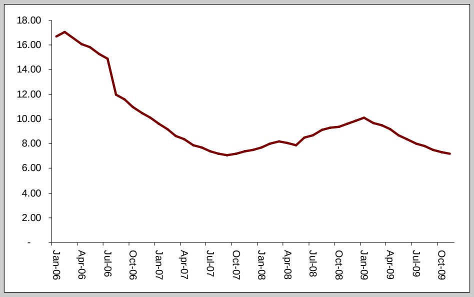
"This year grants from cooperating partners have increased by 140%, reflecting renewed confidence in the new government," Lipenga told Reuters in an interview. Banda has tried to win Western support by rolling back Mutharika legislation seen as suppressing human rights. She has also sought to increase spending on social programmes in an impoverished state with one of the world's highest rates of death during childbirth.

She has also removed the kwacha's peg against the dollar, leading to a depreciation of more than a third against the greenback, as requested by the International Monetary Fund for a resumption of financial support. Former colonial master Britain, the IMF and others have pledged to provide hundreds ofms in aid to help Banda rebuild the economy, which has also been hit by a slump in tobacco exports.

Malawi's budget deficit ballooned to a record 7.3% of GDP in the 2011/12 financial year, way above an IMF-approved target of 1.5%, due to a sharp economic slowdown, Lipenga said earlier this week. *(Reuters)*

Consumer prices in Malawi jumped to a seven-year high in May as fuel and electricity costs shot up after the kwacha currency was devalued by more than 30% in early May. The National Statistics Office said headline inflation accelerated to 17.3% year-on-year in May from 12.4% in April. Malawi scrapped its currency's peg to the dollar at the start of May, trying to reignite

CPI Inflation



Source: SAR

economic growth and appease the International Monetary Fund, which had long said the kwacha was grossly over-valued.

Core inflation, which excludes food prices, was at 21.8% in May from 5.7% the previous month. "This is owing mainly to recent upward price adjustments of electricity, gasoline, household operation, beverages, tobacco and recreation services," the statistical agency said in a statement on its website.

The devaluation was ordered by new president Joyce Banda to fix relations with the IMF and external donors that had broken down under her predecessor, Bingu wa Mutharika, who died in April. At the time of the devaluation the central bank said it did not expect the currency reform to be inflationary as most commodities were already being traded at the black market rate.

However, Finance Minister Ken Lipenga has since more than tripled his inflation forecasts for the year, saying price increases were likely to accelerate to 18.4% from previous expectations of 6%. He said inflation had come in at 10.2% in 2011. Aid has started to flow back into the impoverished southern African nation, with donors pledging USD 500m in budget support for this year, more than double their assistance for the 2011/12 budget.

Earlier this month the IMF agreed to a three-year, USD 157m package to support the economy. The government estimates the economy grew 4.3% in 2011, compared to expectations of 6%, as fuel and foreign exchange shortages cramped business activity.

This year growth is expected to remain steady, in line with the IMF's forecasts at 4.3%. The central bank has raised interest rates by 300 basis points to 16% to try and contain the price pressures. *(Reuters)*

The United States has restored a USD 350m aid programme to overhaul Malawi's decrepit electricity grid in recognition of the "sound economic policy" introduced since the death of President Bingu wa Mutharika in April. The U.S. Millennium Challenge Corporation (MCC) froze the donor agreement in July last year after 20 anti-Mutharika protesters were killed in a police crackdown in the impoverished southern African nation.

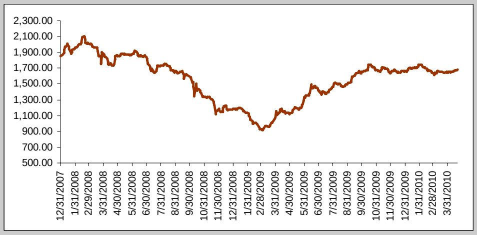
The suspension, which coincided with aid freezes from other governments including Britain, Malawi's biggest donor, exacerbated an already acute dollar shortage, sending the economy into a spiral. However, the MCC said on Friday the change of direction on human rights and economics under new President Joyce Banda - southern Africa's first female head of state - meant the programme should resume.

"The government of Malawi has also demonstrated a commitment to providing accountability for the violent police response to demonstrations in July 2011," it said in a statement. "These steps, and the resumption of sound economic policy, restore MCC's confidence in Malawi as a compact partner."

Under Banda, the kwacha's peg against the dollar has been loosened to allow a devaluation of more than 30%, and donors have pledged nearly USD 500m in aid for this financial year, more than double 12 months ago. *(Reuters)*

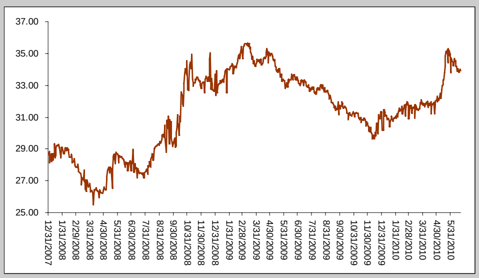
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The SEMDEX was down -0.46% while the SEM 7 lost -0.47% to close at 1,780.58 and 341.14 points respectively. ENL and Vivo led the movers after gaining +9.4% and +1.8% to close the week at MUR 22.20 and MUR 170.00 respectively, followed by Omnicare, up +0.7% to MUR 73.00 and IBL (+0.6%). CMPL led the losers after shedding -10.4% to MUR 16.40 while ASL lost -7.1% to MUR 79 and PIM shed -4.9%.

Corporate News

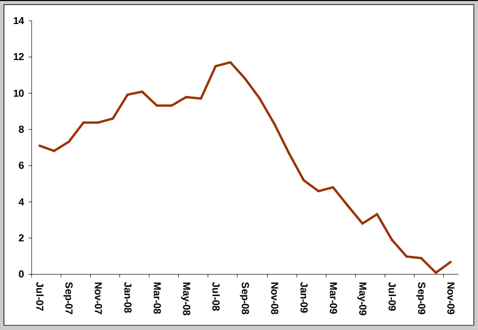
Alteo Limited, a new entity which will replace two Mauritius sugar producers after a merger on July 20, plans to raise sugar output in its Tanzania operation by 11% in the near term. The merger will create the largest sugar milling company on the Indian Ocean island and help them better cope with tougher trading conditions since the European Union cut guaranteed prices. "We are going to increase sugar production from 90,000 tonnes right now to 100,000 tonnes in the short term," Patrick d'Arifat, the CEO-designate for Alteo told a news conference on Thursday, without giving a more definite time frame.

Last month Deep River Beau Champ Limited (DRBC) and Flacq United Estates Limited (FUEL) said in separate statements the merger was in line with sugar sector reform. Both companies are currently listed on the secondary market and would gain a place on the main section of the stock market. Arnaud Lagesse, a member of the board of directors of Alteo said the combined value of the new entity would be more than MUR 9bn (USD 291.73m).

"This would place the company at the sixth place on the official market and it would be eligible to form part of the SEM-7," Lagesse said. The sugar sector, a centuries-old pillar of the palm-fringed island's economy, has been suffering since the European Union cut its guaranteed price offered to exporters from the African, Caribbean and Pacific (ACP) bloc.

DRBC owns 4,000 hectares of sugarcane plantations on the eastern part of Mauritius with an annual production of 80,000 tonnes of sugar. Some 25,000 tonnes of the output falls under the special sugars category, which is raw sugar refined on the island to add value. DRBC also produces electricity.

FUEL grows sugar on 8,000 hectares of land, where it also generates electricity. It is also involved in property management. The sugar business accounts for roughly 1.2% of Mauritius' USD 10bn economy. In Tanzania Deep River Beau Champ has had a presence through majority ownership of TPC since 2000. It grows 8,000 hectares of sugarcane to produce about 90,000 tonnes of sugar per year. *(Reuters)*



Source: SAR

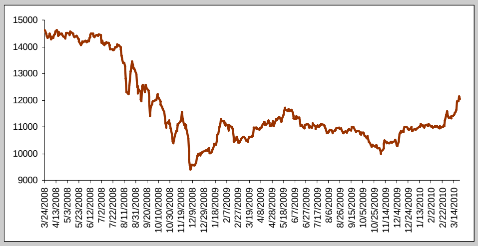
Economic News

Tourist arrivals in Mauritius rose 4.7% in May from a year earlier, driven by increased visitor numbers from Africa, official figures showed on Monday. Statistics Mauritius said arrivals rose to 71,396 in May as more visitors from French-speaking Reunion island compensated for the drop of 14.6% in tourist numbers from Europe, the Indian ocean island main market.

Visitors from Reunion Island increased by 67.4% to 15,865 from 9,480 a year earlier, helping push total tourist arrivals from Africa up 45.0% to 29,955. Tourism typically generates about 10% of gross domestic product for Mauritius' roughly USD 10bn economy. European tourists account for some two-thirds of arrivals. The tourism industry in Mauritius has been hit by the fallout from the global economic slowdown and continued worries about the euro zone crisis. *(Reuters)*

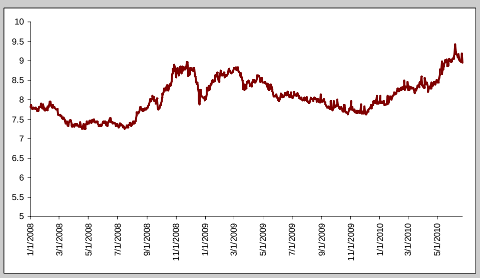
Morocco

Casablanca Stock Exchange



Source: Reuters

MAD/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The MASI lost -0.18% to close the week at 10,034.72 points. Gains were recorded in Unimer (+15.29%) to MAD 196.00, Maghreb Oxygene (+8.76%) and Taslif (+6.11%). On the losing front we had SNEP, down -11.13% to MAD 162, Disway which shed -10.77% to MAD 221 and Med Paper (-8.01%).

Corporate News

Abu Dhabi National Energy Co (TAQA), a state-owned oil explorer and power supplier, has signed a USD 1.4bn financing arrangement for the expansion of its power plant in Morocco, it said in a statement on Thursday. The 16-year multi-currency project financing is to increase production capacity by 700 megawatts at TAQA's Jorf Lasfar coal-fired power plant.

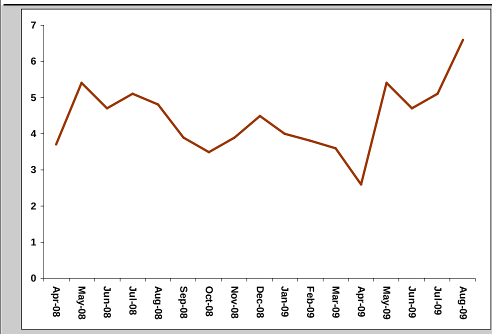
It is the biggest coal-fired power plant in the Middle East and North Africa region, and Morocco's first independent power producer. Following expansion, the plant's gross capacity will increase to 2,056 megawatts, TAQA said. BNP Paribas, Societe Generale and Standard Chartered are lead arrangers for the international funding, while Morocco's Banque Centrale Populaire is lead arranging the Moroccan credit facilities.

The latter will represent about 40% of the total debt being raised, the statement said. Direct loans and guarantees from Asian export credit agencies and other financial institutions will provide for more than 50% of the total project debt. In an interview with Reuters last month, TAQA's chief executive said that North African states offered the company opportunities for new power and water projects. *(Reuters)*

Economic News

Morocco's foreign exchange regulator on Monday said the country's trade deficit for January-May stood at MAD 84.4bn (USD 9.61bn), an increase of 10% from the year-earlier period. The regulator released the following data on the country's trade, tourism receipts, transfers by Moroccan emigrants and private foreign loans and investment (PFLIs) for the period. Morocco's currency is not fully convertible, and growth in tourism and remittances helps mitigate any destabilising impact on the banking system from a net outflow of foreign exchange caused by the surge in the trade deficit. *(Reuters)*

Morocco's central bank kept its benchmark lending rate at 3% on Tuesday, the level it has held since March when it cut rates to shore up an economy hit by bad weather and the euro zone crisis. "(Since) the balance of risks is broadly neutral and the central inflation forecast is permanently c onsistent with the price stability objective, the (central bank's) Board decided to keep the key



Source: SAR

rate unchanged at 3%," the central bank said in a statement.

The central bank said on Tuesday that it expects inflation to average 1.4% in 2012, rising from less than 1% in 2011. It also maintained its economic growth forecast for 2012 on Tuesday of below 3%, lower than the finance ministry's already reduced 3.4% growth forecast. The USD 100bn economy grew by close to 5% in 2011.

"Growth will be a little below 3%," central bank Governor Abdellatif Jouahri later told reporters. Apart from the 25 basis point rate cut in March this year, the c entral bank has left interest rates unchanged for the past three years. However, it is suffering from the impact of drought and the economic slowdown in the European Union, its main trading partner. Europe is the main source of tourists in Morocco and of money transfers from the 2m Moroccan migrants who live in Europe.

"(Growth in) savings and transfers of Moroccan migrants is losing speed ... Their growth fell from 8% in May, 2011 to 2% in May, 2012," Jouahri said. Tourism receipts fell 0.2% last month, he said. A year ago they rose by 13%. Anxious to avoid the kind of unrest seen in other parts of the Arab world and worried about increases in global commodity prices, Rabat last year raised public sector wages and has more than trebled funds for food and energy subsidies to over USD 6bn.

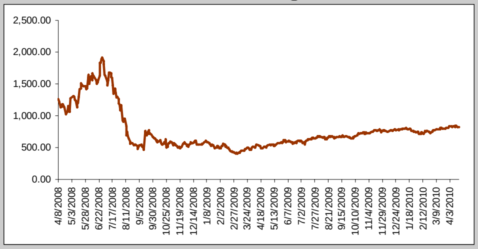
Morocco ended 2011 with fiscal and external deficits slightly above 6% of gross domestic product. Jouahri said he expects the budget deficit to stand at 5% of GDP at the end of this year in line with the finance ministry's objective. *(Reuters)*

Morocco's consumer price inflation eased to an annual 1% in May from 1.2% in April due to a sharp drop in communication costs, official data showed on Wednesday. Food prices, which make up about 40% of the consumer price index's total weighting, rose 2.6% in May compared with a year ago, data from the High Planning Authority showed. A month earlier, food prices were up an annual 2.7%.

Communication costs fell by close to 27% in the 12 months to end-May, HCP data showed. Compared to the previous month, consumer prices rose 0.1% in May, it added. Morocco's central bank expects inflation to average 1.4% in 2012 from less than 1% in 2011. *(Ahram)*

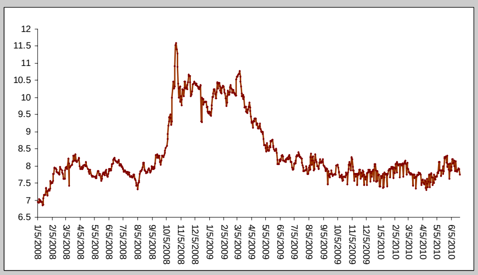
Namibia

Namibia Stock Exchange



Source: Reuters

NAD/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The NSX overall Index gained +1.79% at 908.00 points. On the NSX local and DevX, BMN (+7.69%) led the movers followed by MMS, up +7.14% to NAD 0.15 and EOG (+5.00%). DYL was the main shaker after losing -16.67% to close at NAD 0.05 followed by FSY which shed -1.23% to NAD 0.80 and NBS (-0.17%).

Corporate News

No Corporate News this week

Economic News

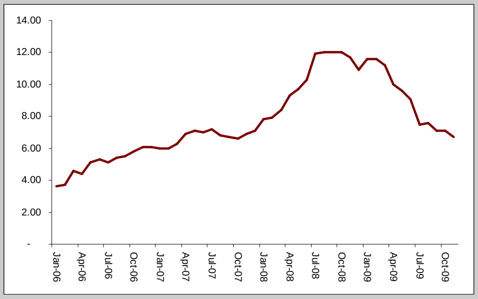
Namibia's central bank kept its bank rate steady at 6.0% on Wednesday, citing downside risks to the growth outlook and saying domestic price pressures were abating, with inflation expected to remain stable over the medium term. The Bank of Namibia's monetary policy committee (MPC) has previously said it would not be appropriate to raise interest rates as concerns about growth outweigh those over rising inflation.

"The global prospects continue to be gloomy. Although the domestic economy continues to show positive growth in contrast, the trade and financial linkages dictate that the balance of risks remains tilted to the downside," Governor Ipumbu Shiimi told a news conference. "The MPC further noted the abating inflationary pressures in the domestic economy and is of the view that the inflation rate will remain stable over the medium term."

Consumer inflation in the mineral-rich southwest African nation slowed to a six-month low of 6.0% in May from 6.4% in April. Growth remains fairly sluggish in the one of the world's biggest uranium producers after a global recession hit exports. The central bank expects GDP expansion of 4.2% this year from 3.8% in 2011.

The Bank was worried about increased borrowing to buy luxury items, with credit extension growing by 13.2% year-on-year in April, its fastest since December 2007, compared with 12.5% in March, Shiimi said. In contrast, the savings rate had fallen to 18% of GDP after peaking at 34% in 2006, he said. *(Reuters)*

CPI Inflation



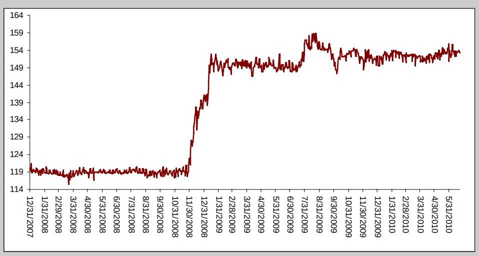
Source: SAR

Nigeria

Nigeria Stock Exchange

Source: Reuters

NGN/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The NSE All Share index gained +0.99% to close at 21,394.77 points. Eterna Oil gained +26.80% to close at NGN 3.17 while GT Assurance was up +20.49% to close at NGN 1.47. Other notable gains were recorded in Cutix (+15.00%), CCNN (+14.23%) and RT Briscoe (+12.00%). On the losing front we had Transcorp (-21.13%), Avon Crowncaps (-18.21%) and May and Baker (-11.79%).

Corporate News

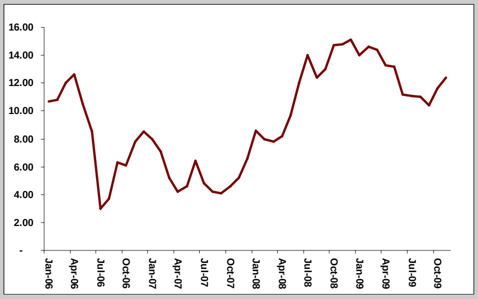
The backlog of unpaid debt for gas supplied to the Power Holding Company of Nigeria for its thermal power plants across the country by the Nigeria Gas Company currently put at NGN 23bn is now stalling the operations of NGC, the gas transportation arm of the Nigerian National Petroleum Corporation. Group Executive Director, Gas and Power of NNPC, Dr. David Ige, who disclosed this in an exclusive interview with THISDAY in Abuja, stated that the PHCN had in the past two years failed to constantly remit payments for gas supplied to its thermal power station. This is running against the provisions and terms of the gas commercial framework initiated by the Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, as a means of shoring-up investment in Nigeria's gas sector.

He explained that the commercial framework and pricing regime could not be described as a problem or challenge to PHCN in its payments defaults but rather, the lack of financial discipline by the utility which has seen it fail in its revenue collection. Ige said: "About a year ago the minister of petroleum announced a wave of commercial regime for gas as part of efforts to develop the gas master plan. "What we have done really in gas to power is that we have proposed a graduation in price from what used be about 10 cents to bring the price to a commercial price over a three year period.

"And we staggered it this way to allow the power sector to adjust and rather than just slam from N24 to USD 2 and so we agreed this in consonance with the Nigerian Electricity Regulatory Commission and stakeholders in the power sector two years ago. "But the problem today is not so much that the price projection is not right, the problem is that PHCN is not paying, NIPP is paying the right price but PHCN as we speak has got N23bn outstanding debt; they are not even collecting enough revenue to meet their operating cost and this is a dilemma for us because a lot of what we did and of course, the entire gas master plan was predicated on this commercial framework because there are many other sectors apart from the power sector that pay almost double the price."

He noted that the ministry of petroleum has evolved several measures to ensure sustainable supply of gas to PHCN thermal plants including the 12-

CPI Inflation



Source: SAR

months emergency plan that was recently announced by Alison-Madueke. Ige added that in view of the need to ensure that adequate gas is supplied to PHCN, most independent gas producers are often asked to supply gas to PHCN without payment and perhaps, not within the right commercial framework.

"The demand for gas by the power sector is a huge problem coming and the growth in demand keeps going up. Gas that were developed by producers for other means are been channelled to the power sector and the producers do not know whether they will be paid or even the right price but we just have to do that," he said. *(All Africa)*

Cement Company of Northern Nigeria (CCNN) Plc has recommended a dividend of NGN 0.45 per share for the year ended December 31, 2012. Although details of the financial performance were not made available, the company said the dividend would be paid in August 9, 2012. According to the CCNN, its register would close between July 16 and July 20, implying that investors whose names did not appear on the register before its closure, would not benefit from the dividend. *(This Day)*

The first solar-powered telecoms network will be introduced in Nigeria this year, The Nation has learnt. The network, WorldGSM, is developed by VNL, a company under the Shyam Group. The Chairman of Shyam Group, Rajiv Mehrotra, said the WorldGSM, a broadband network, is designed to serve the rural populations in developing economies, adding that WorldGSM technology intends to help connect more people to broadband Internet services.

He said:"The network draws no power from the electricity grid. It has been designed from the ground up the hardware, software, towers and network architecture to extend existing GSM networks into areas they could never before serve," explaining that the aim is to provide affordable broadband network services to rural consumers who don't live in cities and have low Average Revenue Per User (ARPU).

"The purpose network of GSM is unsuited to the unique challenges of serving rural and remote communities. As operators continue to expand their networks into these areas, these challenges can escalate to a point where any further expansion is no longer viable. "As a result, vast portions of the developing world are denied telecommunications access. Power was clearly not an issue when GSM was conceived. A conventional base station site alone requires about 3,000 to 5,000 watts to run, not including any Base Station Controller (BSC) or Mobile Switching Centre (MSC)," Mehrotra said.

He observed that in remote areas in Nigeria, there is either no electricity grid or it is only available for a few hours each day. Diesel generators are used to fill the gap times, resulting in severalbns of litres of diesel fuel consumed yearly, the VNL boss noted. He added that poor fuel quality, cost and time to transport it to remote locations, storage costs, pilfering and theft make this power source unsustainable for rural GSM deployment. "The generators are typically overworked and poorly maintained, resulting in replacement every two or three years, resulting in more waste, more greenhouse gas emissions," he added. *(Nation)*

The board of C & I Leasing Plc has notified the Nigerian Stock Exchange

(NSE) of plans to acquire more stakes in Leasafric, a Ghanaian firm. Already, according to C & I Leasing Plc, with the approval of the company's board, an agreement with Auroes West Africa Fund, to purchase an additional 28% ordinary shares in Leasafric has been signed.

The company explained that the development was expected to take its shareholding to 87%; adding that the deal was subject to the requisite regulatory approvals. In its notice to the NSE, the company said: "The proposed purchase gives C & I Leasing a platform to exploit emerging opportunities in the rapidly growing Ghanaian economy. "The company further stated that Leasafric had witnessed some impressive growth both in turnover and profit in the last few years, especially 2010 and 2011.

"Profitability has grown by 137% and 311% in 2010 and 2011 respectively. Portfolio quality has greatly enhanced, making Leasafric one of the best leasing companies in Ghana both in terms of profitability and assets quality. It is hoped that this will be further leveraged on with this additional stake taking when approved," said C & I Leasing Plc. Meanwhile, Julius Berger Nigeria Plc has announced plans to attain turnover of NGN 125.541bn and profit after tax of NGN 3.993bn for the third quarter ending September 2012.

Shareholders of the company recently supported efforts by the company to boosts its capital and consolidates on its operations. The company's Managing Director, Mr. Wolfgang Goetsch explained during an interactive session with investors that it was ready to work with investors as part of measures to give shareholders improve return on their investment. According to the Finance Director, W. Kollermann, the Federal Government was to convert some of the debts it owes the company into bonds.

Under this arrangement, USD 50m worth of the debts would be converted to bonds while the other 50% cash component would be paid by the government, adding that it was intended to cover mainly some projects under the Federal Capital Territory and that of the Federal Ministry of Works, especially for the Onitsha-Owerri Road project. "There were delayed payments by government at all levels and the Appropriation Act was only signed towards the end of the second quarter.

"The final budget implementation was only 69% and with the high volume of public sector clients, the company was highly impacted. A risk management policy was implemented and the company has diversified its customer base to include more clients from the oil and gas sector, private investors, among others." *(Guardian)*

Regency Alliance Insurance Plc recorded NGN 262.8m profits after tax during the year ended December 31st 2012. The figure showed an increase of 13% compared to that of 2010. This was contained in the company's yearly reports and accounts recently released. While premium earned less re-insurance during the period stood at NGN 1.68bn, it recorded NGN 304.3m before taxation.

Its gross premium for the year was about NGN 2.196bn as against NGN 2.007bn in 2010, a 9.4% increase. The highlights of the result showed that the company made adequate provision of about NGN 481m as bad debts in accordance with the National Insurance Commission (NAICOM)'s guidelines.

During the period under review, the company paid over NGN 367m claims. Its earnings per share stood at 3.87 as against 3.45 in 2010, an increase of about 12%. The report indicates that a proposal for dividend would be presented to the shareholders at its 18th Annual General Meeting schedule for July 12, 2012.

Speaking on the result, the company's Managing Director, Mr. Biyi Otegbeye, said that the result showed the company was growing steadily adding that the fundamentals were getting stronger year by year. According to him: “It is a thing of delight that we still maintain a healthy bottom line. We still respect the expectation of our shareholders by maintain a consistent dividend policy.”

He disclosed that the company was following the five year development programme that was launched two years ago adding that Regency Alliance Insurance was fast emerging as a dominant player particularly in the oil and gas insurance. He continued: “We are optimistic that by 2013 our company would be among the first eight insurance companies in Nigeria.” *(Guardian)*

The Anglo/Dutch Shell has invested over USD 3bn on associated gas gathering infrastructure in Nigeria between 2000 and date, the oil giant has said. This has resulted in substantial reduction of flared gas. Shell's Director of Upstream International Andy Brown disclosed this when the Minister of Petroleum Resources Mrs. Diezani Alison-Madueke; Group Managing Director, Nigerian National Petroleum Corporation (NNPC), Austin Oniwon and Director, Department of Petroleum Resources (DPR), Mr Osten Olorunsola, among other senior officials of the petroleum industry visited the Shell Group's headquarters in the Netherlands.

In a statement by the Corporate Media Relations Manager, Shell Petroleum Development Company Limited (SPDC) Tony Okonedo, the company said Brown and other senior Shell executives discussed several issues of national importance and how to move the industry forward. "The national interest to reduce flaring was also discussed. Since 2000, the Joint Venture has spent more than USD 3bn on associated gas gathering infrastructure.

As a result, between 2002 and 2011, SPDC JV flaring dropped by more than 60% from over 0.6bn cubic feet a day (bcf/d) to about 0.2 bcf/d. This makes the SPDC JV among the best of its peers in amount of flaring per volume of oil produced," the statement noted. Brown said: "We are delighted to welcome the Minister. Nigeria is an important energy producer with huge potential for growth and Shell would like to contribute to that growth."

In addition to new investment opportunities, the delegation discussed Nigeria's Natural Gas Master Plan. The Minister reconfirmed Shell's commitment to work through The Shell Petroleum Development Company of Nigeria Limited Joint Venture (SPDC JV) to help deliver support to projects that will provide additional domestic gas consumption. *(Nation)*

Shell Petroleum Development Company (SPDC) Joint Venture has stated that it reduced gas flaring in Nigeria by over 60% from 0.6bn cubic feet per day in 2002 to 0.2bcf/d in 2011, after spending over USD 3bn on associated gas gathering infrastructure. The senior executives of the parent company also recently hosted the Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, at the group's headquarters in the Netherlands to discuss other issues of national interest.

Shell Nigeria's Media Relations Manager, Mr. Tony Okonedo, said in a statement yesterday that the company's contribution to efforts to end gas flaring in the country made it to be among the best of its peers in amount of flaring per volume of oil produced. He noted that during the visit of the minister of petroleum to the company's headquarters in the Netherlands, the issue of gas flaring was also discussed.

Okonedo disclosed that since 2000, the Joint Venture has spent more than USD 3bn on associated gas gathering infrastructure. In a speech presented during the minister's visit, the Shell's Director of Upstream International, Mr. Andy Brown, noted that Nigeria was an important energy producer with huge potential for growth, adding that Shell would like to contribute to that growth.

Shell also used the opportunity to reaffirm its commitment to cleaning up spills. "The SPDC joint venture pioneered and has continued to be at the forefront of gas development and utilisation since the 1960's. It remains the single largest supplier, at about 45per cent, of the country's domestic gas supply used mainly for power and industries. The venture therefore has the presence and experience to collaborate with other parties to help achieve this important national aspiration," Brown said.

In addition to new investment opportunities, the delegation discussed a number of issues of national importance including Nigeria's Natural Gas Master Plan. In her speech, the minister reconfirmed Shell's commitment to work through the SPDC JV to help deliver support to projects that will provide additional domestic gas consumption. The delegation also discussed the need for long term solutions to illegal refining and crude oil theft that cause the majority of oil spills in the Niger Delta and deprive the government and the people of Nigeria important revenue.

Shell also used the opportunity to reaffirm its commitment to cleaning up spills related to the company facilities regardless of the cause. The company, however, noted that these efforts will not be effective if illegal activities re-impact the same sites. The delegation visited the Rijswijk Technology Centre to learn about the latest oil and gas development technologies and participate in a well drilling simulation. *(All Africa)*

Barring any last minute change in plans, the Nigerian Stock Exchange (NSE) will today (Wednesday) list Fortis Microfinance Bank (MFB) Plc. THISDAY had last week exclusively reported the listing of the Fortis MFB, which has its head office in Abuja. The listing will be the second this year and the second MFB to be listed on the exchange. However, the listing, it was gathered is part of a three-year strategic growth plan aimed at putting the bank at the lead of the microfinance bank industry when completed.

Part of the plan is a capital raising exercise that will fetch about N7bn fresh funds to the Fortis MFB and the hybrid security issuance which is said to have reached advanced stage is being packaged by DEAP Capital Management and Trust Plc as the Issuing House/Financial Advisers. According to the Managing Director/Chief Executive of Fortis MFB, Mr. Kunle Oketikun, the bank has in the past four years laid the foundation for a rapid growth aimed at positioning it at the top rung of the microfinance industry in Nigeria.

He noted that the operational strategy that underlined the foundation and success of Fortis is the professionalism and a commitment for best practices which have equally translated to consistently good performance of the company. “Fortis Microfinance Bank Plc, since inception, has committed itself to be a microfinance bank of choice in the Nigerian financial industry. We adhere strictly to professional standards and international best practice. We have constantly achieved record pre-tax earnings, earnings per share, free cash flow and improved profit margins, with increased revenues and have continued to deliver superior returns to shareholders most importantly.”

He said the bank knew its market and how best to reach the customers and satisfy them.“We operate at the micro level of the economy where we see very huge opportunities and we have modelled our business to exploit this opportunities to a mutual advantage with our customers,” he said. Speaking in the same vein, Executive Director, Investment Banking/Public Sector, DEAP Capital Management and Trust Plc, Mr. Jacob Esan, said Fortis MFB was poised to be the leading microfinance institution in Africa with the ability to generate outstanding value for all stakeholders.

“The value proposition of Fortis MFB within the emergent microfinance banking space in Nigeria represents a unique opportunity for investors. For us at DEAP Capital, Fortis MFB is the latest institution we are working with in creating a pipeline of indigenous companies focused on being part of the resurgence of Nigeria as an industrial powerhouse,” he said. *(This Day)*

Chevron Nigeria Limited (CNL), said its North Apoi oil field in the Niger Delta which was shut down recently has resumed operation and currently produce 2000 barrels of oil per day. The company also said it has sealed and abandoned the shallow water Funiwa1A natural gas well after completing the drilling of a relief well. It said on its website that it contracted with the Transocean rig in Baltic to commence drilling the relief well on February 17, this year.

The relief well intersected the incident well at approximately 9,100feet (2,774m). Cement was pumped into the well to achieve a permanent seal. The company said it cooperated fully with all relevant Nigerian government authorities and provided support to many communities in proximity to the incident.

“Through Independent consultants and regulatory agencies, has continuously monitored the environment and has been in ongoing dialogue with the government, regulators and local communities”. According to the company, the cause of the incident is under investigation. *(Daily Trust)*

Unity Bank Pls has committed about NGN 28bn loans to the agricultural sector within the last two years, it’s Managing Director Ado Yakubu Wanka has said. Wanker said this yesterday in Abuja at the Annual General Meeting of the bank, where he said the bank has grown its balance sheet from NGN 309.35bn in 2010 to NGN 506.35bn in 2011.

He said the loans was for both large, medium and small scale agriculture. “We believe this is one sector that can actually transform the economy,” Wanker said. Unity Bank is one of the banks in Nigeria that is committed to the development of agriculture. The Central Bank of Nigeria has set aside N200bn for agricultural development in the country.

At the bank's AGM yesterday, its Chairman Nu'uman Barau Danbatta said Unity Bank grew its customer deposits by 20.14% from NGN 222.12bn in 2010 to NGN 266.88bn as at the end of 2011. The bank's operating income also increased by 28% from 24.23bn in 2010 to NGN 30.91bn in 2011.

Danbatta said the bank's loans and advances grew by 2.88% from NGN 118.58bn to NGN 121.98bn during the period, saying this would have been higher if not that it sold assets worth NGN 20bn the Asset Management Corporation of Nigeria. Shareholders funds stood at NGN 44.51bn in 2011 compared to NGN 44.15bn in 2010.

The bank's gross earning for the period was NGN 47.5bn and made a profit before tax of NGN 3.1bn in 2011 as against NGN 64.8bn and NGN 13.4bn in 2010. The Managing Director of the bank said that arrangements have been made to raise the capital base of the bank. *(Daily Trust)*

Economic News

The Istanbul Chamber of Commerce has said the bilateral trade between Nigeria and Turkey has increased to over USD 1.2bn as at 2011, indicating 57% increase, when compared to 2010. The trade statistics, however, showed that the balance of trade between the two countries was in favour of Nigeria. Meanwhile, a Memorandum of Understanding has been signed by both countries to establish the Nigeria-Turkish Business Council, to promote bilateral relationship between the business communities of both countries.

The Turkish Ambassador to Nigeria, Ali Rifat Koksal, in an address delivered at the opening of the Turkish Products Solo Exhibition in Lagos, saidTurkey is committed to assisting Nigeria to become a mong the greatest economies in the world. He said Nigeria would soon play a greater role in the world, given her large population and natural resources. Turkey, as an "emerging economy with global reach," is positioned to topartner with Nigeria in achieving economic growth, he said, adding that Turkey has so far completed more than 4,000 projects in 81 countries worth about USD 160bn.

The National President, Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), Herbert Ajayi, who was represented by the Second Deputy National President, Bassey Edem, said there was the need to strengthen the relationship between Nigeria and Turkey through joint investment projects. He said the growth in the volume of trade between the two countries have shown the quality of products and services they could provide. *(Nation)*

Nigeria's consumer inflation eased slightly to 12.7% year-on-year in May, from 12.9% in April, the National Bureau of Statistics (NBS) said on Tuesday. Food inflation rose sharply to 12.9% year-on-year in May, from 11.2% the previous month, an NBS report said. Core inflation, which excludes volatile agricultural produce, rose to 14.9% in May, from 14.7% in April. *(Reuters)*

The Federal Government plans to raise NGN 100.62bn (USD 616.60m)

worth of 91-day and 182-day Treasury bills at its regular bi-monthly debt auction tomorrow, the Central Bank of Nigeria (CBN) said yesterday. The bank said it will issue NGN 37.49bn in 91-day paper and NGN 63.13bn worth in 182-day bills on tomorrow. Nigeria, Africa's second biggest economy after South Africa, issues treasury bills regularly to reduce money supply, curb inflation and help lenders manage their liquidity. *(Nation)*

The World Bank has disclosed plans to boost the Federal Government's Agricultural Transformation Agenda (ATA) with the sum of USD 300m. The World Bank assisted Commercial Agriculture Development Project (CADP) Task Team Leader, Dr. Lucas Akapa, dropped the hint at the 6th Joint Federal Government of Nigeria/World Bank Mission in Lagos. Akapa disclosed that in response to the new federal government's ATA, which is being coordinated by the Minister of Agriculture, Dr. Akinwunmi Adesina, the World Bank has decided to put additional resources of USD 150m into the CADP and another USD 150m into the Fadama Development Project (FDP).

He noted that the FG objective was to make agriculture a business, through efforts that would scale up production, bring in innovation, develop infrastructure, establish agricultural processing zones to increase productivity and at the same time create more jobs. “In doing that, there will be need for us to support the government and that means re-aligning this current operation to be in line with what the government's transformation agenda seeks to achieve in the agricultural domain.

“So that we can have a critical source of resources to push and to see to it that we are able to re-align and redesign CADP and FADAMA to respond to the ATA of the federal government. “So it is within that context that we saw the need for additional resources to be added to the project and definitely we are also looking at extending the time frame of the projects so that we can have sufficient time to do justice to the work,” he said.

According to the representative of the Minister of Agriculture, Mr. Abiodun Akanji, “all over the country the government has been putting programmes and projects together towards solving food insecurity problems because Nigeria has been importing on the average a lot of the food intake by Nigerians.” He noted that value was also not been added to many of the nation's agricultural commodities because of too much emphasis on production than on processing, storage and exporting of agricultural products.

The five states in the programme, he explained, were selected on the basis of their capacities to bring about further development in specific agricultural products where they are endowed with natural comparative advantages, and their potential to make immediate impact on productivity and overall security of food in Nigeria. In his keynote address, the Commissioner of Agriculture Lagos State, Gbolahan Lawal, stated that the state government's effort in Strategic Programme for Accelerated Agricultural Growth (SPAAG) aimed at stimulating agricultural production for all key staple food commodities using the value chain approach is closely aligned with the FG's Agenda.

“The state will always contribute its quota to all Donor/World Bank assisted projects through regular payments of its counterpart contributions as well as provision of capable human resources for the successful implementation of these projects,” he also assured. He said that as a result of its drive towards food security, the government of Lagos state has recently launched an ultra-modern 20 tonnes capacity rice processing centre at Imota in Ikorodu along with the poultry estate and network of farm access roads. He explained that the rice mill, together with the recently rehabilitated cottage rice processing centres at Idena and Itoga under the CADP, would be the major off-takers of paddy produced in the state. *(This Day)*

The World Bank is yet to approve a Partial Risk Guarantee (PRG) that will be counter-guaranteed by the Federal Government Sovereign Bond to enhance the sale of electricity in bulk to the 11 distribution companies unbundled from the Power Holding Company of Nigeria (PHCN), THISDAY has learnt. Under the PRG arrangement, the bulk trader, a newly-created entity, which will remain government-owned after the privatisation of PHCN successor companies in October 2012 will buy power from the generation companies and sell to distribution companies.

The PRG is an instrument by the World Bank that provides that if a distribution company is unable to pay for the electricity purchased from a generating company, the Bulk Trader will step in and pay. The PRG stemmed from growing concern among investors that distribution companies lack credit worthiness to purchase power directly from the generating companies.

A source within the Ministry of Power told THISDAY at the weekend that though the bulk trader has been created and a chief executive officer appointed, the World Bank board was yet to approve the PRG. He said the delay in securing the approval of the board was due to the prevailing inefficient revenue collection system in the power sector, adding however that the approval would come by the end of this year when the privatisation process has been concluded.

“The PRG is an instrument that says that if all the revenue collected is insufficient to pay the generating company, then the bulk trader will step in and pay the difference. However, if the bulk trader is unable to pay the difference, the World Bank PRG will pay. So, the PRG is simply a letter of credit counter-guaranteed by Federal Government Sovereign Bonds,” he said.

He attributed the delay in the approval of the PRG to the current inefficient revenue-collection system in the power sector, adding that the situation will change after the privatisation exercise. According to him, the new private investors would deliver more efficient services with better revenue collection mechanisms put in place.

He further stated that the newly-created bulk trader had commenced negotiation with private investors for bankable Power Purchase Agreement (PPA), in anticipation of the final approval of the PRG. The official noted that the bulk trader was the primary guarantee of continued acquisition of new distribution capacity.

“We have a collection problem in the industry and that means that we have a credit worthiness problem. If you are not ready to collect your revenue, it is a major challenge. The only reason generating companies will sell power to distribution companies, which are not credit worthy is the Bulk Trader,” he added.

THISDAY gathered that the board of the bulk trader consisted of nine members with five representing the private sector and four representing various government agencies, while the Coordinating Minister of the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, serves as the chairperson. *(This Day)*

For the full benefits of the opportunities created with the reforms in the banking sector to crystallize, a number of lingering challenges in the real sector would need to be addressed. The most critical of these is the huge infrastructural deficit comprising of power and transportation". This was the view of the Central Bank of Nigeria's (CBN) Governor, Lamido Sanusi, during the presentation of a paper on the recent banking reform and opportunities for real sector growth in Nigeria, at the fourth memorial lecture of the Clement Isong Foundation in Lagos, at the weekend.

He however stated that though outcomes on financial sector reforms in Nigeria over the years which were aimed at repositioning financial institutions for effective mobilization and utilization of financial services for economic development have been mixed and some challenges still persist, concerted efforts are being made to overcome them.

Sanusi who was represented by his Deputy, Suleiman Babarau, noted that the prospect of the real sector growth is bright given the various reforms in the financial sector aimed to unlock the credit potentials of deposit money banks, the lingering challenges of infrastructure deficit, has continued to limit the full realisation of the reforms for the sector.

"What is clear however, is that the growth of credit to the real sector, though still relatively not very impressive, has been rising over time and it is expected to improve further as the effects of the current reforms permeate the banks. Similarly, the performance of the real sector in the face of the banking sector reforms has been impressive and we hope to improve funding to the sector", he added.

On the way out for the nation's economy, Sanusi stressed that though still fragile, financial markets have recovered faster than expected, urging greater efforts in accelerating reforms in the other sectors of the economy and protect depositors'/shareholders fund. In addition, he added: the rebound in international commodity prices is expected to further support economic growth in commodity producing regions, including Nigeria.

Sanusi said a major fall-out of the global financial crisis fostered the need to strengthen regulation and supervision, engage in better risk management practices in financial institutions and restore confidence in the financial system. According to him, the regulator is committed to enhancing the quality of banks through regulatory framework reform, risk based supervision, consumer protection, corporate governance and disclosure and transparency.

"It is also working on establishing competitive banking industry structure, improved cost structure of banks through cost control and business process outsourcing, reliable and secure payment systems, greater financial inclusion, improving financial infrastructure, credit bureaus", he added.

The various initiatives already taken are expected to strengthen the financial system and create an enabling environment for investment in the Nigerian economy, while ensuring stability in the Nigerian macroeconomic environment. Collectively, these are expected to create a climate for profitable real sector activities in the country, to take advantage of the potentially large domestic market in the West-African sub-region. *(Guardian)*

The Nigerian Stock Exchange (NSE) has started the disengagement of directors appointed by the Securities and Exchange Commission (SEC) to its council, paving the way for its much-awaited reconstitution. The decision was the highpoint of a meeting of the NSE Council yesterday chaired by Alhaji Aliko Dangote following his reinstatement as president by the Court of Appeal. The council consists of 21 members. They include 13 ordinary members, one institutional member and seven dealing members.

The SEC board, last week, consented to the removal of the eight members it appointed into the council of the Exchange. SEC's appointees included the former interim director-general, Mallam Ballama Manu; Mr. Emmanuel Ikazoboh, Mrs. Yemisi Ayeni, Mr Abimbola Ogunbanjo, Mr Bismarck Rewane, and Mrs. Dorothy Ufot (SAN). The NSE council considered the disengagement and decided that Dangote should consult with stakeholders to assist it.

This was in line with SEC's directive that the disengagement must be done to enhance market confidence and ensure stability of the Exchange and the capital market. The SEC board had directed the NSE council to ensure that legal issues affecting the council are addressed. It also directed the management of the Commission to fashion out modalities for the disengagement.

The NSE council assured stakeholders that it would protect the interests of the Exchange and the capital market. The disengagement would assuage stockbrokers, who had criticised SEC's arrangement, describing it as "micro-management of NSE". NSE is a self-regulatory organisation (SRO) and a private company limited by guarantee. It is owned by several individual and institutional members, especially stockbrokers who form the majority of its members.

Observers say the removal of SEC's appointees would lead to a restructuring at the NSE, especially its committees. Mrs Ayeni chairs the demutualisation committee, which reviews and exams the structure of the NSE. Ogunbanjo is a member of the demutualisation and the disciplinary committees. Ikazoboh chairs the finance and general purpose committee. The committee, which also has Bismarck Rewane as a member, also acts as a court of last resort for staff disciplinary matters. Mrs.Ufot (SAN) chairs the rules and adjudication committee. *(Nation)*

Nigeria's crude oil production has risen significantly to peak at 2.48m barrels per day (bpd), said the Group Managing Director (GMD), Mr. Austen Oniwon Oniwon, who disclosed this to journalists on the sidelines of the just-concluded 5th Organisation of the Petroleum Exporting Countries (OPEC) International Seminar in Vienna, Austria said about 700,000bpd came from deep offshore productions, while the balance was from traditional onshore fields, with more volumes expected over the next couple of months, particularly from the abandoned locations.

He noted that the current production surpassed the 1.4 and 1.5m bpd the country tried to maintain at the height of militancy. Accordingly, Oniwon insisted that there was no fear of Nigeria, not meeting its membership quota allocation from the OPEC, as more than ever, the country was in a good position to meet its quota. He said: “As at today, at 2.48m bpd, which is far, far away from the period when we were doing 1.4 to 1.5m during the period of militancy, there is no question about not meeting our quota. So I think we are doing well and definitely, we are meeting our quota.”

He argued that fears expressed over the country’s ability to meet its OPEC quota on account of current security challenges were over exaggerated. “I think we should not over hype the insecurity issue in Nigeria, the production has gone up and a lot of production is coming from the deep offshore. “As of today, we are doing over 700,000 bpd from offshore locations, while we are trying to bring back all the land locations that were abandoned and destroyed during the militancy period,” he said.

Oniwon noted that government’s resolve to maximise its hydrocarbon resources was the reason it was trying to tweak existing oil laws through the Petroleum Industry Bill (PIB) to maximise relationships with the International Oil Companies (IOCs). He opined: “We are going on pretty well because we always benchmark ourselves with the rest of the world, and we see that in most of the contracts that we signed with the IOCs, based on the benchmarks, we are not doing very badly.

“However, there is a lot of room for improvements, and that is one of the targets of the PIB to correct some of these. You remember some of these decisions and contracts were entered into during the trying periods of oil and gas around 1993, when crude oil price went down to as low as USD 9, USD 10 per barrel and it was very challenging for anybody to invest in the frontier, particularly in the deep offshore, where we didn’t know anything about. So very generous conditions were given, but that is being corrected now, we already know the terrain, we know the deep offshore, we know what is there, so we cannot go back to the same thing we had in 1993.”

With regard to speculations on whether Nigeria will join the United States and some other developed countries in the investment and development of shale gas and shale oil, the NNPC boss stated that there was no plan towards this at this point in time. This, he explained, was because, “the Nigerian geological survey has not proven much for shale hydrocarbon, but we have not discountenanced that it won’t happen in the future.”

For now, he said that government was more concerned with the development of its natural gas resources, recalling that this was one of the reasons it launched the gas revolution was launched by Mr. President two years ago. “It (gas revolution), is looking at what the future holds in the world energy mix because gas is going to become more and more dominant, and Nigeria is positioning itself for it. Luckily for us, we are very well endowed with natural gas in Nigeria.” Nigeria’s gas resource is estimated at 187tn standard cubic feet (tscf), discovered and another 600 tscf undiscovered potential. *(This Day)*

Nigeria has cleared fuel import subsidy payments that were held up while authorities verified they were for genuine deliveries, as part of efforts to combat fraud, the finance ministry said on Wednesday. Nigeria's finance minister said last week she had ordered a "slow down" to fuel subsidy payments to allow checks to stop scams that have cost itbns of dollars.

Fuel shippers say they are facing delays at import terminals while their subsidy payments are scrutinised, and some private firms have halted deliveries, while others are relying on swaps for crude oil to receive payments. "Following the recommendation of the committee set up to verify and reconcile the claims, the ministry has now resumed payment of claims," Minister of State for Finance Yerima Ngama told reporters at the presidency.

"I want marketers to know that claims have now been processed and payment to be made subsequently." A parliamentary probe into the subsidy scheme released last month found it was riddled with fraud that had cost Nigeria USD 6.8bn in just three years - equal to a quarter of the national budget. It was one of the biggest corruption scandals in the history of Africa's top energy producer. The report is now in doubt, as its author, lawmaker Farouk Lawan, is being questioned by police over allegations he took a bribe from a fuel marketer to keep him off the list.

But Ngama also revealed that Nigeria now has only NGN 370bn (USD 2.28bn) left allocated to pay fuel subsidies this year, heightening fears it will be unable to pay it or will have to borrow heavily to do it. Nigeria spent 900 times more than budget for on the subsidy last year. Central Bank governor Lamido Sanusi has said provisions for the subsidy will run out well before year end.

The fuel subsidy remains popular despite its disastrous economic consquences - no government has succeeded in scrapping it. President Goodluck Jonathan tried in January and massive strikes and protests forced him to relent. *(Reuters)*

Nigeria's foreign reserves continued its downswing as it reduced further by USD 220m in four days, to close at USD 37.242bn, data from the Central Bank of Nigeria (CBN) showed Wednesday. The reserves stood at USD 37.462bn as at last Friday. Price of crude oil in the international market also fell by USD 1.63 to close at USD 82.40 per barrel. The development affected the naira as it fell against the dollar by NGN 1.15 to close at NGN 162.40/USD 1 Wednesdayy, from NGN 161.25/USD 1 on Tuesday.

The local currency was however stable at the bi-weekly auction as it closed at NGN 155.90/USD 1 even as the apex bank reduced its supply to USD 300m, from the USD 400m it sold on Monday. The Director-General, Budget Office of the Federation (BOF), Dr. Bright Okogu, had informed THISDAY last Tuesday that the drop in price of crude oil in the global market did not pose a threat to the 2012 budget.

He had allayed fears that in the short term, the drop in price of crude oil, occasioned largely by the Euro zone debt crisis, could have a negative impact on the implementation of the budget and put pressure on the Central Bank of Nigeria (CBN) to devalue the naira. But, Emerging Markets Strategist, Standard Bank Plc, Mr. Samir Gadio, in an interview with THISDAY yesterday, said the flattening and marginal decline in reserves was expected since the CBN had increased the size of its forex sales at the Wholesale Dutch Auction System (WDAS) as well as the regulator's intervention at the interbank segment of the forex market to support the naira.

“This is a function of the (partial) foreign-led sell off in fixed income assets and subsequent shift in domestic confidence in the naira. The lower oil price is adding to the local positioning against the naira and should result in lower dollar revenue in coming months. In this context, forex reserves are likely to remain under pressure in the near future.” Gadio also argued that the continued sharing of Excess Crude Account (ECA) proceeds among the three tiers of government had “left Nigeria virtually without fiscal savings.”

“Had the accumulation of fiscal savings resumed in late 2009-2010 after the global economic crisis, aggregate forex reserves would now be hovering around USD 60 and USD 70bn. “This would have certainly helped smoothen inter-temporal boom and bust oil cycles, improved sentiment in the forex market and ensured a more viable exchange rate framework.

“The effective launch of the Sovereign Wealth Fund (SWF) (even an imperfect version) would have certainly contributed to this turnaround and mitigated some of the fiscal excesses witnessed in recent years,” he added. *(This Day)*

Banks’ lending to the private sector has increased by 1.9% from NGN 14.1tn in April to NGN 14.4% in May this year, data obtained by The Nation has shown. The latest money and credit statistics obtained from the Central Bank of Nigeria (CBN) indicated that inflow to the private sector was N14.2tn in March, as against NGN 14.1tn in April, this year.

The CBN’s economic indicator also showed that credit to the government increased from NGN 785.2bn in April to NGN 1.2tn in May, this year. This has shown an increase of about NGN 425bn credit inflow to the government. Also, the currency outside banks stood at NGN 1.1tn as at April, while that of May was NGN 1.12tn. Analysts have attributed the development to certain policy changes made by the apex bank. They said the on-going banking reforms have helped in improving the liquidity position of banks, as well as making the institutions to lend to certain sectors of the economy. *(Nation)*

The Nigerian National Petroleum Corporation (NNPC) and Shell Petroleum Development Company Limited (SPDC) are to collaborate to make the Nigerian Petroleum Development Company (NPDC) achieve 250,000 barrels of oil per day production target by 2015. This is part of efforts to make NPDC a world class exploration and production (E&P) company.

The Acting Group General Manager, Group Public Affairs Division of NNPC, Fidel Pepple, in a statement, said the NNPC Group Managing Director, Austen Oniwon, who spoke after a tour of Shell Training Technology Centre at The Hague, Netherland, expressed the readiness of the Corporation and the SPDC partner to grow the NPDC, to an enviable height in the global hydrocarbon industry.

“We believe that in less than 50 years fron now, NPDC will become a world class exploration and production company by producing 250,000 bpd in 2015,” Oniwon said. The Director, Upstream International, Shell Group, Andy Brown, said the oil giant is committed to the deal, stating that the joint venture partners will explore ways to develop domestic gas for the Nigerian and global market.

On his part, the Director, Department of Petroleum Resources(DPR), Osten

Olorunsola, said as a watch dog of the industry, the DPR was glad to witness a deal that would transform the oil and gas industry. *(Nation)*

The federal government may be planning a supplementary budget of USD 4bn (NGN 640bn) to offset gaps in the 2012 budget, report by the Financial Times has said. The federal government has already spent more than half this year's allocated budget for the subsidy plugging holes from 2011. The cost of the subsidy rose more than 150% from 2010 without there being a corresponding increase in either prices or demand by way of explanation.

The House of Representatives inquiry attributed the increase to collusion between officials and fuel marketers in the fraudulent diversion of funds and fuel. While NGN 232bn was budgeted as payment for subsidy arrears in the 2012 budget, the sum of NGN 451bn has already been paid as arrears to oil marketers for 2011 alone. Minister of Finance, Dr Ngozi Okonjo-Iweala then constituted a committee headed by the Group Managing Director of Access Bank Plc, Mr Aighoje Imuokhede to verify subsidy arrears paid to oil marketers.

The latest figures reflect the stark choices facing President Goodluck Jonathan's administration after an unprecedented surge in the cost of the subsidy during the 2011 election year ate into savings and put government finances at risk. President Jonathan has pledged to stop the leaks. However, because of arrears in payments and continuing waste, the overall cost this year could be as much as 75% of the record USD 14bn spent in 2011, even after the government halved the subsidy in January. Attempts to remove the subsidy altogether led to mass protests, forcing the government to compromise by restoring half of it.

Senior officials told the Financial Times that Jonathan has floated the idea of a supplementary budget worth USD 4bn to cover the 2012 subsidy. Speaking to the Times, Dr Ngozi Okonjo-Iweala, the minister of finance, said Nigeria would be unable to safeguard itself against external shocks if it covered this cost.

"We are vulnerable if there is a contagion from Greece. We can afford to keep paying the subsidy but it means we will be very thin on buffers," she said, adding that losses from oil theft were also taking a huge toll on government finances. However, she vigorously defended the administration's record in trying to straighten out the mess.

A government memo seen by the Times suggests that maintaining the subsidy would wipe out funds saved up as insurance against a drop in the price of oil, on which Nigeria typically depends for over 90% of state revenues. The memo also calls into question the government's ability to pay the wage bill and meet its obligations to the 36 states of the federation should oil prices fall.

The Excess Crude Account has about USD 4bn in it, according to Dr Okonjo-Iweala. This is equal to the amount being mooted by the presidency to cover the 2012 subsidy. However, by law the funds in the account must be divided between the federal government, states and local governments, meaning that government would have to borrow to maintain the subsidy to the year's end.

Of the NGN 881bn (USD 5.54bn) budgeted for the fuel subsidy in 2012, Nigeria has so far spent NGN 451bn (USD 2.84bn) paying off arrears for 2011, Okonjo-Iweala said. January's protests at the mooted abolition of the subsidy gained momentum not just because of a rise in petrol and transport prices but because of a much broader impatience with corruption. Another senior official, who requested anonymity, told the Financial Times that the government has been slow since then to take the measures necessary to plug the leaks.

Okonjo-Iweala denied this, saying subsidy claims were being thoroughly checked now before payments are made. The two accounting firms responsible for auditing the subsidy last year had been sacked, she added, and McKinsey, the management consulting firm, has been brought in to advise the government on how best to plug the holes.

Separately, a task force dealing with the same issue and headed by Nuhu Ribadu, the former anti-corruption tsar is preparing to submit its findings. A further complicating legacy lies in the build-up of debts that fuel marketers owe to international banks, including BNP Paribas, Société Générale and JPMorgan. *(Daily Trust)*

The Nigerian Content Development and Monitoring Board (NCDMB) and the Department of Petroleum Resources (DPR) have entered into partnership to ensure that compliance with the Nigerian Oil and Gas Industry Content Development (NOGICD) Act 2010 by operators and service companies will be a key condition for participating in bid rounds and securing licenses, permits and approvals in the industry. Management of the two agencies agreed on this decision at a meeting in Lagos, where they also set up a joint committee to design an interface model with regard to common mandates related to Nigerian content development in the oil and gas industry.

A statement issued by NCDMB's Public Affairs Officer, Obinna Ezeobi noted that among other things, the committee will develop procedure for operationalising sections 3 and 7 of the NOGIC Act, which provides that compliance with Nigerian Content provisions, promotion of Nigerian Content development and submission of Nigerian Content Plan will constitute conditions for the award of licenses, permits and any other project in the oil and gas industry. DPR handles bid rounds and grants licenses and permits which oil producing and service companies need to operate in the Nigerian oil and gas industry.

Another focus area of the collaboration, which is expected to be formally endorsed by the Minister of Petroleum Resources, Mrs. Diezani Alison-Madueke, is Expatriate Quota Management, where the two agencies hope to interface seamlessly, ensure industry compliance with section 33 of the NOGIC Act, minimise incidents of abuse and ensure optimal knowledge transfer to Nigerians from enforcement. *(The Nation)*

The Acting Director-General of the Securities and Exchange Commission (SEC), Mr. Ibrahim Bolaji Bello, Thursday met with the Council of the Chartered Institute of Stockbrokers (CIS) as part of efforts to resolve the current challenges and move the market forward. Bello, who assumed the position of acting DG of SEC Monday had promised to meet with the various operators in the market, including the Nigerian Stock Exchange (NSE), CIS, the Central Securities Clearing System (CSCS), and Association of Stockbroking Houses (ASHON), among others.

He was at the Bookshop House office of the CIS, where he was said to have discussed with the Council members. Although detail of the were not made public, sources said they bordered on the need for the SEC and operators to work more together with the aim of to restoring investor confidence and moving the market forward. Apart from visiting the CIS, THISDAY checks revealed that the SEC boss also met with members of staff in the Lagos zonal office of the commission.

Bello had last Tuesday vowed to restore investor confidence and leave a positive legacy in the market. Addressing staff members of commission, the DG was said to have assured them of fairness to all and stressed the need to close ranks. “Forget about the past. It is going to be a team work, not me alone and your welfare, especially on outstanding staff matters will be addressed immediately in line with laid down policy and procedure but subject to availability of resources. Just put in your best to ensure that we together move the market forward. We have no time for endless talk, let our work speak for us,” he said. *(This Day)*

The value of loans approved by the Bank of Industry (BOI) over the last one year increased by 68%, from NGN 114.30bn to NGN 192.04bn (about 77.74bn), the Minister of Trade and Investment, Olusegun Aganga said yesterday. The minister made the remarks in Abuja at the third D-8 SMEs working group meeting organized by Small & Medium Enterprises Development Agency of Nigeria (SMEDAN).

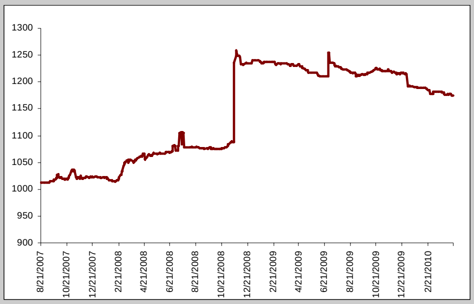
Represented by Engr. Samuel Adeniyi, the minister said estimated jobs created also increased by 34%, (335,000) from 1,000,000, to 1,335,000 in the last one year. “The Bank of Industry is getting round collateral issues related with funding through cross-guarantees by members of cooperatives, while there are intervention funds for sectors e.g. textiles,” he said.

Aganga explained that as part of overall strategy for Micro, Small and Medium Enterprises (MSMEs), a national policy on MSME has been developed and a national database established in partnership with the National Bureau of Statistics. Director General of SMEDAN Muhammad Nadada Umar said if Nigeria wanted to be among the top 20 developed nations by 2020, deliberate efforts must be made to grow the over 17m MSMEs in the country.

The SME contemporary development challenges must be critically addressed in a structured and efficient manner to achieve “our national goal of job creation in tendam with transformation agenda,” he said. He explained that the SME sector provides the platform for opening the D8 countries to global competitiveness and prosperity required to elevate them to economically advanced nations. *(Daily Trust)*

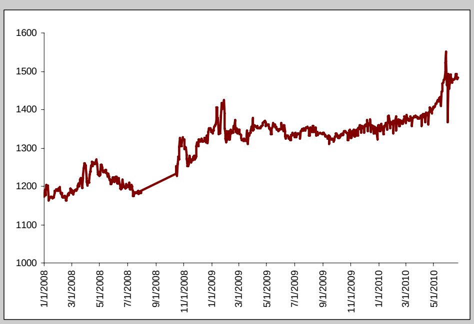
Tanzania

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

Stock Exchange News

The DSEI gained +9.25% to close at 1,433.60 points. CRBD, TWIGA and NMB were the only movers after gaining +6.38%, 1.67% and 1.09% to close at TZS 125, TZS 2,440 and TZS 930 respectively while TBL was the only shaker after shedding -0.87% to TZS 2,280.

Corporate News

Australia's Uranex is seeking bids from potential partners to develop a coal project in Tanzania, building on separate talks underway with companies on the joint development of its key Mkuji uranium project in the African country, a person familiar with the matter told Deal Journal Australia. Melbourne-based Uranex is keen to focus on uranium as sentiment recovers following last year's earthquake in Japan, which crippled the Fukushima Daiichi reactor complex and prompted several governments including Germany to rethink plans to use more nuclear power.

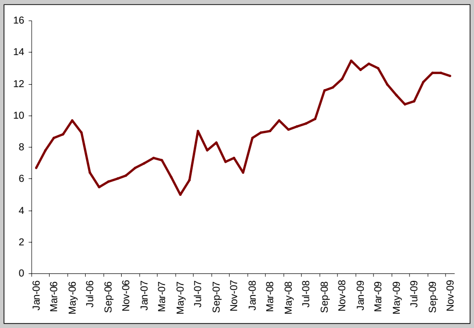
"While they have for some time fielded informal offers on the Songea coal assets, they are now looking to formalize this process and have in recent weeks invited companies to present offers to work with them," said the person, declining to be named because negotiations are confidential and incomplete. The board's preference is to form a joint venture, and talks have been held with an Indian thermal coal buyer, the person added.

The Songea exploration site covers some 2,700 square kilometers located 140 kilometers northwest of Uranex's Mkuji project in southwest Tanzania. A maiden drilling program began at the project in October. Sichuan Hongda last year signed a USD 3bn deal with the Tanzanian government to mine the nearby Mchuchuma coal field through a joint venture that will be 80% owned by the Chinese company.

That venture, which represents a massive investment in the country, will promote the development of key infrastructure including rail, roads and power. Uranex's flagship project is Mkuji, which covers roughly 5,000 square kilometers. The company stepped up its exploration this year, targeting higher-grade anomalies and evaluating the potential of the northern and southern portions of the project area, which remains largely unexplored.

Work so far has set an initial mineral resource estimate for the Likuyu North prospect at 6.1m pounds at 237 parts perm of U3O8 uranium. Uranex in mid-February said it had received unsolicited approaches from unnamed North American and Asian nuclear power and energy companies, including from China, regarding the joint development of Mkuji.

CPI Inflation



Source: SAR

The person said talks with these companies continue “positively,” as do negotiations to sell Uranex’s non-core uranium assets in Tanzania and Western Australia. In April, Uranex said it had been approached by unnamed suitors interested in its Manyoni deposit in central Tanzania and Thatcher Soak deposit northeast of Australia’s Laverton, and that the result of a sale process was expected to be completed in the second half of the year.

Matthew Gauci in April stepped down as managing director of Uranex, which has a market capitalization of AUD 27.5m (USD 27.9m). The company last month suspended the search for a replacement, naming former project development manager Rodney Chittenden to the post on an interim basis.

Last month, Uranex also named Alastair Clayton as an executive director. Mr. Clayton had joined earlier in the year as a non-executive director from uranium explorer Extract Resources Ltd., which has since been bought by China Guangdong Nuclear Power Corp. and China-Africa Development Fund. *(WSJ)*

As nearly 1,000 CRDB bank shareholders start their Annual Stakeholders' Conference here, foreign investors are busy purchasing as many shares as possible from the bank. "But as per the bank's regulations, no individual is allowed to own more than 10% of the bank's shares and this is specifically meant to ensure that our company's ownership remains in the hands of ordinary Tanzanians," said Dr Charles Kimei, the Managing Director of CRDB.

"It is however a good thing that people from outside the country are seeing great potential of our bank and are rushing to purchase its shares," he pointed out, adding that this new development should also be taken as challenge to Tanzanians who are still not very much inspired to buy stakes in the company.

According to Dr Kimei, when CRDB company floated its shares at the Dar-es-Salaam Stock Exchange, the number of the bank's shareholders rose from 11,000 to 32,000 though again the figure recently dropped to 30,000 shareholders and it was discovered that many Tanzanians had been selling their individual shares to other, more interested parties, especially foreigners.

This year, CRDB intends to share a slice of its profit cake among the bank's stakeholders at the new rate of 9/- per share which is a shilling more than last year's 8/- per share. "Our bank will be distributing nearly 20bn/- to the shareholders after the CRDB made close to 38bn/- in profits," said Dr Kimei adding that the bank's core capital of 258bn/- is the highest among financial institutions operating in the country at the moment.

The CRDB Investor Relations Manager, Mr Emmanuel U-Ng'ui, said the bank has a total of 22.2bn shares of which only around 30,000 have been sold so far, which means even if each citizen in Tanzania was to buy 100 shares, the bank will not exhaust them. Meanwhile, the CRDB bank is working to establish new branches in Burundi and the Democratic Republic of Congo in the bank's bid to tap into regional market. *(All Africa)*

CRDB bank will soon launch a subsidiary company in Bujumbura, Burundi in an effort to capture business potentials available in the East African market. Managing Director of CRDB Bank, Dr. Charles Kimei revealed these plans yesterday, while addressing journalists ahead of the bank's shareholders' annual general meeting scheduled for Friday through Saturday.

Dr. Kimei said the bank's new company in Burundi, a member of the EAC was originally expected to be fully operational by July of this year but that plans had been delayed by what he called, 'logistical problems' and now they look forward to the subsidiary firm commencing services come August, a month behind schedule.He explained that shareholders attending the annual conference are expected to pass a resolution that will brace the bank's mission to extend its financial wings into the French-speaking nation.

Kimei, an economist, explained the banks interest in Burundi, is based on the nations limited financial services with the banking system undeveloped and accessed by hardly six% of the population. "Our target is to grow the banks services into the class of other financial giants in East and Central Africa…" he proudly announced and revealing the banks future plans he predicted that "…after Burundi, we're eyeing as far as the Democratic Republic of Congo. The DRC is has high potential and is one of our aspired future destinations."

He had some encouraging words for their shareholders insightfully assuring them that, "…we have organized a one-day seminar for our shareholders, to increase their understanding of share related issues…" According to the Managing Director, the bank boasts a net profits of 37.8bn/- with 19bn/- allocated to pay shareholder dividends for this year alone the bank is poised to increase dividend payment for a single share, from 8/- to 9/-.

The exponentially growing bank has a total of 30,000 shareholders with share price currently close to 130/-. Nearly, 1,000 shareholders and their representatives are expected to attend the annual meeting, to be held at the Arusha International Conference Center (AICC) in Arusha. *(IPP Media)*

Economic News

Tanzania's year-on-year inflation rate fell for a fifth straight month in May to 18.2% from 18.7% a month earlier, thanks to lower increases in the cost of commodities. The consumer price index rose 0.4% in May from the previous month, down from a 0.8% rise in April. The food component, which accounts for 47.78% of the basket of goods used to measure inflation, also rose 0.4% in May, down from 0.8% in April. The year-on-year rate of food inflation remained unchanged at 25.3%.

The government's aim is for inflation to fall to single digits by the end of 2012, although analysts say prices are not yet slowing at a sufficient pace for this target to be hit. Like other east African countries, inflation in Tanzania was driven higher last year by global food and fuel costs, exacerbated by poor rains that both hit harvests and local hydropower production. *(Reuters)*

Tanzania has nearly tripled its estimate of recoverable natural gas reserves to up to 28.74tn cubic feet (tcf) from 10tn and plans to introduce new legislation later this year to regulate the gas industry. The government raised its estimate after huge recent discoveries in the east African country's deep-water offshore region. Energy and Minerals Minister Sospeter Muhongo said in a statement sent to Reuters on Tuesday the recoverable gas reserves are estimated at 20.97 tcf offshore and 4.27-7.77 tcf onshore.

"Deep-water offshore oil and gas exploration is a very expensive undertaking... It is important to ensure this gas and oil exploration momentum continues, and the government will give a bigger push for companies to proceed," Muhongo said. The minister said the latest gas reserve estimates take into account last week's discovery by Norwegian oil firm Statoil and ExxonMobil of a big gas deposit off Tanzania at the Lavani well with an estimated 3 tcf of gas.

The discovery confirms East Africa's status as one of the world's fastest-growing gas hubs. The U.S. Geological Survey estimating that 253 tcf may lie off Tanzania, Kenya and Mozambique, relatively close to Asia's lucrative liquefied natural gas (LNG) markets. Muhongo said the government had so far granted 28 licences to some 19 companies to explore for gas and oil.

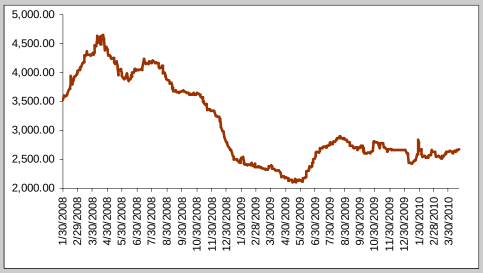
"Some of the world's biggest oil and gas exploration companies are in the country for the exploration work," he said. "Exploration at the offshore, deep-water region is the one that is moving at a fast speed (compared to onshore). There are currently five oil and gas exploration rigs operating in the country." Other companies licensed to search in Tanzania include the UK's BG Group, Ophir Energy, Royal Dutch Shell , Irish exploration firm Aminex Plc and Brazil's Petrobras. A new well drilled in May at Songo Songo Island, 225 km south of the Tanzanian commercial capital, Dar es Salaam, has the capacity to produce 60m cubic metres per day, Muhongo said.

The minister said the government was preparing rules for overseeing an energy sector which he expects to drive east Africa's second-biggest economy. "The Ministry of Energy and Minerals is in the final stages of drafting a policy, legislation and master plan on the use of natural gas in the country," he said. "Our expectation is that once the gas policy is submitted, the legislation and master plan should be in place by October 2012."

The World Bank said in May it expected to see an increase in revenue of up to USD 3bn a year in Tanzania following major offshore gas discoveries. Tanzania signed a USD 1.2bn loan agreement with China in September for the construction of a 532-kilometre pipeline from the south of the country to Dar es Salaam. *(Reuters)*

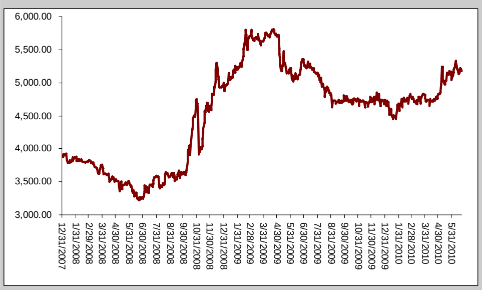
Zambia

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

Stock Exchange News

The LuSE index lost a marginal -0.83% to close at 3,862.42 points. Zambeef led the gainers after adding +1.85% to ZMK 2,700 followed by Lafarge which rose +1.07% to ZMK 8,000 and Zanaco (+0.63%). CCHZ was the biggest loser after shedding -20.00% to ZMK 4.00 followed by Zambia Sugar, down -8.71% to ZMK 262.00 and Zamefa (-0.17%).

Corporate News

AIRTEL Zambia has targeted to put up 200 towers in rural areas across the country before the end of this year. Airtel managing director Fayaz King said Airtel was committed to ensuring that Zambians have proper network services by putting up as many towers as possible in rural areas. He said Airtel had partnered with Zambia Information Communication Technology Authority (ZCTA) in the universal access project that would see the company build over three hundred and fifty sharable towers in rural areas across the country.

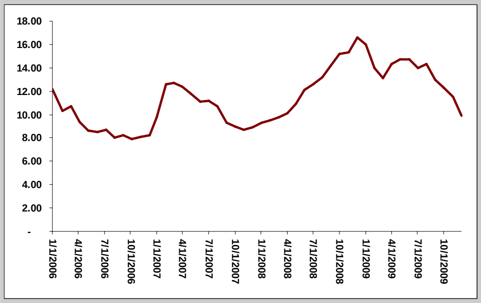
"We are targeting to put up at least 200 towers in rural areas across the country and for your information, the Government as also supported our project by enacting a statutory instrument Number. 23 of 2011 for waiver of duty and passive telecomm equipment," he said currently one hundred and seventy one (171) towers have been constructed and are already on air under the universal access project.

Among the constituencies that have benefited include Chiengi, Senga Hill, Lufwanyama, Kabompo East, and Chifunabuli constituencies. Mr King said the project would also help in reducing investment costs due to sharing of the network facilities and ensures availability of mobile communication to the majority of the people. He said when he commissioned an environmentally friendly solar - palm tree site in chongwe district on Friday that the tower would enable people from rural areas to communicate effectively.

The tower uses a clean energy, is environmentally friendly and is usually put up in game park management areas so that they can not disturb the natural environment of the area. Mr King said the company believed in improving every person's quality of life including those in rural areas. He said the move would help many people in the particular area to communicate easily in far distances.

Mr King said because of that, many people would be able to obtain necessary information for them to make rational business decisions. "Information and communications technologies have significantly transformed the lives of the users, we shall continue to work towards improving the lives of the people in all areas of the country," Mr. King said. *(All Africa)*

CPI Inflation



Source: SAR

Canada's Denison Mines will only start developing its planned uranium mine in Zambia when prices for the yellow metal rise to levels above USD 65 per lb, a senior company official said on Thursday. The spot uranium price UX-U3O8-SPT has languished at just above USD 50 a lb for the past year, falling from around USD 70/lb after an earthquake and tsunami in February 2011 crippled the Fukushima plant, leading to the closure of Japan's 50 reactors and souring sentiment elsewhere for nuclear power.

"We need prices that are above USD 65 per lb of uranium oxide to make the Muntanga project feasible," Andrew Goode, Denison's project director for Africa, told Reuters on the sidelines of a mining and energy conference. "We have very strong indicators that uranium prices will start improving in late 2013 ... due to the depletion of stocks from surplus nuclear war heads from the cold war," Goode said.

Denison was planning to mine about 18.8m tonnes of uranium ore from the Zambian project, according to information submitted to the Zambian environmental management agency. The company is undertaking further exploration work to find more resources and hopefully increase the ore grade to reduce its operating costs, Goode said.

The company hopes the Zambian government will not revoke its mining licence following a three-year delay in developing the project, he added. Denison intends to invest USD 118m in the Muntanga project and subsequently process the ore into uranium oxide concentrate, according to ministry of mines data. *(Reuters)*

Economic News

Zambia, Africa's top copper producer, has tightened its regulations on taxation of mining companies to boost compliance and revenue collection, the minister of mines said on Saturday. President Michael Sata has expressed concerns that copper exporters are misrepresenting the amount of metal leaving the country. Data shows much of Zambia's exported copper is destined for Switzerland, but little of it shows up in Swiss customs figures, raising questions about transparency.

Mines Minister Christopher Yaluma said that mining companies would now be required to provide information on tonnages, type and grade of ore mined, quantities and the end product. Yaluma said mining companies would also be required to submit annual reports on the recovery%ages and efficiency of all mining and metallurgical processes. "We have reviewed legislation in order to independently monitor the production and export of minerals and failure to comply will result in revocation of licences and other punitive measures," he said in a statement.

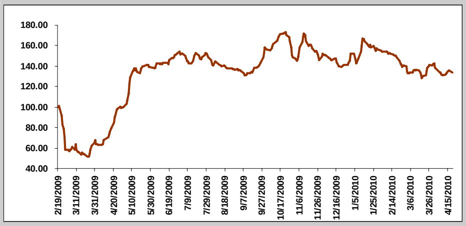
Mining companies will also be compelled to provide details of the quantities of minerals sold and their average selling price, he added. "Mineral production has been improving over the years but this improvement has not been matched with a corresponding increase in revenue to the government," Yaluma said. Vice President Guy Scott said in April that Zambia planned to tighten its grip on the government's share of profits made at the country's mines, boosting tax revenue. Companies operating in Zambia include

Glencore, Indian miner Vedanta and Canadian-listed First Quantum , Barrick Gold and Brazil's Vale. *(Reuters)*

Zambia will gradually raise the electricity tariffs it charges mining firms in Africa's top copper producer so that by 2105 they reflect the true cost of producing power, its energy regulator said on Wednesday. "We would like to see a situation where all the mines pay cost-reflective tariffs and we want to see this migration by 2015," James Manda, the regulator's director for infrastructure and regulation, told a mining and energy conference in Lusaka. Companies operating in Zambia include Glencore, Indian miner Vedanta and Canadian-listed First Quantum, Barrick Gold and Brazil's Vale. *(Reuters)*

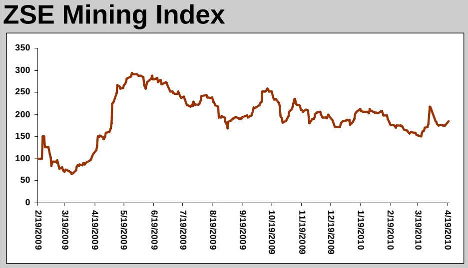
Zimbabwe

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

Stock Exchange News

The market closed the week on a negative note with Industrial Index closing -1.34% lower at 130.36 points while Mining Index was down -0.09% to 81.51 points. Chemco and Nicoz led the movers after gaining +150% and 125% to close the week at USD 0.01 and USD 0.0225 respectively. Other gains were recorded in ART up +75.00% to USD 0.007 and Trust which put on +60.00% to USD 0.016. AICO and Border Timbers led the losers after shedding -42.50% and -33.33% to USD 0.0115 and USD 0.10 respectively. Other notable losses were recorded in CBZ (-21.43%) and Pelhams (-20.00%)

Corporate News

Hunyani Holdings Ltd will this year invest USD 3,1m in capital projects as part of a rationalisation and restructuring exercise aimed at improving group profitability,Finance Director (FD) Francis Dzingirai said. He told businessdigest this week that his company would invest in generators and a case maker at its Corrugated Products and Printopak divisions by financial year end 2012.

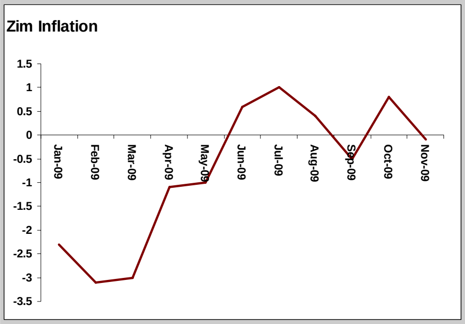
The investment in generators was set to deal with high incidents of power cuts which, coupled with competition in the six months ended March 31 2012, seriously affected production volumes and depressed margins in both divisions. Dzingirai said the capital projects would be financed from borrowings, internal cash flows and sale of non-core assets. Plans to dispose of Hunyani's Botswana waste collection business were in the pipeline and proceeds from the sale of the business would also finance capital projects. The Botswana business was no longer core to group business following the closure of its paper mill.

In a statement accompanying the company's financial results, company secretary Keith Nicholson said the group would continue to develop export markets and improve its agriculture and commercial volumes as part of a restructuring exercise to improve profits. Group revenue grew by 6% to USD 22,2m, up from USD 20,9m the prior year. Operating profit went up 21% to USD 912 367, up from USD 756 488 recorded last year. Hunyani's earnings per share grew by 11% to 0, 10 cents.

Growth was helped by an 11% reduction in finance costs, which dropped to USD 287 128 from USD 338 218 recorded in the comparative period last year. Short term borrowings jumped to USD 9,2m, up from USD 7,4m recorded in the previous year. Capital expenditure for the period amounted to USD 554 000, inclusive of payments for the Corrugated Products generator and deposits for the casemaker, which were part of the group capital projects.

The company said production volumes and efficiencies at Corrugated Products, in the period were badly affected by erratic power cuts and a competitive market,

CPI Inflation



Source: SAR

which depressed margins. Flexible products volumes were below forecast, while the Printopak division volumes continued on a growth trajectory.

The company said its Softex division achieved improved sales. However, margins were low due to an influx of competitors. Liquidity challenges continue to impact negatively on operations, however, the company said its order book was fair. *(The Independent)*

Zimbabwe Stock Exchange-listed, diversified group TSL Limiteds (TSL) unaudited profit for the six months ended April 30 2012 grew to USD 2,3m from USD 1,3m buoyed by strong performance of logistics operations. Earnings per share rose to 0,7 cents from 0,4 cents. Bak Logistics recorded 57% growth in sales on the back of a more active distribution market and growth in storage capacity.

The streamlining of group operations into five distinct unitsLogistics Operations, Paper and Packaging, Tobacco operations, agro inputs, properties and group services the company says created greater efficiency for effective management. The decision taken earlier to reorganise the group has now started yielding results with attributable earnings rising by 52% to USD 2m, read a statement accompanying the financials.

The group paper and packaging unit, Hunyani operations according to the statement continued to be weighed down by frequent power outages and liquidity constraints. Hunyanis performance was negatively impacted by power cuts and sales were lower largely as a consequence of current liquidity challenges.

Turnover for the period under review was up 6% while contribution to group profits was 49% above the same period last year. The group is currently working with its partners to ensure the long-term viability of Hunyani, the statement said. Meanwhile, efforts to dispose of TS Timbers loss-making operations are progressing well and we expect the transaction to be completed by the end of the second half.

TSL reported that tobacco operations at TSL remained buoyant although the unit lost market share to new players. This year, the countrys auction floors increased to four from three that were operating last year. The introduction of the TSF Growers Scheme is expected to bolster the performance of the groups tobacco operations in the 2013 financial year, the company projected.

Propak achieved strong profit results reflecting the efforts made to streamline the business for efficiency. Efforts to rebuild marketshare are expected to further improve the companys trading performance in 2013. *(News Day)*

Local private firm Trebor Khays has gained control of ZABG after injecting USD 22,8m into the bank, which has resulted in it being fully recapitalised. Although shareholding numbers remain undisclosed, it has been established that Trebor Khays, which is linked to Mines and Mining Development Minister Obert Mpofu, has injected fresh capital while prospective investor Unicapital has dropped out.

Sources said Unicapital, of Mauritius, had only been shortlisted as a suitor but could not make the grade. Government, through Allied Financial Services, remains a shareholder, but its stake was significantly reduced while other minority shareholders remain. ZABG is now sitting on a healthy balance sheet and has started rolling out new product lines and personal loans. "The bank is now fully capitalised after an injection of about USD 22,8m by Trebor Khays," said a source.

While the bank had been engaging institutional investors for more capital, the anchor shareholder (Trebor Khays) was largely expected to contribute the most. Commercial banks were required by the Reserve Bank of Zimbabwe to have minimum capital of USD 12,5m. There were fears a few months ago that, given the little time left before the lapse of the RBZ minimum capital deadline, the bank would miss it.

Other banks that found their way through the rigours of capital raising, to meet the April 1, 2012 RBZ capital deadline, include AfriAsia Kingdom and Royal Bank. Genesis Investment Bank failed to secure the requisite funding and this week surrendered its licence to the RBZ. "The business has started to grow as shown by the rollout of personal loans and a range of new products," said the source.

ZABG required about USD 15,3m to close its negative capital base and another USD 12,5m to meet the RBZ's minimum regulatory capital threshold. After that, sources said, expectations were that the new shareholders would raise USD 20m to further strengthen the operations of the bank. Prior to the fresh investment in ZABG, the Government, through Alliance Financial Services, had a 92,8% shareholding in the bank.

Former depositors of the Royal Bank, Barbican and Trust, all amalgamated to form the Zimbabwe Allied Banking Group (ZABG) in 2004 after succumbing to the 2003-2003 financial sector crisis, hold a 7,2% stake in the now rejuvenated bank. ZABG was unbundled in 2010 after shareholders of the three troubled banks successfully contested their amalgamation to form the supposedly giant bank. Currently, ZABG has 22 branches across the country and boasts about 50 000 clients as at the end of last year. Fresh capital has put it in a good position for growth. *(Herald)*

Kenya-based Commercial Bank of Africa (CBA)'s board and the country's central bank have approved a USD 10m investment in Royal Bank (Royal), which will go towards the Zimbabwean bank's minimum capital requirements. Jeffrey Mzwimbi, the bank's chief executive, on Friday said the cash boost meant Royal's capitalisation base would exceed the mandatory USD 12,5m level for commercial banks.

With CBA executives in Harare last week, there are strong indications that the Royal acquisition and recapitalisation plan would be finalised month-end. Under the recent partnership agreement, the foreign investor will get 49%, while locals will retain a majority stake. On the other hand, the Nairobi-based financial institution is expected to inject up to USD 100m through credit lines into the Zimbabwean economy, as the bank also seeks to grow its footprint in certain sectors such as small-to-medium scale enterprises.

In its home country, CBA is quite a dominant player in that sector and apart from its USD 1bn deposit base, the bank has a USD 54m annual profit. It is also in the top 10 of Kenya's 45-strong major institutions. While Western-linked institutions have been shunning the Zimbabwean economy, CBA's entry not only proves a growing trend and adventure by Afro-centric institutions into the country, but also based on the bank's view and optimism on the country's growth prospects.

Analysts said the bank's investment, which follows that of AfriAsia's Kingdom Financial Holdings Limited deal, was also crucial in remodelling African trade and the development of continental business — for years overly reliant on western support. In confirming the deal earlier this year, Mzwimbi said the cash injection would not only enable Royal to meet its capitalisation obligation, but also provide the country with much-needed facilities at a time of a deepening liquidity crunch.

"They are a huge player in the SMEs market and with Royal's 14 branches, we are better placed to expand that service," he said. Apart from the CBA deal, Royal recently inked an agency agreement with Western Union (WU) under an arrangement expected to increase their product offering. In America, for instance, 98% of employer-firms are SMEs, while the European Union community has doubled its investment in that sector since the onset of the global financial crisis in 2008.

Observers said Royal was not only keen on replicating the Nairobi experience in the SME sector, but also encouraged by the Kenyan WU experience where up to USD 890m was injected in that economy yearly as compared to Zimbabwe's USD 290m as at December 2011. WU operates in 200-plus countries and has over 437 000 agency territories. Last year, it processed nearly 226m transactions worldwide valued at nearly USD 81bn. *(Daily News)*

The Essar Africa Holdings deal will be reviewed amid a push by the government to align the USD 750m acquisition of the defunct Ziscosteel with the indigenisation and empowerment regulations, a top government official has said. The country's empowerment laws compel foreign-owned firms to dispose of 51% to locals. Presenting oral evidence before a Parliamentary Committee on Industry and Commerce, Mines and Mining Development minister Obert Mpofu yesterday told lawmakers that Cabinet had resolved to alter the ownership structure of New Zim Minerals.

Currently Indian firm Essar owns 80% of New Zim Minerals, a subsidiary of newly formed New Zim Steel, which feeds into the steel plant while the government has the remaining 20%. Essar controls 54% of New Zim Steel and the government controls the remaining stake. "The Cabinet resolution, which was taken about three weeks ago states that the current 80-20% structure of New Zim Minerals be realigned to the provisions of Indigenisation and Economic Empowerment Act with a view of making it a joint venture between Zimbabwe Mining Development Corporation and Essar Africa Holdings," Mpofu said.

"That is the position of the government now and we are waiting for them to come and deal with this issue. Since this Cabinet resolution, they have not come to see us." He said Cabinet also resolved to transfer all undisputed claims to New Zim Minerals although the firm was pushing for the ownership of Mwanezi claims which were understood to have 30bn tonnes of ore.

The Mines minister added that Cabinet had also resolved to transfer undisputed mineral ore concessions to New Zim Minerals amid concerns over delays in implementing the multi-m dollar deal. Mpofu added that Industry and Commerce had inked the deal without taking considerations from the Mines ministry.

“It was during discussions with the Ministry of Industry and Commerce that the ministry became aware of the ownership structure of New Zim Minerals that shows that Essar owns 80% while the government of Zimbabwe has the remaining 20%. “The Ministry of Industry and Commerce could not give a satisfactory answer on the basis such a structure was arrived at,” he said.

“Right now there is no resuscitation of Ziscosteel to show that they are concerned with the entity. They (Essar) are talking of things that are peripheral to the deal.” Mpofu said special grants had unique conditions and terms that related to the strategic requirements of the company applying for the title and to the strategic requirements of the government.

“Special grants are therefore not easily transferable as the requirements of the new company may not be the same as the original applicant,” he said. “In this case, Bimco got the special grants and were able to renew them on several occasions simply because Bimco is a government company.

“Given the new dispensation where a private company is a major player, the special grants cannot be simply transferred without new terms and conditions conforming to the business plans of the new company and strategic requirements of the government.” *(News Day)*

Cambria Africa Plc says the High Court has approved its proposal to buy out minority shareholders and assume 100% control in the security printing firm, Celsys Limited. But Cambria pointed out that one condition precedent to the transaction being implemented remained unfulfilled. Cambria offered to buy out Celsys minorities, in line with the provisions of the Companies Act, after buying LonZim to become controlling owners with a 60% stake, allowing it to rename LonZim Cambria Africa.

The AIM-listed firm said on Friday the High Court had sanctioned the scheme of arrangement for the buyout. When completed Celsys, shareholders would get one Cambria ordinary share for 636 shares in Celsys or USD 0,03 cents per share. Cambria wants to buy out minorities for the 100% it needs to provide equity-based funding. “The directors of Celsys Limited wish to advise shareholders that on June 6, 2012 the High Court of Zimbabwe duly sanctioned a scheme of arrangement,” said Celsys.

“At the present time, one condition precedent is outstanding, which is delaying the scheme being implemented.” Cambria said that the scheme would only become effective after the fulfilment of all conditions precedent and after the order of the High Court scheme document had been filed with the Registrar of Companies.Other conditions precedent included approval by three quarters of minorities, granted by members at a meeting held last month, and receipt of all regulatory approvals.

Upon all the conditions being met, Celsys would be renamed Cambria and assume Celsys listing on the ZSE, which would become the AIM-listed firm’s secondary listing. The directors of Celsys believed that the ZSE-listed firm required significant capital injection, estimated to be in excess of USD 5m in the medium to long term. The funding is required for Celsys to continue with its expansion plans as well as to consolidate its market position and thereby earn commensurate returns for shareholders.

Cambria Africa, through a shareholder loan of approximately USD 4,5m, which remains payable to date, primarily funded the firm's initial expansion plans. Given the local capital market conditions and historical trends, Cambria, a major shareholder in Celsys, is of the view that any equity-based funding would result in the unfair dilution of the minority shareholders. In addition, minority shareholders may not want to have additional exposure and risks associated with any debt funding structure.

Similarly to minorities, Cambria Africa was not prepared to accept the increased risks associated with providing meaningful additional debt to the company in its current ownership form. Accordingly, to reduce the potential dilution of minorities and the risks associated with current and future debt structure, Cambria proposed a Scheme of Arrangement. The scheme is expected to allow the minorities to realise the value of their investment by becoming part of an enlarged diversified company, reduce their debt- associated risks in Celsys and enjoy the attendant benefits.

Celsys is in the business of printing security documents such as cheque books, share certificates and deposit books for most financial institutions in Zimbabwe. It also provides Automated Teller Machines and Point of Sale devices on a transaction-based model to the banking sector. *(Herald)*

Zimplow is seeking shareholder approval at an extraordinary general meeting next week to raise USD 11,2m by way of a renounceable rights offer to fund the acquisition of a majority stake in Tractive Power Holdings Limited (TPHL). The rights offer will be underwritten by TFS Management Company. The manufacturer and distributor of animal-drawn implements sees the acquisition of TPHL as an opportunity for it to widen its income streams by tapping into the mining sector, where TPHL has a foothold.

The Reserve Bank of Zimbabwe held the stake through its investment vehicle Finance Trust of Zimbabwe. In a circular to shareholders yesterday, Zimplow directors were seeking permission to acquire up to 88 526 968 ordinary shares in TPHL representing 57,21% interest at a price not exceeding USD 0,11 per share. "Furthermore, the TPHL investment also offers Zimplow the potential to increase revenue and reduce costs through the exploitation of regional cross-selling opportunities, enhanced economies of scale, technology and product sharing," Zimplow said. Zimplow expects TPHL's cash generating business operations will make a sizeable contribution to its financial performance and provide diversification and smoothening of earnings.

"That subject to the passing of a special and ordinary resolutions recorded above, the directors be and hereby authorised to raise approximately USD 11,2m by way of renounceable rights offer of 224 185 085 ordinary shares of a nominal value of USD 0,0001 each in the company's share capital at a subscription price of USD 0,05 per share, to existing shareholders of ordinary shares in the company, in a ratio of two ordinary shares for every three ordinary shares already held by shareholders in the company as at close of business on Friday June 29 2012," the company said. Shareholders would also be asked to approve the increase in the firm's share capital from USD 500m to USD 800m. *(Daily News)*

The country's largest hospitality group, African Sun Limited (ASL) has increased its shareholding on listed Dawn Properties (Dawn) to 28,54 % in a move aimed at protecting and enhancing shareholder value. Early this month, over 220m shares exchanged hands through two special bargains deal, one valued at USD 1,58m involving 131 754 124 at 1,2 cents per share and the other valued at slightly over USD 1m after 90m shares. In a trading update to shareholders yesterday, the hospitality group said the transaction costs of USD 3 710 442, 24 had been settled.

"The board wishes to advise shareholders that Africa Sun Limited has recently acquired 294 705 134 shares in Dawn Properties as part of our strategy to protect and enhance shareholder value. This acquisition represents 11,99% of the issued share capital of Dawn and brings the shareholding of the company to 28,54%. The consideration, including transaction costs, USD 3 710 442, 24 has been settled in full," the group said.

Markets sources said ASL was likely to push for board representation in the listed property group. There has been an acrimonious relationship in recent months between Dawn and ASL shareholders.Dawn recently issued a cautionary statement advising shareholders it was forging ahead with efforts to eject listed hospitality group ASL from its leased properties.

The property firm, through its subsidiaries Gold Coast Properties and Laclede Investments, has lease agreements with ASL for Hwange Safari Lodge, Holiday Inn Mutare, Carribea Bay Sun in Kariba, Elephant Hills Hotel in Victoria Falls, Crowne Plaza Monomotapa Hotel in Harare, Express Holiday Inn in Beitbridge and Troutbeck Hotel in Nyanga.

Currently, the hospitality group, which posted its first net profit since the economy was dollarised in 2009, is on a refurbishment exercise that would see the sprucing up of three city hotels Crowne Plaza Monomotapa, Holiday Inn Harare and Holiday Inn Bulawayo and three resort hotels in Victoria Falls. Refurbishment of the city hotels is expected to be completed by the end of August. African Sun is presently drawing down its USD 7m facility from Afreximbank to sponsor the exercise. *(News Day)*

Vehicle assembler Willowvale Mazda Motor Industries says it requires up to USD 7m to finance working capital and capital expenditure programmes. WMMI said fresh capital injection was needed to jolt sluggish production and upgrade its ageing plant. The company's operations have over the last few years suffered from acute shortage of funding and stiff external competition.

Managing director Engineer Dawson Mareya said a dose of fresh capital would help turn around its fortunes. "We require between USD 5m and USD 7m for working capital and capital expenditure. Capital expenditure would enable us to upgrade our production plants," he said. Limited resources and crippling external competition have conspired to keep production and capacity utilisation low at the company. Capacity utilisation is hovering around 20%.

Government, through the equally cash-strapped Industrial Development Corporation, is the controlling shareholder. Itochu of Japan owns the remaining stake. Lack of funding has resulted in high cost of production, making WMMI vehicles more expensive compared with fully-built imports. Prohibitive interest rates on the local market mean the company continues to rely on credit facilities for imported completely-knocked-down kits.

But Eng Mareya said the arrangement suffered temporarily after typhoons hit Thailand late last year. WMMI has an arrangement with Itochu of Japan for the supply of CKD kits and some of the units come from the Thailand plant. The company has endured a torrid time due to cheaper imported completely built-up vehicles from Japan and South Africa.It has unsuccessfully lobbied the Government to review significantly duty on imported vehicles.

Nonetheless, WMMI contends it does not have the support and protection enjoyed by its competitors, for instance in South Africa. Vehicle manufacturers in South Africa receive a 40% rebate on imports under the Motor Industry Development Programme, enabling them to export vehicles at below-the-cost of production. Zimbabwe went through a decade of economic turmoil and raising duty on imports would certainly provoke uproar from the public.

But WMMI says it would keep its fingers crossed that competition does not advance further into the small-market sector, to which it supplies a limited range of models, such as the BT50 trucks. The company said it hopes the limited range of vehicle models would sustain it until the shareholders inject fresh capital to buttress production and upgrade the plant for low-cost vehicle assembly. But challenges around securing affordable finance are not peculiar to WMMI, considering that the manufacturing industry requires USD 2bn to restore its productive capacity. *(Herald)*

Customers owe Zesa USD 600m and the power utility is now unable to sustain its operations, Parliament was told yesterday. Enock Ncube, the Zimbabwe Electricity Transmission and Distribution Company (ZETDC) commercial director, told the Thematic Committee on Peace and Security the utility was facing serious viability problems because customers were not paying their bills.

“Zesa is not in business at the moment,” he said. “We are owed over USD 600m. We are not a flourishing business because customers are not able to pay and are not paying.” He stunned the committee when he claimed that from February 2009, all accounts were cleared of previous balances but some customers had not paid their bills since the country adopted multiple currencies in 2009.

“Unfortunately, we have been seeing people who haven’t paid anything from 2009. “So the accusation that we are very fast in disconnecting people is not true,” he said. Manicaland Senator Chief Chiduku argued that customers were defaulting because they were unhappy with the services they were getting from the power utility. ZEDTC acting managing director Howard Choga told the committee that there was inadequate power hence the load-shedding.

He said that they were guided by government, which directs them on who should be switched off and who should not. The problem, he added, was that every sector mining, manufacturing and farming placed demands on them claiming they were the ones who generated money. “We know there are essential services and we are under direction not to disconnect them,” he said.

“We have heard complaints before why others were not disconnected. It’s because they would be connected to a line that feeds the essential service providers.” He said on average, electricity bills for households in the high-density areas should range between USD 25 and USD 30 while customers in low-density areas should pay between USD 50 and USD 70. *(News Day)*

CAIRNS Holdings is seeking USD 20m for working capital, debt payment and plant refurbishment, chief executive Mr Silas Gweshe has said. "To fully recapitalise operations, the company requires USD 20m to fund working capital, purchase and refurbish plant and machinery and partly pay the outstanding debt," said Mr Gweshe in an interview yesterday.

"The debt reduction exercise will assist in restructuring the group's balance sheet." Cairns, manufacturers of a wide range of food products, snacks and beverages, currently has a USD 12m debt. The group remains operational at about 20% capacity. Operations are constrained by working capital shortages. The snacks and groceries divisions, which are based in Harare's Ardbennie industrial area, are running at reduced throughput. Volumes for the beverages, vegetables and fruit division in Marondera and Mutare remain depressed.

ME Charhon operations are also subdued. Cairns now owns 100% of the sweet and confectionery firm after Dairibord sold its 40% stake. The Bulawayo-based pasta plant was mothballed due to inefficient technology. Once capital is secured, the company revenues are projected to grow by more that USD 36m next year and about USD 48m in 2014.

Capacity utilisation would expand to 75%, enabling the company to meet local and export demand. The company forecast revenue for this year to be around USD 20m. While the group was operating at breakeven, the cost of debt remained a burden. Mr Gweshe said the group continued to face competition from imports, especially from South Africa, despite concerns over the quality of some imported products. But the levying of import duty on certain products has helped in curbing the high import activity, said Mr Gweshe.

Cairns' biggest assets remain in leading brands such as Chompkins, Cashel Valley and Sun Jam. These are very popular among Zimbabwean consumers, although inconsistent supply and quality have seen this eroded since dollarisation. "The group's key product lines have a market niche with brands still commanding a high demand," said Mr Gweshe. Finance Trust, an investment vehicle owned by the Reserve Bank of Zimbabwe, owns 64% of the group and plans are at an advanced stage to dispose the equity. *(Herald)*

Zimbabwe Stock Exchange-listed conglomerate Meikles Limited yesterday officially launched a USD 1, 5m state of the art Pick' n Pay supermarket at Kamfinsa in Harare. The Kamfinsa Pick 'n' Pay became the first of the six that will be rolled throughout the country. Pick 'n' Pay is one of Africa's largest and successful retailers of food, general merchandise and clothing.

Speaking at the official opening of the Pick' n Pay supermarket, TM chief executive officer Mark Vickery said 70% of the local fresh produce in the super market were produced in Zimbabwe. "All the products in the super market passes through the necessary standard in order to ensure the Pick 'n Pay brands remain the best," Vickery said. Vickery said plans were underway to role out two more shops by year end and the other three supermarkets in the following year.

"We will roll out six shops country wide including Gweru, Masvingo, Bulawayo and other areas," he said. He said plans were underway to refurbish shops in Marondera. TM chief operating officer Bisset Chimhini said the opening of Pick 'and Pay Kamfinsa would change the retail shopping experience in Zimbabwe. "We have created a good vibe. A good vibe creates a good buzz and therefore we must have a uniquely branded customer experience," he said.

" I can assure you that the TM and Pick' n Pay brands will be loved by many and hated by others but recognised by just everybody." TM chairperson Mike Oakley said towards the end of last year the necessary approval for Pick' n Pay to increase their stake were obtained. He said the opening of Pick 'n' Pay Kamfinsa was the first of many units and illustrated the quality that Zimbabwean consumers should expect in the future.

"I know that it will be a great success, revered by the Zimbabwean consumers," Oakley said.
"This is an opportunity to commend and congratulate all parties involved in the conceptualization and development of this fantastic unit." According to the Pick 'n' Pay website, the retail chain currently has 775 stores, made up of hypermarkets, supermarkets and family stores. Pick n Pay employs over 42 000 people, and generates an annual turnover of R55,3bn. *(News Day)*

South African coal miner LontohCoal has delayed its USD 1bn Hong Kong initial public offering due to difficult market conditions, ex tending the time frame for the listing to the end of February next year, its chief executive said. Tshepo Kgadima said the listing, originally planned for the first half of 2012, would help speed up its projects in South Africa and Zimbabwe.

These include a planned USD 5.5bn, 50,000 barrels-per-day coal-to-liquids plant the company hopes to construct by 2017 to supply diesel and other fuel products to the Zimbabwean and regional markets. "I'm confident that in the current financial year which ends in February we should be able to conclude this IPO. We are ready to launch once equity capital markets improve," he told Reuters.

A gloomy outlook for the world economy has made equity markets volatile and investors wary of putting money into new listings. Last month, London jeweller Graff Diamonds pulled its planned USD 1bn IPO in Hong Kong. LontohCoal has also decided to double the target for its IPO from an original USD 500m after completing more detailed studies on some of its projects.

In the interim, the group has launched an over-the-counter trading platform to broaden its shareholder base and provide liquidity and an exit for its initial investors. The company decided to have its primary listing in Hong Kong rather than Johannesburg because of its large exposure to Asia. The planned CTL plant will get its coal from the Lubimbi project in Zimbabwe, in which LontohCoal has a 51% stake.

Kgadima said Lubimbi would eventually produce around 46m tonnes of coal per year, with trial mining likely to start within three years, rising to its full capacity by 2017. "We plan to export 20m tonnes of that coal, with the rest going into the CTL plant as well as to supply the domestic market," he said. The company plans to move the export coal via a 1,300 km (810 miles) slurry pipeline to a port in neighbouring Mozambique. Kgadima said the port of Inhambane was seen as the ideal solution, but would need to be dredged to accommodate larger vessels.

He said the cost of the slurry pipeline was estimated at up to USD 1.7bn, while that of the port was not known. Both projects would be funded by the private sector, he added. "We've been in discussions with Mozambique and its ports and railways company CFM about the slurry pipeline and the development of the port and they have been very receptive to the project," he said.

Kgadima said LontohCoal had signed coal offtake deals with two state-owned utilities in China and a coal trading company in India, with their total worth up to USD 320m a year. Initial tonnages, which LontohCoal will buy from small mines in South Africa, will be shipped in July. "These long-term agreements give us certainty of revenues at this very early stage," he said.

LontohCoal is in talks with another Chinese state-owned firm for a long-term supply deal of 3.6m tonnes of thermal coal per year. "We expect to conclude negotiations in July 2012 and start supplies from February 2013," he said, adding that the company was in the process of buying two thermal coal properties in South Africa's Mpumalanga province to have the coal to do this. *(Reuters)*

Economic News

Zimbabwe's headline consumer inflation rate was little changed at 4.02% year-on-year in May from 4.03% in April, the statistics agency said on Monday. On a month-on-month basis, inflation was at 0.07% in May compared with April's 0.19%, the Zimbabwe National Statistical Agency said. *(Reuters)*

Zimbabwe's exports hit an all year low in April to rake in USD 272,1m compared to an average of USD 377,5m between January and March, latest Zimbabwe National Statistics Agency (Zimstats) figures show. The country exported USD 394, 6m worth of goods and products in January before shipments slumped seven% to USD 366,9 in February before picking up to USD 371,1m in March.

After April's sharp decline in shipments, the country's exports totalled USD 1,4bn and averaged USD 351,1m. However, total imports in the four months under review stood at USD 2,1bn, representing a trade deficit of about USD 700m. The trade imbalance, experts say, is expected to widen in the last half of the year as imports traditionally grow in that period.

Exports in April were dominated by minerals, industrial diamonds and nickel matters contributing USD 52,4m and USD 51,7m respectively to the total in monetary terms. Semi manufactured gold shipments were valued at USD 50,4m while monetary gold contributed USD 7,5m. Other major export products includes nickel ores, new stamps, paper cheques, bank notes, bond certificates, oil cake from cotton seed residue and cigarettes.

South Africa remained the country's major export destination accounting for USD 202 worth of shipments. United Arab Emirates (UAE) was the second export destination buying goods worth USD 47m. UAE is one of Zimbabwe's major diamond buyers. The country bought goods and products worth USD 227m from Zimbabwe in the four months of the year, USD 91m in March alone.

Major imports were diesel, petroleum and electrical energy worth USD 64,6m, USD 32,5m and USD 16,4m respectively. Maize imports totalled USD 20, 4m while cooking oil exceeded USD 12m. Other key imports include wheat and wheat flour, lubricating oils, medicaments for chronic illness, nappies, tyres, Virginia tobacco and ammonium nitrate.

On a country basis, Zimbabwe imported USD 209m worth of products from South Africa, USD 104m from the United Kingdom, USD 22m from China, USD 18m from India and USD 4, 2m from the UAE. At the end of April, the African Development Bank (AfDB) said Zimbabwe should focus on identifying potential sectors that can boost exports, as the trade balance trend continues on a negative path.

According to AfDB's, April Zimbabwe Monthly Economic Review, the country's exports for the year to March 31 were valued at USD 583m and dominated by mining, which grew 23,3% compared to the same period last year to contribute 70,7% of the total shipments worth USD 412m.

Statistics provided by AfDB show that declared exports shipments increased by 6,19% between January and March 2012 compared to the same period prior year. Although manufacturing exports increased by over 56% in comparison to the same period in 2011, the regional bank said, the fact that they constitute only eight% of total exports during the period under review demonstrates limited value addition by the local industries.

This comes as industry says the country should focus on creating other export products and value addition in order to remain competitive. Anthony Mandiwanza, the Employers' Confederation of Zimbabwe president, in April told a Buy Zimbabwe Indaba the ongoing policy reform should prioritise value addition.

"We need policies that create an enabling environment for our industry because our economy has been a consumption base," he said. Confederation of Zimbabwe Industries president Joseph Kanyekanye is also on record saying government should come up with policies that bar the country from importing substandard products in order to protect its economy.

He said there was need to encourage local procurement to reduce the escalating account deficit. "There are things that are made in this country that should never be imported. How do you justify importing canned food." *(Daily News)*

The World Bank (WB) says Zimbabwe's exports to China increased from an average low of 5% between 2000-2002 to over 20% in 2010. According to the WB's Global Economic Prospects (Gep) report, Sudan had over 70% of its exports going to the Asian nation followed by Zambia with over 50% in 2010. The Gep report, however, painted a gloomy picture of global metal prices, forecasting a 11% decline this year which it attributed to slower demand mainly from China.

"Metal prices rose seven% during Q1:2012 from the earlier quarter on recovering demand in the United States and strong import demand in China, most of which went to restocking. However, prices began to ease from their February highs on renewed concerns about global growth, slowdown in China, still high stocks for most metals, and emerging supply growth," the WB said.

“China metals import demand slowed in 2012, portending a few weak months owing to destocking, but the country consumes 43% of the world’s metal output,” the report said. “Emerging market demand, especially by China, has been a major force in pulling up the prices of refined metals. In energy commodities, while China plays an important role (especially in coal), its share of crude oil consumption is more limited, but is a major contributor to growth.”

The Bretton Woods Institutions said sub-Saharan countries including Zimbabwe would be negatively affected by the deterioration of the European economy. “Countries like the Congo Republic, Angola, Zimbabwe, and to a lesser extent Zambia would also be hard hit because exports represent such a large share of their gross domestic product,” the Gep report said.

“Trade impacts are likely to be most severe for regional exporters of oil, metal and mineral, and agro-industrial raw materials (e.g. cotton) because sales (prices and volumes) of these commodities tend to more sensitive to the global business cycle.” The WB said economic growth in sub-Saharan Africa will strengthen to five% this year.

“According to the world body, economic growth in the region remained robust in 2011 at 4,7%. Including South Africa, growth in the rest of the region was stronger, at 5,6%, making it one of the fastest growing developing regions,” the Gep report said. “Higher commodity prices and improved macroeconomic and political stability in recent years has supported increased private investment flows to the region, with promising prospects in the medium term.

“As global demand firms and domestic demand remains robust, regional growth is expected to strengthen to five% in 2012, 5,3% in 2013 and 5,2% in 2014.” The report said developing countries should prepare for a long period of volatility in the global economy by re-emphasizing medium-term development strategies, while preparing for tougher times.

“Global capital market and investor sentiment are likely to remain volatile over the medium term — making economic policy setting difficult. In this environment, developing countries should focus on productivity-enhancing reforms and infrastructure investment instead of reacting to day-to-day changes in the international environment.”

Zimbabwe’s economy according to the WB is expected to grow by 7,3% this year ahead of the developing countries figure of 5,4%. Finance minister Tendai Biti has however projected a 9,1% growth rate for the local economy. Chinese Embassy figures say trade between Zimbabwe and Beijing is expected to exceed USD 900m. *(Daily News)*

Notes

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