SECURITIES AFRICA

For week ending 24 August 2012

Weekly African Footprint

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

Currencies:

	24-Aug-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.14	0.00	0.22
DZD	80.05	-1.86	6.39
BWP	7.58	0.33	2.76
CFA	523.50	-1.27	5.81
EGP	6.06	0.24	0.87
GHS	1.93	-0.31	19.39
KES	82.52	0.00	-1.24
MWK	267.65	0.00	64.81
MUR	29.20	-4.26	3.78
MAD	8.77	-1.27	2.20
MZN	28.50	-1.21	6.74
NAD	8.28	0.69	1.67
NGN	158.15	1.18	-1.02
ZAR	8.26	0.46	1.04
SZL	8.30	1.52	1.93
TND	1.59	-1.03	6.81
TZS	1,566.00	1.36	0.36
UGX	2,510.00	1.33	2.56
ZMK	4,870.00	-0.31	-2.94

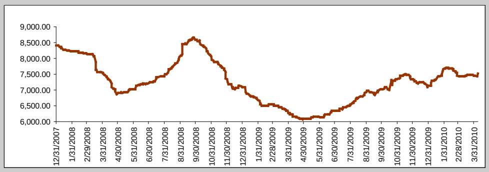
Source:oanda.com

African Stock Exchange Performance:

Country	Index	17-Aug-12	24 August 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,331.97	7,353.36	0.29%	0.29%	5.49%	2.99%
Egypt	CASE 30	5,163.53	5,215.65	1.01%	1.01%	43.99%	43.09%
Ghana	GSE All Share	1,030.50	1,027.97	-0.25%	-0.25%	6.08%	-11.42%
Ivory Coast	BRVM Composite	144.64	146.09	1.00%	0.73%	5.19%	-2.12%
Kenya	NSE 20	3814.10	3826.89	0.34%	0.34%	19.40%	20.91%
Malawi	Malawi All Share	5,967.23	5,961.65	-0.09%	-0.09%	11.03%	-32.63%
Mauritius	SEMDEX	1,718.31	1,704.18	-0.82%	-0.82%	-9.75%	-16.75%
	SEM 7	331.63	330.58	-0.32%	-0.32%	-5.64%	-12.95%
Morocco	MASI	9,850.80	9,867.45	0.17%	0.17%	-10.37%	-13.42%
Namibia	Overall Index	907.00	905.00	-0.22%	-0.24%	7.99%	6.93%
Nigeria	Nigeria All Share	23,141.08	23,399.58	1.12%	1.12%	12.87%	15.39%
South Africa	Top 40	31,368.00	31,567.00	0.63%	0.57%	-1.34%	-1.96%
Swaziland	All Share	284.32	284.32	0.00%	0.00%	5.92%	5.49%
Tanzania	DSEI	1,442.38	1,444.32	0.13%	0.13%	10.83%	11.93%
Tunisia	TunIndex	5,210.42	5,216.80	0.12%	0.06%	10.47%	4.22%
Zambia	LUSE All Share	3,806.86	3,796.36	-0.28%	-0.28%	-8.96%	-6.22%
Zimbabwe	Industrial Index	133.96	131.29	-1.99%	-1.99%	-9.99%	-9.99%
	Mining Index	89.04	89.04	0.00%	0.00%	-11.58%	-11.58%

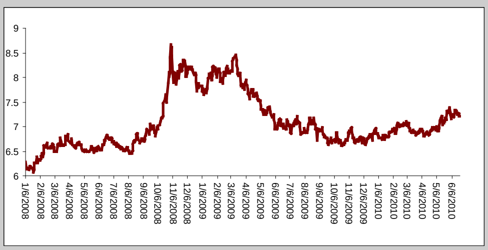
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



Source: Reuters

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

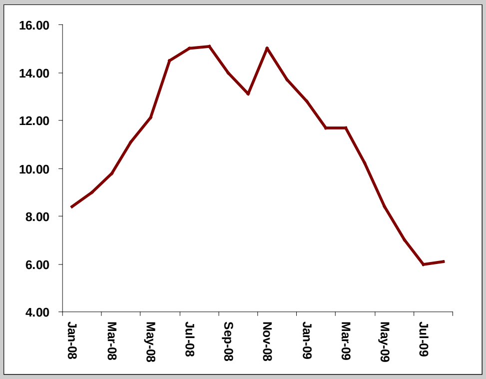
The DCI ended the week 0.29% higher at 7,353.36pts. Engen traded 1.69% higher at BWP 6. RDCP edged up 1.47% to BWP 6.90. Choppies lost 1.79% to end at BWP 1.65. FNBB was down 0.34% at BWP 2.95. Letshego and FSG were level at BWP 1.40 a piece.

Corporate News

The De Beers Group formally commenced worldwide diamond aggregation in Gaborone last Tuesday, two months ahead of schedule. This comes after a 10-year agreement signed by De Beers and the Government in September 2011, for De Beers' international sales, aggregation and related functions transferral to Gaborone by the end of 2013. The functions which are now in Gaborone are diamond processing, quality assurance and support activities (Human Resources, Information Technology and Finance.) Functions yet to be relocated are sales and supply chain, amongst others, and they are expected to have been transferred by December 2013. If things go according to plan over 70 of the world's leading diamond businesses will travel to Botswana to purchase international allocations. Speaking at the launch Vice President and Minister of Minerals, Energy and Water Resources, Dr. Ponatshego Kedikilwe said: "This is a key milestone for the diamond industry in Botswana. By shifting the centre of gravity of the diamond world here, we are bringing in more economic activity, more skills and more broad-based business opportunities to the country. We are also growing our international profile and establishing the kind of platform that all economies need for sustainable growth and diversification."

The De Beers Group CEO, Philippe Mellier said: "This is a proud day for De Beers. We have worked hard to bring the aggregation of our worldwide production to Botswana ahead of schedule. De Beers has always been committed to beneficiation in Botswana, but today, and over the next year, we will be changing our business to cement that commitment for the long term." Miller said the focus is on providing sightholders with the continuity and quality of supply they expect while living up to the company's commitment to its partners to push beneficiation to greater levels than ever before. "As De Beers shifts more and more of its sales operations to Botswana over the next year, we will solidify the long-term future of the partnership and work to transform Botswana into one of the world's leading diamond trading and manufacturing hubs," he said. The sales agreement between De Beers and Botswana is the longest sales contract ever agreed between the two partners and will see De Beers relocate its sights and sales operations including professionals, skills, equipment and technology from London to Gaborone over the next year.

The migration of aggregation is the first step of a process that will, by the end of



Source: SAR

next year, enable De Beers to sell aggregated production from its worldwide operations to sight holders and is expected to transform Botswana into a leading international diamond centre. With the establishment of De Beers' aggregation in Botswana, it is anticipated that about USUSD 6bn (P45bn) worth of diamonds will flow through the country. The aggregation activities will take place in the new De Beers facility housed within the DTC Botswana building. By the end of 2013 more than USUSD 21.6 m (P170 m) will have been invested in the building for modifications and extensions. De Beers is refurbishing its properties at the cost of P24m as well as renting 22 properties in Gaborone in 2012 and expected to rent over 55 next year. As a result the total investment in the aggregation is expected to exceed P200m. Currently, the company employees 64 employees (34 citizens, 30 expatriates); a further more than 80 staff will be employed by the end of December 2013. *(Gazette)*

The Government has approved the separation model of the Botswana Telecommunications Corporation (BTC). The process is expected to take close to two years, Minister of Transport and Communications, Nonofo Molefhi, told journalists last week. "It will take approximately 18-24 months to complete the separation exercise. Implementation of phase one, that is incorporation of BTC Limited and establishment of the new infrastructure company, the Special Purpose Vehicle-SPV, is at an advanced stage," he said. The second phase will be the separation and transfer of the Trans-Kalahari Optic Fibre network and the Gaborone-Francistown fibre loop infrastructure assets from BTC Limited to the new infrastructure company. This will be followed by the third phase - the launching and implementation of the Initial Public Offering (IPO) where citizens will be allowed to buy shares of the group company. Meanwhile Molefhi said the two companies are ready for registration and the directors for both have been appointed.

The SPV will claim the ownership and operation of both the East Africa Sea System (EASSY) and the West Africa Cable System (WACS) and associated rights that include the terrestrial backhaul links in the neighbouring countries connecting to the Botswana border from the landing stations. The Dense Wave division multiplex fibre system and the associated active electronic equipment and assets will also go to the SPV. These assets and operations have been identified by the government as facilitating the increased liberation and efficiency of the telecommunications sector in Botswana. The Minister said the transfer of the assets will not affect the operations and opportunities for BTC to continue playing an important role in the communications sector. Gazette Business understands that discussions with the unions have already commenced. "I cannot conclude as to how many employees will be affected but I can assure that the board of the two companies were recently appointed," said Molefhi. *(Gazette)*

Trading of shares at the Botswana Stock Exchange (BSE) is suspended on 23 August 2012 ahead of today's crossover to a new high tech electronic trading platform that will discard the inefficiency of the current manual trading of securities on the bourse. In an interview with Mmegi, BSE CEO Hiran Mendis said the new platform known as Automated Trading System (ATS) will not only increase the effectiveness and price discovery efficiency of the market but will take the market to investors, both domestic and foreign."When you do shares trading manually, you are limited by space and time.

The efficiency of the brokers will increase, as they will no longer need to come to the BSE to trade shares. They can now trade from their offices while communicating with their clients (investors) at the same time," said Mendis. Before the implementation of the new system, the BSE conducted a single thirty-minute trading session per day. With the ATS, trading will be possible throughout the day between domestic and foreign investors alike. Also, among the biggest attractions of automation is that it can take some of the emotion out of trading since trades are automatically placed once certain criteria such as price and brokers' capacity are met. The technology was acquired from MillenniumIT Solution, a subsidiary of the London Stock Exchange, at a cost of P9m (USD 1.2m).Government fully funded the automation project.

With the snapping up of the ATS, the local bourse joins seven other African countries that are using the state of the art technology to deepen capital markets. Currently only South Africa, Ghana, Nigeria, Egypt, Kenya, Zambia and Mauritius have upgraded from floor trading to the electronic trading of shares."Although other countries such as Kenya and Zambia acquired this technology before us, we are proud to have the newest version of this technology from MillenniumIT Solution," said Mendis. Apart from trading of shares, the ATS will also be used to trade bonds on the bourse, a development BSE product development manager Thapelo Tsheole said would be a boon for investors, as it will bring price discovery efficiency.

"Apart from the efficiency, the ATS will also improve surveillance as we can monitor the transactions as and when they take place rather than manually. It will also bring diversity in terms of investor base as some foreign investors may have been shunning our market because it was not automated. The BSE visibility internationally is going to improve," said Tsheole. The acquisition of the ATS will complement the Central Securities Depository (CSD), which was also acquired by government at a cost of P5m in 2008. The CSD established a central share register and keeps an up-to-date list of shareholders and the share trades transacted. Among other functions of the CSD include the processing of share certificates, conduct deposits and withdrawals, and transfer securities between accounts and record trades.

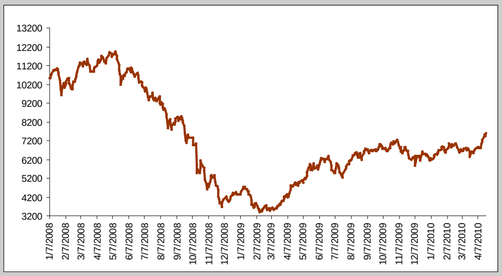
In an interview, BSE IT manager Kopano Mogorosi said the bourse has also upgraded its CSD system so that it can be compatible with the ATS. The upgraded CSD also allows borrowing and lending of securities instead of direct sales, boosting liquidity in the process."With the ATS, we will be able to update the stock prices in real time as the market moves so that investors can log into our website and be able to make decisions as trades are happening," said Mogorosi.(*Mmegi)*

Economic News

No Economic News this week

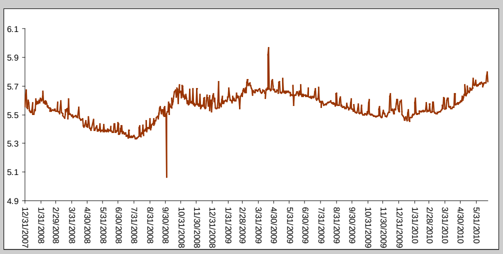
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The EGX 30 rallied this week ending 1.01% higher at 5,215.65pts. The most active sectors all through the week were Real Estate, Financial Services, telecommunications, banks & material. EGAL jumped 5% to EGP 20.50. SODIC was up 6% to EGP 20.28. ETEL increased by 2% to EGP 13.79.

Corporate News

No Corporate News this week

Economic News

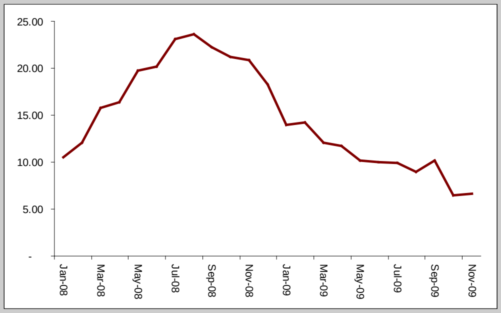
Egypt doesn't intend to devalue the Egyptian pound, the state-run Al-Ahram reported today, citing Finance Minister Momtaz el-Saieed, ahead of a meeting with the IMF to discuss a request for a USD 4.8bn loan. The International Monetary Fund didn't impose conditions on the loan request made more than a year ago for USD 3.2bn, El- Saieed said, adding that a devaluation was not a consideration. The IMF's Christine Lagarde is to meet with Egyptian President Mohamed Mursi, Prime Minister Hisham Qandil and Mursi's economic team today. *(Egypt.com*

Central bank holds first euro-denominated treasury bill auction at time when local currency interest rates are high. Egypt's central bank has told commercial banks it will offer 400m euros in one-year euro-denominated treasury bills at an auction on 28 August, a banker said on Thursday. It will be the first time the central bank has sold euro-denominated T-bills. In November it introduced T-bills denominated in US dollars, and has sold USD 5.83bn of the bills in six auctions so far. The government has turned mainly to the local money market to finance its budget deficit since Egypt's popular uprising in early 2011 chased away most foreign investors, and the ability of local banks to lend the government Egyptian pounds has been stretched to its limit. "It is good step by the government to fulfil Egypt's trade deficit with foreign currency rather than domestic currency with high yields," said Hany Genena, head of research at Pharaohs Securities Brokerage.

Genena explained that when the government borrows in foreign currency-denominated T-bills, it will repay at a lower interest rate than what it pays when offering Egyptian pounds auctions. Yields on domestic Egyptian pound T-bills have surged since the uprising which unseated Hosni Mubarak. The average yield on 182-day T-bills rose to more than 15.5% last month from under 10% in December 2010. The central bank expects the value of the euro to remain stable against the Egyptian pound, which is tied to the US dollar, until the end of the year, he added. The euro T-bills, which will mature on 27 August 2013, are being offered to local banks and foreign financial institutions. The government's budget deficit was equivalent to 8.2% of gross domestic product in the financial year that ended on 30 June, and the finance ministry expects it to rise to 12.5% in the current financial year. *(Ahram online)*

International investors see Egypt's request for a loan from the International Monetary Fund as a major step to attracting money back into the country, but may want more progress before they commit their own funds. Once a darling of frontier market investors, Egypt has lost appeal since the overthrow of President Hosni Mubarak 18 months ago. Worries about instability have combined with concern over a declining currency and dwindling foreign exchange reserves. But Egypt's official request this week for a USD 4.8bn loan from the International Monetary Fund, announced during a visit to Cairo by IMF President Christine Lagarde, may help. It is likely to avert a currency or debt crisis, investors say. "An IMF loan will be seen as positive," said Daniel Broby, chief investment officer at Silk Invest. "Although a further (currency) depreciation is on the cards, a loan will help shore up the pound against a worse outcome."

CPI Inflation



Source: SAR

Silk Invest holds Egyptian corporate debt and has recently added to its holdings of bank EFG-Hermes, Broby said, bringing the frontier fund manager's Egyptian exposure to nearly 10% of its assets. The Egyptian pound hit fresh seven-year lows after the loan was announced because investors expect the IMF to encourage the central bank to allow the currency to weaken more rapidly. Since last year's popular uprising against Mubarak, Egypt has spent well over half its foreign reserves to support its currency, allowing the pound to weaken only by about 5% despite a sharp drop in tourism and foreign investment, two of Egypt's main sources of foreign exchange. But a gradual depreciation of the pound, with financial support from the IMF, will allow the central bank to rebuild reserves. It is also less unpredictable for investors than a sudden one-off devaluation. "They can't announce one-way bets, but the IMF could say 'we need to have more exchange rate flexibility'," said Gabriel Sterne, economist at frontier markets brokerage Exotix. "It's about getting the policies in place that restore confidence." Reflecting the positive sentiment towards the loan talks, Egyptian stocks are trading at five-month highs, while the country's debt insurance costs have fallen by 50 basis points to around 500 bps in the past week in the five-year credit default swap market, according to Markit.

The yield on Egypt's dollar-denominated bond due 2020, which avoids the local currency risk, has plunged 75 basis points this week, to 5.4%, far lower than the euro-denominated debt of Italy or Spain. Egyptian stocks were among the world's worst performers last year, sinking 50%, but they have made a 43% gain this year. Egypt also has support from other channels. Saudi Arabia transferred USD 1.5bn to Egypt as direct budget support in June, along with other aid measures. Qatar also promised USD 2bn in support this month. The loan talks also reflect a more secure political situation, investors say, after Egypt's military-appointed interim government handed power to President Muhamed Mursi on June 30. The military government had been negotiating a USD 3.2bn package with the IMF before it handed over, but the deal was not finalised.

Political risk remains, however, with legal challenges to a decree issued by Mursi that removes army-imposed curbs on his powers. Richard Fox, head of Middle East and Africa sovereign ratings at ratings agency Fitch, said it was too soon to change the country's rating. Fitch cut Egypt's rating to BB-plus with negative outlook in June, though Standard & Poor's took Egypt off CreditWatch negative on Thursday. Sterne at Exotix has kept a hold, rather than buy, recommendation on Egypt's 2020 Eurobond, with agreement on the deal not due before the end of the year and the possibility of popular or political reaction to it. Fox also said it was early days for any deal euphoria. "There will come a point in the future when we will get a trigger and it brings back lots of portfolio investments, I don't think we are there yet."(*Reuters)*

Egypt is finding it increasingly difficult to import fuel as foreign banks and traders pull the plug on credit and charge high premiums due to concerns over its financial and political stability, trading and banking sources said. Sporadic international loans have so far helped, and the country requested up to USD 4.8bn from the International Monetary Fund (IMF) on Wednesday, but without such ad-hoc interventions, Egypt could quickly end up like debt-stricken Greece, dependent on a narrow pool of traders charging richly for supplies. That could put a dangerous strain on Egypt's finances, which are already under pressure from high fuel subsidies it can ill afford to maintain but will not want to cut in the precarious first months of new Islamist President Mohamed Mursi's tenure. Since the election of Mursi in June this year following the overthrow of Hosni Mubarak in 2011, the number of suppliers has shrunk as oil traders are struggling to secure letters of credit from banks.

"As soon as they changed the president, banks raised the costs of letters of credit involving EGPC," one trader involved in supplying Egypt said, referring to Egyptian General Petroleum Corporation. A spokesman for Egypt's oil ministry declined to comment and asked for queries to be directed to EGPC. No one at EGPC was available for official comment on Wednesday and Thursday. Mursi took the world aback when he dismissed top generals earlier this month, raising fears that the army, from which all Egypt's presidents had come for six decades after ousting the monarchy, might retaliate, though they have so far raised no challenge. In the strongest evidence to date of rising fuel import difficulties, traders said Egypt had to cancel a tender to buy crude earlier this month after receiving no bids, and also had to scrap parts of a gasoline import tender because the prices on offer were too high.

"The costs that banks apply to any transaction involving EGPC are now double that of a normal transaction," another trader said. Some tenders have been relaunched with new terms. An official at EGPC, who declined to be named because he is not allowed to speak to the press, confirmed that some tenders had been delayed for a few days but declined to discuss reasons and details. Egypt has already been struggling to maintain its massive oil subsidies since the revolution last year, as oil prices soared. The subsidies ballooned by 40% to almost USD 16bn for the year ended June 30, about a fifth of its entire budget. A litre of gasoline in Egypt can cost as little as 23 cents, among the cheapest in the world. Egypt's economy grew 2% in the 2011/12 financial year, down from 5% or more in previous years, as the revolution frightened away tourists and foreign investors and sparked a wave of strikes.

"They have been heading towards a crunch for some time. Shortages have made them cautious about taking action because they could cause more social unrest," said Catherine Hunter, senior energy analyst at consultancy IHS. She added problems with imports should spur at least a partial cut in subsidies. Problems began building in May, when Egypt struggled to obtain timely letters of credit from major banks, which guarantee that a buyer's payment to a seller will be received on time and in full. As a result, traders delayed discharging tankers. Since last year, Egypt has tried to do deals on a higher risk and more expensive open credit basis, usually given to a buyer without security.

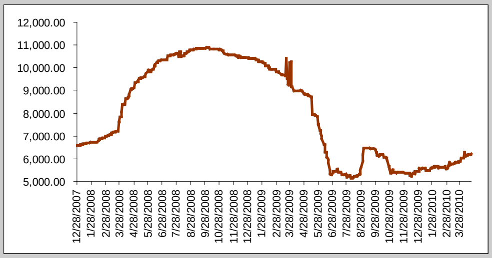
But many traders were left in financial difficulties when state oil company EGPC took many months longer than expected to pay the bills, several traders said. EGPC remains behind on payments. One trader said his company was owed demurrage - the charges paid by a charterer for keeping a vessel longer than the agreed unloading period - as a result of the shipping backlog in May. Vivo, a downstream branch of trading major Vitol, is also believed to be owed a large sum for fuels, another trader said. Vitol declined to comment. EGPC's latest attempt to go back to open credit failed. The company was forced to cancel a recent crude oil tender after facing resistance to the terms and has reissued the tender with the promise of a letter of credit. "I would be very surprised if any company would deliver on open credit these days after the experience of the last 12 months," one fuel supplier said. Another trader said his company had to stop taking part in EGPC tenders as European banks would not supply the credit.

Major trading houses Vitol and Glencore remain consistent diesel suppliers because of their deep pockets and their willingness to take risk. "They use their own cash and they don't need credit lines from banks to finance their cargoes. So this could be one of the ways to exist," said one trader. The development mirrors the situation in Greece, which also survives on oil from the same traders. While the banks are still financing Egypt, rules are becoming more stringent. Though EGPC still gets letters of credit from banks, the trader needs to have access to confirmation lines with a first class European bank. "These are very limited now unless you are taking the Egyptian risk on your own shoulders," one trader said.

"The complication comes from some offshore banks when they open letters of credit and they reduce the credit period from the usual seven days to three days, and in some cases against cash," said a source from a Cairo-based global bank. Traders noted that recent influxes of cash into Egypt have eased some worries. Saudi-based Islamic Development Bank (IDB) provided USD 1bn to finance energy and food imports in July, while Qatar lent USD 2bn last week. The latest version of the revived crude tender offers a letter of credit, but only from Egypt's national bank, which are not acceptable to most traders. The rest will have to decide whether to take the risk. "People are just going ahead on gut feeling," one of the traders said. *(Reuters)*

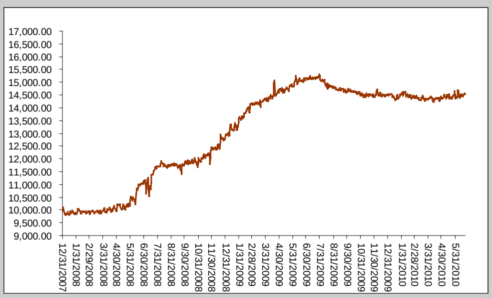
Ghana

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 continued trading in negative territory ending the week 0.25% lower at 1027.97pts in a relatively quiet week that recorded only 5 stock price movements. ETI lost 9.1% to GHS 0.10. BOPP edged down 2.6% at GHS 1.50 while TLW traded 1% lower at GHS 38. CPC traded at GHS 0.02. SG-SSB increased by 4.5% at GHS 0.46.

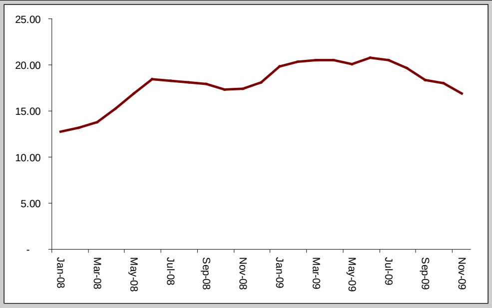
Corporate News

South Africa's second biggest financial institution, FirstRand has taken over Merchant Bank. A statement from Merchant Bank said it has accepted 176.4 m Ghana cedis offer from FirstRand in exchange for 75% stake in the bank. This confirmed earlier report by JOYBUSINESS about the takeover. FirstRand's bid will comprise an acquisition of shares from existing shareholders for 140 m and a subscription for new shares for 36 m Ghana cedis. The proposed transaction is however subjected to regulatory approval in South Africa and Ghana. Commenting on the proposed transaction Joe Tetteh CEO of MBG said: "We look forward to welcome FirstRand as strategic partner to MBG to reposition the bank for future growth. FirstRand is a leading and well diversified South African bank with an established franchise in sub-Saharan Africa. It will provide MBG with the necessary skills, products, relationships and experience to re-establish MBG as a leading bank in Ghana."

Listed on the JSE and the Namibian Stock Exchange, FirstRand Limited, with a market capitalisation in excess of ZAR150bn, is one of the largest financial institutions in South Africa. FirstRand's portfolio of leading franchises provides banking and insurance products and services to retail, commercial, corporate and public sector customers in South Africa and several African countries. It has a portfolio of market-leading franchises: Rand Merchant Bank (RMB), South Africa's premier investment bank; First National Bank (FNB), the country's third largest domestic retail and wholesale bank by assets; and WesBank, the largest asset finance operator with over 30% of South Africa's motor market. *(Ghana Web)*

Economic News

Renaissance Capital has partly attributed the continuous weakening of the cedi against major international currencies to early government spending. "While we expected an increase in financial outflows as the December elections approach, we had not anticipated them to begin so early in the year." In the firm's August Macro-Economic Update, analyst Yvonne Mhango said the subsequent drop in foreign exchange reserves explains the 20% depreciation of the Ghanaian cedi in July 2012 to GHS1.96 against USD



Source: SAR

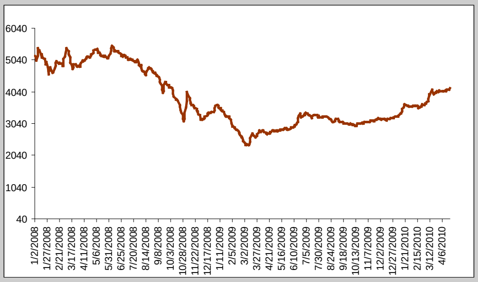
1. The report said the weak cedi partly reflects financial outflows of the country, adding "we are of the view that financial outflows increased significantly during this period, particularly short-term money." "We expect this to have contributed to the widening of the current account deficit during this period in addition to the increase in services and income payments, which comes with the new oil industry."

It said in their view, the sharp decline in Ghana's foreign reserves is partly due to the widening of the trade deficit in May 2012 by 57% to USD 937m, owing to a high international oil price that inflated the import bill and lower-than-expected oil export volumes that undermined export earnings. Ghana's gross international reserves declined by USD 1.1bn to USD 4.3bn or 2.5 months of import cover in May from USD 5.4bn or 4 months of import cover at YE11. "Typically, economies with import cover of less than three months are considered to be vulnerable to external shocks such as a sharp increase in the oil price," it said. In order to stem what the Bank of Ghana (BoG) viewed as "speculative activity" in the interbank currency market that was exacerbating cedi failing, the BoG implemented measures that would ultimately stem cedi weakness. Some of the measures included hiking the policy rate by 250 basic points (year to date) and reducing the limits on net open forex positions of banks, reintroducing BoG bills to provide additional avenues of cedi investment.

Others were revision of application of the statutory reserve requirement so that banks maintain the mandatory 9% reserve requirement on domestic and foreign liabilities in cedis only as well as requiring all banks to provide 100% cedi cover for their offshore account balances to be maintained at the BoG. The think tank said "we have noted the retracement of the cedi to 1.94/USD 1 from mid-August, suggesting that a combination of the afore-mentioned policies may be taking effect." They however said "as it is still a few months to elections, we project some further weakness to GHS2.0/USD 1 at YE12." *(Ghana Web)*

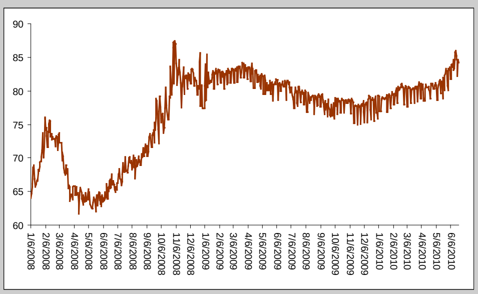
Kenya

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	-2.198	-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)	35.83	36.51	37.13

Source: World Development Indicator

CPI Inflation

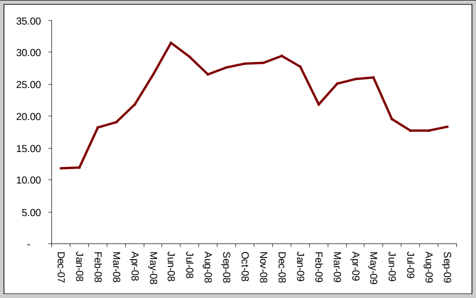
Stock Exchange News

The market closed the week with the NSE-20 up 0.34% at 3826.89pts. Turnover steadies at KES 1.03bn. NMG traded 8.5% higher at KES 205. KPLC was up 6.6% to KES 16.95. KCB edged up 1% to end at KES 25.50. EABL lost 3.9% to KES 223. Mumias traded 6.6% lower at KES 6.25.

Corporate News

Composite underwriter Jubilee Holdings Limited has announced a 17.3% increase in its half-year profit, riding on higher investment income and improved efficiencies. The company reported that its profit after tax grew to Sh666.1 m in the first six months of the year, up from Sh568 m recorded in a similar period last year. Revenue from short-term business grew by 37% to Sh--8.1bn from Sh5.9bn in 2011, which the management attributed to focus on risk management, and introduction of new products targeting agriculture and small and medium-enterprise insurance. The insurer's long-term business grew by 21% to Sh2.5bn during the first six months, attributed to increased uptake of the listed regional insurer's products. One of Jubilee's new products, tailor made for university students and dubbed 'Baada Ya Campo' (that helps them to save money for use after graduation and during the time they are hunting for employment) was a major driver of sales. Investment income recorded a 47% growth to Sh1.4bn, underlining the opportunity arising from the high interest rate regime to corporates.

Businesses with huge cash deposits had the opportunity to invest in short-term government securities whose returns were on an upward trend in the second half of last year or invest the cash in commercial banks which were offering high rates for deposits. Though the high interest affected insurance industry performance last year due to a slump in the equities market as investors took up money market products, the resultant interest income has lifted their performance this year even as the stock market picks up. Apart from the insurance business Jubilee has diversified into power production, banking, tourism and food processing in Kenya and the wider East Africa market. Jubilee is an equity partner in Kenya's first independent power producer, Tsavo Power Company in Kipevu, which has increased the generation capacity by more than 20% and the Sh72.2bn (USD 860 m) Bujagali Power project in Uganda, which is now supplying that country's national power grid. With its affiliate IPS, Jubilee is a major investor in SEACOM – the first fibre optics submarine cable that stretches 15,000 kilometres from South Africa to France and provides communication to all the countries on its path. On Wednesday Jubilee insurance share closed at Sh157 down from the previous Sh170. *(Business Daily)*



Source: SAR

Nation Media Group's QTV and NTV have announced a partnership with BBC to air its programmes, which will give viewers content on Africa. BBC's first ever TV news and current-affairs programme in Kiswahili, Dira ya Dunia (world compass) on QTV will be aired on weekdays while its English version, Focus on Africa, will be aired daily on NTV. "We are excited about this partnership, BBC and Nation Media Group are leading brands in their respective market and this will help our audience to get comprehensive news from all parts of the continent," said Linus Kaikai, the managing editor, Broadcast Division, at Nation Media Group during the launch of the partnership on Wednesday. Focus on Africa will be aired at 11.15pm daily. It was first aired on Tuesday. The daily 30-minute news programme is presented by the BBC's Komla Dumor and Sophie Ikenye. The programme is aired globally on the BBC World News channel and a number partner TV stations across Africa. Dira ya Dunia will be broadcast from Monday to Friday at 11pm on QTV, supplementing QTV's programming with news coverage underpinned by the BBC's world-class content. BBC Kiswahili's flagship radio programme, Dira ya Dunia, is a household name for millions of radio listeners in East and Central Africa as well as the diaspora audiences. Dira ya Dunia has been running on the BBC radio for several years but this the first time it would be aired on Television.

"This partnership with the BBC is a milestone for QTV whose quest to satisfy the needs of the ordinary Kiswahili consumer in Kenya has seen it embrace an elaborate news and current affairs agenda in addition to other programming," said Betty Dindi, managing editor, QTV. BBC said the launch of the Kiswahili TV programme was necessitated by changing landscape on how the Africa audience consumes local news. In the past majority of its audience was driven by radio. "With the launch of Dira ya Dunia on TV, we are responding to the huge switch in news consumption across Africa we have been witnessing lately, and to the needs of our audience," Said Ali Saleh, BBC Swahili Editor. The launch of the two TV programmes in Kenya is part of major new programming launched by the BBC this year for Africa.

Already a similar programme is underway in Ghana, Seraleone, Tanzania, Uganda, Malawi and Zambia. In Kenya NTV and QTV was selected because of its market reach and the credibility of the stations. "We selected Nation media because it has national reach, credible, well respected and it is in line with BBC values which are independence and impartiality," said Solomon Mugera, BBC Africa Editor. Kaikai said the partnership will give Nation Journalist opportunity to air their selected stories to global audience. Based on the relevance and resonance, some of NTV stories would be featured in the BBC's programme. The BBC has correspondents in 48 African countries, production centres in Nairobi, Abuja, Johannesburg and Dakar, and a weekly audience of 81 m across the continent on all platforms. *(Business Daily)*

Kakuzi has completed the sale of its tea subsidiary Siret Tea Company Ltd (STCL) at an undisclosed amount. In a statement to investors, the company said this was after an outgrowers company exercised an option granted to it under a framework entered into in 2007. EPK Outgrowers Empowerment Company Project (now known as Sireet Outgrowers Empowerment and Produce Company, SOEP), gave notice to purchase the remaining 50.5% of STCL. "Following the authority approval on August 16, it is expected that this transaction will be completed on August 31, and thus STCL will cease being part of Kakuzi group from 1st September 1," the company said.

Under the 2007 framework, SOEP bought a 14% stake at Sh53.4 m in 2007, 10% stake in 2008 for Sh38.5 m, 17% stake in 2009 for Sh72.9m and an 8.5% stake in 2010 for Sh38.1 m for a total of Sh203.4 m. Analysts at Standard Investment Bank estimate a 13% reduction of acreage controlled by Kakuzi as a result of the deal and a 20% reduction impact on profits. *(Daily Nation)*

Tullow Oil Plc will start drilling its third well in Kenya next month as the search for oil intensifies. The oil company also said it had started drilling at Twiga South-1 well, located in Tullow-operated Block 13T in North Eastern Kenya, its second oil well, on Tuesday. "Paipai is scheduled for spud in September. It will be drilled using the Sakson PR-5 rig, which is in the process of final mobilisation from Mombasa to the well site," said Tullow's spokesperson Ann Kabugi on phone. The UK-firm discovered oil at the Twiga-1 well, located on block 10BB, early this year, raising Kenya's prospects of becoming an oil producing nation. This has since attracted increased exploration activity in the country. According to Ms Kabugi, the company intends to drill to a depth of 3,000 metres at Twiga South-1 well and about 5,000 metres at Paipai well.

The planned drilling of a third well in September will bring the total number of wells being drilled to four. Last week, American firm Apache Corporation began drilling at Block L8, an offshore block that it operates in partnership with Tullow Oil Plc. According to information from the Ministry of Energy, all the 47 blocks have already been licensed to various international exploration companies following what the ministry described as a rush to acquire the blocks witnessed after the March discovery. *(Daily Nation)*

CFC Holdings has been assured of a 60% take-up in the upcoming rights issue following a commitment by the majority shareholder. The listed firm said it had been assured of at least Sh2.4bn of the Sh4bn it is seeking from its shareholders with commitment from Stanbic Africa Holdings Ltd (SAHL). "The board is pleased to confirm that it has received a written commitment from its key shareholder, Stanbic Africa Holdings Ltd that it will take up its full entitlement in the rights issue representing 60% of the transaction," the firm said in a statement. SAHL has a 60% stake in CFC Stanbic Holdings.

CFC Stanbic Nominees (K) Ltd non-resident account, and African Liason and Consultant Services Ltd are other large shareholders with 18.59% and 15.73% stakes respectively. The Capital Markets Authority (CMA), the industry regulator, gave the firm permission to seek cash from its shareholders through the issue of 121.6m additional shares at Sh33. The rights price represents a 22.9% discount on the average price of the 30-days from July 4. Shareholders will have the right to buy four shares for every nine held. The information memorandum, which will give finer details on how funds are to be deployed, is expected to be released on September 10. Mr Johnson Nderi, a research analyst at Suntra Investment Bank, said that the financial services group had been strong in corporate banking but of interest is if it will be bullish on the retail side of banking.

"Banks are going to retail banking because these deposits are cheap," said Mr Nderi. NIC Bank, which is undertaking a Sh2bn rights issue, has said that by 2015 retail customer deposits should account for 50% of income up from the current 30%. Similar to CFC Stanbic Holdings, NIC has been assured of partial success after confirmation by its anchor shareholder. First Chartered Securities, the largest shareholder at NIC Bank with a 15.84% stake, has confirmed participation in the rights issue. Diamond Trust Bank, another listed bank, also plans to involve its biggest shareholders in the rights issue. The Aga Khan Fund for Economic Development, Habib Bank, Jubilee Insurance, Diamond Jubilee Investment Trust (U), PDM Holdings Limited, and the International Finance Corporation participation will ensure a 52% subscription. The CFC Stanbic Holdings rights issue will begin to trade on September 12. Results are expected to be announced on November 2. *(Business Daily)*

East African Breweries posted a 24% growth in pretax profit for its full year ended June to 15.25bn shillings (USD 181.87m), thanks to growth across its products and markets, it said. The company, which is controlled by Britain's Diageo, said revenue grew 24% to 55.5bn shillings. (*Reuters)*

East African Breweries posted a 24% rise in full-year pretax profit, driven by increased sales of its beer and spirit products, and predicted it would attract new customers to further boost earnings this year. EABL Chief Executive Devlin Hainsworth said he expected earnings to grow further as the company targets customers who buy alcohol from the illicit and home brew market, which is estimated to be the same size as the established beer market. "(The growth) is being driven right across the product portfolio and geographical markets," Hainsworth told investors at a briefing in Nairobi. The company, which is controlled by Britain's Diageo, said pretax profit rose to 15.25bn shillings (USD 181.87m). Revenue rose 24% to 55.5bn shillings for the 12 months to the end of June, lifted by a 21% growth in beer sales and a 47% growth in sales of spirits like Johnnie Walker.

Its regional markets also posted buoyant growth with Uganda and Tanzania recording growth of 38% and 76%, respectively, while the Great Lakes markets of Rwanda, Burundi and eastern Congo grew by 30%. EABL's cost of sales rose 26%, outpacing the top line growth, mainly due to soaring inflation in the region during the year under review, it said. The firm maintained its total dividend for the year at 8.75 shillings per share. *(Reuters)*

Kenya's NIC Bank plans to acquire up to three other local banks in danger of coming up short on the central bank's more demanding core capital requirements, the bank's chief executive said on Thursday, after it posted a rise in half-year profits. "We have to look for a bank which is compatible with good chemistry, shareholding and strategy. Maybe two or three banks," James Macharia, managing director of NIC Bank, told Reuters on the sidelines of a media event. Kenya's 43 banks will be required to have at least 1bn Kenyan shillings of core capital from the end of 2012, up from 250m shillings, and many of the smaller institutions are expected to miss that target even though the rule was introduced in 2009. In 2010 two small lenders, Equatorial Commercial Bank (ECB) and Southern Credit Bank merged under the ECB brand, citing the need to enlarge their branch network and balance sheet.

NIC itself is undertaking a 2bn-shilling rights issue, which Macharia said he expected to be oversubscribed. On Thursday the bank posted a 42% increase in pretax profits to 2.28bn shillings, mainly driven by a rise in non-capital-backed income such as fees and foreign exchange trading. The bank, which already operates in Tanzania and Uganda, has ambitions to expand into Ethiopia, South Sudan, Democratic Republic of Congo, Rwanda, Burundi, Malawi and Mozambique.

"Maybe from next year, we shall possibly (enter) Rwanda," Macharia told

Reuters, adding that Zambia's new capital requirements have put it off operating there. Zambia raised its capital requirements for foreign banks to USD 100m from USD 2m this year, to insulate its banking sector from the effects of a weak global economy. Meanwhile NIC wants to add eight locations to its Kenyan network of 20 branches within the 12 months, though Macharia said this target may be trimmed if violence erupts during the March 2013 elections, as it did in the aftermath of the 2008 poll when 1,200 people died.

Macharia told a media briefing that diversified revenue streams from non-funded income, mainly fees and foreign exchange trading, had cushioned the bank from high interest rates in Kenya, which some banks blamed for a slowdown in lending. The bank's non-funded income surged by the largest margin, increasing 47% to 1.53bn shillings, while total income rose by 36% to 2.98bn shillings in the six months to the end of June. The central bank embarked on an aggressively tight monetary policy last year, raising the key lending rate by 11 percentage points in the second half to keep a lid on inflation and stabilise the currency. (*Reuters)*

Economic News

Foreign investors sold off 37.8% of their portfolio of government securities between March and June, removing an important cushion for the shilling as falling interest rates made it unattractive to hold Kenyan Treasury bills. Latest data from the Central Bank of Kenya (CBK) shows that non-residents' portfolio of treasury bills fell to Sh2.9 billion in June from Sh4.7 billion in March. The period between March and June was characterised by a drop in interest rates from a high of 17% to about 10%. “With interest rates coming down, foreign investors had to consider reinvestment risks. To continue earning significant returns they had to relocate their money to other markets or assets,” said George Kamau, a portfolio manager at ICEA Lion Asset Management. The foreign investors' portfolio shift is reflected in the slight depreciation of the shilling over the same period, which analysts say could have increased their urge to move their money from the country in order to avoid currency losses.

Foreign currency inflows help to stabilise the exchange rate and the international investors' big sell-offs could have been the trigger for the shilling's depreciation at the time. “The move was to protect their capital because the shilling was weakening,” said Mr Kamau. A weak shilling favours international investors entering the country but those exiting have to convert their shillings into foreign currency and are therefore exposed to currency exchange losses. Some of the money from sale of treasury bills may have found their way into the stock market, whose low stock valuations represented bargain purchases for investors. The average Nairobi Securities Exchange 20-Share index rose by 10% during the period. Data from the Capital Markets Authority showed that foreigners were net buyers in the stock market during the time, increasing their portfolio to Sh4.6 billion ($54.12 million) in June from Sh4.4 billion ($51.8 million) at the end of the first quarter of the year. Between April and June the value of issued treasury bills dropped to Sh132.6 billion from Sh145.5 billion, indicating a resolve by the government to dampen interest rates by rejecting highly priced credit. “The government was not borrowing as much as they had enough liquidity and they were rejecting bids to send a message that interest rates should come down,” said Eric Musau, an analyst with Standard Investment Bank.

The government received a syndicated loan of Sh52 billion ($600 million) in April which boosted the Treasury's kitty and CBK's foreign currency reserve balance. The decision to go for an international loan was based on the high interest rates that were prevailing in the market at the time. In the second half of last year the Central Bank decided to raise interest rates to support the shilling and check the rising inflation. High interest rates are expected to attract foreign investors hunting for high yields to pump foreign currency, improving the demand of the shilling and as a result boosting its value. CBK data, however, shows increase of the Central Bank Rate to 18% did not attract voluminous in flows. "The proportion in term of foreign investors is minimal which means efforts to support the shilling by raising interests to attract foreign direct investment are limited," said Mr Musau. The local currency weakened for the better part of last year to touch an all time low of 107 units to the dollar in mid October. Non-residents' investment rose from September last year when interest rates were on an upward trend from Sh243 million to Sh1 billion in December and further to Sh4.7 billion in March. *(Reuters)*

Kenyan workers will give a bigger portion of their salaries to the National Social Security Fund (NSSF) if Parliament passes a Bill seeking to directly link members' contributions to their gross pay. NSSF, the public pension services provider, on Monday announced that it had won the support of key stakeholders for the Bill that seeks to increase contributions from the current maximum of Sh400 per month to 6% of formal sector worker's gross pay. Formal sector workers contribution to NSSF is currently split equally between the employer and employee for a total of Sh400. The employer's share is not deducted from an employee's pay but is part of the employer's additional payroll costs. The Bill proposes to divide member contribution into two tiers. The first tier of contributions will see all formal sector workers contribute a portion of their salaries equivalent to 6% of those earning the prevailing minimum wage with an equal share of contribution from their employers. The minimum wage ranges between Sh8,579 for cleaners and Sh19,360 a month for drivers of heavy commercial vehicles, according to the Kenya Gazette dated June 27 this year. This means the minimum contribution under the proposed bill would be between Sh515 and Sh1162 for an employee. The second tier of contributions will be exclusive to those earning over and above the minimum wage, who will contribute a specified portion of their gross salaries with an equal share from employers. However, the Bill proposes that employers with established private pension schemes be allowed to opt their workers out of the second tier contributions sparing them the burden of double saving for retirement.

To minimise the pain of parting with a bigger portion of their pay, NSSF is proposing that workers gradually increase their contributions over four years period should Parliament pass the law. On the fifth year, each member will pay the recommended 6% of gross pay. The NSSF said it had won the support of the Central Organisation of Trade Unions (Cotu) and the Federation of Kenya Employers (FKE) for the Bill – which is also seeking to transform NSSF from the provident fund it is today to a pension fund. "The lumpsum amounts we pay our members under the current scheme after saving with us for so many years cannot sustain them for the rest of their lives," said Adan Mohamed, the chair of the NSSF's Board of Trustees. Francis Atwoli, the Cotu secretary-general, who has vehemently opposed the planned increase in the National Hospital Insurance Fund (NHIF) contributions, supported the proposed law, describing it as responsive to workers' needs. "Of key interest to us is that the new scheme will yield enough savings to keep retired workers in relative comfort," said Mr

Atwoli. FKE, the employers' lobby that also opposed the proposed increase in NHIF contributions is also backing the increase in NSSF contributions. "The increase is necessary because the amount contributed currently is not adequate to offer the new benefits provided for in the proposed law as well as ensure that workers have enough to live on upon retirement," said Jacqueline Mugo, the FKE executive director. The expanded range of benefits that NSSF contributors will enjoy include maternity and funeral grants as well as emigration benefits for those moving to another country.

NSSF also said that it intends to introduce a new scheme that will offer unemployment benefits to members who lose their jobs. The payments will be made to the members until they get a new job. The proposal, which NSSF says could be introduced by 2015, is aimed at cushioning members who lose their source of income from destitution. "Such unfortunate members will be paid a modest amount such as Sh10,000 a month for a period of six years on condition that there is proof that they are actively searching for a new job," said Arthur Eshiwani, a consultant who helped draft the Bill. "Once an employee unexpectedly loses his job, he is immediately burdened by payment of rent, utility bills and buying food for the family." If passed, the Bill would see the NSSF Provident Fund transform into a Pension Fund, in line with the Constitutional requirement that every citizen should have access to social security. Other than the changes to monthly contributions and the benefits, members would upon retirement be paid 30% of their total savings and the balance paid in monthly instalments. Members with balances in the current scheme would be allowed to transfer them to the pension fund.

The new law would also allow the NSSF pension fund to accept contributions from self-employed persons and informal sector workers. NSSF's membership stands at over 1.2 million with annual contributions having risen marginally in the last financial year to Sh6.8 billion from Sh6.7 billion at the end of June 2011. This was the lowest year on year growth recorded in the past four years for the fund that received Sh6.3 billion and Sh5.6 billion in 2009 and 2008 respectively. NSSF's pay-out to its membership also dropped to Sh1.7 billion from Sh2.2 billion in 2011, raising the fund's net build-up of savings to Sh5 billion from Sh4.5 billion in 2011. The fund posted a 5.1% drop in its investment income earning of Sh6.3 billion from Sh6.6 billion the year before. NSSF is set to hold its Annual General Meeting on September 17, the first since it was formed 47 years ago. *(Business Daily)*

Various ministries failed to spend Sh275 billion allocated to them in the financial year ended June 30, 2012, raising questions on the government's capacity to implement the ever-growing national Budget. This represents nearly a quarter of the funds allocated. The low capacity to absorb the Budget, which has now grown to Sh1.5 trillion, has been a drag on economic growth because most of the budgeted development projects go unimplemented. Out of the original Budget estimates of Sh1.155 billion for 2011/12, only Sh895 billion was spent during the financial year —despite the allocation of more resources in the Supplementary Budget that was presented in April. The Supplementary Budget raised the total allocations to Sh1.170 billion, but even the original Budget could not be exhausted during the fiscal year. In the Budget Implementation Review Report fourth Quarter 2011/12, the Controller of Budget, Agnes Odhiambo, said her office was working with the ministries, departments and agencies (MDAs) to improve Budget implementation. "The office is in the process of putting in place a monitoring and evaluation framework to ensure that

MDAs programmes and projects are continuously monitored and evaluated," said Mrs Odhiambo.

During the launch of the discussions for the 2013-2016 Medium Term Expenditure Framework (MTEF) by Sector Working Groups yesterday, Treasury Permanent Secretary Joseph Kinyua said monitoring of Budget implementation would be improved. Among the factors hampering Budget implementation was the uncertainty around donor funds, the PS said. "We have challenges with programmes that are being funded using external resources," said Mr Kinyua. The Controller of Budget report proposed that the State makes guidelines on how to use development funds. "In order to achieve the targets set in the Budget Policy Statement the government should develop clear and comprehensive guidelines for utilising development funds efficiently by the MDAs that will ensure proper execution of projects and programmes," the report said. The National Security sector had the highest rate of absorption of 100%, while physical infrastructure sector had the least utilisation rate of 31.5% of the gross revised estimates. The recurrent budget's absorption rate was 84.0% and development budget's absorption rate was 55.1%. *(Business Daily)*

The Kenyan shilling held its ground against the dollar on Wednesday, and was expected to firm helped by the central bank's absorptions of liquidity and foreign investors flows into government debt auctions. At 0634 GMT, commercial banks quoted the shilling at 83.90/84.10 per dollar, barely changed from Tuesday's close of 83.85/84.05. "The shilling is set to strengthen a bit on inflows from the bond auction," said John Muli, a trader at African Banking Corporation. "We're also watching out for the central bank's action." Commercial banks have been shifting their attention back to the debt market after returns on the central bank's short-term money market instruments fell below government debt yields.

The government is set to auction a new 2-year Treasury bond worth 10 billion shillings and 182-day Treasury bills worth 4 billion shillings, on Wednesday, which traders said would also help drain extra shillings from the market.

They said the bank's continuing energetic use of repurchase agreements to drain cash from the market could support the shilling, predicting it would trade in the 83.60-84.20 range in days ahead. But they also said end-month demand for dollars by importers could weigh on the currency. The central bank, which introduced longer tenure repos of up to 28 days in June, stepped up its repo activity last week to drain out excess liquidity, due to government debt redemptions, and to support the local currency. On Tuesday, the weighted average interbank lending rates inched up for the second session to 8.2%, from 8.1% the previous session. "With end month approaching we may see a slight pickup in demand for the dollar," said Bank of Africa in a daily note. *(Reuters)*

The planned change of ownership at the Nairobi Securities Exchange (NSE) has hit yet another obstacle after the capital markets regulator differed with stockbrokers over the new shareholding structure. The differences emerged after the regulator rejected the brokers' demand that the government cedes part of its 20% stake to two market players not initially included in the new ownership sharing plan. According to the Capital Markets Authority (CMA), the Treasury, which owns the government's 20% stake, could not cede part of its portion. It asked the brokers to share with new-comers the 80% stake reserved for them under the initial plan. "They cannot get what they want. The Treasury has said that it intends to keep its stake and we are going with that directive," CMA chairman Kung'u Gatabaki said in an interview. The 20 stockbrokers had agreed to share the 80% stake equally to the exclusion of two fallen counterparts — Francis Thuo and Shah Munge — but were forced back to the drawing board by a court order requiring inclusion of the two who were left out of the new ownership plan because they did not have active trading licences at the time of share allocation.

Francis Thuo collapsed under the weight of debt in 2007 while Shah Munge lost its right to trade at the bourse in 2003 in the wake of a scandal involving loss of public funds. Francis Thuo, which had initially been denied ownership on the grounds that its seat had been sold to Renaissance Capital, moved to court to contest the position and obtained an order directing the NSE to include it in the new ownership plan. The government, through the Treasury, was allocated a 10% stake and an additional 10% for the Investor Compensation Fund – to be administered by the CMA. The stand-off between the brokers and CMA is expected to further delay the process of removing the stock market from the grip of the brokers through demutualisation. The planned change of ownership is meant to transform the market from being a members club (or a mutually owned entity) to becoming a company limited by shares. The move is expected to open up ownership to other investors and eventually take the company public through sale of shares to willing buyers. Mr Gatabaki advised the brokers to direct their energy to creating new business opportunities rather than pursuing the Treasury's stake. "What they are refusing to surrender for the two brokers is worth only Sh20 m because each broker is to get shareholding worth Sh10 m. If they concentrate their energies on the business, including merging their operations, they would make more money," he said. Mr Gatabaki said he had for a long time tried to convince the small brokers to merge instead of fighting a losing battle for the Treasury's stake at the NSE.

He said consolidation of the many small brokers would give them capacity to bid for big deals as the situation currently favoured a few big players who are regularly being picked to arrange IPOs, rights issues and corporate bonds, among other transactions. The change of ownership at the NSE or demutualisation was to have been concluded before Stella Kilonzo, the former CMA CEO, exited the authority at the end of June. The initial plan was to conclude the process by April this year after the brokers agreed to the inclusion of Shah Munge and Francis Thuo and Partners in the new ownership structure. It now appears that the agreement was made without a determination of where the shares to be allocated to the two would come from. Enthusiasm for the change of ownership peaked early in the year when the NSE board stated in its annual report that it expected to list the bourse on the Alternative Investment Market Segment (AIMS) by mid next year. That optimism now appears headed for a thawing with the re-emergence of the ownership sharing formula and the hardening of positions by the protagonists. "We expect that the CMA will convince the Treasury to surrender some stake to the two stockbrokers because they also deserve to be owners," said a member of the Kenya Association of Stockbrokers and Investment Banks (KASIB), on condition of anonymity to avoid being singled out by the Treasury. "Should the government refuse to surrender the 8% for the two brokers, we will go to court to defend our rights."

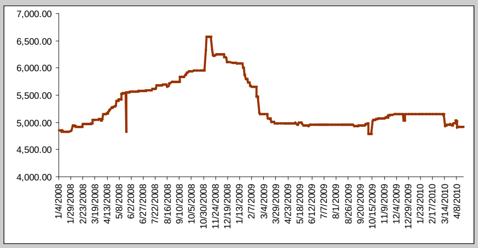
The brokers plan to argue in court that the state does not deserve any stake at the bourse because "the Treasury has never contributed a cent to the formation and development of the exchange'. Our source argued that while the brokers valued the Treasury's holding of a stake as is the case in many other jurisdictions around the world, that stake should not be big. That argument is hinged on the articles and memorandum of association of the Demutualised entity as approved by the CMA which shows that the shareholding is to be such that "no one person or related group of persons may hold more than 5% of the share capital of the company. The brokers contend that by holding on to 10% stake each, the government and the ICF are already in breach of the articles and memorandum of association of the yet-to-be-formed demutualised entity. Willie Njoroge, the CEO of KASIB, backed that position arguing that his members have met their part the bargain and expected the government to do the same. "KASIB members have played their part towards the realisation of demutualisation and whatever is left must be put on the doorsteps of the regulator," said Mr Njoroge.

Mike Rubia, a director of Francis Thuo and Partners, told the Business Daily he is yet to be told where his share of the exchange would come but will accept whatever the other NSE brokers would get. Mr Rubia said the final decision on the sharing out of the NSE stake was not yet finalised but that every broker including his firm would get an equal share. Francis Thuo and Partners' case had been bolstered by the fact that other stockbrokers placed under statutory management Nyaga, Discount Securities and Ngenye Kariuki and Company were allocated shares in the demutualised exchange. Delay in demutualising the market risks continuing to negatively impact on confidence in the exchange that is keen to attract new firms such as small and medium enterprises (SMEs) to list on its growth segment. The NSE's image has been battered by the series of stockbroker collapses in the past five years beside the uninspiring performance of a number of IPOs such as Safaricom. *(Business Daily)*

The Kenyan shilling weakened against the dollar on Friday as banks covered short positions, traders said, with further mopping up of liquidity by the central bank expected to offer support to the local currency in coming days. At 0659 GMT, commercial banks quoted the shilling at 84.00/20 per dollar, slightly weaker on Thursday's close of 83.90/84.10. "There was a bit of interbank short covering early today, but we expect the shilling to be steady since most clients have already covered forwards," said a trader at a commercial bank in Nairobi. The central bank is still running tight monetary policy to support the currency, making frequent interventions to absorb liquidity via repurchase agreements (repos). "The shilling has managed to maintain a great degree of stability and should end month (dollar) demand fail to materialise we expect the shilling to make some slight gains," Bank of Africa wrote to clients in a daily report on Friday. (*Reuters)*

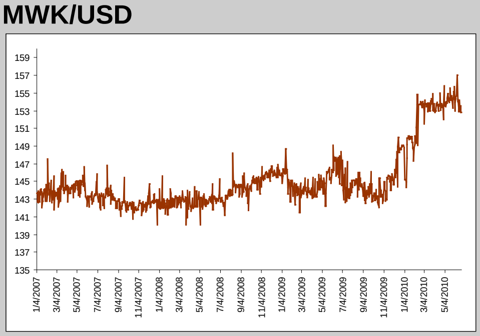
Malawi

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 recorded another dull session in the past week, the MSE edged down 0.09% to 5961.65pts while turnover stood at a paltry USD 21k. Illove gave-up MWK 0.33 to MWK 150. NBM and NITL closed level at MWK 56 and 17.50 respectively.

Corporate News

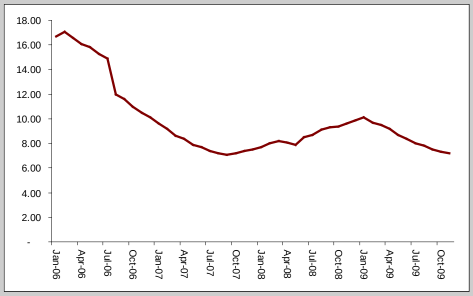
No Corporate News this week

Economic News

A long-dormant border dispute between Malawi and Tanzania has reignited as oil companies push their exploration work deeper into the continent, giving enormous value to regions once ignored. Foreign ministers from the two countries are set to meet on Monday in Malawi's northern town of Mzuzu City to discuss the 50-year dispute, which stems from colonial-era border lines around the lake. At issue is a largely undeveloped swath of Lake Malawi, where Lilongwe has awarded a license to British firm Surestream to explore for oil in north-eastern waters near Tanzania. Malawi has carefully watched Uganda's developments around Lake Albert, where oil firms are pouring billions of dollars to exploit reserves estimated at 2.5 billion barrels. Lake Malawi lies in the same Great Lakes system stretching along the African Rift, and Malawi is hoping for a similarly large payout - which could transform the fortunes of a country whose economy depends on small farmers and foreign aid.
Tanzania is already savouring the prospect of energy wealth with the announcement in February that Norwegian oil group Statoil and US company ExxonMobil had together discovered there a large natural gas field with reserves estimated at 140bn m³. "The lake historically belongs to us. Malawi must be firm on this and not relent," political pundit and rights activist Billy Mayaya told AFP, in an unforgiving tone that reflects the national mood on this issue. "No inch of the lake must be given away even at gunpoint," he said.

Despite the bravado, there is little chance of an armed conflict over the lake. More likely is a settlement on the resources beneath it. "Compromises are key factors in negotiations," said Voice Mhone, who represents the Council for Non-Governmental Organisations of Malawi. The two states must "weigh the pros and cons of the dispute and move with caution", he said. Tanzania wants a halt to the oil exploration in the 29 600km² lake, to pave way for talks. Surestream is currently carrying out an environmental assessment. Tanzania claims the border runs along the middle of Lake Malawi, home to over 500

CPI Inflation



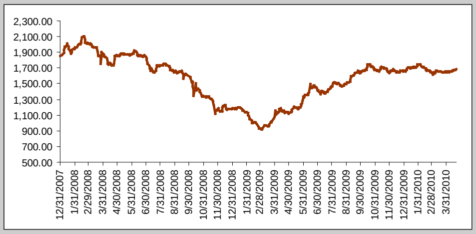
Source: SAR

species of fish and a major tourist attraction for Malawi. When African states became independent, they agreed to maintain their colonial borders. Tanzania was a German colony that Britain took over after World War I. Britain then placed all the lake's waters under Malawi's administration. Both nations say they could turn to international arbitration to settle the dispute if their talks fail. "There is no substitute for diplomacy, there will be diplomacy, diplomacy and more diplomacy," Tanzania's Foreign Minister Bernard Membe said ahead of the talks. "No gun or bullet will be fired to resolve the issue." "Much as it is a well-known fact that the lake belongs to Malawi, we will engage our Tanzanian counterparts and resolve our differences diplomatically and amicably," Malawian President Joyce Banda said. Banda and her Tanzanian counterpart Jakaya Kikwete also addressed the issue during a regional summit this weekend in Mozambique. For Malawi, blighted by food shortages and Aids, it is a question of national pride that they have something envied by neighbours. "Tanzania has several lakes, including a coastline. It has more water resources than Malawi," Mayaya said. "It should leave the lake to us." *(News 24*

China Gezhouba Group Corp plans to build a USD 500m, 1,000 megawatts thermal plant in Malawi, which suffers from frequent power shortages, the minister of energy and mining said on Thursday. Construction of the power plant, which is expected to cost around USD 500m, is scheduled to start next year and will be completed between 2014 and 2015," Cassim Chilumpha told Reuters. Malawi's hydro power plants produce a total of about 280 MW per day, compared with rising demand of around 300 MW, which has resulted in daily power cuts costing the country an estimated USD 215m per year in lost output. The coal-fired plant will be built in the central province along a railway line Brazil's Vale is rehabilitating to transport coal from Mozambique via Malawi to the ports at the coast. Part of that coal will be used to fire the plant. In 2010, Malawi had 63 days of power outages, the worst out of 24 sub-Saharan countries*. (Reuters)*

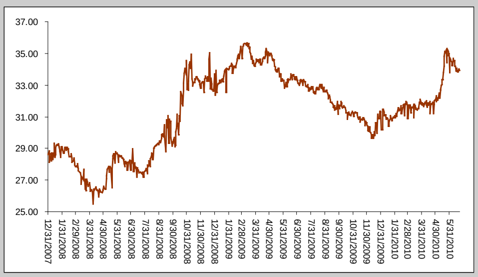
Mauritius

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

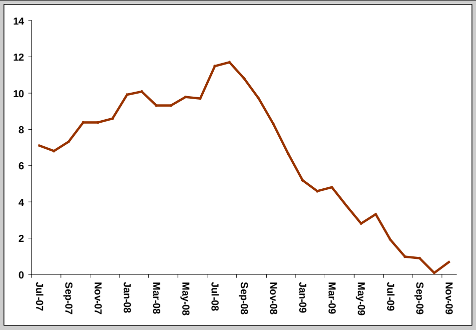
The SEMDEX and the SEM-7 shed 0.8% and 0.3% at 1,704.18 and 330.58 points respectively with losses registered on MCB (-0.6%) and Rogers (-1.6%). MCB continued to lose more feathers giving up 0.6% to close at MUR 163.00. State Bank on the other hand remained firmed at MUR 82.00. Rogers fell by 1.6% to MUR 310.00. PIM tumbled by 4.7% to MUR 71.00 and UBP dropped by 1% to MUR 103.00. LUX and Sun Resorts gave up 1.6% and 0.9% to MUR 18.00 and MUR 31.50 respectively.

Corporate News

No Corporate News this week

Economic News

Mauritius' trade deficit widened 20.7% in June from a year earlier to 6.13bn rupees (USD 200.33m), driven by an increase in the cost of food and live animals, official data showed on Friday. The trade deficit in June last year was 5.084bn rupees. The value of imports climbed 16.1% to 12.76bn rupees, with the cost of food and live animals increasing to 2.78bn rupees from 1.84bn. Exports rose 12.2% to 6.63bn rupees on the back of higher revenue from sales of manufactured goods, Statistics Mauritius said in a statement. Britain was the main buyer of goods from Mauritius in June, accounting for 19.3%, while India supplied 22.2% of the island nation's imports. (*Reuters)*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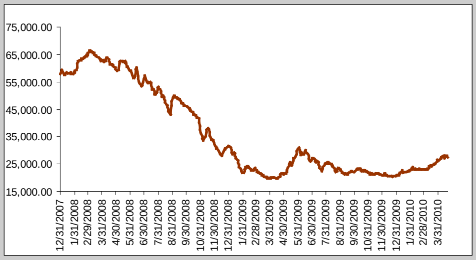
Source: SAR

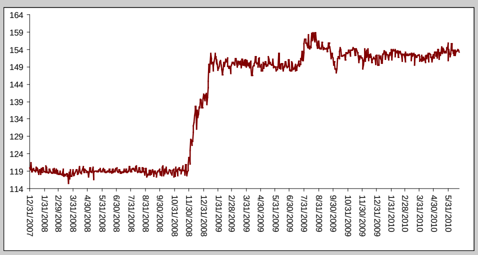
Nigeria

Nigeria Stock Exchange



Source: Reuters

NGN/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

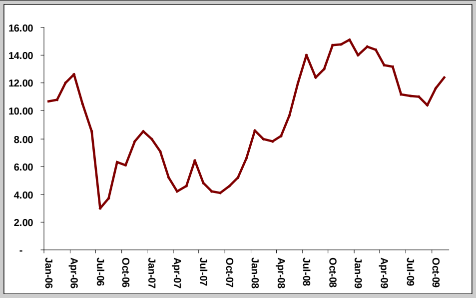
The NSE All Share index gained 1.12% at 23,399.58pts. Gains were recorded in Intbrew (+15.66%), Dnmeyer (+13.79%) and UPL (+10.73%) while Fidson (-12.50%) and Eterna (-8.80%) were on the losing front. Market turnover for the week amounted to NGN 9.907bn.

Corporate News

The Nigerian Stock Exchange last Friday placed the shares of Starcomms on full suspension following the potential capital reconstructing exercise by the company as a result of its merger with Multilinks and MTS, two other Code Division Multiple Access(CDMA) operators. With the suspension, the shares of Starcomms, which is the only telecoms firm listed on the Nigerian Stock Exchange (NSE), will not be traded until the conclusion of the deal. A new company, resulting from the merger and known as CAPCOM, will enjoy a capital injection of $200 million by the core investors. CDMA operators have been suffering from the stiff competition from GSM operators over the years. Subscribers' preference for GSM telephony, low capitalisation, poor promotion of CDMA technology and corporate governance issues, among others, negatively affected the fortunes of these CDMA operators. Investors in Starcomms Plc have not reaped dividends since it was listed on the Nigerian bourse in 2008, while its share price has dipped by over 96%. However, it is believed that the proposed merger would revive its operations.

Generally, the CDMA operators in the country have been losing their subscribers, leading to a losses in their operations. Statistics by the Nigerian Communications Commission (NCC) have shown that about 868,786 active lines were lost by Multilinks, Starcomms, Visafone and ZoomMobile between January and June 2012 alone. Only Visafone, which is also a product of merger and acquisition involving Cellcom, ITN and Bourdex, is said to be providing services on a particularly competitive scale. Telecoms experts said that with CAPCOM now in the offing, there is optimism that the CDMA sub-sector would bounce back with improved telecoms services. The deal document showed that the strategy of the core investors is to invest $50 million in the equity of CAPCOM, transferable into the ordinary shares of Starcomms Plc alongside $150 million of equity derived from CAPCOM's existing shareholders. "The $200 million investment funds the acquisition of Multi-Links and MTS; recapitalises Starcomms and provides it with sufficient capital and liquidity to finance its existing creditors and working capital; and permits it to expand its existing network through the introduction of 4G/LTE technology to become a major provider of Broadband services to Nigeria's burgeoning consumers," the document said. *(This Day)*

South African supermarket chain Shoprite, said on Tuesday, it would spend $205 million on property development in Nigeria, to overcome a lack of infrastructure and capitalise on rising consumer spending. Africa's top retailer, which reported a 20% jump in full-year earnings, is pushing



Source: SAR

aggressively into underdeveloped, fast-growing markets on the continent, with a focus on Nigeria - Africa's most populous country - and oil-rich Angola. But its expansion, like those of other South Africa retailers, has been hampered by the lack of shopping malls in most of the continent. "I think we are going to see more and more of these property investments in the rest of Africa because many of these markets have great opportunities but little or no infrastructure," said Ron Klipin, a portfolio manager at SA Stockbrokers. Shoprite said it plans to open nine new stores in Nigeria by the middle of next year, bringing its total to 13, and 21 new stores in Angola, reports Reuters. Wal-Mart Stores Inc has been slow in its Africa expansion, a year after taking 51% stake in domestic retailer Massmart, underscoring the lack of retail infrastructure.

Shoprite missed forecasts with a 20% rise to 607 cents in full-year profit on Monday, as nagging unemployment and rising debt levels put pressure on consumer spending. That was below the average estimate of 617 cents in a Thomson Reuters poll of 13 analysts. Headline EPS, the main measure of profit in South Africa, excludes certain one-time items. But shares in the company climbed 2.35%, to 159.90 rand, extending gains so far this year to 18% and reflecting expectations of healthy returns from its expansion on the rest of the continent. Sales rose 14.4% to 82.7 billion rand ($10 billion), with its operations outside its mainstay South African market lifting sales by 25.4%. Shoprite is the first of three major South African retailers to post results this week. Consumers in Africa's biggest economy are battling with high personal debt levels, rising electricity prices and chronic unemployment but above-inflation wage hikes and decades-low interest rates have somewhat softened the blow. South African retail sales jumped 8.3% year-on-year May, official data showed, beating the 4.7% growth economists had expected. *(Business Day)*

ExxonMobil said on Tuesday it was helping clean up an oil spill near its facility in Nigeria, despite insisting it wasn't yet sure what caused the leak. Mobil Producing Nigeria, a joint venture between ExxonMobil and the state oil firm, confirmed last week oil had been sighted near Ibeno in Akwa Ibom state but the source was unknown. Local fishing communities blame Mobil for the spill, which they say has cut off their livelihood. "Mobil ... confirms it is assisting with the clean-up in cooperation with local authorities," company spokesman Nigel Cookey-Gam said. "The source of the hydrocarbon remains unknown as fingerprinting of collected samples is ongoing ... Mobil remains committed to ensuring that the health and environment of our neighbouring communities are protected."

Oil spills are common in Africa's top energy producer and stretches of the Niger Delta, a fragile wetlands environment, are coated in crude. Thousands of barrels are spilled every year and lax enforcement means there are few penalties. Oil firms say the majority of spills are due to armed oil thieves hacking into or blowing up pipelines to steal crude, an activity they estimate saps nearly a fifth of Nigeria's output. *(Business Day)*

First City Monument Bank Plc (FCMB) has said the delay in concluding its business integration process with Finbank, which it acquired last year is costing it about N1.5 billion a month. Group Managing Director / Chief Executive Officer, FCMB, Mr. Ladi Balogun, disclosed this in an exclusive interview with THISDAY. FCMB had last year, acquired FinBank, a former rescued bank and informed its customers that the deal would be concluded two months ago. But Balogun who expressed frustration over the delay, described it as “one of the occupational hazards of operating in this market.” The FCMB boss attributed the development to the capital market probe by the National Assembly. “The delay in the merger is costing us about N400 or N500 million a month in synergy benefits that we had identified. So it means that every quarter, our profit is about N1.5 billion less than it should have been. But we are near the end of that. “Our transaction was caught up in the unfortunate tension between the National Assembly and the Securities and Exchange Commission (SEC). The tension led to a significant delay.” Although Balogun admitted that the delay could be affecting the performance of FCMB’s share price on the Nigerian Stock Exchange, he advised shareholders of the bank to be tolerant.

FCMB’s share price closed at N3.05 per share last Friday, representing a decline by 4.7% this year, over the N3.20 per share it stood as at closing bell of August 1. “It is a long-term game and those that have the patience to sit it up, will ultimately be the winners. We are very convinced that the benefits of the deal are significant. The merger is on track and we believe that once it is concluded, all stakeholders would be very happy,” he explained. He also assured that the process would be concluded in the next two months. Commenting on the retail banking strategy of the bank, Balogun revealed that FCMB disburses over 10,000 personal loans monthly. He explained: “That amount is growing every month and we doing it with less than two per cent of those loans going into default and even when they go into default, the loss is not 100 per cent. So, we are very active in that space and you will see that in the next few years a lot of innovations are going to be in the area of retail finance because we believe that interest rates would not always be high in Nigeria. “We feel that the corporates are already over banked. They can get money in Nigeria and they can also get money internationally. We will lend to some of them, but we cannot lend to all. But we see the retail segment as heavily under banked. Our position is that as a supportive bank, it is critical that our credit focus should be on the consumer space.” *(This Day)*

When the profitability of Lafarge Cement WAPCO Plc declined for two consecutive years- 2009 and 2010, some shareholders exited, thinking that the downward trend may continue. However, those who understood the reasons for that challenging period for the company, then and held on are now smiling home with fatter dividends. The fortunes of the company have not only began to witness growth but also the shareholders are getting higher compensation inform of dividends. But analysts believe that the rising fortunes of Lafarge Cement WAPCO is as a result of the expansion project it embarked upon in 2009. Known as Lakatabu, the expansion project involved the construction of a new production plant at its Ewekoro, Ogun State site. The 2.5 million metric tonnes cement plant was inaugurated by President Goodluck Jonathan last December. The plant took Lafarge WAPCO's production capacity to 4.5 million metric tonnes. However, while the project lasted, the profitability of the company was affected significantly as majority of the earnings was used to service the loan collected from banks to finance the expansion project. The company obtained a multi-currency syndicated medium term loan comprising $114.5 million and N25 billion with a tenor of 45 and 60 months respectively effective May 2009.

The repayment of the loan started last quarter of last year. Given the high interest rate and the pressure the interest payment was having on its bottomline, the company raised N11.8 billion bond to refinance the loan. Assessing the rational for the bond then, analysts at Meristem Securities

Limited, had said it was a good move. According to them, given the moratorium period, its implication was that the company will repay the dollar loan (principal plus accrued interest) over a period of 15months that is between December 2011 and June 2013. “Likewise, the naira loan will be repaid over a period of 15 months that between March 2013 and May 2014. Bearing in mind that the project (then) is yet to fully become operational at optimal capacity, the loan repayment as scheduled will be a serious strain on cash flow which might impair their dividend paying ability. Hence, issuing a bond to refinance the loan will afford the company an opportunity to optimally manage its cash flow since coupon payment will be bi-annual which will be lower than making principal and interest payment on the loan as currently structured. This is also commendable from working capital management perspective,” they said. The analysts noted that the expansionary activity of would generate enough cash to finance the bond’s coupon payments.

The impact of the expansion is already being felt going by the financial performance of Lafarge Cement WAPCO for the year ended December 31, 2011. The company’s turnover rose by 42% from N43.841 billion in 2010 to N62.502 billion in 2011. Profit before tax grew from N8.464 billion to N10.219 billion, while profit after tax appreciated by 77% from N4.88 billion to N8.5 billion in the 2011. Lafarge Cement WAPCO’s focus on continuous business process improvement and alignment with best practise also led to a growth in earnings per share. It rose from N1.63 in 2010 to N2.84 in 2011. Out of the EPS, the shareholders got a dividend per share of 75 kobo, which is 200% higher than the 25 kobo paid in 2010. The company was able to generate significant returns to shareholders using the available shareholder equity with net return on shareholders’ funds stood at 16% in 2011. While the return was the same 16% in 2011, it showed an improvement on the 10% recorded in 2010. Still basking in the euphoria of the impressive 201 results, the company has raised investor’s hope for higher return in the current year going by its unaudited half year performance to June 30, 2012.

The company posted a turnover of N45.9 billion in 2012, up from N29.4 billion in 2011. Profit rose by 162% from 3.194 billon to N8.8 billion in 2012. Lafarge Cement WAPCO Nigeria Plc has raised investors’ hope for a bumper harvest in the current year as the company announced a growth of 162% in profit for the half year ended June 30, 2012. The unaudited result of the company released on the floor of the Nigerian Stock Exchange (NSE), showed a profit before tax of N12.1 billion in 2012, up from N4.6 billion in 2011. Profit after tax rose from N3.194 billion to N8.8 billion. EPS soared by 175% from N1.06 to N2.92 within six months. Explaining the performance, the Managing Director and Chief Executive Officer, of Lafarge Cement WAPCO, Mr. Joe Hudson, the company had continued to optimise production from its new Ewekoro II Plant. “In addition, these results demonstrate the impact of a number of internal process improvements and cost efficiency initiatives. Our new subsidiary, Lafarge ReadyMix Limited has started to operate profitably. We will continue to provide innovative products and services to our valued customers and consumers as we believe that this is the best way to maintain our heritage, touch the society where we operate and provide good returns to our shareholders,” Hudson said.

Speaking in the same vein, the Finance Director of the company, Mr. Fred Amobi, stated that through various internal improvements and cost reduction initiatives, the company had kept fixed cost growth below 50% of inflation rate. “The operating margin has doubled from 16% (during the same period in 2011) to 32% in 2012 - a reflection of higher volumes and improved cost management. The company's outlook remains good while it will continuously review its operating environment in order to properly align its strategies and deliver on its promise. Looking at the H1 performance, analysts at FBN Capital Limited, said they have put a price target of N60.80 on the shares of the company. The stock closed at N43 per share last Friday. "Despite delivering strong double-digit growth in sales and EPS in H1 2012, underpinned by a gradual ramp-up of new capacity, Lafarge Cement WAPCO shares have been flattish this year . We expect this to improve in H2 2012 as earnings should remain strong. Our price target implies upside potential of 40% we retain our outperform rating on the stock", they said.

According to the analysts, going forward, they expect a slightly more subdued third quarter, due to seasonal trends (the rainy season). However, the forecast sales and EPS growth of 50% year-on-year and 125% to N93.9 billion and N6.37 respectively. "Lafarge Cement WAPCO's 2012 estimated price earnings ratio multiple of 6.8x for 22.5% EPS growth in 2013 is more compelling than the 7.5x multiple for 20% EPS growth that the sector is trading on," they said.
Looking at opportunities in the construction industry and in order to deliver higher returns in the future, the company has established a subsidiary called Lafarge ReadyMix Nigeria Limited. Hudson said ReadyMix is a response to the opportunity presented by the local construction industry, explaining that the subsidiary is already making significant in-roads in the construction market of Lagos area with plans to expand its operation to other parts of the country. *(This Day)*

The ongoing USD 200m merger deal between some core investors and three Code Division Multiple Access (CDMA) operators has been commended but with some reservations. The core investors recently bought into Multilinks and MTS and have almost concluded discussions to invest USD 90m cash liquidity and USD 110m worth of assets into Starcomms in order to merge the three CDMA operators into a single large operator, with a new name Capcom. While commending the core investors for the planned investment, President of the Association of Telecoms Companies of Nigeria (ATCON), Mr. Lanre Ajayi, told THISDAY that although USD 90m cash was huge sum of money, the three CDMA operators needed more than that for total overhauling to enable the new company compete favourably with the Global System for Mobile Communications (GSM) operators. According to him, "CDMA business thrives in other parts of the world but with exception of the Nigerian market because of the peculiar nature of the Nigerian telecoms environment, where telecoms operators have to invest in infrastructure rollout by themselves, before thinking of expanding their networks."

He said for any telecoms operator to survive the Nigerian market, such operator must be ready to get huge funding for investment, which he said was lacking on the part of licensed CDMA operators in Nigeria, since their inception. Ajayi further explained that GSM operators have remained viable in the Nigerian telecoms market as a result of their huge financial investments in the business. Explaining the ordeals of CDMA operators, which forced many of the operators to close business, Ajayi said: "The problem with CDMA operators is not in the technology deployment as widely speculated, but in the business model. They have been operating on a small scale business because they lack the required capital needed to boost the business, and as such, they were unable to compete with GSM operators." He however said the disparity between GSM and CDMA operations would soon be a thing of the past, as operators would be focussing on Long-term Evolution (LTE) technology, which is the next generation technology. Ajayi said both GSM and CDMA operators would be operating on the LTE technology in the nearest future and that will place the operators on the same technology platform and enhance better competition among them. *(This Day)*

The Asset Management Corporation of Nigeria, AMCON, said the bridged banks Keystone Bank Limited, Enterprise Bank Limited and Mainstreet Bank Limited, have all broken even and will soon return to profitability. Speaking on the performance of the banks, Executive Director, Finance and Operations, AMCON, Mrs. Mofoluke Dosunmu, said the banks have taken the necessary steps to drastically reduce the rate of their loss, through the efficient management of the banks. She said, "I would be careful to say whether the bridged banks are profitable. What I would say is that they have taken necessary measure, corrective steps to ensure that the banks run better, going forward, thereby, showing improved performance. "You find that the rate of loss has definitely changed drastically for those that have not broken even. And some of them have broken even. "But if you're talking about a whole year, while they might have been making loses as at December, between then and now they have broken even. But if you are looking at a whole year's profit for 2011, you might not find profit at the end of that whole year but if you compare it with what it was before, you will see an appreciable difference."

Dosunmu said confidence has been restored in the bridged banks, adding that they are now effectively competing with other banks in the country. She explained that the segregation among the banks, especially in the area of healthy and unhealthy banks, has fizzled away. She declared that the bridged banks have been able to reduce their costs of funds, especially as current account balances now constitute a higher proportion of their deposits unlike a year ago when term deposits, which were at high interest rates formed the bulk of their deposits. She also attributed the improvement in the fortunes of the banks to the fact that they have taken a number of cost cutting measures that have helped solidify their position. She said, "In the first place, we have confidence back in the industry. Before you had a kind of segregation in the market, some banks were healthy, some were not healthy. Now you don't have that anymore. What we saw was that initially when the banks (bridged banks) started, they did lose some depositors funds, but when the customers saw that anytime they walk into those institutions they can get their money back, they started banking with them."

"The bridged banks have decreased their reliance on term deposits. If you look in terms of percentages from what you had before – where you had current account deposits being only about 30%, now it is almost 50%. So that has reflected in the confidence back in the banks. "It has reduced the case of frauds and it also reflects in their other income like fees and commissions because people don't just put money in current account, they actually do business with the institution, which result in things like COT, fees and commission," she explained. "A lot of waste has been stopped. Leakages have been stemmed. I'm sure you are aware that over the years, there have been some adjustments in their staffing whereas people that were not really contributing to the bottom line of bank have been successfully exited. So you find out that even the operational cost of running those institutions have come down. Now you have in addition, more focused management team who are aware that they are there for a specific purpose." *(Vanguard)*

Shareholders of Geo- Fluids Plc have endorsed the company's proposed restructuring business units for enhanced profitability. The shareholders at Geo-Fluids' 4th Annual General Meeting (AGM) held in Port Harcourt, said, " We are happy that our company has bounced back to profitability from a loss position and we are supporting the Board on the proposed restructuring of our business into four distinct companies with between 3-4 business units/profits centres each. We also support the listing of our company's shares on the Nigerian Stock Exchange (NSE). But we are advising management to be cautious of the timing so as not to bring down the value of our shares when eventually listed." Continuing, the shareholders said, "We are happy to note that arrangements have reached advanced stage for foreign partners to inject over USD 100m into the various functional business units of the Group over the next one year, through a mix of equity and debt in a manner which does not pose threat to us or dilute our ownership."

Speaking at the AGM, Chairman of the company, Obong Odoliyi Lolomari, said, "The impact of the combined factors of the global economic meltdown and domestic political challenges seems to be simmering down considerably. Consequently, there was an enhanced exploration activities by the oil operators in more peaceful and stable environment. While highlighting the financial position of the company for the period ended December 31, 2011, Lolomari said, "Consequent upon improved situation, the profit and loss account shows enhanced recovery from a consolidated loss before profit of N118.6m and loss after tax of N210.3m in the year 2010 to a consolidated profit before tax of N116.8m, while consolidated profit after tax also shows a position of N15.2m in the year 2011. Also, while earnings per 50 kobo share value were in a loss position of 0.3k in 2010, the 2011 results show earning per share position of plus N0.30 with a corresponding appreciation of shareholders fund from N5.4bn to N5.43bn in 2011."

Further performance indices for the year under consideration showed that overall turnover increased from N2.1bn in 2010 to N3.0bn in 2011, showing an increase of 35%. The balance sheet figures for property, plant and machinery which went from barely N4.8bn to N9.7bn, representing more than 100% growth in tangible long term assets of the company. *(Vanguard)*

Economic News

Nigeria will form investment collaborations with the Republic of Congo in the oil sector, and in small and medium businesses. This agreement was reached in the presence of the Nigerian Ambassador to the Republic of Congo, Jolaade Victoria Onipede. The joint efforts in the sector which would also include other extractive industries, according to Princess Onipede, would assist both countries in tackling their wide range of common socio-cultural, economic, political and security aspirations, challenges and threats. The ambassador, while presenting her letter of credence to President Denis Sasson Nguesso of the Republic of Congo, during the week, acknowledged that the two countries shared and faced a wide range of common socio-cultural, economic, political and security aspirations, challenges and threats. *(Business Day)*

Nigeria's interbank lending rates fell sharply on Friday to an average of 14%, from around 19.33% the previous day after about N283 billion in budget allocations to government agencies hit the market. The government distributes money from oil revenue to federal, states and local government councils from the federation accounts, which provides liquidity for the banking sector and eases the cost of borrowing among banks. Dealers said the market was short prior to the disbursal of the budget funds due to stricter central bank's measures to tighten liquidity in the system and support the local currency. "The market opened with a deficit of about N197 billion on Friday, but by the time the budget allocations hit the system, the cost of borrowing fell sharply," one dealer said. The central bank in July raised the cash reserve requirement for lenders to 12% from 8%, and reduced net open foreign exchange positions to 1% from 3%, to restrict the money supply and support the currency.

The bank also barred banks that borrow naira funds from its official window from using those funds to buy dollars at its by-weekly auction, a bid to crack down on currency speculation. Dealers said the release of the budget funds on Friday was a relief to the market which has been hit by cash shortages. The secured Open Buy Back dropped to 14% from 18% the previous day and lower than the 15% it closed last Friday. Overnight and call rates closed at 14% each, compared with 20% respectively on Thursday. "We see rates stable at this level for the better part of next week because of the fewer trading days and the improved liquidity level in the system," another dealer said. *(Reuters)*

The Nigerian Export Promotion Council (NEPC) has said that Nigeria's official non oil export to Ghana reached USD 113 m (about N17.5bn) in 2011. The NEPC Director of Trade Information, Mr Aliyu Lawal said yesterday in Abuja that the figure indicates about 38% increase from year 2010 which stood at USD 81.76 m. He said that the bulk of the exported products were cosmetics, footwear, textiles, confectionaries, insecticides, plastic (empty bottles), electric cables, food and beverages, including noodles. He described Ghana as one of Nigeria's biggest markets in West Africa, adding that the export data covered only official transactions and registered businesses between the two countries. "The figure only puts registered non-oil export transaction into account. So, officially, the volume is USD 113m excluding unregistered businesses. This is because most of the transactions are not registered. "If the unregistered transactions are included, then the volume should be more than double the official volume," he said. *(Daily Trust)*

Nigeria's capital city suffered severe fuel shortages on Wednesday, as a union halted deliveries and threatened to cut supplies to the rest of the country by Friday unless the government resumed subsidy payments. Fuel stations were closed throughout Abuja and black market traders buzzed around the city with jerry cans of petrol selling for 50% more than the official price of 95 naira a litre. Nigeria's finance ministry said on Friday it would not pay subsidies to fuel importers it was investigating for fraud, listing 21 local firms, including some major importers.

Nigeria's refined fuel workers' union NUPENG threatened on Wednesday to shut down the fuel distribution network in Africa's second biggest economy from Friday if the government did not release subsidy payments. "The jobs of our 15,000 members can't be jeopardised because of these non-payments," NUPENG's chairman for Southwest Nigeria, which includes the commercial hub Lagos, told Reuters by phone. "Our members working with these marketers have not been paid for up to three months, yet the government is investigating the subsidy claims of last year and not this year."

A parliamentary probe in April uncovered a USD 6.8bn scam in the fuel subsidy administration from 2009 to 2011, one of the biggest corruption scandals in Nigeria's history. It found that marketers were claiming subsidy for fuel they never delivered or that they sold to the country's neighbouring states. Finance Minister Ngozi Okonjo-Iweala has this year been holding back subsidy payments while importers prove they have actually brought in fuel, an effort to end the corruption. In a worrying sign the strike might spread beyond fuel workers, the National Labour Congress (NLC), an umbrella union, told Reuters it supported the strike. "It's really difficult for the marketers to pay the salaries of members ... The problem is the genuine people who import fuel are not being paid and this is not acceptable," NLC President Chris Uyot said. "We expect the government to make concessions."

The ruling People's Democratic Party said on Wednesday corrupt oil marketers and their political collaborators were the driving force behind the NUPENG strikes and called on Nigerians to support the government. "Why is it that the union who was in the vanguard of calls for sanity in the subsidy regime is now standing against government's decision to ensure that transparency is taken to the letter?" a PDP statement said. "Is NUPENG running with the hare and chasing with the hound?" In January, President Goodluck Jonathan tried to end the fuel subsidy, which economists say is wasteful and corrupt, but a week of NLC-led strikes and protests over petrol prices shut down the economy and forced him to partly reinstate it. *(Reuters)*

Nigeria’s inflation rate may not rise as high as the central bank previously forecast after the government removed part of a subsidy on gasoline in January, Governor Lamido Sanusi said. Inflation in Africa’s top oil producer may peak this month or in September before declining toward the end of the year, he told reporters today in Abuja, the capital. The Central Bank of Nigeria had previously forecast that price growth would accelerate to as fast as 14.5% in the third quarter. Data earlier this month showed inflation was little changed at 12.8% in July. The median estimate in a Bloomberg News survey was for inflation to accelerate to 13.9%. The central bank has kept its policy rate unchanged at a record 12% this year, after raising it by 5.75 percentage points in 2011 to curb price pressures. “The tightening of monetary policy has been very effective in terms of keeping the exchange rate fairly within the band,” which damps the impact of imported inflation, Sanusi said.

The bank sells foreign currency at a biweekly auction to keep the naira within a 3% band around 155 per dollar. Nigeria’s foreign-currency reserves have reached more than USD 40bn “for the first time in a long time,” Sanusi said. “We hope if we can build up the reserves, maintain a fairly stable exchange rate, and we see inflation come down, then we can look at the situation in the next 2-4 months.” Separately, the central bank will issue a 5,000-naira note (USD 31.60) by early 2013 after a review of the currency structure, Sanusi said. Currently the highest note is a 1,000-naira bill. The smallest six denominations, up to 20 naira, will be in coins, while the largest six, 50 naira to 5,000 naira, will be in notes, he said. *(Bloomberg)*

Nigerian crude oil exports will rise to around 1.93m barrels per day in October from an 11-month low of 1.81m bpd seen for September, a provisional loading programme showed, helping to replenish global supplies of light, sweet oil. Supplies for two of Nigeria's biggest oil streams Qua Iboe and Bonny Light were both up sharply from the previous month following the end of a force majeure on the Bonny grade, the programme showed on Thursday. This will lift total volumes to around 64m barrels. The increase in flows will help replenish global light, sweet supplies that have been capped due to maintenance work in the North Sea. The reduced supplies, combined with Middle East tensions, supported Brent crude oil prices which rose to a three-month high of USD 117.03 a barrel this month.

Nigeria, Africa's largest producer, has mostly exported around 2m bpd this year, helped by the new Usan grade which began production in February. The programme did not include Ebok and Yoho grades as shipping lists for these grades were not immediately available. It also excluded condensate exports like Akpo and Oso. Exports for some smaller Nigerian grades such as Amenam and Escravos are set to fall slightly versus the previous month. Around half of Nigeria's oil is sold via pre-agreed annual term contracts sold by the state oil firm Nigerian National Petroleum Corp to local and international trading houses and refiners. The rest is allocated to oil majors with equity volumes like Royal Dutch Shell. In September, Nigerian exports were due to fall to around 55m barrels compared with around 68m in August, a provisional loading programme showed in July.*(Reuters)*

In an effort to assist quoted companies in timely submission of their financial reports and accounts for vetting by the Nigerian Stock Exchange (NSE), the Exchange's management has released a regulatory calendar for filing of results which listed companies are expected to comply with. According to a notice pasted on the NSE website, listed companies are required to file in their full year financial results three months from the year end, while quarterly results require maximum of two months for submission. The NSE noted in an accompanying note that the updated filing calendar was developed to help quoted companies meet the Exchange's filing and reporting requirements, adding that it could, however, extend filing deadlines for corporate whenever it deems fit.

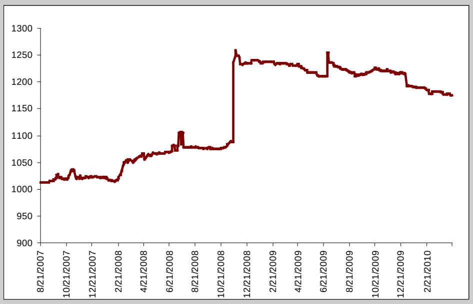
For companies whose yearend falls on 31st January each year, they are expected to submit their annual accounts by 30th of April, while the respective first, second and third quarter reports for April 30th, July 31st and October 31st, are required to be submitted by 15th day of June, September and December in that order. February yearend financial accounts are expected to reach the NSE by May 31st, while the due date for filing respective first, second and third quarter results for May 31st, August 31st and November 30th would be on 15th of July, October and January in that order. Companies whose financial year end falls on 31st day of March are required to submit theirs on June 30th. First quarter results for June 30th must reach the NSE by 15th August; second quarter result for 30th September is expected to come in by 15th November, while the submission day for third quarter December 31st, would be on February 15th each year.

The submission date for April yearend financial statement, the NSE observed would be on 31st July, while the due date for submission of respective first, second and third quarter results for July 31st, October 31st and January 31st, would be on 15th September, December 15th and March 15th in that order. May yearend financial statement would be submitted by 31st August; quarter one ending August 31st is expected to come in by 15th October, second quarter ending November 31st will be submitted by January 15th; while third quarter ending February 28th will be submitted by April 15th.

June yearend financial statements are expected to come in by September 30th, while the respective first, second and third quarter account are expected to reach the NSE by mid November, February and May in that order. July financials would be submitted by October ending, while the first quarter, second and third quarter financials are expected by mid December, March and June in that order. The due date for submitting August year end results is November; September year end is December 31st; October year end is January 31st; November year end is February month end, while that of December is expected to come in by 31st of March. It further noted that, 'where a filing due date falls on a weekend or holiday, the filing will fall due on the next business day.' "All forecasts should be presented 20 days before the commencement of each quarter," the NSE observed*. (Vanguard)*

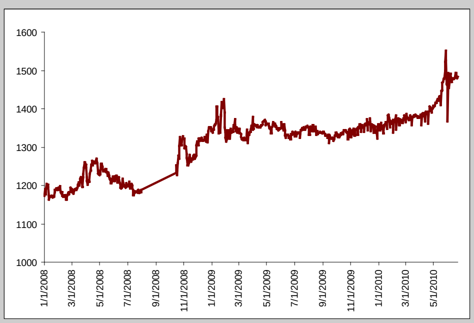
Tanzania

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	1,497.35	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 Tanzanian market closed the week in negative territory with the DSEI falling 0.13% to close at 1,442.32. NMB (2.15%) and Twiga (+1.63) led the gainers. Simba, Swiss, CRBD remain unchanged

Corporate News

Swissport Tanzania profit before tax increased by 8% in the first half of this year, thanks to increased frequencies and use of bigger aircraft by airlines. The ground handler firm that also trades on the Dar es Salaam Stock Exchange (DSE) saw its pre-tax profit shooting up from 3.99bn/- in the first six months ending June 2011 to 4.33bn/- of last June. Swissport's Chairman Juan Jose Andres Alvez attributed the profit rise to increased number of executive jets, freighters and imported cargoes as well as enhanced operational efficiency. "During the period (under review) the number of flights handled increased by 8% while cargo volume increased by 16% compared to the same period last year," Mr Alvez said.

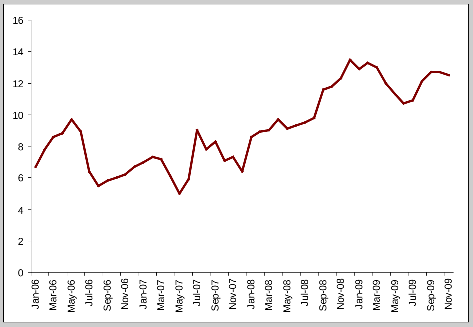
To cater for the increase in cargo volume, the firm plans to construct a new import warehouse which is estimated to cost USD 9.4m (about 15bn/-) after obtaining relevant approval. "All these measures are aimed at enhancing our competitiveness and stimulate export trade," the chairman said in the statement yesterday. In the last seven days, Swissport share price has gained by 11.67%, from 1,200/- to close the week at 1,340/- per share. According to DSE, on year-to year, the ground handler's shares have the highest appreciation rate of 63.4%, having risen from 820/- to 1,340/-. The profitability level has pushed up the earning per share by 12% from 75/33 to 84/36, while interim dividend rose by 8% from 62/27 to 67/49 in comparison to last year's corresponding period.

"The board is delighted to announce an interim dividend of 2.43bn/- compared to 2.24bn/- of the previous half," Mr Alvez said. The share will trade cum dividend up to September 10 of this year and payment is due in November. On the future outlook, the chairman said despite decreasing cargo volumes over European economic crisis, the situation seems to be grim in domestic market that has increasing volumes. "Likewise our airline customers, with the exception of a few areas, are doing quite well," said the chairman, expressing optimism that the remaining part of the year will be equally good. *(Tanzania Daily)*

Economic News

Tanzania's coffee prices fell at auction on higher supply, but traders said strong demand for the commodity was expected to bolster prices over the

CPI Inflation



Source: SAR

coming weeks. State-run Tanzania Coffee Board (TCB) said 22,367 60-kg bags were offered at the latest sale and that 20,605 bags got buyers. At the previous sale, a total of 14,120 60-kg bags had been offered for sale, with 12,618 bags selling. "Farmers in northern Tanzania experienced low rainfall, but there is a lot of coffee right now being supplied to the market from the south of the country where there is a good harvest," Athanasio Massenha, commercial manager at the Kilimanjaro Native Cooperative Union, told Reuters on Tuesday. "Overall speaking, our coffee growers are expected to enjoy favourable prices throughout this season." Tanzania, Africa's fourth-largest coffee grower after Ethiopia, Uganda and Ivory Coast, produces mainly arabica and some robusta coffee.

Prices of its arabica normally track the New York market, while those of robusta take direction from London. The TCB expected the 2012/13 (June/April) crop to rise to 55,000 tonnes from around 32,000 tonnes in the previous season. The overall average price at the Moshi exchange was down by USD 14.74 per 50 kg for mild arabica and down by USD 10.76 per 50 kg for robusta compared to the last auction," TCB said in a report on the sale held last week. "Average prices were below the terminal market by USD 2.21 per 50 kg for mild arabica, while robusta was above the terminal market by USD 10.44 per 50 kg." East African coffee is normally packed in 60-kg bags, but prices are quoted for quantities of 50 kg. Benchmark grade AA sold at USD 164.00-USD 188.00 per bag, compared with USD 180.00-USD 202.00 per bag previously. The average price was USD 175.05 per bag, down from USD 183.95. Grade A fetched USD 164.00-USD 180.00 per bag, compared with USD 177.00-USD 200.40 per bag at the previous sale. The average price fell to USD 170.09 from USD 183.82. The next auction will be held on 23 Aug 2012. *(Reuters)*

China's economic foray into Africa in general and in Tanzania in particular started a long time ago. Starting with bilateral infrastructure and industrial cooperation in the 1970s', China's position as a strong economic partner with Tanzania has been slow but sure. The Chinese 'industrial revolution' however, has tilted the nature of China's interests in Tanzania and in Africa. Chinese contractors bag the largest share of public works' contracts from building roads to building universities, but the focus has gone more towards exploitation of natural resources to feed the ever growing demand of the global manufacturing hub. And this started in the country with an announcement late last year of a plan by the Sichuan Hongda Group, a Chinese firm, to invest about USD 3bn (Sh4.8bn) to develop the Mchuchuma coal and Liganga iron ore projects in the south of the country. And late last week, the global media was splashed with the news that the Barrick Gold Corp and the China National Gold Corp are in talks for a possible buyout of the African Barrick Gold, whose assets are entirely in Tanzania.

If successful the deal will cement the Chinese foothold in the Tanzanian mining industry. The deal would also be the biggest Chinese deal in Africa since China Guangdong Nuclear Power Corp's USD 3.37bn takeover of uranium developer Kalahari Minerals and its partner, Extract Resources, in Namibia earlier this year, according to analysis by Reuters. "A full bid for African Barrick could be worth £2.4bn (USD 3.78bn), if the London-listed gold miner were to fetch a 40% premium on its closing price last Thursday," Reuters say. But what remains unclear is how the nature of the Chinese participation in the country will mean to the country efforts to benefit more from the resources. "This is big news for Tanzania. As the fourth largest producer in Africa, gold accounts for over 40% of the value of its goods exports.

With four mines in the north west, ABG is the country's largest extractor of the metal," said the Financial Times in an analysis at the weekend. Experience somewhere in the continent points to a different picture, the Times says citing a bad reputation of Chinese mine owners in labour and community relations in countries like Zambia where fatal clashes occured between workers and personnel in the management. "There are positive and negative examples of Chinese investment across Africa, and we need to be clear about what China needs. "It really depends on the individual company's engagement with the local population. Many Chinese investors are beginning to learn this," Markus Weimer, an Africa specialist at Chatham House is quoted by the Financial Times as saying. Shefali Rai, a Tanzania expert from the Economist Intelligence Unit is also quoted as saying; "Like most other cases, the impact that an acquisition would have on working conditions at the mine would depend on how stringently the Tanzanian government enforces its labour laws. These challenges are not restricted to Chinese-owned firms."

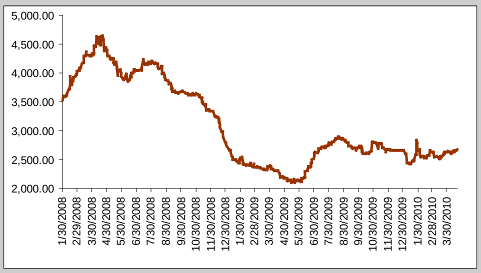
Barrick's plan to sell the African Barrick Gold is seen by some analysts as a strategy to "off-load underperforming assets." But other analysts add that Tanzania's unfavourable mining investment climate, characterized by ever changing mining legislation, is also pushing big investors like Barrick towards the exit. After enacting the Mining Act 1997, which attracted large mining investors, the government came up with the Mining Act 2010 that shifted goal posts in the mining fields. And despite the fact that the piece of the legislation made it clear that the new clauses- like those that raised royalty to four%, obliging government's mine ownership of about 10% and those urging mining firms to list at the Dar es Salaam Stock Exchange- would not affect the existing miners, pressure kept growing for the miners to comply.

And in fact ABG was one of the first mining firms to agree to pay the four% royalty. The firm also cross-listed at the Dar es Salaam Stock Exchange from the London Stock Exchange. Legislation aside, unreliable power supply to the mine, poor quality mined material, sour community relations at the North Mara mine are other contributing factors for Barrick's exit from Tanzania, according to experts. But with an insatiable appetite for gold, Chinese investors do not seem to mind these "obstacles". "If Barrick is no longer keen on this operating environment, it's not surprising that Chinese firms are interested in replacing them. China is expected to overtake India this year as the world's largest gold buyer and according to Chinese state media, its mining companies are looking overseas to meet demand," says an analysis by the Financial Times.

The fact that ABG is listed on a stock exchange guarantees some levels of transparency in the Chinese operations in the country, once and if the deal is sealed. But how and whether the country will benefit from the entry of the Chinese on the Tanzanian gold scene is a more complex issue, which goes beyond the willingness of the Chinese, or other miners for that matter, to share the revenue from minerals with the government or local communities. *(The Citizen)*

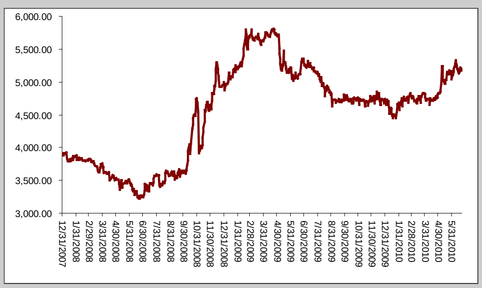
Zambia

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 fell by +0.28% to close at 3,806.86 points. Puma and CECZ were the only gainers after adding +4.71% and 2.84% to ZMK 1,200 and ZMK 688 respectively. BATZ was the biggest loser after shedding -11.08% to ZMK 1500.00 followed by FARM down -2.49% to ZMK 3,400.00 and Zamsugar (-0.70%).

Corporate News

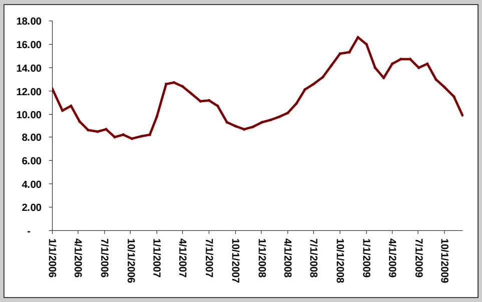
Zanaco Bank Plc has launched a new campaign dubbed "Empowering You. Building Zambia" aimed at boosting economic development and generating employment through targeting key segments of the country. In the next three months, the bank will provide reduced interest rates to corporate entities, Small and Medium Enterprises (SMEs), the farming community and civil servants to help them grow their businesses. Speaking at a media briefing in Lusaka yesterday, the bank's managing director Martyn Schouten said Zanaco wants to enhance Zambia's economy by providing capital to new and existing clients to stimulate the economy. "The time is right now to invest in Zambi, we also think that the Zambian population deserves a push for investment and Zanaco will play its role to help grow the economy,' he said. Mr Schouten said the bank has developed a strategy focusing on certain key segments of the economy.

He said for the retail bankers, Zanaco will provide a loan of five years instead of four years and interest will be reduced to 17% from 20% while the collateral free amount has also been increased to K150m from K120m.Mr Schouten said Zanaco wants to be the number one agricultural bank that will stimulate productivity of both small and commercial farmers. For the agricultural sector, interest rates will be reduced to 16% for the Kwacha loan rate and seven and half for dollar loan rates. He said for SMEs, the one year overdraft lending rates will be reduced to 17% from 26% while the new loans of up to three years will attract interest rate of 21% from 26%. "We want to provide a short term push in financing possibilities for key segments in the economy, we hope that many individuals, SMEs, farmers and corporate clients will take advantage of this attractive loans to buy new equipment to help the Zambian economy grow and contribute to job creation," he said. (*Daily Mail)*

Economic News

The International Monetary fund (IMF) has commended the Bank of Zambia (BoZ) for effective management of monetary policy that has seen inflation maintained in single digit for quite some time. IMF Country representative for Zambia Perry Perone says Government's macroeconomic

CPI Inflation



Source: SAR

policies have contributed to the single digit inflation outcome. Responding to a Daily Mail press query, Mr Perone said the Government's prudent fiscal policies have been a key to avoiding large domestic borrowing. "The introduction of the monetary policy rate, and use of a broad set of economic indicators including monetary aggregates to assess the monetary policy stance, should make monetary policy more flexible and forward looking, enhance liquidity management, and better shape the transmission mechanism," he said. Regarding concerns on high lending rates, Mr Perone said in the short run, keeping inflation and Government domestic borrowing low are some of the key things that the authority could do to promote lower lending rates. On the Kwacha, the IMF country representative said for as long as the foreign exchange market remains relatively shallow, a certain amount of volatility in the kwacha exchange rate was to be expected.

He said the longer term trends of the kwacha are determined by macroeconomic fundamentals. "In this regard, Zambia has followed sound macroeconomic policies in recent years as evidenced by a strong balance of payments. The SI 33 had the effect of causing some sharp movements in the kwacha as companies shifted to employing the Kwacha for domestic transaction but SI 33 is not expected to have a significant medium term impact on economic fundamentals," he said. Commenting on the revised capital requirement for commercial banks, Mr Perone said the increased minimum capital requirement is intended to strengthen the balance sheets of commercial banks, so that they will have the capacity to undertake larger lending operations to individual projects "However, there is a risk that the required large and rapid increase in the minimum capital requirements could encourage risky lending practices or result in the withdrawal of some specialised foreign banks."Thus, it is essential that the Bank of Zambia maintains close oversight of the financial system to ensure that the quality of commercial banks' loan portfolios does not deteriorate," he said.

He also pointed out that improving access to financial services would require a holistic approach, focusing on financial inclusion as a whole. He said efforts should be made to review the legal and regulatory framework to facilitate development of innovative products tailored to the needs of the informal sector and where possible, create special purpose vehicles to deliver these services. Mr Perone said improving access to financial services would further need facilitating the use of new technologies for provision of credit, saving, and payment services, including mobile banking and "smart cards" and other micro banking tools. (*Daily Mail)*

Zambia's economy will grow steadily despite uncertain copper prices, as construction and agriculture supports Africa's top producer of the metal, a Reuters poll found. The survey of 10 economists showed the landlocked southern Africa nation's economy expanding 6.8% this year, slightly below the 6.9% forecast in a June poll, and then by 7.1% in 2013. While better than an estimated 6.6% growth for 2011, that would still be some way short of the 7.6% rise in gross domestic product (GDP) in 2010 that was mainly driven by the construction sector. Foreign mining companies are increasingly investing in Zambia, and the resulting windfall will give a boost to other industries too.

"GDP growth in Zambia is expected to be driven by strong growth in agriculture, the mining sector and construction," said Fredrick Mulenga of Zanaco, a state-owned bank. The slight downgrade from the previous consensus can be attributed to a sharp fall in copper production during the first half of this year, as orders waned from resource-hungry China. Nonetheless, growth in Zambia is still up there with other heavyweights in the continent. The government has targeted growth of 8% over the next five years and for the inflation rate to stabilise to 5% over the medium term. Zambia has been earmarked for foreign direct investment (FDI) to exploit its vast copper deposits - mined mainly in the northern parts of the country - as well as other minerals such as uranium. Though future prices of the minerals are uncertain, foreign firms have not shied away from investing in the country's potential with Canadian miner First Quantum Minerals partnering a Zambian company to develop a new copper mine.

Investment in mining will spill over to the construction sector as it benefits from the development of new mines and a more government projects to create more jobs through infrastructure spending. "The wave of foreign direct investment into the copper mining sector in 2004-07 will continue to drive a steady increase in copper production in 2012-13, helping underpin growth," said David Cowan, economist at Citi. Inflation is expected to average 6.8% before picking up to 8.1% in 2013. "Inflation is expected to remain in the single-digit range due to lower food costs after a bumper maize crop though it might push up in 2013," said Zanaco's Mulenga. Zambian inflation ended 2008 at almost 17% but is currently 6.2%, similar to other countries in the region. *(Reuters)*

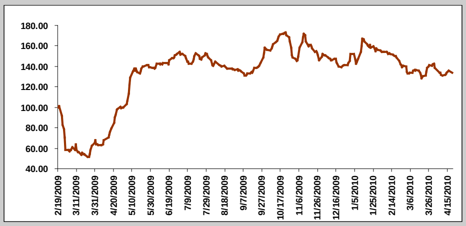
Government says it has engaged book runners and legal advisors regarding the issuance of USD 500-USD 700m sovereign bond. Secretary to the Treasury Fredson Yamba says talks are progressing well, adding that currently, Government is preparing to hold a road show next month to inform would be buyers of the bond to come forward and have a look at what is on offer for them.

“Once they (investors) look at what we have, that’s when they will tell us that look we are buying this bond and our offer and terms are this and that.What we would like to happen is that at the road show we expect to sell the bond,” he said. Mr Yamba in an interview with Daily Mail in Lusaka, however, was quick to point out that the process towards issuing the bond has not been delayed saying the whole process is quite vigorous and requires following a number of stages. He is optimistic the euro bond will definitely be issued before the end of the year. Recently Government picked Barclays Bank/ABSA and Deutche Bank of Germany as bookrunners and White and Case LLP of the United Kingdom as legal advisers for the USD 500-700m euro bond. *(Daily Mail)*

SECURITIES AFRICA

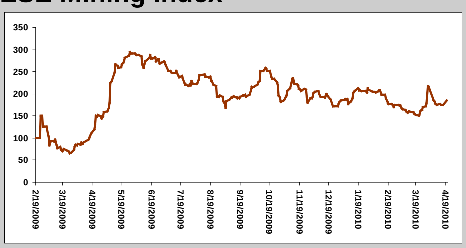
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

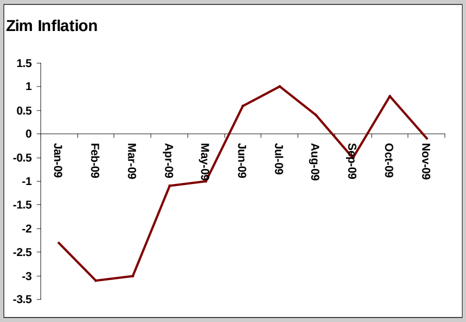
The Industrial Index came under some pressure falling -1.99% to close at 131.29, while the Mining sector was exceptionally dull with the Index closing the week unchanged to close at 89.04. Medtech led the movers after gaining +300.00% to USD 0.04 followed by Celsys which rose +33.33% to USD 0.04. Other notable gains were recorded in Trust up +20.00% to USD 0.06 and Fidelity (+10.66%). G/Belting was the main loser, shedding -40.00% to USD 0.03 followed by Lifestyle (-31.25%) and Turnal which lost -28.00% to USD 4.50.

Corporate News

Delta Corporation has denied accusations by the Beverages Wholesalers and Retailers Association that it is trying to sideline independent wholesalers. The association was formed by beverages wholesalers and retailers to lobby for their interests as a direct result of Delta's announcement in May that it had slashed margins for wholesalers to 2,6% from 5%. Recently, an official of the association accused Delta of taking a "self-interest approach" in its dealings with independent wholesalers of its products. "It has come to our attention that Delta intends to give us letters that will say that if you are wholesaler you may not be a bottle store owner. "They are the manufacturer so they also want to wholesale and if they could they would have bottle stores as well. We have been in this trade for decades and what we are seeing now is a management that has a self-interest approach to business," said the official who chose to remain anonymous. Delta corporate affairs director Mr George Mutendadzamera, however, said the beverage giant's involvement in the wholesale of its products was not something new. "Our business has been involved in wholesaling for a long time now and this arrangement has benefited and continues to benefit our customers and consumers," he said.

Delta Beverages manufactures lager beer, traditional sorghum beer and sparkling soft drinks, and in terms of its own distribution network, the company has 38 beverage centres and seven customer collection depots. The lager beers include Castle Lager, Castle Milk Stout, Golden Pilsener, Lion Lager, Carling Black Label, Zambezi Lager, Zambezi Lite Lager, Bohlinger's Lager, Eagle Lager, while its traditional beer business consists of Chibuku and Rufaro. According to Mr Mutendadzamera, Delta is not deliberately trying to muscle out the independent retailers and wholesalers from its distribution chain. "It has always been the practice that our partners either wholesale or retail our products. This is so because as a distribution agent, any given wholesaler receives from Delta a discount on the wholesale price of our products which in turn allows that wholesaler to sell to our customers at the wholesale list price." Earlier in June Mr Mutandadzamera told delegates attending a Zimbabwe National Chamber of Commerce congress that the company would not budge on

CPI Inflation



Source: SAR

its decision as it was reached following a careful review of "prevailing (economic) conditions". He has, however, said Delta will continue to engage the association on other issues affecting them. "We are engaging the new Beverages Wholesalers and Retailers Association on a variety of issues," he said. *(Herald)*

Diversified mining concern RioZim says it will settle the outstanding $6,6 million owed to Centametall over 66 monthly instalments starting in July 2014, after the termination of a toll refining contract. The contract was terminated last month. The settlement agreement involved $13,6 million due to Centametall and RioZim taking full ownership of finished and in-process metal at Empress Nickel Refinery with a potential value of $58 million. Speaking at the company's annual general meeting last week RioZim managing director Ashton Ndlovu said: "$7 million worth of metal was delivered to Centametall as part settlement. "The balance of $6,6 million will be payable in cash over 66 monthly instalments from July 2014. "Finished metal valued at $10 million is being shipped to Centametall for RioZim's account and is covered by confirmed letters of credit." He said RioZim would become a principal in the refining of matte purchased from a Botswana-based mining and smelting company BCL and marketing of the metals will be on RioZim's terms. "An evaluation is being done to retrofit and upgrade the refinery to give it a capability to treat high sulphurmatte," he said.

Ndlovu said production at RioZim's Renco gold mine had increased from an average of 55kg in the first quarter to 62kg by end of the second quarter and 65kg in July. He also said a $2 million emergency funding line had been set up by Gem Raintree for critical expenditure at Renco while negotiations had reached an advanced stage with AfreximBank for a $5 million facility for Renco capital expenditure. Ndlovu said the company had successfully concluded and got authorisation to embark on a retrenchment exercise. "We successfully concluded and got authorisation to embark on a retrenchment exercise and the exercise has been agreed by the Ministry of Labour," he said. Last month NewsDay reported that the Zimbabwe Stock Exchange mining concern was planning to retrench nearly 120 employees, as the debt-ridden firm streamlined its operations. The company was in the process of evaluating the exploitation of the Cam and Motor and Renco dumps in co-operation with DRD Gold of South Africa and rationalising staff costs particularly at head office. "RioZim intends to raise additional capital to develop various resources it owns. "A restructuring exercise was approved by the board to set up subsidiaries for gold, base metals, diamonds, energy and chrome. "Investments will therefore be at subsidiary level and targeted towards a specific resource," the company said. *(News Day)*

Africa First ReNaissance Corporation Limited (Afre), a life assurance and related products group, recorded an increase in profit after tax of 52% to USD 7,1m in the first six months of the year. The figure was up from USD 4,6m during the same period last year. In the six-month period, the company recorded a total comprehensive income of USD 6,6m, up from USD 4,7m last year.Gross premium for the group stood at USD 44,9m, indicating a 5% increase from last year.

The group's life assurance business, First Mutual Life, contributed USD 27,8m while short-term insurance contributed USD 17,1m. The company's property subsidiary, Pearl Properties, posted a decline in profit after tax of22, 1% to USD 1,61m from USD 2m during the same period last year. The rental yield was 8,2% with rentals per square metre at USD 7,40 for the six month period. "This was slightly below the 2012 target of USD 7,50 per square metre," the group said. "The vacancy rate for the period declined to 15,4% as a result of new lettings during the first half of the year. "Occupancy levels for commercial offices located in the central business district remain under pressure with tenants continuing to consolidate their operations, as a means to reduce total space held and related operational overheads."

Afre group chief executive officer Douglas Hoto told an analysts briefing on Tuesday in Harare, that the group's year-end budget targets had been reviewed upwards to a total income of USD 98m from an initial projection of USD 82,3m. Hoto said the group would not exit Rainbow Tourism Group (RTG) anytime in order to get the value of its shares in the group. He said although Afre intended to exit RTG, it would not rush to do so. The company holds a 22,9% stake in the tourism group and is the second biggest shareholder after Nicholas Van Hoogstraten's companies and nominees that hold a 36,1% stake. "We own shares in RTG and we cannot dispose them in a rush. We will participate in its redevelopment even if we are going to sell the shares. We need to get the value of the shares," Hoto said. He said the hotel group was not performing well at the moment. Hoto said the group would hold its annual general meeting next month and seek shareholder approval for its recapitalisation plan. He said part of the funds that would be raised for recapitalisation would be used to pay off USD 4m to policy holders. "We are not going to be getting more than USD 15m for recapitalisation. "We will use the balance for recapitalising our other companies," Hoto added. *(News Day)*

Zimbabwe Allied Banking Group (ZABG) narrowed its loss in the first six months of the year as new shareholders moved in to shore up the bank's balance sheet. Mines and Mining Development minister Obert Mpofu's investment vehicle, Trebo and Khays Limited, recently injected fresh capital into the bank. As a result, during the period under review, the bank's asset base grew to USD 40m. Trebo and Khays holds 99,5% shareholding. The bank's losses were down to USD 1,1m in the six months to June from USD 2,6m during the same period last year. Operating expenses were down to USD 4,4m from USD 5,4m in the corresponding period. The group's total asset base grew by 153% to USD 40m. Net interest income declined by 24% on the back of reduced loan underwriting capacity leading to a 30% reduction in total income. In a statement accompanying the bank's interim results, ZABG chief executive officer Stephen Gwasira said the bank's capital now stood at USD 18m. Gwasira said the bank had embarked on new initiatives aimed at raising new capital in order to strengthen and meet the new USD 100m minimum capital threshold set by the Central bank. "Of note are the shareholders' funds which grew from a negative USD 10,4m to a positive USD 18m from the capital injection," Gwasira said. The bank has added a new branch in Victoria Falls and also reintroduced automated teller Machines.

ZABG on Tuesday announced the appointment of a new board chaired by Harare lawyer Farai Mutamangira. Mark Wood, an associate and fellow of the Institute of Bankers, is the new deputy chairman. Mpofu's wife Sikhanyisiwe is also a member of the board. Other board members are Graeme Mcintosh, Togarmah Dhlakamah and Abdullah Kassim. Gwasira is the chief executive officer. Frank Karara has been appointed the operations director, Ethel Chitanda finance director, while Florence Gowora is the business director. Mutamangira said given that most of the country's citizens were unemployed, a significant portion of the loan book would be advanced to the small to medium scale enterprises. "ZABG's recapitalisation not only increased the bank's core capital, but it also substantially strengthened the bank's statement of financial position," he said. As of December 2011, the bank was one of four ailing financial institutions that had failed to raise the minimum capital requirement of USD 12,5m for commercial banks as stipulated by the Reserve Bank of Zimbabwe. *(News Day)*

PLATINUM miner Zimplats announced Wednesday that its USD 460m expansion project, which was due for completion in 2015, may be delayed if there is no improvement in the currently weak global platinum prices. Chief executive, Alex Mhembere, confirmed the development as he presented the company's results for the year to June 2012 which showed profits slowing 39% to USD 122m on the back of lower revenues, higher power tariffs and a weaker rand. The company, a unit of South Africa-based Impala Platinum, has so far committed USD 223m on the project which is expected to see output increasing from about 180,000 ounces a year to 270,000 ounces. But Mhembere said its 2015 completion date may not be met due to cash constraints, and weaker base metal commodity prices on the world market. "The fundamentals for platinum mining in Zimbabwe still remain strong, however the success of our Phase 2 expansion being completed by FY15, will be strongly dependent on strong metal prices and cash conservation measures for FY13," he said.

Meanwhile, overall revenues dropped 10% to USD 473m from USD 527m last year, driven by weaker metal prices while the cost of sales increased due to last September's 60% power tariff increase and a weakening of the South African Rand against the dollar. The company however, said the cash cost per platinum ounce increased marginally by 5% to USD 1,226 per ounce compared to USD 1,171 per ounce, remaining below present global platinum prices. Platinum production also increased 3% to 187,100 ounces from 182,100 ounces last year with mined ore increasing by 8% to 4,59m tonnes from 4,24m tonnes. Mhembere said Zimplats had been adversely impacted by weaknesses in the global mining sector. "This has been a difficult year for the mining industry, globally and Zimplats has not gone unaffected. We are operating in a depressed market, characterised by a depressed metal process and surplus in supply," he said. "We are also faced with cash funding challenges and company closures, as we have seen in South Africa. "However, it has not all been negative. At Zimplats we have some positives to celebrate too, a good safety performance, increase in production, sound contribution to the fiscus and meaningful community social investment." *(New Zimbabwe)*

Platinum miner Zimplats Holdings' profit after tax for the full year to June 2012 plunged 39% to USD 122m on lower revenue due to weak prices on global markets. Revenue also declined by 10% year-on-year to USD 473m as commodity prices suffered due to concerns over eurozone economies and surplus metal supplies. The platinum-mining group's chief executive, Mr Alex Mhembere, said while prices were coming down while costs were rising. Major commodity markets such as the United States, China and Europe were either affected the by eurozone crisis or have surplus supply. "This has been a difficult year for the mining industry, globally and Zimplats has been affected. We are operating in a depressed market, characterised by depressed metal process and surplus in supply. We are also faced with cash funding challenges and company closures, as we have seen in South Africa," he said. The 87% owned unit of Impala Platinum of South Africa's extracts 4E metals, platinum, palladium, gold and rhodium. It also recovers iridium, ruthenium, silver, nickel, copper and cobalt, which all recorded increase in output during the period.

But the fall in profits came on the back of growth in output, as total ounces produced surged by 3% to 187 000oz while ore output increased by 8% to 4,5m tonnes. The lower revenue inflows and profit and resultant cash constraints saw the mining giant's borrowings increasing by USD 26m to USD 66m compared to the same period last year. But, in a demonstration of commitment to its investment Zimplats sunk in USD 269m into the Ngezi Mine Phase 2 expansion during the financial period under review. The investment in the past year represents a 115% increased in capital expenditure compared to the same period last year. On completion the expansion would result in additional 90 000oz capacity and take Zimplats annual output to 270 000oz. Under phase 2 expansion Zimplats will develop another underground mine, Mupfuti, with full production expected by March 2015. Concentrator and related infrastructure are scheduled to be commissioned by April next year while the tailings dam is also expected to be completed by end of next month.

A 30 000 mega litres dam will be constructed. Under the expansion programme 512 staff houses have already been completed. The expansion programme is targeted for completion by 2015, but cash constraints and weaker prices could result in delays. Zimplats spent USD 247m on local procurement while its remittances to Treasury grew by 129% to USD 96m. It advanced USD 25m to power utility Zesa to clear part of its debt to Hydro Cahorra Basa of Mozambique. The mining firm said investment in community projects in areas it operates increased by 300% to USD 5,4m. The country's largest platinum extractor said its contract employees increased from 2 500 in the previous financial year to 6 000. It reached seven million fatality free shifts, lost injuries declined by 50% while the lost time injury frequency rate declined by 72% in the last financial period. *(Herald)*

First Mutual Limited has opened an office in the gold mining town of Kwekwe and acquired more office space in Gweru to cater for the growing demand of its services and products. Winner of the annual Superbrand for two consecutive years (2010-2011) and ISO certified recently, FML opened the Kwekwe office last Thursday. As part of the company's ongoing corporate social responsibility which also includes health and wellness outreaches under the First Mutual Medical Savings Fund, FML staff carried out a clean-up exercise in the city on the same day, to start events that covered most the day. The Mayor of Kwekwe, Mr Shadreck Tobaiwa, said the development would benefit residents of the mining town in a big way. "First Mutual Life has grown through strategic restructuring and meticulous growth initiatives," said Mr Tobaiwa. "To date, it is a renowned insurance company in Zimbabwe with diversified products that cover individual and corporate needs through their Medical Savings Fund, the Individual Life Business and Pension Funds," added Mr Tobaiwa.

He said that Kwekwe was a befitting market for such an initiative, adding that the Midlands province at large was a mining community, highly successful and beneficial as the custodians of Zimbabwe's rich mineral deposits, mainly gold. FML managing director Ms Ruth Ncube paid tribute to the Kwekwe community for its unwavering support through difficult periods. The long-standing and mutually beneficial relationship between the organisation and the community was further evidenced by the turnout for the event, which was attended by senior executives from insurance, health and wellness firm. In another show of the company's commitment to bringing service and promoting wellness for the people of Midlands, FML acquired more office space for a service centre for Gweru customers. In addition, a health and wellness outreach was held in Gweru amid pomp and fanfare a day after opening the Kwekwe office. As with other outreaches of this nature by FML, members of the public received free medical consultation on the day and had their blood pressure, body mass index, sugar level and teeth checked among a host of other health issues checked.

During the event in Gweru, the public received presentations on the various products and services FML offers. First Mutual Life said it offers a wide range of innovative products, within its three main business units, which include employee benefits, individual life business and the medical savings fund. FML's primary business activities are the provision of life assurance, retirement benefits and other long-term financial security products. Among the products are a flexible funeral product, Funeral Cash Plan, the First Mutual Medical Savings Fund, the University Cover Plan, the Ultimate Plan and the Early Harvest. FML's products offer the convenience of a one-stop shop while offering various packages to suit different tastes and classes. The funeral cash plan offers a dignified burial through provision of a funeral benefit of the client's choice to make a client's dream funeral a reality, giving them peace of mind.

The product is a standalone unit linked to funeral product. It provides the cash benefit on death of the lives covered under the product. The package options offered include Basic Plan, Premier Plan, Executive Plan and the Elite Plan. The First Mutual (FML) Medical Savings Fund is a fund which is open to both corporates and individuals and within the fund, each corporate or individual has a separate account (Medical Savings Account) for monthly contributions credited to their MSA account.
Under the Funeral Cash Plan members get a variety of services from a contracted network of medical service providers (doctors, specialists, clinics, hospitals, pharmacies, and medical laboratories) to ensure guaranteed high quality medical attention to members of the funeral plan. The First Mutual University Cover Fund is an educational fund, allowing parents or guardians to secure their children's educational future even in the event of an untimely death.

The firm also offers the First Mutual Preservation Fund for employee benefits. FML offers a variety of products including the Preservation Fund, a retirement savings plan which caters for individuals that withdraw from a pension fund for a variety of reasons and wish to preserve value in order to draw a deferred pension. They may also pay additional contributions by way of lump sums or regular contributions. More importantly, the fund now has group life cover representing a multiple of each member's holding in the fund. FML said it would continue working on new products tailor made for clients' needs, while ploughing back into communities through various corporate social investment initiatives. The company's growing branch network currently covers Masvingo, Harare, Bulawayo, Mutare, Gweru, Kadoma and Kwekwe. *(Herald)*

Zimbabwe's biggest mobile telecoms operator Econet Wireless said on Friday it had restored interconnection services to state-owned NetOne pending a court decision over fees. Econet's lawyer Harrison Nkomo said although the court did not make a ruling, Econet agreed to reconnect NetOne pending the outcome of the case that would be heard on Monday. Econet on Thursday suspended interconnection services to NetOne, saying the government-owned network had refused to pay it USD 20m in fees from 2009. Econet has 6.5m subscribers, who make up 70% of the local mobile market.

Interconnection fees are charged by mobile operators to enable calls to be transmitted from each other's networks.(*Reuters)*

Economic News

The Bankers Association of Zimbabwe has defended interest rates and service charges being quoted by most local banks saying they were based on economic fundamentals. The remarks follow an outcry from Government and the banking public over punitive interest rates and service charges. According to Reserve Bank of Zimbabwe Governor Dr Gideon Gono, banks have been quoting interest rates of up to 30% on loans. Banks charge up to 1% of the amount withdrawn per transaction. But BAZ said only a “few bad apples” were doing this. The RBZ contends this discouraged increase of deposits. To correct the situation BAZ will, in line with guidelines from the central bank, use “moral suasion” for banks to set reasonable fees, but says it cannot fix the rates and charges. BAZ said agreeing on common regime on interest rates and bank charges would be tantamount to forming a price cartel.

In an interview with Herald Business last week, BAZ president Mr George Guvamatanga said the interest rates and bank charges were based on economic fundamentals. He said there were, however, a “few bad apples” who had caused the whole sector to be pained with the same brush by setting unreasonably high rates and charges. We have been collecting information (from banks) as BAZ in terms of interest rates and bank charges,” he said. “Generally, we found out that they are within what BAZ considers reasonable. “Due to a few bad apples, this (high interest rates and charges) has been taken to be the position in the entire banking sector. “But what we can’t do is sit and agree on interest rates and bank charges.” Presenting his Mid-Term Monetary Policy Statement last month, Dr Gono threatened to take “appropriate action” against banks that do not rationalise their lending rates and bank charges. This comes against a backdrop where depositors earn negligible or virtually no interest on their deposits, which, instead of increasing are actually whittled down by charges. But BAZ argues that interest rates and bank charges quoted by the majority of its members were in line with trends in the region.

Mr Guvamatanga said a number of economic factors were considered in arriving at the prevailing interest rates and bank charges. He said interest rates were based on such economic factors as the cost of capital, funding, the risk premium and operating costs, which include expenses of recovering advances. For instance, banks who obtain funding from multilateral lenders at 10%, in turn may add 2% for administration costs and 7% risk premium before putting their own mark-up to arrive at the final lending rates. Risk premium is meant to cover the possibility that certain loans may never be repaid, which becomes an expense to the bank. BAZ said this scenario explained why interest on loans from local banks was quoted between 15 and 30% per annum. The prevailing service charges were also determined by operating costs, such as high utility charges, cost of electricity, expensive banking software and hardware, such as ATMs. “When you see an ATM, it does not mean it is simply acquired, put and left there,” said Mr Guvamatanga. “It has to be maintained and runs on a banking platform. Banks have to pay licence fees for it. “Software costs between US$15 million and US$25 million. Whether you transact or not you pay the fees. Fraud monitoring systems are also paid for and you cannot ask for quality service and get it for free." The cost of replacing soiled and old notes, as well as transporting imported currencies used under the multi-currency regime adds to the cost of banking in Zimbabwe, he said. *(Herald)*

Zimbabwe recorded a total of $342,9 million worth of proposed investments in the seven months period to July this year and a potential of 4 288 jobs could be created from the investments, official figures have shown. The Zimbabwe Investment Authority (ZIA) approved 101 projects during the period under review with the bulk of them targeting the capital intensive mining sector, despite fears of indigenisation and empowerment regulations compelling foreign-owned companies to dispose 51% equity to locals. ZIA approved 40 mining projects while the manufacturing sector had 33 projects which got the nod. The services sector was a distant third at 19. Construction and agriculture sectors jointly had a total of five approved projects.

ZIA managing director Richard Mbaiwa said the projects were at various stages of implementitation, but indications were that they could be set up within the next two years. "We give the projects two years for them to materialise and projects for this year are pipeline projects that we will evaluate later," he said. For the seven-month-period, $189,7 million was from approvals from the mining sector while $89,9 million was from the construction sector. The country's foreign direct investment (FDI) almost doubled in 2011 to $387 million according to the United Nations Conference on Trade and Development World investment report 2012. The FDI increased from $166 million in 2010 and $105 million in 2009. The country was rated 171 in 2012 out of 183 countries. *(News Day)*

Recent amendments to the Securities Act will tighten and improve the regulation of securities and exchange markets, industry stakeholders and experts said this week. Securities Commission of Zimbabwe chief executive Mr Tafadzwa Chinamo said the amendments addressed challenges that have occurred since the Act was promulgated in 2003. According to the Securities Amendment Bill of 2012, the amended Act is now called the Securities and Exchanges Act. The amendments were gazetted last Friday. "It is important to acknowledge that, as is the case with any Act, the moment you start operating you find shortcomings," said Mr Chinamo. "When we were set up we had no board or secretariat — we just hit the ground running. We then looked at the situation and realised we needed to address the shortcomings. The commission could not work effectively and efficiently because of the challenges." The commission was hastily set up, as a result of which there was little time to ensure its effectiveness. But it was modelled on a similar commission in the United States. Mr Chinamo said once the commission was in operation, "we realised that the commissioners were not operating full time," as they were only required to hold about 11 meetings over 12 months.

The arrangement complicated the commission's operations. It could not react speedily to problems, as executive powers were vested in the commissioners. Executive powers have since been transferred to the chief executive officer while appeals against his decisions can be made to the Administrative Court, but could be interposed to the Minister of Finance. "Now, Government, through the commission, has a more direct influence than before (on what happens on ZSE)," said Mr Chinamo. The commission had limited latitude and had challenges influencing what happens on the ZSE. The commission will regulate other markets for bonds, commodities and derivatives, when they come alive. An executive officer with a top stockbroking company said that amendments to the

Act would improve the operations of the ZSE. “It will help it to move forward. It also brings the two entities (ZSE) and SECZ into line with each other. The ZSE was using its own rules, as was the commission,” said the source. The ZSE and its regulator, SECZ, have previously been locked in a wrangle following differences over investor protection levies. “As much as we wanted to influence change on the ZSE the (original) Act did not allow us (to do that),” said Mr Chinamo. Players in the securities trading industry said tightening the legislation would improve the bourse corporate governance system when it is transformed from an association to a corporate entity with a board of directors.

Amendments to the Act now require all securities exchanges in the country to have corporate entity structures. Furthermore, the new arrangement improves the regulation of asset management firms previously regulated by the Reserve Bank whose major preoccupation is the supervision and overseeing of the banking sector. Asset managers only fell under the control of the central bank after the frequent occurrence of financial misdemeanours by this class of businesses a few years ago. Industry sources said it was noted in 2004 that some directors of these firms had strayed from their core business of managing and investing in securities to taking deposits. Asset managers are major players in capital markets due to their involvement in managing unit trusts, hence the requirement that they be regulated under the Securities and Exchanges Act. “The deposit-taking asset managers were causing too many problems and this was not the best way to do it. It was outside their (Reserve Bank) purview,” said Mr Chinamo. *(Herald)*

ZIMBABWE’S diamond output is projected to reach 14,5m carats valued at USD 1,7bn by 2014, according to the latest Equity Communications Diamond report. “Zimbabwe grew its production of diamonds by 1 000% in three years to 11,1m carats in 2011 at a time when the country was facing extreme domestic and international impediments,” says the report. Equity Communications is an investor communications firm and business information provider specialising on the Zimbabwe economy and industries that have global significance, such as tobacco and platinum. “The country has not conquered all its problems but it has emerged as an important diamond producer. Diamond production from Zimbabwe is now projected to rise to 14,5m carats, valued at USD 1,7bn by 2014, after the country was given the Kimberley Process green light to freely resume export of diamonds from Marange,” says the report. The world production of rough diamonds last year stood at 125,6m carats, a decline of 2,1% from a year earlier, said the report.

The decline in world production for 2011 would have been “steeper” had it not been for “significant” growth of 31,5% in Zimbabwe production. The value of the world’s 2011 production was USD 13bn, an increase of 12,9% on the 2010 value. On the sales front, diamond producers had another splendid year with sales rising by 21,9% to USD 15,6bn. The report also noted that Anjin Zimbabwe’s USD 350m investment in Marange would result in the company emerging as one of the largest diamond producers in the world, with 10% of global output by 2018. The report said Zimbabwe would experience the biggest gain in production in the forecast period, becoming the second largest producer in 2018 after more than doubling market share to 17%. Australia, Russia and Zimbabwe were expected to account for two-thirds of world output growth in the forecast period. The report also noted that from 2010 to 2018, the annual value of world production of diamonds would increase 113% from USD 11,5bn to USD 24,5bn. For the forecast period, per carat value of production “should” rise steadily with increased production. Increased output, mainly from Zimbabwe and Australia, will drive down the annual growth in per carat value of production from the current 19,47% per annum to 4,78% per annum.

In the eight years to 2018, world diamond producers plan to spend USD 15bn on new mines and expansion of existing mines. If all projects go according to plan, annual production capacity will increase to plus-180m carats around 2017-2018. “Zimbabwe has also announced the discovery of new diamond fields in different parts of the country while the Marange diamond fields have been extended by a further 50 000 hectares to 120 000 hectares,” said Mr Tinashe Takafuma, Equity Communications director and lead author of the report. “However, because of the difficult operating and financing environment in Zimbabwe, we do not foresee any new mines coming on board in the near future.” Unprecedented diamond demand for investment consumption appears to have taken over diamond markets in recent times. International trade in rough and polished diamonds increased 56% from USD 191bn in 2007 to USD 297bn at the end of 2011. At the consumer end, global diamond jewellery products sales reached a record USD 75bn in 2011, finally surpassing 2007 sales of USD 68,3bn. But global diamond jewellery sales are now expected to retreat 5% this year to USD 72bn because of short-term economic uncertainty that has engulfed key emerging consumer markets for diamonds. This economic uncertainty will slow down consumer purchases of discretionary goods. *(Herald)*

Government yesterday signed seven Memoranda of Understanding with a Chinese company to explore ways of co-operating in infrastructure development. The MOUs were signed between China Fund International Consortium and the Ministries of Transport, Communications and Infrastructural Development; Local Government, Rural and Urban Development; Mines and Mining Development; Energy and Power Development; and Water Resources Development and Management. Speaking after the signing of the MOUs, Chief Secretary to the President and Cabinet Dr Misheck Sibanda commended CFIC for spearheading various economic activities in the country. “This is a milestone, which is qualitative of building relations between CIFC and the Zimbabwe Government since their entrance into our economy in 2008,” he said.“Since they came into our economy, they have concretised a number of economic projects.”

The Chinese company is a partner in Sino-Zim Holdings that is involved in agriculture and mining. The company is involved in contract farming for cotton and is constructing spinning and ginning plants in Harare. Dr Sibanda said if approved, the projects covered in the MoUs would be implemented under the Build Operate and Transfer scheme. “Today we have all witnessed the signing of seven MoUs covering various developmental and infrastructure sectors in transport, communication, energy, water, tourism and a satellite city on a BOT,” he said. Dr Sibanda said negotiations for the modalities of implementing the agreements would be done within the next three months. In an interview after the signing of the agreement permanent secretary in the Ministry of Energy and Power Development Mr Patson Mbiriri said they wanted to partner the Chinese in constructing a new thermal power station in Hwange.

“In terms of priorities, we are prioritising extension of Kariba South and Hwange Units 7 and 8, beyond that we need a new power plant. “As you know the western area of Hwange has a lot of coal and the proposal is that we build a new plant in the Hwange western area,” Mr Mbiriri said. He said the envisaged power station would produce between 1 000 MW and 2 400 MW. Permanent secretary in the Ministry of Transport, Communications and Infrastructure Development Mr Munesu Munodawafa said they were looking at rehabilitating the railways and dualising roads that link Zimbabwe with its neighbours. "We are looking at railways and roads, particularly dualisation of those roads linking Zimbabwe with other Sadc countries," he said. Local Government, Rural and Urban Development permanent secretary Mr Killian Mpingo said the Chinese and Government were looking at developing a satellite town at the site where the new Parliament Building would be constructed in Mt Hampden.

He said they were also looking at construction of houses for civil servants and upgrading of infrastructure in Victoria Falls. The Chinese company is also interested in rehabilitating water reticulation infrastructure, especially in Bulawayo, to improve supply to the country's second largest city. A representative of CFIC commended relations between Zimbabwe and China and pledged to improve economic ties with the country. "Today is a milestone event which will enter us into new paths of economic development and is yet another sign of South-South relations," the representative said. He commended the excellent human resources base in Zimbabwe, saying this provided a platform for the country to achieve its development goals. *(Herald)*

Notes

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