SECURITIES AFRICA

For week ending 28 September 2012

Weekly African Footprint

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

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

Currencies:

	28-Sep-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.18	0.01	0.26
DZD	79.50	0.79	5.65
BWP	7.50	-0.26	1.81
CFA	499.55	1.06	0.97
EGP	6.07	0.05	1.04
GHS	1.88	-0.47	16.29
KES	83.69	0.27	0.16
MWK	292.01	1.28	79.81
MUR	29.30	0.46	4.15
MAD	8.59	0.65	0.17
MZN	28.50	-0.35	6.74
NAD	8.09	-0.36	-0.59
NGN	155.75	-0.55	-2.53
ZAR	8.21	-1.25	0.42
SZL	8.11	-0.42	-0.47
TND	1.57	0.66	5.20
TZS	1,549.51	0.24	-0.70
UGX	2,501.92	1.13	2.23
ZMK	5,005.22	1.26	-0.25

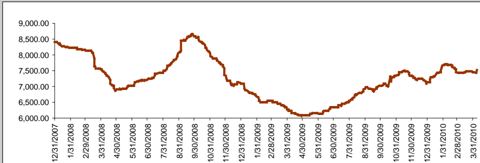
Source:oanda.com

African Stock Exchange Performance:

Country	Index	21-Sep-12	28 September 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,348.95	7,389.28	0.55%	0.20%	6.00%	3.49%
Egypt	CASE 30	5,827.91	5,887.04	1.01%	1.38%	62.52%	61.51%
Ghana	GSE All Share	1,039.94	1,044.27	0.42%	-2.03%	7.76%	-10.02%
Ivory Coast	BRVM Composite	147.39	148.27	0.60%	-6.48%	6.76%	-0.66%
Kenya	NSE 20	3927.44	3972.03	1.14%	2.30%	23.93%	25.50%
Malawi	Malawi All Share	5,926.44	5,926.44	0.00%	7.73%	10.37%	-33.03%
Mauritius	SEMDEX	1,716.84	1,703.16	-0.80%	-5.12%	-9.81%	-16.80%
	SEM 7	332.10	328.92	-0.96%	-5.28%	-6.11%	-13.39%
Namibia	Overall Index	908.00	890.70	-1.91%	-3.10%	6.29%	5.24%
Nigeria	Nigeria All Share	25,873.71	26,011.63	0.53%	0.73%	25.47%	28.27%
Swaziland	All Share	284.32	284.32	0.00%	-0.46%	5.92%	5.49%
Tanzania	DSEI	1,454.42	1,457.61	0.22%	0.27%	11.85%	12.96%
Tunisia	TunIndex	5,011.11	4,961.42	-0.99%	-4.18%	5.06%	-0.88%
Zambia	LUSE All Share	3,710.36	3,708.09	-0.06%	1.12%	-11.07%	-8.40%
Zimbabwe	Industrial Index	142.43	146.00	2.51%	2.51%	0.10%	0.10%
	Mining Index	93.50	96.00	2.67%	2.67%	-4.67%	-4.67%

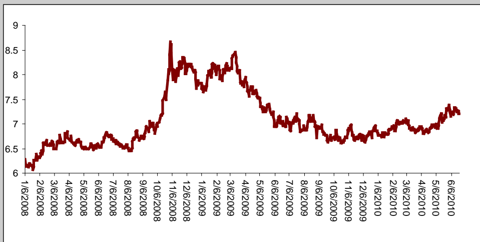
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



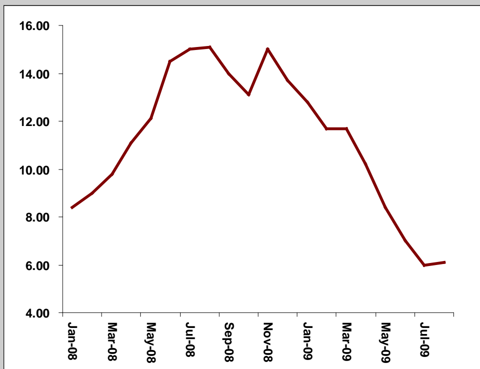
Source: Reuters

Economic indicators

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

Source: World Development Indicators

CPI Inflation



Source: SA

Stock Exchange News

The DCI closed the week 0.55% higher at 7,389.28pts. Choppies traded at BWP 1.80. FNBB closed at BWP3. Letshego was at BWP 1.40 while Turnstar ended the week at BWP 1.49.

Corporate News

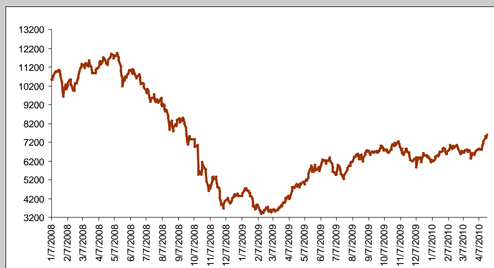
No Corporate News this week

Economic News

No Economic News this week

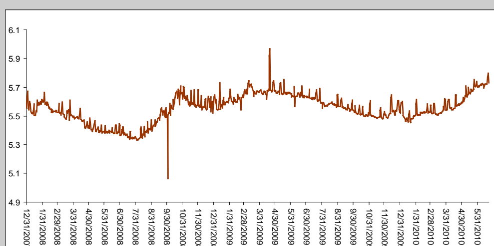
EGYPT

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 EGX30 index continued with its upward trend, ending the week 1.01% higher at 5,887.04pts. NSGB traded 15% higher at EGP 43.13. TMG Holdings increased by 1% to EGP 5.46. Citadel picked up 0.25% at EGP 4.33. Raya gained 8% at EGP 6.17.

Corporate News

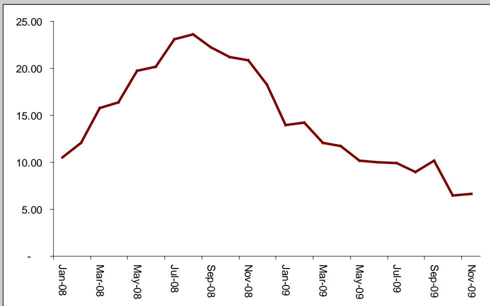
Cairo-based Ridge Islamic Capital is seeking to buy a local brokerage as part of its expansion plan, so that it can offer a full range of sharia-compliant financial services in the country, a company official told Reuters. "We want to start providing sharia-compliant brokerage services during the fourth quarter of 2012," Ahmed Rizkallah, country manager of Ridge Islamic, told Reuters on Wednesday. He said his firm was looking for an established brokerage with a solid reputation and a track record, but declined to name any possible targets or specify a potential deal size. Despite Egypt's current economic troubles, prospects for Islamic finance in the country appear to have improved with last year's ousting of Hosni Mubarak's regime and the election in June this year of President Mohamed Mursi, the candidate of the Muslim Brotherhood. Ridge Islamic plans to develop products in the areas of wealth management and pension funds, Rizkallah said. Entering Egypt's takaful (Islamic insurance) market is also on the company's priority list, either through the purchase of an existing company or by applying for a licence, but this will not happen before the beginning of next year, he added. Earlier this month the company said it would have $100 m available to place as capital or to invest in funds over the next two years. Ridge Islamic was created this year through the acquisition by Dubai-based Ridge Solutions International Holdings of Egyptian asset management firm El Rashad Holding. Financial details of the transaction were not disclosed. *(Reuters)*

Economic News

The head of foreign reserves management at Egypt's central bank said on Monday he was happy with the Egyptian pound's value and that the bank was prepared to defend the currency against speculators. Demand for the pound fell sharply after last year's popular uprising chased away tourists and foreign investors, two of Egypt's main sources of foreign exchange. But since then, the currency has fallen by only 4.5% to 6.09 Egyptian pounds against the U.S. dollar. "We're very comfortable with the exchange rate right now. We think that more or less reflects what the market thinks about the Egyptian pound," Deputy Governor Nidal Assar told a business conference.

"We are ready to interfere whenever we see inappropriate actions or attacks toward the Egyptian pound," he said. "When we see that the currency has an attack from such speculators, we do interfere, and we don't allow it."

CPI Inflation



Source: SAR

The central bank has run through more than USD 20bn of its foreign reserves since the uprising to plug a widened balance of payments gap. Reserves now stand at USD 15.1bn. "In our dictionary, speculation means dollarisation, when people actually, simply, are buying the currency and selling it after a few days," Assar told the conference organised by Egyptian investment bank Beltone. Since its appointment last month, Egypt's new government has been working to lure investors to get the economy back on track after more than a year and a half of political turmoil. So far it has attracted new investments and pledges of billions of dollars in aid from foreign governments. The economy has grown by an anaemic 2% since last year's popular uprising. Assar said foreign investors were gradually returning to the country since a newly elected president took office in June and a government was appointed in August.

"Recently, we're starting finally to see inflows," he said. We're starting to see the same names that in 2010 had USD 12bn, investing in bonds, bills and equities. We've started to see a lot of investors interested to come for FDI (foreign direct investment), for different types of investments." Interest rates on the Egyptian government's debt have fallen from historic highs in recent weeks as optimism grows that it will secure help for a struggling economy from the International Monetary Fund and other foreign donors. "Today I think around 10% off the auction or more was covered by foreigners," he said. "They're starting to build up their profile so they can penetrate (the market)." *(Reuters)*

The government faced a tough challenge to implement a coupon plan designed to cut massive energy subsidies which eat up around a quarter of government spending, Egypt's oil minister was quoted as saying on Sunday. Annual subsidies of 114bn Egyptian pounds disproportionately benefit the wealthier in society, Petroleum Minister Osama Kamal told al-Watan newspaper. Egypt's budget for the year ended June 30 was 476.3bn pounds, according to this year's draft budget. Kamal said introducing the programme would need "strong political will", unlike previous governments which baulked at taking unpopular austerity measures. A vote on the coupon system is expected after a constitution is approved by a constituent assembly is approved, a process that could take many months. Prime Minister Hisham Kandil said earlier this month the government wanted to tackle fuel and other subsidies via a coupon or smart card system in October to ensure the poor, rather than everyone, gets subsidised butane cooking gas.

Subsidies would also be cut on 95-octane gasoline and other fuel handouts would be reviewed, Kandil said. The government is struggling to reduce a budget deficit running at 11% of gross domestic product and has to sell economic restructuring to Egypt's 83m people, many in dire poverty and desperate to see the benefits of the popular revolt that ousted Hosni Mubarak in February 2011. The oil minister told al-Watan that the government had a produced a database of about 65m people, or 12m families, who would get coupons for two cylinders of cooking gas a month at the current subsidised rate. Gas bought without coupons would be priced much closer to world prices."We also have a database of families who have natural gas piped into their houses. These (also) will not get coupons. This will save the state about 80m butane cylinders, because the state will offer 280m cylinders compared to the current 360m," al-Watan quoted him as saying.

Most Egyptians now pay only around five pounds per cylinder. Kamal said the price outside the coupon system would initially be 30 pounds compared with a

world price of 68 pounds. Kamal said the subsidy on 95 octane gasoline, which the state sells at 2.75 pounds per litre, should be removed and it should be sold at its free-market cost of 4.85 pounds. Other officials have ruled out a reduction in the price of the 80 octane gasoline widely bought by the poor, which Kamal said was sold at 0.90 pounds per litre but whose true cost is 3.35 pounds. Kamal said subsidised diesel would also be sold at the current 1.10 pounds per litre using coupons, with transport and taxi drivers and certain other diesel users such as farmers eligible to receive them. All other diesel would be sold for 4.75 pounds a litre. This would trim an initial 12bn pounds off the government's 48bn pounds-a-year subsidy bill for diesel. *(Reuters)*

Egypt's economy is unlikely to grow as quickly as the government has forecast for this financial year, economists polled by Reuters predicted, dampening hopes Egyptians will see quick benefits after an uprising driven partly by economic grievances. In its budget for the fiscal year that began on 1 July, the government predicted gross domestic product (GDP) would grow by 4 to 4.5% in 2012/13, a forecast that ministers have regularly reaffirmed in recent weeks. "I think it's a bit optimistic for the coming year. If there is austerity in Egypt, the government will have very little power to stimulate the economy," said Said Hirsh, an economist with Capital Economics. Ten economists who contributed to a Reuters survey conducted 11-24 September expected the economy to grow by only 2.7% in the fiscal year to 30 June 2013, with the rate accelerating to 4.0% for the year to end-June 2014.

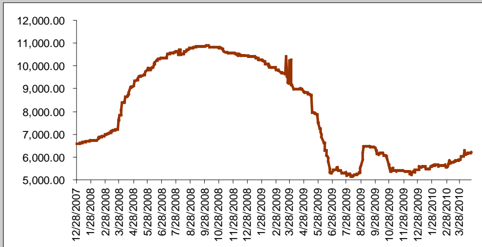
In several years before the popular uprising ousted Hosni Mubarak in February 2011, Egypt's economic growth was around 7%, which was barely enough to produce work for the large number of Egyptian youth entering the job market. Egypt economy grew by 2.2% in 2011/12 which ended in 30 June, mainly driven by favorable base effects in the last two quarters, according to Ministry of Planning figures. Finance Minister Montaz El-Said said earlier in September that Egypt's economy could reach a growth rate of 7.5% during the coming 3 years which would create 750,000 new job opportunities. Egypt's prime minister has told investors he is working on measures to make Egypt more attractive. The new government is putting the final touches on an economic reform programme it hopes will satisfy the IMF it is serious about getting a persistently high budget deficit under control, paving the way for a $4.8bn financing package.

The finance ministry on 11 September revised last year's budget deficit figure upwards to 11% of GDP, saying spending was swollen by rising wage demands and revenue was trimmed by a fall in tax receipts. The reform programme includes cutting government costs by directing energy subsidies to those who need them most. The reduction in these subsidies, which make up about a quarter of total government spending, is likely to boost inflation by raising prices of cooking gas, gasoline and diesel. The economists in the poll on average forecast a budget deficit of 10.6% of GDP for this year and 9.5% for 2013/14. They forecast inflation would average 8.6% this fiscal year and an even higher 8.9% in 2013/14. By comparison, Egypt's urban consumer price inflation in the 12 months to August was 6.5%, near its lowest level in six years. The economists predicted a negative current account balance of 2.9% of GDP in 2012/13 and a negative 2.4% in 2013/14. *(Albawaba)*

SECURITIES AFRICA

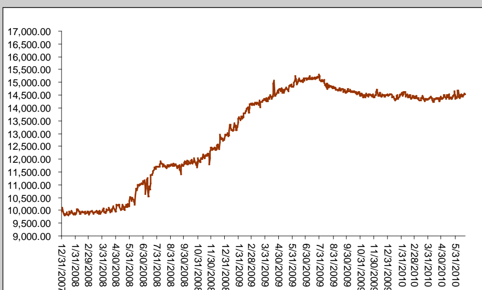
Ghana

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

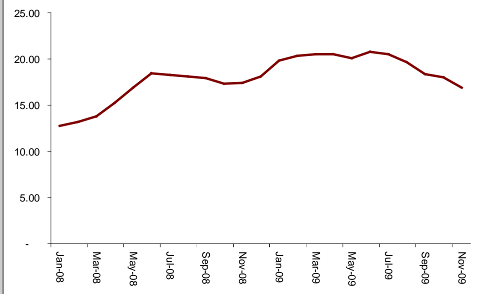
The Composite Index (CI) edged up 0.42% to end the week at 1,047.72pts. 7.79 million shares traded this week with a value of GHS 3.14m. Fan Milk rose by 0.04% to GHS 2.86. SG SSB was up 0.20% at GHS 0.49. Total lost 0.01% at GHS 18. PBC traded 0.15% lower at GHS 0.17.

Corporate News

The Bank of Ghana has decided to lift the suspension of Access Bank Ghana Ltd. from engaging in foreign exchange business with effect from Monday, 24th September, 2012. Bank of Ghana on 23rd July, 2012 imposed a six (6) month ban on Access Bank Ghana Limited, suspending it from undertaking foreign exchange business as a result of some violations of the Foreign Exchange Act 2006, (Act 723). A statement issued by the Bank of Ghana on Monday said the decision to lift the ban was reached after the BoG reviewed Access Bank's compliance with the directives, internal control measures put in place to forestall the recurrence of the breaches as well as efforts being made to repatriate the proceeds of the illegal foreign exchange transferred. The Bank of Ghana however reminded all banks and licensed dealers in foreign exchange to comply strictly with the provisions of the Foreign Exchange Act 2006, (Act 723) and the accompanying Guidelines or face severe sanctions including prosecution. *(My Joy)*

Guinness Ghana Breweries Limited continues to be a major contributor to Ghana's economy, accounting for 3% of government's total revenue. Last year, the Ghana Revenue Agency rated the company Ghana the third best tax payer in the beverage category. Guinness Ghana Breweries employs 527 people at its Kaasi headquarters in Kumasi, representing 0.4% of Ghana's labour force. The Kaasi plant produces averagely 40% of the company's total volumes, including the Africa wide innovation and Armstrong. With plans far advanced to upgrade the plant into a modern brewery facility, the company has over time invested in safety, environment, and health and business sustainability. Last year, GGBL spent £3.5 m sterling to install a pasteurizer, commissioned by the Asantehene, Otumfuo Osei Tutu II. This has helped the company rationalize the use of water, energy to improve efficiency. As the only beverage company listed on the Ghana Stock Exchange, it invested £1.9 m to revamp the effluent treatment plant at Kaasi. When completed, it will improve the quality of water discharged into the Sisa River in the Asokwa area in Kumasi, to make it more suitable for aquatic life.

Meanwhile, GGBL has for the past four years recorded 0% accident or injury at the work place. Corporate Relations Director, Nana Yaa Ofori-Atta, says workers of the company go home safely because of the importance it attaches staff protection. According to her, the company "operates within a strict business code of conduct that governs research, retail, procurement, marketing, environment, health and safety". Meanwhile, Guinness Ghana



Source: SAR

Breweries has instituted the Arthur Guinness Day, to remember one of Ireland's celebrated entrepreneurs. The company dedicating the occasion to giving back to communities in which the company operates "and to assess the impact we make on setting standards for health and safety on environment and sanitation". Nana Ofori-Atta said. *(My Joy Online)*

Economic News

Ghana, hit by lower oil production, saw economic growth slow to 2.5% year-on-year in the second quarter, and the national statistics office now expects full-year 2012 GDP to rise 7.1%. Ghana's GDP was forecast to grow 8.2% this year in a Reuters poll in July, after growing nearly 15% last year. "We all know that oil production was lower than projected during the (second-quarter) period ... we can say this is also a contributing factor, in addition to planned activities," acting government statistician Philomena Nyarko told a news conference. She also said on Wednesday first quarter year-on-year GDP growth was revised up to 15.7% from 8.7%, mainly because of additional data. That meant GDP rose 2.4% in the second quarter, compared with the first three months. Ghana, the world's second largest cocoa grower, began pumping oil from its Jubilee oil field in November 2010. While it had hoped to hit 250,000 barrels per day by 2013, it has averaged under 80,000 bpd due to delays.

London-listed Tullow Oil, Ghana's leading oil field operator, said in its second-quarter earnings statement in July that output was cut to a gross average of 63,000 bpd in the first half of 2012 because of remediation work on some wells. Ghana has produced more than 37 m barrels of oil since production started at the Jubilee field. The statistics office said the agriculture sector contracted 0.1% in the second quarter, after 5.4% growth in the first quarter, because of poor performances in the forestry, fishing and livestock subsectors. The industrial sector expanded 4.5%, driven by construction and power generation subsectors. *(Reuters)*

Ghana's economy will register a 7.1% growth rate at the end of the year, the Ghana Statistical Service (GSS) has indicated. The growth rate is 2.3% lower than the government's projected growth rate of 9.4% for 2012. According to the acting Government Statistician, Dr Philomena Nyarko, the 2012 growth rate would be partly influenced by a decline in crude oil production and a reduction in the growth of the manufacturing sector. At a press conference in Accra yesterday, Dr Nyarko said provisional and revised estimates of the country's Gross Domestic Product (GDP) indicated that the local economy is worth GH¢71.9bn in 2012, compared to GH¢59.3bn in 2011. The Executive Director of the Centre for Policy Analysis (CEPA), Dr Joseph Abbey, told the Daily Graphic in an interview that he was shocked by the findings of the provisional data from GSS. "To have a growth rate of 7.1% is a bit surprising to me. Our projections at CEPA show that annualised growth will be at 8.6% and so I am really surprised to hear the GSS say 7.1% for 2012," Dr Abbey, himself once a Government Statistician, said in his preliminary reaction to the data.

The GSS, however, indicated that the provisional data released in Accra yesterday "will be reviewed in March 2013 to capture all economic activities within the year". "We based our projections on trends in the previous years and quarters. Some of the companies also give us provisional data regarding their

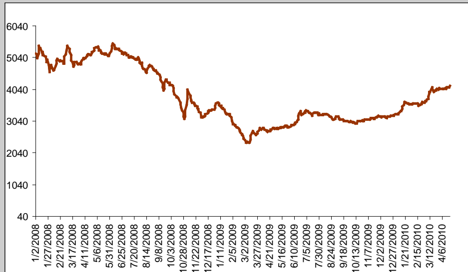
Securities Africa

growth targets for the year and, with these, we arrived at the 7.1% growth rate for 2012," the Head of Industrial and Economic Statistics at the GSS, Mr Ebo Duncan, said in an interview after the news conference. The revision is expected to take into consideration the projected rise in oil production from the current average of 75,000 barrels of oil per day (bpd) to about 90,000 bpd towards December 2012 and its impact on all industry growth. The provisional data further showed that the services sector recorded the highest growth of 8.8%, followed by industry with a growth rate of seven per cent. The agricultural sector recorded the lowest growth rate of 2.6%, the lowest since 2006.

"The agricultural sector's contribution to the economy continues to decline, with its share reducing from 25.6% of GDP to 23.1%," the acting Government Statistician said. She, however, noted that "the crops sub-sector remains the largest activity in the economy, with a share of 19.3% of GDP". The economy, meanwhile, grew at 2.5% in the second quarter of this year as a result of the 4.5% growth posted in the industrial sector. The services sector grew at 1.6% within the period. Growth in the agricultural sector, however, declined by 0.1% in the second quarter, compared to the 0.7% growth recorded in the second quarter of 2011. *(Ghana Web)*

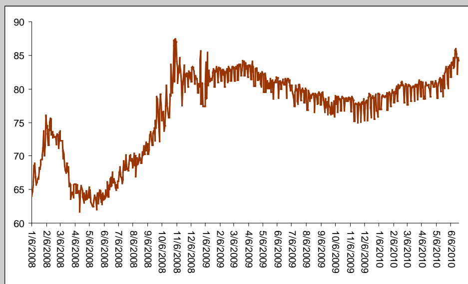
Kenya

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

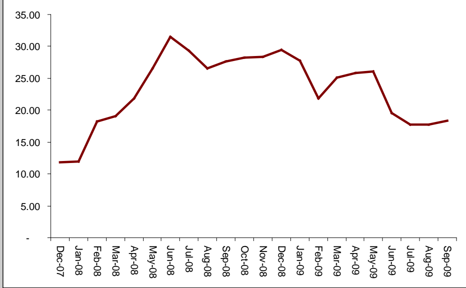
The NSE 20 index edged up 1.1% to end the week at 3,972.03pts. Turnover gained 20.3% at USD 27.6m. EABL traded 3.1% higher at KES 233. Williamson Tea rose by 7.3% at KES 220. Standard Group was up 6.3% at KES 25.50. Unga Group lost 8.3% at KES 13.75. CFC Stanbic traded 6.4% lower at KES 40.

Corporate News

Financial institutions were the main buyers of Centum's privately placed bond that raised Sh3.2bn, about three-quarters of the company's target. Centum chief executive James Mworia said he was happy with the level of subscription from the group of strategic investors in light of an uncertain economic environment in which the bond was sold. "We are very happy with the subscription level, particularly given the volatile market conditions and the fact that it was a private placement," said Mr Mworia in a statement to the Business Daily. "The investors in this issue were primarily institutional fund managers, insurance companies and banks," he added. The bond issue was handled by transaction advisors NIC Capital between August 27 and September 14. As a private issue it was targeted mainly at institutional investors, who are deemed to have capacity to evaluate investment decisions. The information memorandum on the private placement said that Centum's target was to raise Sh4bn but had set a 50% minimum subscription or Sh2bn for the placement to be declared a success. South African firm Global Credit Rating Rated (National) gave the notes a stable or an A rating to the fixed rate and equity-linked notes to the institutional investors. The fixed rate notes at 13.5% will take up 57% of the offer or Sh1.83bn while the equity-linked notes at 12.75% will take up the remaining 47% or Sh1.37bn.

Investors in the equity-linked notes will be entitled to a premium should Centum's share price appreciate over the life of the notes. A rise in the share price of above 30% over the five year tenure of the bond will see investors get a premium of up to 15% above the bond's face value or an extra Sh15 for every Sh100 redeemed. The information memorandum says that the money raised was to be apportioned to real estate, private equity and to cover the costs for executing the deal. Mr Mworia said that despite getting Sh3.2bn against the Sh4bn initially sought there will be no change in the firm's investment plans. "We shall not scale back our investment programme. The debt issue was one of a number of alternative capital raising options and we have sufficient flexibility to structure our investments to match available funds," said Mr Mworia. The 2011 annual report says between the financial year 2011-2012 the firm managed to raise Sh5.89bn by exiting some of its investments. Priority will be put on developing the first phase of Two Rivers Development, an estate located in the Runda suburb of Nairobi.

The entire project will cost Sh16.66bn, out of which Sh11.8bn will come from debt and Sh4.86bn from equity. Work on Two Rivers is expected to begin by March next year. "Centum intends to break the ground on Phase 1 of the Two



Source: SAR

Rivers project in quarter one of 2013. The project should take 24 months after that date to be completed," says the information memorandum. Phase one of Two Rivers will be on 38 acres of the 100 acres Centum owns in Runda, Nairobi. Centum plans to set up a USD 60m (Sh5bn) fund to invest in private equity out of which it will contribute 40% (Sh2bn), with the Sh3bn balance being pooled from other investors. *(Business Daily)*

Agricultural firm Eaagads has become the first NSE listed company to require that all shareholders convert their share certificates into electronic accounts. The firm amended its articles of association to recognise electronic records at the Central Depository and Settlement Corporation (CDSC) as the only proof of ownership of its stock. Shareholders who do not convert their stock into electronic accounts will be barred from trading their shares. "Pursuant to and subject to the Central Depository Act 2000 title to immobilised and dematerialised shares will be evidenced otherwise than by a certificate and title to such shares shall be transferred by means of a book entry transfer in accordance with the provisions of the Central Depository Act," said Eaagads in a statement following its annual general meeting held on Friday. The CDSC and the NSE had announced in July that electronic records at the central depository would be the only proof of ownership of shares in listed firms beginning November 30 this year.

All investors with paper certificates are required to turn the physical certificates in and convert them to electronic form through a process known as demobilisation. Both the NSE and share registrars however, indicated on Tuesday that the November 30 deadline may be postponed as consultations continue. The move to phase out all paper certificates and turn to a purely electronic system - also known as dematerialisation - will solve issues such as the mutilation and loss of physical certificates, duplication of shares, signature mismatches and reduce the time taken to trade shares. The dematerialisation process started in 2004 after the CDSC was formed. CDSC and NSE had said after the set dematerialisation date, it would not only stop recognising paper certificates but that corporate actions such as share splits and bonus would only be done electronically. Steve Kiwinda, head of operations at Comp-rite Kenya, whose clients include CfC Stanbic Bank, CFC Financial Services, Diamond Trust Bank, Kenya Power, Total Kenya and Standard Chartered Bank said that the volumes of shares being immobilised had gone down since the process started. "Immobilisation has gradually reduced," said Mr Kiwinda adding that the trend going forward is new issues are coming into the market in a paperless form.

The NSE, which is planning to list its shares after the demutualisation process is complete has already said that its issue will not involve paper certificates. According to the CDSC, as at June 29 this year, all listed firms at the NSE had issued a total of 74.92bn shares of which only 27.17bn or 36% had been converted into electronic accounts. This means that as of the end of the first half of this year, 47.74bn or 64% of the shares were being held in paper form, 43.91or 92% of which were held by strategic investors, indicating that most of the shares in paper form were held by a small group of investors. Data from the CDSC also indicates that as at the end of June, 31.01bn shares were available for sale at the Nairobi bourse and 80.95% of these shares were in electronic accounts. "With effect from the dematerialisation date, any reference to transfer of shares or debentures shall be in a book entry performed by the central depository," said Eaagads. The agricultural firm also passed resolutions that now allow directors and committee members to participate in meetings using

technologies such as video conferencing. *(Business Daily)*

Former tax chief Michael Waweru has been appointed a director at East African Cables, deepening the role of top shareholders of investment firm TransCentury in the board of the firm. The cable firm told the Capital Markets Authority (CMA) that it replaced Davinder Sikand with Mr Waweru, who retired in March as the commissioner general at the Kenya Revenue Authority after serving nine years. The company did not explain the reasons behind the exit of Mr Sikand, who joined the board of EAC in 2004 after TransCentury bought a stake in the Nairobi Securities Exchange (NSE) listed firm. "Michael Gitau Waweru was appointed as a director of the company by board (to fill a casual vacancy) with effect from August," said East Africa Cables in a notice to the CMA dated September 17," read part of the notice. "Davinder Sikand resigned as a director of the company with effect from July 9."

Mr Sikand was a representative of TransCentury and his association with the investment firm could be traced to the 1990s when it transformed from a small investment club to a private equity player closing mega deals at the NSE. He has been the managing partner at PE firm Aureos East Africa Fund since its inception in 1996. The board shifts has added another top shareholder of TransCentury to the board of EAC, which has remained on the tight grip of the firm. TransCentury owns 68.3% of EAC. Mr Waweru is second largest shareholder in TransCentury with a 7.76% stake worth Sh451m. Other top shareholders of the firm in the EAC board are the chairman of the cable firm Zeph Mbugua (6.06%), Peter Kanyago (6.99%) and Gachao Kiuna, the CEO of the investment company. The other non-executive director is Bruno Thomas. The cable firm is the jewel of TransCentury contributing nearly half of its revenues. *(Business Daily)*

Central Bank of Kenya has frozen new governance rules that could have led more than half of 44 lenders to reconstitute their boardrooms in response to the regulations that require half of non-executive board seats to be held by independent directors. The new rules, aimed at reducing the influence of principal shareholders in the boardrooms as well as safeguard the interests of minority investors, were to be implemented last month. Co-operative Bank, Housing Finance, Equity Bank and the National Bank of Kenya topped the list of the Nairobi Securities Exchange listed banks that were required to shake-up their boards. Now, the Central Bank says the rules had been put on hold to allow further public input even as a number of commercial banks expressed their discomfort with the new regulations. "Following public comments the effective date of August 1 was deferred to allow further consultations," said CBK in an e-mail response to the Business Daily. "The guidelines are being finalised and the Central Bank will shortly issue them to the banking sector."

The regulator was keen to reduce the big role that old-boy networks currently play in the appointment of directors in the banking sector with the planned independent director's rule — whose draft CBK unveiled in June. The bank defines an independent director as a board member who is not a direct or indirect representative of the principal shareholders, has not worked in the bank as an executive for the past five years or had any business relationships with the institution in the same period. Significant suppliers of the lenders or relatives of senior managers and those with a direct or indirect shareholding of more than five per cent in the appointing banks are also not considered independent. Majority of directors in local banks secured their seats in boardrooms with the

help of business associates, personal contacts or friends. Corporate governance experts said that this mode of operation denies company boardrooms diversity that is critical for fresh ideas, debate and improved governance standards.

A key provision of the new rules is the requirement that banks appoint a lead independent director to deal with conflict of interest associated with the chairperson of the board. The Central Bank, unlike the Capital Markets Authority, only limits lenders from appointing executives to be their chairpersons, leaving the door wide open for principal shareholders, former executives and consultants to chair the boards. This is the reason many bank boards are chaired by principal shareholders or their relatives.
The list of bank boards that are chaired by big shareholders or their associates includes NIC Bank's James Ndegwa who is associated with First Chartered Securities, the single largest shareholder in the bank with 15.8% stake and ICEA that has 9.06% stake. Titus Muya, the founder and a significant shareholder in Family Bank, falls in the same category as Fina Bank whose board is chaired by Dhanu Hansraj, a founder and a key shareholder.

The guidelines also bar directors from sitting in the boards of more than one bank licensed under the Banking Act "unless one is a subsidiary of the other". Equity has directors in the Housing Finance board where it has a 24.85% stake. The four who include chairman Peter Munga, Benson Wairegi (CEO of British American Investment), David Ansel, and Shem Migot-Adholla sit in board of the mortgage firm, which is not a subsidiary of Equity. *(Business Daily)*

The government has thrown its weight behind the recent layoffs at Kenya Airways, saying the job cuts are key to returning the national carrier to profit growth. In a stormy session at Parliament on Tuesday, Transport ministry Permanent Secretary Cyrus Njiru told the parliamentary committee on Labour and Social Welfare that KQ was reacting to tough business environment faced by global airlines.Dr Njiru, who represents the interest of the government in KQ, said the decision to shed jobs was supported by the board and the State, which has a 29.8% stake, has little influence on the carrier's management decisions. "The cost of labour and fuel have been increasing and affecting airlines all over the world and the management had the right to cut costs," said Dr Njiru. His comments were in conflict with those of Prime Minister Raila Odinga who had earlier directed Kenya Airways to suspend the planned retrenchment of its employees, but the national carrier forged ahead with the plan after the Industrial court lifted an injunction that had stopped the carrier from sending them home. The national carrier shed 578 jobs in a bid to cut its wage bill that has doubled in the past five years from Sh6bn in 2007 to Sh13.4bn in 2012. Its profit dropped 51.4% to Sh1.7bn as its costs led by staff and fuel expenses raced ahead of its revenues.

The government is the largest shareholder with a 29% stake and 26.7% of the carrier owned by Air France KLM. The State stake is below the 51% threshold needed to make it a public owned firm—a position that makes it easier for the government to control the affairs of companies. On Tuesday, the sacked employees protested in the streets of Nairobi before making stop over at the Prime Minister's office and Parliament buildings. Mr Njiru who had been summoned by the committee to shed light on the lay-offs refused to disclose his role at the national career leading to a premature end of the meeting. His action led MPs to conclude that there is an attempt by the government to delay the

investigation given that the committee has 21 days to complete its probe. The committee chaired by nominated MP Sofia Abdi threw the PS out and ordered that he appears together with Transport minister Amos Kimunya at a date to be communicated. Njiru's tribulations were triggered by questions asked by Mr Charles Keter (Belgut) who demanded to know the PS role in the KQ board. "It will be inappropriate for one board member to answer questions directed to the entire board," he said. *(Business Daily)*

Kenya's main electricity producer, KenGen, has invited parties to submit bids for the development of 560 MW geothermal power plants, the company said on Thursday. The company said it planned to develop the power plants in phases of 140 MW each at Olkaria within the east African nation's Rift Valley under a joint venture arrangement in which successful bidders would build, and later transfer, the facilities back to the firm after 10 to 20 years. "The successful bidder or consortium would be the majority shareholder," KenGen said in a call for the bids in the Kenyan newspaper, the Daily Nation. Kenya is the first African country to drill geothermal power, tapping vast reserves of steam energy in the country's Rift Valley region, which remains geologically active. The country has the potential to produce 7,000 MW and is targeting production of at least 5,000 MW of geothermal power by 2030.

Although expensive to drill initially, development of cheaper geothermal power means the country will come to rely less on thermal power, prone to the vagaries of high international prices, and rain-fed hydroelectric dams. The cost of energy is a key factor in the east African nation's inflation levels. Kenya's peak electricity demand has risen to about 1,200 MW, compared with 780 MW in 2002, driven by economic growth. KenGen produces 1,141 MW and the rest is generated by independent power producers which mostly rely renewable energy such as wind power. KenGen said in February it planned to raise $12bn to build six geothermal power plants that should generate 585 MW by 2016, as it pushes to diversify its power sources. The company on Wednesday posted an 11% rise in its full year pretax profit to 4.045bn shillings, helped by increased output from new plants.
East Africa's biggest economy has embarked on capital-intensive alternative power generation projects, in a bid to reduce dependency on unreliable rain-fed hydroelectric dams and thermal power prone to erratic rainfall. *(Reuters)*

Kenya's main electricity producer KenGen posted an 11% rise in full year pretax profit to 4.045bn shillings ($47.53 m), helped by increased output from new plants, it said on Wednesday. The firm attributed the improved profits to a 14.5% increase in revenue to 17.4bn shillings, buoyed by improved electricity sales due to increased production capacity from newly commissioned power plants. On the other hand, operating costs rose at a slower pace, increasing 2.5%, KenGen said in a statement. The company plans to install an additional capacity of 65 megawatts by 2014 from its geothermal fields, it said, adding another plan to generate an additional 560 MW of geothermal electricity were at an early stage. It raised its dividend per share by 20% to 0.60 shillings. *(Reuters)*

The Lonrho Group will make a re-entry into Kenya's hotel business under the London-based budget brand easyHotel, seven years after the firm sold its hospitality business to a consortium led by Saudi Arabia's Kingdom Hotel Investments (KHI). Lonrho, which is listed at the London Stock Exchange, said it would open six budget hotels in Nairobi by April as part of

plans to open 50 units in Africa by 2016, starting with Johannesburg this year. The easyHotel brand offers low cost products and cuts down on luxurious services that make traditional five-star hotels more expensive. Lonrho sold five hotels including The Norfolk Hotel, Mount Kenya Safari Club, and The Ark for about $60m (Sh5bn) to KHI and Fairmont Hotels & Resorts. “We want to come into this market with not just one hotel, but multiple hotels within Kenya and the EAC,” Mr Ewan Cameron, the chief executive of Lonrho Hotels told the Business Daily at the Africa Hotel Investment Forum held in Nairobi this week. “We hope to be in a position where we can open our first easyHotels in Nairobi before Easter next year,” said Mr Cameron, adding that they will target locations like Jomo Kenyatta International Airport (JKIA), Westlands, Upperhill, the city centre, and Mombasa.

Lonrho also plans to open a 200-room five-star facility dubbed Lansmore Hotel to add to Africa’s hospitality interest. Its hotels on the continent include Hotel Cardoso in Mozambique, Grand Karavia in the Democratic Republic of Congo, Leopard Rock Hotel & Championship Golf Course in Zimbabwe, and easyHotel of Johannesburg. Lonrho’s increased interest in Kenya’s hotel business comes at a time when the company has decreased its interest in other ventures. It sold a 49% stake in Fly540 to a British investment firm in a deal worth Sh7.2bn. It also sold its stakes in Toyota Kenya, Farmers Choice, Standard Newspapers, Uplands Bacon Factory, and East Africa Tanning. Lonrho inked an exclusive deal with easyGroup to operate easyHotel branded facilities in Africa and is counting on affordability to gain market share in the 25 African countries it targets to start operations. Sir Stelios Haji-Ioannou owns easyGroup, a conglomerate and holding company whose interests span sectors like aviation (easyJet and FastJet), cinemas, and car hire. Mr Cameron said that easyHotel will offer accommodation starting from $39 (Sh3,276) per night compared to an average of $100 (Sh8,400) charged by traditional five-star hotels Lonrho’s plans come at a time when Kenya’s hotel industry is witnessing significant activity, with several new facilities already opened and more set to be opened in coming months.

The Belgium-based Rezidor Hotel Group is expected to open five-star Radisson Blu in Upper Hill, Nairobi, in early 2014, according to its website. The Park Inn by Raddison is scheduled to open its doors towards the end of 2013. International luxury hotel chain Kempinski, which specialises in conference, catering and hotel supplies, started operations in June at premises it’s managing on behalf of Simba Corporation. Hilton plans to open two new hotels in Nairobi and is looking to renovate and rebrand existing facilities on Kenya’s coast, as well as venture into Congo and Rwanda. The new hotels are looking to cash in on tourism growth that has led to increased demand for bed capacity. Investors are targeting conference and business travellers as well as leisure tourists who come into the country via Nairobi on their way to other destinations. *(Business Day)*

Economic News

Thousands of local investors have exited the Nairobi bourse, leaving room for foreigners to dominate trading and increase their share of the market. Data from the Capital Markets Authority (CMA) shows that thousands of local investors have left the equities segment of the Nairobi Securities Exchange (NSE) in a move analysts say is a reflection of their frustration with the

persistence of low share prices. Some of the investors have also moved their money to real estate, fixed-income or bond markets where returns stand higher than equities, analysts said. A total of 15,307 investors, the majority of them retail and at least 2,000 corporate or institutional investors, left the bourse in the past two years, according to official market data. The exit saw the total number of shares held by local individual and corporate investors fall by nearly nine percentage points to 69.5% of the total compared to two years ago when they controlled 78.1% of the market.

This means that there were 872,441 individual Kenyan investors at the NSE by the end of June, down from 885,188 investors in June 2010, following the exit of 12,747 retail investors in just two years. Some 2,290 institutional investors also left the bourse during the period. It is the first time that a large number of investors have left the equities market since the 2008 entry of telecoms giant Safaricom through an initial public offering (IPO) that raised the total number of CDS account holders to 965,000. The recent exit of local retail and institutional investors has cut the number of CDS account holders to a total of 915,000 or an annual average exit rate of just over 12,000 in the last four years.
Foreign investors have over the same period raised their total holding of shares at the bourse to 31% up from 22% – the highest point ever in the past five years. Stockbrokers and investors cite the big shift to real estate, the long bear run that left the share prices at four year low and disappointment with the performance of Safaricom share price as the three main drivers of the investor exits.

Safaricom debuted in the market at a price of Sh5 a share but has mostly traded at below the offer price in the past four years. Analysts say that while small shareholders have left out of frustration, the high net-worth and institutional investors have mostly moved out as part of a deliberate plan to diversify their portfolios. “While some have left out of frustration, others have left because they think other investment options may be more profitable,” said Job Kihumba, executive director at the Standard Investment Bank. For high net-worth and institutional investors, the fixed-income market characterised by high interest rates on Treasury bonds and bills has been a key pull factor. Mr Kihumba said the days when retail investors jammed brokerage houses to trade in shares appears to have gone by leaving behind those with a long term view of the market. Mr Kihumba said the exists have been mainly in the ranks of investors with up to Sh200,000 worth of shares have gone away due disappointment. Those holding higher amounts have only moved their investment to real estate, buying plots or building houses, he said. “High net-worth individuals have been particularly keen on entering the robust real estate market after disappointment with low prices in the past couple of years.” This has left foreign investors to dominate trading at the bourse, accounting for as much as 70% of the market turnover on some trading days. The number of institutions, including insurance companies and investment firms, going into real estate has also steadily risen in the past couple of years increasing the total value of exits. *(Business Daily)*

Tax revenues increased by 12.9% in the first two month of the current financial year, indicating increased efficiency by the taxman that helped to offset effects of lagging economic growth. Data released by the Ministry of Finance shows tax collections for July and August totalled Sh94.8bn, compared to Sh83.9bn in the first two months of last year. The revenue collection data, however, shows that the Kenya Revenue Authority (KRA) may be lagging behind its annual target since the 12.9% growth is below the 23% target increase projected in the entire financial year. “The growth shows the Kenya Revenue

Authority is sealing loopholes of tax collection and zeroing in on those who were not paying," said Samuel Nyandemo, a lecturer of Economics at the University of Nairobi.

July and August are generally considered slow months for the taxman because most companies' financial years end in June and December, with their tax payment dates falling in October and August. "To give it to them, July and August are usually not good months and if you look at consumer spending it has not been that vibrant," said Nikhail Hira, a tax partner at financial consulting firm Deloitte. In the past one year, the public has had to make do with higher cost of goods as inflation rates rose to 19.7% and lower consumption power as interest rates went up to highs of 28%. Though inflation had slumped to single digits, analysts have noted that it had been on the back of a high base, implying that the cost of goods was still high.

KRA has a target of collecting Sh870.5bn in taxes this year, a 23% growth over last year's Sh707.4bn. "If that trend continues it is going to be difficult to hit the annual growth target. We need more investments into the country but uncertainty on elections, regulatory framework need to be cleared," said Mr Hira. Investors have been shying away owing to poll jitters following the post-election violence witnessed in the last General Election. "There is usually so much sideshows and diversions but otherwise there is enough time to hit the target," said Dr Nyandemo. Parliament is yet to pass the VAT Bill, creating uncertainty on companies' planning for tax liabilities. Contention had been on exclusion of zero rating with those opposed to the proposed changes holding that some essential goods should be excluded from the value added tax (VAT) bracket.

Kenya has in the past been criticised for losing revenues estimated at Sh40bn from exemptions and adoption of the Bill is expected to widen the taxman's scope. The tax collector is also preparing to turn its attention to landlords who have for years avoided paying tax on rent income to boost its collection. KRA is also enhancing the Electronic Tax Register through interconnectivity to a real-time central server to facilitate two-way communications between taxpayers and the taxman. *(Business Daily)*

The world's major airline operators have increased the fuel surcharge on passenger and cargo tickets, setting the stage for higher cost of travel and transportation of goods across the globe. Airlines plying Kenyan routes such as Swiss Air, British Airways, Emirates, Air France-KLM Cargo and Egypt Air have, starting this month, increased fuel-related charges by margins of between four and six per cent, citing the ongoing rise in jet fuel prices. "Due to the current volatility of oil prices, Emirates is increasing its fuel surcharge, effective September 20, 2012. This is to reflect the substantial increases in our fuel costs," the Dubai-based Emirates Airlines said in a statement. "Emirates has already incurred significant costs by absorbing the recent price rises, but the surcharge gives us the ability to respond faster to market conditions, rather than a lengthier process of incorporating them into our fares," said Khalid Bel Jaflah, Emirates Regional Vice President for East Africa. The International Air Transportation Association (IATA), said jet fuel prices rose to an average of USD 138.7 a barrel as of September 14, an 8.5% year-on-year increment and 3.9% higher than the previous month's price.

IATA expects jet fuel prices to average USD 129.2 a barrel, translating to an additional USD 32bn in the aviation industry's fuel bill this year and is expected

to eat into the airlines' profits. In the year ending March 2012, national carrier, Kenya Airways has, for instance, reported a 53% drop in its net profit to Sh1.66bn on the back of a 44.6% rise (to Sh77.2bn) in operational costs that were mainly linked to high fuel prices and a steep increase in hedging costs. To sustain their operations in the wake of higher fuel costs, airlines are using the surcharge to pass on the burden to consumers who will bear increased passenger and freight charges. Analysts said the surcharges could affect the performance of key export sectors such as horticulture as well as tourism, which are among Kenya's leading foreign exchange earners but are highly dependent on the airline industry. Air freight cargo has in recent years become popular with exporters and importers as piracy intensified off the coast of Somalia, sending the cost of ocean freight through the roof.

Air cargo volumes have increased sharply after shipping lines were hit by higher risk premiums that they have had to pass on to the consumers. "It is unfortunate that this has coincided with the high season for horticulture exports and tourism in Kenya. We expect a substantial hit in terms of higher operation costs," said Jane Ngige, the Kenya Flower Council CEO. Kenya's main horticulture export season falls between October and May, meaning producers eyeing foreign markets such as Europe will pay more when the next shipment period begins next month. Air transport is popular with horticulture growers because of the highly perishable nature of their produce. Horticulture earned Kenya Sh91.6bn in 2011 and industry players expected to fetch up to 10% more this year. Tourism is also expected to take a hit from the higher costs of tickets that are expected to add to the challenges facing potential travellers in key source markets such as Europe. "Any increases in the cost of travel will affect the inflow of tourists and possibly cause losses for some businesses," said Lucy Karume, chairperson of the Kenya Tourism Federation.

Kenya's peak tourism season falls between July and October, coinciding with the world famous wildebeest migration from Tanzania into Kenya through the crocodile-infested Mara River. The higher fuel charges could deal a blow for players in the industry that is still struggling to shake off the effects of the recent wave of insecurity, especially in Coast province and a wobbling global economy. Kenya earned Sh98bn from tourism last year but most operators fear that the performance may not be matched this year partly due to the travel advisories that European countries and the US have recently issued and a weak global economy. Kenyan businesses also face a pricing challenge in the Kenya Airports Authority's (KAA) plan to introduce a new levy on shipments through its facilities. KAA said the new rate will be based on the weight of every consignment and set at 50 cents per kilogramme for goods above 5,000 kgs in addition to a standing minimum charge of Sh250 per airway bill or consignment. KAA said the concession levy is to help move its charging system to international standards, which require cargo owners to pay for all shipments that passed through every airport as recommended by the International Civil Aviation Authority.

Proceeds from the levy will finance a raft of tasks such as maintenance and operation of airports, as well as security services. Cargo concession was established as a fee chargeable to clearing and forwarding agents under the handling category of the Concession Order 189 of 1996. The fee is charged at six per cent of annual gross turnover with a minimum guarantee of Sh150, 000 per annum for operating at the airports. It was later negotiated and fixed at Sh200 per airways bill/customs entry and revised to Sh250 per airway bill/entry payable by importers and exporters. The new weight-based levy proposals will,

however, mean increased costs for those shipping consignments above 5,000kg. Any weight above the 5,000 kgs mark will attract an extra charge of 50 cents per kg. The Kenya Civil Aviation Authority has also announced plans to increase its charges by between 100 and 400% on the various regulatory services, signalling an additional cost burden on users. The authority is seeking to introduce a new flight safety charge of USD 2 per passenger on international flights and Sh50 on domestic flights and to double the annual licence fee per student pilot to Sh1,000 from the current Sh500. *(Business Daily)*

The International Monetary Fund expects the Kenyan economy to grow by at least 5% this year and in 2013, thanks to improving macroeconomic fundamentals, a senior fund official said on Tuesday. Soaring inflation, a slump in the shilling currency and the subsequent high lending rates towards the end of last year cut growth to 4.4% from 5.8% in the previous year, and eroded investor confidence in east Africa's largest economy. The IMF however cautioned that its growth forecast depended on the east African nation carrying out a presidential poll scheduled for next March in a peaceful manner. The last such vote in 2007 was marred by violence after the then opposition disputed the result, sparking violence. "We believe with lower interest and inflation rates, macroeconomic stability and improved confidence, we think that 5% should be well within reach," said Domenico Fanizza who led an IMF visiting mission to Kenya. "This (projection) assumes that the elections will be smooth," Fanizza said.

The central bank embarked on an easing cycle in July this year after inflation slid continuously since December and after the shilling stabilised against the dollar, restoring a measure of confidence in the economy and policymaking. It cut the policy rate by 350 basis points to 13% at the last rate-setting meeting earlier this month after inflation declined for the ninth straight month to 6.09%. Fanizza said a high buffer of reserves to USD 5.2bn, or 4.14 months of import cover, by the central bank had built up confidence in the country's economy. Kenya's ministry of economic planning expects the economy to grow by 3.5-4.5% this year while the Treasury is slightly more optimistic, expecting a growth rate of 5.3%. *(Reuters)*

International companies seeking to exploit Kenya's mineral wealth could pay up to three times the current rates as the government moves to increase its earnings from the mining sector with higher royalty fees. Environment and Mineral Resources Permanent Secretary Ali Mohammed Thursday said the existing fee structure is being reviewed to set specific charges for each mineral away from the current policy that levies the fee at the rate of three per cent of a contract's value for all minerals. Under the proposed structure, diamonds and other precious minerals such as gold will be charged royalty at the rate of 10 and five per cent respectively. The proposals are contained in the Geology, Minerals and Mining Bill 2012 that the PS said is with the Cabinet. If passed, exporters of raw minerals will face an additional four per cent royalty charge while those shipping out refined or processed metals will pay rock bottom fees chargeable at one per cent of the total value. Mr Mohammed said the export charges are aimed at discouraging the shipping out of jobs and investment to help tackle the ever rising challenge of mass unemployment among the youth.

The Bill proposes that the threshold for value addition on minerals be set at a minimum of 30% meaning that anything below the set limit would be considered

raw and taxed at the rate of four per cent. “We plan to get better returns from this sector that has recently become one of the most promising segment of our economy,” the PS told delegates to a mining conference in Nairobi. In Kenya, royalties charges are pegged on gross earnings of an exploration firm in addition to a 30% corporate tax on profits. Kenya’s decision to increase its royalty fees comes a few months after Tanzania made a similar move, raising royalties charged on minerals such as gold from 3 to 4%. Dar also wants mining companies operating within its borders for more than five years to start paying corporate tax at the rate of 30% regardless of whether they are making profits or not. Mr Mohammed said revenue from the mining sector will be shared among the central government, which will retain 75%, County government 20% with the remaining five percent going to communities living around the project sites.

Environment minister Chirau Ali Mwakwere said lack of sound regulations has denied Kenya its fair share of the mineral wealth, an anomaly that the new laws aim to correct. “Things have been slanted in favour of investors leaving the government with a paltry five per cent of the proceeds,” he said. Kenya’s mining sector is currently operating on the Mining Act of 1940 that has been revised only twice, in 1972 and in 1987 but without the inclusion of contemporary practices such as fair sharing of revenue. The absence of comprehensive mining policy has left the country open to gross exploitation by foreign fortune hunters most of who have paid royalties at their own discretion. Official data from the Ministry of Environment and Minerals shows that most mining companies are currently paying royalties at the rate of 2.5% instead of the indicative rate of three per cent. Some of the firms, especially the medium-sized and small-scale hunters operating in the countryside, do not pay the royalties altogether. Heavy leakage of revenue from this sector has left Kenya with total annual earning of between Sh15-20m despite the intensive prospecting and exploitation activities taking place in the country.

In 2010, for instance, exploration firms paid Sh15.5m in royalty fees and Sh29.6m in 2011 even as official records show that Kenya earned Sh6.2bn from the sale of two tonnes of gold alone in 2010 -- three times higher than the year before. The government’s earnings from royalties fees is however expected to rise sharply this year reflecting the recent tightening of the regulatory environment in the wake of increased interest in the sector. Recent discovery of large reserves of gold in western Kenya continues to attract foreign interest resulting in the entry of a number of international mining firms mostly through farm-ins into existing licence holders. Activity has also intensified in the coastal strip, especially the county of Kwale where large deposits of rare minerals such as niobium and titanium have been discovered and in Machakos county’s Mui basin where large deposits of coal have been found. Poor performance collection of royalty fees is being partly blamed on small-scale firms that have over the years operated without filing any records with the government.
“The proposed laws should also help us to rope in small-scale prospectors through mandatory licensing,” Mr Mohammed said.

Mineral exploration licence fees and ground rent charged for presence on the various mining sites are also set to rise substantially. The prospectors are currently charged a paltry Sh250 for access to a site. The proposed legislation also seeks to establish three mineral sector agencies, the Kenya Mining Investment Corporation, Kenya Geology, Minerals and Mining Authority and the Geology and Minerals Mining Board to enforce regulation and boost output. Mr Mwakwere said the government would soon conduct an aerial survey to map all

its mineral reserves. "Kenya is generally an under-explored territory whose actual mineral potential remains unknown," the minister said. Tanzania undertook comprehensive mapping of its mineral deposits in the 1970s while Uganda carried out a similar exercise between 2007 and 2010. "We want to map our resources in the spirit of the East African integration so that we have a uniform picture," Mr Mwakwere said. Partner states of the East African Community are jointly drafting new laws to regulate the mining sector following increased interest by global exploration firms some of which have expressed interest in cross-border activity. *(Business Daily)*

The Treasury wants to raise the Valued Added Tax (VAT) collection from the current five per cent of GDP to near the global best practice of 20%, Finance minister Njeru Githae has said. Mr Githae said he was disappointed that VAT as a proportion of gross domestic product had actually gone down in the past few years to five per cent whereas it used to be eight per cent.

"I am disappointed that our VAT to GDP has gone down. I want to raise it to 20% through the new VAT Bill. This is what some countries are able to achieve," said Mr Githae as he responded to queries from journalists on the status of the VAT Bill on Wednesday. The Bill basically does away with foregoing the tax even for basic food items as well as fertilisers and seeds, which some have argued amount to disproportionate burden on the poor.

Experts said that the Kenya Revenue Authority (KRA) can raise VAT to 12% of GDP but it would be difficult to raise it to 20%, except possibly in the long run. "It is very ambitious to raise tax as a proportion of GDP to 20%. There is certainly scope to raise it to between 10 and 12% if we do away with the zero-rating and exemptions," said Nikhil Hira, tax leader at financial consulting and audit firm Deloitte East Africa. Mr Hira said it should be possible to collect more in VAT than corporate tax as is the case in some other countries such as the UK. Mr Githae spoke only a day after he had held meetings with the International Monetary Fund (IMF), which has recommended doing away with VAT zero-rating and exemptions for goods because Kenya can use other safety nets to cushion the less fortunate. Mr Githae said the Bill has already been given a go-ahead by the Cabinet and would soon be before Parliament for debate and possible enactment into law.

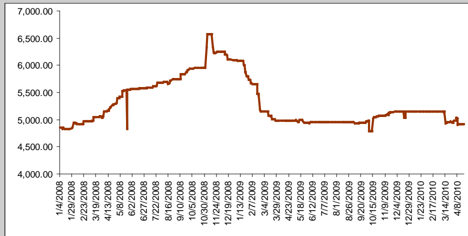
The minister wondered why the increase in GDP had not led to growth in taxes, at least to keep it at the same proportion of eight per cent as in the previous years. "We have to do everything to raise the amount of taxes we collect from VAT once we pass the Bill," said Mr Githae. However, the Bill could face hurdles passing through Parliament as a number of legislators have already voiced opposition to the taxing of food items, plant seeds, fertiliser and other basic consumer goods. Kenya has used cash transfers to orphans and poor households housing as well as the old people. However, the programme, partly funded by the World Bank, is still at a limited scale involving only a few thousand people countrywide. "If you raise enough from VAT, you can finance poverty-alleviation projects; the government can afford to give some social safety nets," said Dominico Fanizza, the head of an IMF mission that visited Kenya recently to review economic developments and reforms against a programme agreed on in early 2011. Mr Fanizza said those who pay tax, such as VAT on inputs, are big businesses and it hardly affects SMEs. Manufacturers can claim back input VAT as a refund, he noted. *(Business Daily)*

Buyers of Kenyan Treasury bonds will have a new tool to track the performance of their investments at the exchange with the launch of the FTSE NSE Treasury Bond Index. Nairobi Securities Exchange CEO Peter Mwangi said Thursday that the new index will be launched on October 3. It will offer investors a chance to compare performance of their investments with an international benchmark. "The launch of the Treasury Bond Index will allow investors, for the first time, to use an independent benchmark to measure the performance of their bond portfolios," said Mr Mwangi. The FTSE NSE Kenya Index Series was first launched last November. It currently comprises of the FTSE NSE 15, and FTSE 25 Kenya indices, which are designed to represent the performance of shares of listed Kenyan companies. The new index is expected to draw foreign investors to Kenya's fixed income market which had a turnover of Sh450bn last year, or slightly more than four times NSE's trade volume of Sh107bn.

The FTSE benchmark indices are popular with investors due to their transparency, tradability, and availability on a number of global vendor platforms, said Mr Mwangi. The index will use a base year that will enable investors to track if prices of their bond holdings are rising or falling. Fixed income dealers said that the new index will come in handy especially for corporate investors, who in the past have not had a standard benchmark for pricing bond offers. "It is important mostly for corporates who will see how trading has been in the past from which they can see what premium they can put on securities they plan to issue," said Mr Mueni. Centum Investments and Housing Finance are listed companies planning to float notes on the NSE's fixed income segment. Analysts said that the FTSE NSE Treasury Bond Index will also make it easier for investors to see how many shillings they get for investing in a bond and compare this to the share index. "We will have a benchmark for that market so that we can track returns on both equities and bonds," said Mr Johnson Nderi, a research analyst at Suntra Investments Bank. *(Business Day)*

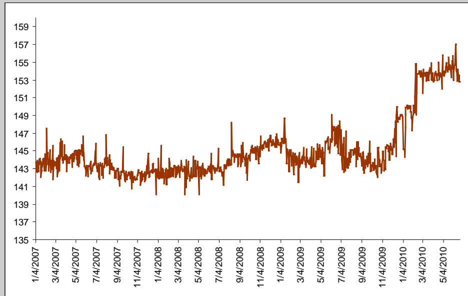
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The Malawi All Share Index remained level at 5,926.44pts. The market recorded trading activity in only 4 counters, namely, Illovo, Mpico, NBS and Standard Bank. Turnover was rather on the thin side with only USD 6, 936.84 worth exchanging hands in the past week.

Corporate News

No Corporate News this week

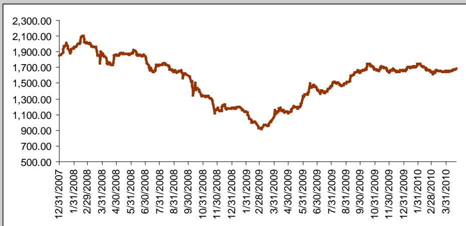
Economic News

No Economic News this week

Source: SAR

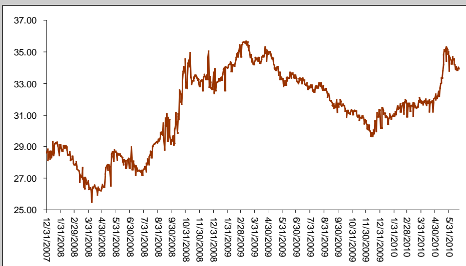
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The Semdex edged up 0.8% to end the week at 1,703.16pts while the Sem-7 closed 1.0% lower at 328.92pts. MCB dropped to MUR 162.00 (-1.2%). Bramer Bank gave up 2.7% to MUR 8.95, while State Bank ended at MUR 83.50, experiencing a gain of 1.8%. MEI shot up by 7.1% to MUR 75.00. Innodis grew by 1.2% to close at Rs42.50. Rogers and IBL fell by 1.3% and 0.6% to MUR 308.00 and MUR78.00 respectively. Sun Resorts also lost 0.4% to MUR 28.30. The market turnover was MUR 253.3m (USD 8.3m).

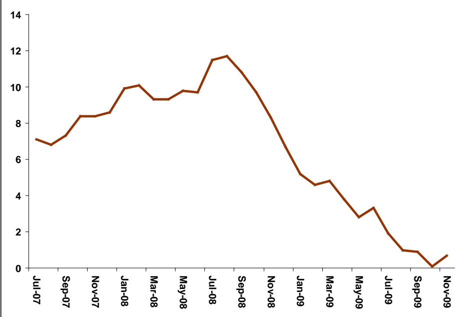
Corporate News

State Bank of Mauritius, the island's second-largest bank, on Wednesday posted a 30.5% rise in full-year pretax profit and said it expected earnings to grow by 15% next year due to income from offshore clients. The bank, which has a market share of about 25%, said pretax profit for the period rose to 3.230bn rupees ($106 m) for the year ended June 30, compared with 2.474bn a year earlier, driven by higher net interest income. Indian Ocean island Mauritius launched its offshore sector in 1989 and introduced generous tax breaks, pitching itself as a financial platform bridging Africa, the Indian sub-continent and Asia. State Bank of Mauritius chairman Muni Krishna Reddy said offshore business contributed about 20% of earnings this year which he hoped would grow to 50% as the bank diversifies away from a highly competitive domestic market. There are about 20 banks in the country which focus mostly on retail banking.

"We are expecting earnings to grow by at least 15% next year driven by fee-based income from offshore business," Reddy told reporters. The bank said earlier in a statement that assets growth had been mainly driven by growth in lending to clients of 9.7%, to 62.3bn rupees "on the back of market share gains in the Mauritian rupee coupled with the planned downsizing of cross-border lending from Mauritius in other currencies". Earnings per share rose to 10.14 rupees from 7.80 rupees. Net interest income climbed to 3.198bn rupees from 2.498bn in 2011. The bank's shares last traded up 1.22% at 83 rupees. *(Reuters)*

Economic News

The Mauritius central bank left its key repo rate unchanged at 4.90% on Monday and cut its economic growth forecast for this year to 3.3% from 3.8%, citing the impact of economic problems abroad. The Monetary Policy Committee (MPC) said it had considered lingering downside risks due to the downturn in its main export markets in the euro area as well as emerging global inflationary pressures due to high food and energy prices. "Given that the downside risks identified at the last MPC meeting in June 2012 have largely materialised, domestic growth in 2012 is now projected at 3.3%, as against 3.8%



Source: SAR

projected earlier," the committee said in a statement. Business confidence plunged to its lowest ever level in the third quarter, the Mauritius Chamber of Commerce and Industry said on Monday, adding to the growing sense of gloom after official data showed the trade deficit had widened.

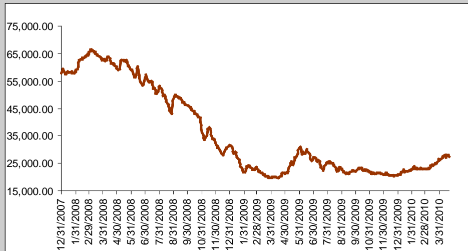
"Considerable uncertainty remains with regard to the domestic economic outlook," MPC said in its statement. It added that the rate decision was taken through a majority vote after some policymakers called for monetary easing due to the darkening growth outlook. "The MPC maintains strong vigilance in monitoring economic and financial developments and stands ready to meet in between its regular meetings if the need arises," it said. Analysts welcomed the decision to take a cautious stance. "This is a wise decision. Cutting interest rates further won't really improve economic fundamentals," Swadicq Nuthay, an economist at Axys Capital told Reuters. *(Reuters)*

Mauritius revised down its economic growth forecast for 2012 for the third time this year to 3.2% from 3.6% in June, the statistics office said on Friday, citing a bleaker outlook for key sectors of the economy. The revision follows a similar move by the central bank this week which cut its growth forecast to 3.3% from 3.8%. The Indian Ocean island's economy expanded 4% in 2011. The island is pushing to rely less on Europe, its main source of tourism revenue and a major market for its textile, sugar and services industry, and has been branching into information technology, business outsourcing and offshore banking. Statistics Mauritius said its assumptions were based on lower sugar production of around 410,000 tonnes versus 435,310 tonnes a year ago, a lower expansion of 1.1% in manufacturing industries from 2.2% in 2011 and a slowdown in tourists arrivals and earnings.

The statistics agency said the key textile sector is expected to decline by 2.7% after high growth of 8.0% in 2011. Construction is seen declining by 1.2% after negative growth of 2.0% in 2011. Earlier this week Mauritius maintained its key repo rate at 4.9% citing risks to its inflation outlook. The central bank's Governor, Rundheersing Bheenick, said year-on-year inflation would rise to 4.4% at the end of September from 3.7% in August. *(Reuters)*

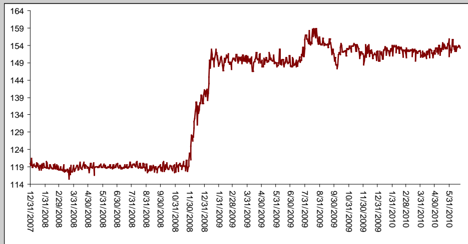
Nigeria

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 advanced by 137.93 points (+0.53%) to close at 26,011.64. Top gainers were Dangote Flour (10.89%) Ashaka Cement (9.58%) Unilever Nigeria (9.35%) Portland (9.84%) and Cadbury (5.83%). Top losers were UnionBank (-17.74%), Oando (-15.70%), UACN (-9.90%) and Flour Mills (-9.20%). The Market recorded a turnover of 1.704bn shares worth NGN 14.539bn

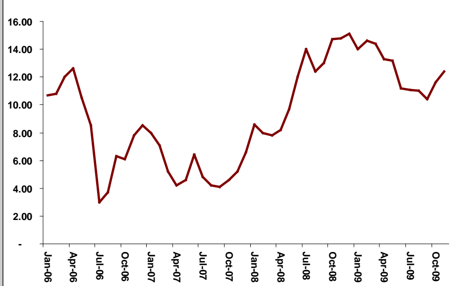
.

Corporate News

The Management of Guinness Nigeria Plc has attributed the almost flat top line growth in FY (full year) 2012 numbers to capacity constraints experienced in the beginning of the year which translated to a drop in the company's earnings. Guinness Nigeria, a unit of Diageo, said last week that its full-year pre-tax profit to June dropped by 19.48% to N21.07bn, from N26.17bn the previous year. Gross earnings however, rose by 2% to N126.28bn, compared with N123.66bn in the same period of last year. Management however, forecasts a brighter profit outlook going forward after the completion of the N52bn Benin/ Ogba factory expansion. The company's managing director, Sani Adetu, made these revelations during a courtesy visit to BusinessDay Media's, Corporate Head Office, saying the company's N52bn investment in the expansion drive in Benin and Ogba breweries brought about a significant strain on their working capital.

"However, that challenge is now a thing of the past as the Benin and Ogba plants are now close to completion, with strong promise of contributing to improved earnings. We have also brought about a stronger distribution infrastructure coupled with the additional capacity, which brings us to a point where we see no limitation in delivering quality and also assuming the market leadership role we have positioned ourselves for," he said. Adetu added that his plans, as the new CEO of Guinness, is to further lift the iconic brand to a new height, by being innovative through cost management as well as leveraging the strength of the business. "My disposition as we go forward is to get the best of what is working here, and strengthen it by making it even better, while also working on new ideas", he said.

In the case of the northern insecurity and its impact on their business, Adetu said there was no material impact on Guinness, adding, "we are looking at creating a better infrastructure for distribution by creating a well equipped stocking point which will be more cost effective as we now even have more committed distributors in the north willing to partner with us". Beer consumption in Nigeria, the second-largest beer market in Africa, with annual consumption of 19.5m hectolitres, grew at a Compound Annual Growth Rate (CAGR) of 9.1% between 2,000 and 2011 which was ahead of Africa's consumption growth of 4.6% per annum (pa) over the same period. Guinness Nigeria's sales volumes rose by 12.1% pa to 5.4m hectolitres in 2011. Guinness share price has risen



Source: SAR

23% year to date, and closed at N260 per share yesterday. *(Business Day)*

South African consumer goods firm Tiger Brands said on Tuesday Nigerian authorities had cleared its 1.5bn rand purchase of a majority stake in Nigeria's Dangote Flour Mills. The deal is Tiger Brands' third and the biggest yet in Nigeria, Africa's most populous country and second-largest economy which is seen as a growth area for consumer and food products. "Tiger Brands believes, particularly for consumer goods, that the potential of the Nigerian market is significant," the company said in a statement. Tiger Brands will acquire just over 63% of Dangote Flour, a flour and pasta maker owned by billionaire industrialist Aliko Dangote.

The company is the second largest flour milling company in Nigeria with a market share of about 30%. It also has about 40% of the country's pasta market. Tiger Brands has been ramping up its expansion in fast-growing African markets and last year increased its footprint outside its home base with acquisitions in Nigeria and Ethiopia. *(Reuters)*

Access Bank Plc has recorded a profit after tax of N26.13bn in its half year 2012 financial performance, driven by the completion of its post-merger integration, months after the acquisition of Intercontinental Bank. According to a statement by the bank, signed by Mr. Olusegun Fafore, Team Lead, Media Relations, the bank's after-tax profit grew by 225% from N8.08bn recorded in its audited results for the half year ended, June 30, 2011. Also, the bank's profit before tax grew by 143% to N30.07bn in half-year 2012, from N12.37bn recorded in the same period in 2011. The bank recorded gross earnings of N108.7bn, up by 103% from N53.65 recorded in half-year 2011. Mr. Aigboje Aig-Imoukhuede, Group Managing Director/Chief Executive Officer, Access Bank Plc, assured shareholders of the bank improved returns on their investment for the 2012 financial year.

He said, "I am pleased to announce that Access Bank has delivered very strong audited results for the first half of 2012 whilst also completing our post merger integration with remarkable success. "We are now firmly established as a top tier Nigerian Bank. Leveraging on our sustainability driven business philosophy, robust capital position and the quality of our workforce, I am confident that we will continue to deliver strong returns for our investors in 2012." Continuing, Fafore disclosed that the bank's performance has been described by analysts as a valid testament to its financial strength and capacity for sustainable growth. The analysts, he said, are of the view that the bank is already extracting value from its acquisition of Intercontinental Bank by leveraging scale and access to large retail deposit base evidenced by the Bank's low cost of fund.

According to the analysts, Access Bank's acquisition of Intercontinental Bank significantly altered the ranking of the top five Banks in Nigeria, adding that the bank is now firmly in the league of Nigeria's four largest Banks by all metrics. "This posture is validated by its customer base of over 5.7m, network of 310 branches and over 1700 Automated Teller Machine, ATM. The bank recently revised its corporate philosophy to highlight its vision of becoming 'Africa's Most Respected Bank'. "This vision is underpinned by the Bank's adoption and entrenchment of the principle of Sustainability at the core of its operations. Access Bank obtains its operational legitimacy through commitment to responsible business practice and promotion of sustainable social agenda," the

analysts said.*(Vanguard)*

Nigeria's leading oil producer Shell thinks the tax terms in a landmark oil bill are so uncompetitive they risk rendering offshore oil and gas projects unviable, the firm's managing director and industry sources said. In comments from a stakeholders' forum that Shell sent to Reuters on Wednesday, Shell Nigeria managing director Mutiu Sunmonu welcomed the bill's arrival in parliament, but warned it may stifle investment if its terms are not improved. President Goodluck Jonathan approved the latest draft of the Petroleum Industry Bill (PIB) last month, and parliament is expected to start debating it over the next few weeks. If it goes through, the bill should end years of regulatory uncertainty that has blocked billions of dollars of investment. "A balanced PIB is what is required - one that will provide optimal revenue to the government whilst providing sufficient incentives for new investment to fuel growth," Sunmonu said, adding it must also "take local business challenges into consideration as well as the impact on existing investments."

"What we have seen of the draft PIB to date does not indicate a bill that fits these criteria." The PIB is meant to change everything from fiscal terms to overhauling state-owned Nigerian National Petroleum Corp (NNPC). Its comprehensive nature caused disputes between lawmakers, ministers and the oil majors that have held it back for more than five years. A previous draft never got through parliament. "The current draft PIB requires significant improvement to secure Nigeria's competitiveness," Sunmonu warned. "As it stands right now the PIB will render all deepwater projects and all dry gas projects ... non-viable." " Government officials were not immediately available for comment. On the current draft, oil companies will pay 50% profit tax for onshore and shallow water areas and a 25% one for frontier acreage and deep water areas.

Current taxes on both are not disclosed. An industry source, who could not be named, said the deep water profit tax was a worse deal than most oil majors were getting on existing deep water projects. Since the PIB is supposed to govern these retrospectively, the companies would lose earnings on these existing investments, he said, although there was no disagreement over onshore. Sunmonu also expressed concern over the terms on projects to unlock Nigeria's huge latent gas potential for domestic use in power plants. The country has 187tn cubic feet of proven gas reserves, he said.

"A bad PIB will deter investment ... Nigeria needs to compete - and the PIB will either enable or strangle that competitiveness," Sunmonu said. Analysts say the terms for onshore are way more favourable than the deals in existence now. Little is known about secretive terms on offshore contracts. Nigeria exports some 2 m barrels per day (bpd) but could double that with a better-managed industry, foreign oil majors say. They also say fiscal terms need to compensate them for the extra security risks of operating here such as piracy, kidnapping and oil theft by armed gangs. An amnesty ended political militancy in the oil rich Niger Delta in 2009, but industrial scale oil theft continues. "All of this has had a huge impact on both cost and revenues, but we can live with them ... provided the underlying fiscal regime is positive," Sunmonu said. *(Reuters)*

South Africa's Allied Technologies said on Wednesday it had agreed to sell its majority stake in its money-losing Nigerian business, its latest attempt to stem losses from outside its home market. The telecom and IT

firm, which also reported a 19% fall in first-half profit, has been trying to turn around money-losing business in both East and West Africa. Altech last year replaced the head of its underperforming Kenyan data unit and named a new team to lead its east African operation. Sorting out that business was a "top priority", it said at the time. Altech said in a statement it had agreed to sell its 75% in Altech West Africa, which produces vouchers for mobile network operators and has been losing money for the last 18 months. It did not give further details of the deal.
The company reported diluted headline earnings of 123 cents per share for the six months to end-August, from 153 cents in the same period a year earlier. Shares of Altech closed down nearly 7% before the announcement, underperforming a nearly 2% decline in the broad All-share index. *(Reuters)*

Shareholders of Honeywell Flour Mills Plc have approved the proposed N1.19bn proposed by its Board of Directors at the third Annual General Meeting (AGM) of the company held in Lagos for the financial year ended March 31, 2012. The dividend, which translated into 15 kobo per share for every 50 kobo share, showed an increase of 15% above the 13 kobo paid the previous year. Addressing the shareholders at the AGM, Chairman of Honeywell Flour Mills Plc, Dr. Oba Otudeko, said having achieved good performance in the year, the Board of Directors recommended a total dividend pay-out of N1.19bn. He stated that the recommendation was in line with the dividend policy of Honeywell in providing shareholders with steady, growing and sustainable dividends. According to Otudeko, “The financial year ended March 31, 2012, was a remarkable one for the company as Honeywell Flour Mills recorded improved performance in spite of the various challenges especially in the area of raw materials, energy and logistics.

“Broad sales growth was achieved across our strong food brands resulting in a 12% increase in revenue from N34bn to N38bn. Good management of our costs led to a Profit Before Tax (PBT) of N3.66bn, relative to last year’s performance of N3.51bn; a growth of 4% year-on-year. Our company’s Profit After Tax (PAT) rose by 8% to N2.7bn, from N2.49bn achieved in 2011.” He added that shareholders’ funds and total assets increased by 11% and 54% to N17bn and N45bn respectively. The chairman said the company was being positioned to be the leading Fast Moving Consumer Goods (FMCG) manufacturer in Nigeria. “In the last one year, we made significant investments, not only in increasing plants and machinery capacity but also in improving human capabilities through various overseas and local technical trainings and leadership development programmes for staff to further drive innovation and growth,” he said.

In his address to shareholders, the Executive Vice Chairman/Chief Executive Officer of Honeywell Flour Mills, Mr. Babatunde Odunayo said despite the challenges, the company was able to successfully defend their quality superiority and brand leadership positions across all product offerings. “We are proud to say that our flour, Semolina, and Wheat meal products remained in peak demand whilst significant growth was experienced in respect of our pasta and noodles products,” he said. Speaking on the expansion project, Odunayo disclosed that the new plant would be commissioned in October 2012, which he said, would enable the company to achieve a 62% capacity increase in whole wheat meal, from 1,610 metric tonnes (mt) per 24 hours to 2,610mt/24 hours. “Flour output will increase by 55% from 1,534mt/24 hours whilst Semolina’s daily output will almost double, from 125mt to 235mt. The existing Mills as well

as the new ones have been configured in such a manner as to permit us the flexibility to make changes to our production mix at any point so that actual production can reflect the prevailing customer needs and attendant profitability profile," he said. *(Vanguard)*

Nigerian Breweries plc (NB) the nation's biggest brewer by volume, said it has crossed the trillion naira mark in market capitalisation on the Nigerian Stock Exchange (NSE). NB current stock price of N136 gave it a valuation of N1.02 trillion at the close of trading yesterday, making it larger than First Bank (FBN), UBA and Access Bank combined. Dangote Cement is the only other Nigerian company valued above one trillion naira. The rise of Nigerian Breweries and other Fast Moving Consumer Goods (FMCG) companies highlights Nigeria's expanding middle class, amid rising disposable incomes and purchasing power. "There has been a renewed focus by international investors to plug into the increased spending power of Africa's rising middle class, and one of the most popular avenues is through the FMCG sector," Kayode Akindele, partner at 46 Parallels, a Lagos based investment firm, said. "NB has been a darling of investors with solid profits and good dividends over the years and the fact that it is part of the Heineken group and brand doesn't hurt", he added.

NB reported in July that Net income for the second quarter of 2012 rose to N19.38bn ($121m) from N18.96bn a year earlier. Revenues jumped 24% to N136.5bn. NB stock price is up 70% in the past year. Kayode says the majority of investors in the NSE at the moment are foreigners who are very keen to buy FMCG stocks in a bid to tap into the consumer growth story in the country. Nigeria's GDP per capita has doubled between 2004 and 2010, moving from $644 to $1,222, according to World Bank data. Over the last three years, the domestic brewery industry in Nigeria has shown an average growth in turnover of about 16%, according to Augusto & co.,(a rating and research firm) in its 2012 industry outlook report. "Even as Western beer consumption slows down due to the global economic downturn, Nigeria's brewery industry continues to thrive, due to the emergence of democracy and a growing middle class," they said. Nigeria's population of 167m people is growing faster than the rise in its poverty rate.

According to data from the National Bureau of Statistics (NBS), while the number of people in relative poverty rose from 69m to 112m, the number of non-poor – the lower middle class and above – also grew, by around 7million, to 54m people. Nigeria's alcoholic beverages market is expected to continue to grow fast, given the current low rate of per capita consumption, compared to other African countries like South Africa. Beyond that, Euromonitor International (a research firm) estimates that by 2016, the size of the Nigerian consumer market would be worth $223bn, more than double the 2010 levels. This has led to investments from companies as diverse as SAB Miller, Diageo (makers of Guinness), KFC, Shoprite, Tiger brands, PZ, Spar, Unilever and Procter and Gamble, all aggressively trying to gain a foothold or increase market share in Nigeria. According to Akindele, Nigeria's consumer story is just beginning for international investors. "It will be in the next few years before we will know if it is indeed a credible trend or misplaced optimism." *(Business Day)*

The Nigerian Export Promotion Council (NEPC) has disclosed that the country exported non-oil products valued at $1.35bn for the first half of

2012. The Executive Director, NEPC, Mr. David Adulugba, who stated this in Abuja, however said the figure represented about 10% decline from the $1.50bn recorded in the same period in 2011. Adulugba attributed the decline to unrecorded exports, the fuel crisis and workers' strike in January, but expressed optimism that the agency would achieve its 40% target for non- oil export products before the end of the year. The NEPC boss noted with concern that the high incidence of unrecorded exports had been a major challenge to accurate reporting of the performance of the non-oil sector in the country. To address the challenge, Adulugba said the Federal Ministry of Trade and Investment was making moves to establish border markets at some strategic locations. He pointed out that the country's non-oil exports were dominated by raw commodities and few products with value addition.

The Executive director said: "There is the need to step up the value chain, diversify from commodities and empower the small and medium scale enterprises through entrepreneurship development." The NEPC boss explained further that Nigeria exported non-oil products worth $660.1m and $686.2m for the first and second quarters of the year respectively as against $818.8m and $676.2m recorded for the same period in 2012, and exported goods worth $161.6m dollars in January; compared against $307.2m dollars in 2011. Adulugba also said the nation exported non-oil products worth $242.9m in February 2012 compared to $273.6m recorded in the same period in 2011. He also said Nigeria exported non-oil products worth $255.7m and $220.6m in March and April this year compared to $237.9m and $250.6m recorded for 2011. He said the country's non-oil exports in May and June 2012 were $242.6m and $223.1m, respectively; compared to $703.5m and $222m recorded in the same period in 2011.

According to Adulugba, the bulk of the exported products are cocoa and cocoa preparations, oil seeds, sesame seeds, edible fruits, nuts, citrus, tobacco, fish, shrimps and gum Arabic. Others, he said, included recharge cards, cosmetics, footwear, textiles, confectioneries, insecticides, plastics, empty bottles, electric cables, food, beverages and noodles. He expressed optimism that the agency would achieve its 40% target for non-oil export products before the end of the year in line with the Key Performance Indicators (KPI). "At the moment, we are working assiduously to translate where we were at $2.8bn per annum to 40% ($3.92bn). All sorts of strategies will be adopted to achieve the target within the regional market", Adulugba promised. *(This Day)*

The Ministry of Aviation with full support of the Presidency has concluded plans to float a new national carrier in partnership with one of Europe's mega carriers, which name government is still keeping to its chest. The mega carrier, which presently operates into the country is to provide technical support that would include maintenance, infrastructure, training of pilots, engineers and other technical personnel and route development. The ownership structure will have zero government control in terms of management and equity holding but its controlling shares would be owned by Nigeria, who will become stakeholders through the sale of Initial Public Offer (IPO), while the partner airline would have management control and 49% stake holding. Special Adviser (Media) to the Minister of Aviation, Joe Obi, confirmed to THISDAY that the proposed national carrier would be wholly privately owned and would operate in partnership with an international airline. He explained that it might be entirely new airline with foreign partnership or an existing one that can emerge

as a national carrier "but what is clear now is that government will not play any role in its ownership and control. It will be owned by Nigerians through IPO, although the template of that is still being worked on."

But THISDAY learnt that government was no more considering building up a domestic airline into a national carrier because of the inherent problem of such arrangement, which include the initial owner insisting on having some control and possibly sabotaging the new plan. An industry operator who spoke to THISDAY said that government had changed its initial plan due to the recent development in the industry and would float an entirely new airline with foreign partnership that would manage the national carrier, train Nigerian personnel and contribute to the development and expansion of the curriculum at the Nigeria College of Aviation Technology, Zaria. "This is long overdue. This country needs at least two or three major flag carriers to be able to meet Nigeria's aspirations. Many airlines coming to Nigeria are not reciprocated. It was Nigeria Airways that opened Lagos, Dubai route. We need to give most of these airlines that operate into the country a challenge. National carrier is inevitable and Nigerians now believe that it is long overdue," the source said.

Travel expert and organiser of Akwaaba African Travel Market, Keechi Uko, recently observed the need to have a national carrier in Nigeria. "Nigeria cannot be the centre of African diplomacy without effective airline. It is impossible for Nigeria to lead Africa without a national carrier. It is impossible. Unfortunately we have diplomats that understand diplomacy but do not understand the extensions of diplomacy. "We have aviation people that only understand aviation but they do not understand the travel and diplomatic import of aviation. So they are experts of their own nuclear environment but they do not understand the interdependency of these things." *(This Day)*

Economic News

Nigeria's crude oil exports are due to hit a six-month high in November as almost all its oilfields pump near recent peak levels, provisional loading programmes showed on Monday. Africa's biggest oil producer is to due sell around 2.12m barrels per day (bpd) of crude oil in November, up from 2.05m bpd scheduled to load in October and 1.84m bpd in September. Provisional loading schedules are subject to minor changes but the programme indicates Nigeria plans to ship its highest volume since May, when it sold just under 2.13m bpd. Scheduled maintenance work and some acts of sabotage on oil production facilities in the onshore Niger Delta have reduced output over the last few months. A total of 72 full or part cargoes of crude oil will load from 17 different production streams in November, the schedule shows, with several streams close to recent highs. Six full cargoes and three part cargoes will load over 230,000 bpd of distillate-rich Forcados crude in November, up from 194,000 bpd in October, reflecting strong demand for crudes which can produce large quantities of heating oil ahead of the northern hemisphere winter. Nigeria will export around 380,000 bpd of Qua Iboe crude oil in November, up from 368,000 bpd in October. *(Reuters)*

Nigeria's naira traded flat against the U.S. dollar at both the interbank and foreign exchange markets on Monday, as strong demand for the greenback soaked up liquidity from two oil firms and the central bank's currency auction. The naira closed at 157.80 to the dollar, around the same

level it ended at on Friday. At the bi-weekly auction, the central bank increased dollar supply to USD 200m, from the USD 180m it sold at last Wednesday's auction, but maintained the rates at 155.78 naira. Dealers said the local unit of French oil firm Total sold USD 44m to some lenders while Agip sold around USD 7m, but strong demand lapped it up. The naira has traded around the 157-158 level to the dollar over the past one month, owing partly to dollar sales from oil companies and inflows from offshore investors buying bonds. Dealers expect the currency to hover around current levels throughout this week, as month-end dollar inflows from oil firms boost liquidity in Africa's second biggest economy. *(Reuters)*

Foreign investors will find the Nigerian economy attractive for more foreign direct investments if local investors should increase their level of investments according to President/CE Dangote Group, Alhaji Aliko Dangote. Dangote, in an interview with Euroasia Industry a global leading magazine in the construction sector said that instead of seeking for foreign investors, African and Nigerian investors should take the lead by investing in the local economy**.** The success of these investments, he opined, would spur foreign investors to come and partake in the success story. The business mogul has demonstrated his stance with huge investments in all spheres of the economy; the most recent is the launching of the line 3 at Obajana Cement Plant. Dangote Cement have expansion projects worth about USD 2.5bn in additional capacity already on stream, with lines 3 and 4 coming on at Ibese and line 4 at Obajana. Work will soon commence on USD 1bn 6m tons cement plant in Calabar, Cross River State.

He said “It is not all about government. What drives foreign investment is local investment. We in the private sector need to do our bit and we need to invest in our economy.” However, he called on government to fix power issues in the country as to spur local investment. According to him, “Electricity is the most fundamental tool for change. When you look at it, power alone can create a large middle class. GDP will grow by more than 9% if the government fixes the power within the next two years. “You will see many people come out of the poor segment and into the middle class. That’s why I keep saying that, if there is enough power today, you will see 60% of young graduates who are creative go and build businesses of their own,” he added. To the foreign investors observing the economy from afar, Dangote said “I can assure you that you can make more money in Africa than you can in Asia, and Nigeria is better than any other part of Africa in terms of return on investment. But you have to actually believe in what you are doing and you have to have a strategy for achieving your vision. Once you have this, the sky is the limit.”*(This Day)*

The Federal Government will see lower borrowing costs going forward as bond yields plummet in anticipation of Nigeria’s inclusion in the JP Morgan Bond index beginning next week (October 1st). New York based J-P Morgan (the world’s biggest underwriter of emerging-market debt), announced last month that Nigeria would be included in the JP Morgan Emerging Markets Government Bond Index –(GBI-EM) by the fourth quarter of 2012. The yields on 10-year naira-denominated notes have dropped by an average of 372 basis points (bps) since the announcement, while bonds due in June 2019 and January 2022 have dropped 456 bps and 428 bps, respectively. Analysts expects further yield drop after the federal government issues its planned N752bn (bn) worth of bonds this year and the expected savings on debt service payments will be substantial based on declining yields. Nigerian

bonds will have a weight of around 0.59% in the GBI-EMindex, helping to lure in an estimated USD 1bn worth of fund flows into the country, which would further depress yields.

"Nigeria, given its imminent index inclusion, will be a key beneficiary of the likely flow into risk assets now, while driving down bond yields in the process." Razia Khan, Africa regional economist at Standard Chartered Bank said, in an email response to questions. The debt Management Office (DMO) sold N30bn of seven-year paper due June 2019 at a record low of 12.9% at its monthly debt auction last week. The decline in bond yields is helpful because the cost of domestic debt service has mushroomed in recent years leaving less money for infrastructure and other needs. The domestic debt burden has risen by 183% since 2006, moving from USD 12bn to USD 44bn. The same trend obtains for domestic debt service payments, which have spiked from below N200bn a year in 2007, to over N550bn in 2011. It is forecast to cost the Nigerian treasury N559.6bn in 2012 (more than the budget allocation to Works, Power, Agriculture and water resources combined).

Analysts say the prevailing high interest rates and debt service payments are choking Nigeria's growth potential. "It is clear that domestic debt is the current source of fiscal concern given its quantum, trend and cost," said Opeyemi Agbaje, CEO of Resources and Trust company, a Lagos based business advisory firm. "The government borrowing is also crowding out the private sector; due to its attractive yields and relative low risk." The domestic debt of the FG in the second quarter of 2012 amounted to 16.5% of 2011 GDP. Nigeria's finance and Coordinating minister of the economy (CME), Ngozi Okonjo - Iweala has acknowledged the country's public debt burden as too high and plans to reduce it over the period of the 2013-15 medium term expenditure frameworks. *(Business Day)*

After a six- month Market -Making programme, The Nigerian Stock Exchange (NSE) will include retail investors in securities lending, a move analysts say will broaden market activity and shore up liquidity in the market, BusinessDay has learnt. The Exchange also disclosed that retail investors will be allowed to make markets at the bourse on the contract side of market activities.

All of this is in recognition that in addition to the benefits of securities lending to lenders and borrowers, it will also improve market liquidity by increasing the number of potential "sell and buy" opportunities; improve market depth and increase market efficiency, through price discovery; and provide more competition in the market. Since the kick-off last week of the Market-Making programme with sixteen stocks, the Exchange believes that for the programme to be vibrant, there must be Securities Lending and Short Selling structures in place. Securities Lending and Short Selling structures is a place and arrangement to borrow some of those securities for trading.

With the Market- Making programme aimed at providing liquidity in stocks, the NSE has also allowed the equities 'circuit breaker' to increase from 5% to 10% for securities that get rolled out into the programme. Oscar Onyema, chief executive officer, Nigerian Stock Exchange, told BusinessDay ahead of an 'Institutional Investors' Clinic being organised in conjunction with Renaissance Capital, that "after six months of roll-over, we will include retail investors. Retail investors can actually have a market made on the contract side of the market.

We are not excluding the retail investors from Market-Making." To lenders, the benefits of Securities Lending include additional income from 'idle' securities within an investment portfolio, and improving market liquidity by increasing the volume of securities potentially available for trading. To borrowers, it provides market making opportunities, additional income from increased trading volume, improves liquidity and market depth and provides covered short selling opportunities.

Before this disclosure, the Exchange had in a circular (Market Bulletin/BDR/CIR/95/DK/09/12) to Dealing Member Firms signed by Olufemi Shobanjo, Head, Broker/Dealer Regulation, said that there would be "No Retail Investor Participation During Rollout Period of the Securities Lending Programme." Rather, only securities owned by Qualified Institutional Investors (QIIs) may be used for securities lending. QIIs include, amongst others: Fund Managers, Insurance Companies, Investment/Unit Trusts, Multilateral and Bilateral Institutions, Market Makers, Professionally managed staff securities purchase schemes, Trustees/Custodians, Stock broking firms, and High Net-worth Individuals (an individuals with net worth of at least N300m, excluding automobiles, homes and furniture). The Securities and Exchange Commission (SEC) has registered Stanbic IBTC Bank Plc, and United Bank of Africa Plc as Securities Lending Agents, in addition to other applications that are being processed.

The Nigerian Stock Exchange is currently operating a 'hybrid' market, allowing Market Makers to provide two-way quotes and licensed brokers/dealers of the Exchange to submit orders. These quotes and orders interact on the order book to 'discover' the best price for security. The NSE recognises that for the current market rally to be sustained, there must be a mixture of both local and foreign investors, noting that the market needs participation of local institutional investors to check volatility, a development which is vital, because of the activities of foreign portfolio investors whose activities tilt towards dictating the pace of the market. *(Business Day)*

The National Insurance Commission (NAICOM), through its Complaints Bureau, facilitated the settlement of claims by insurance companies to the tune of N1.22bn in the first half of this year, NAICOM has said. NAICOM spokesman Lucky Fiapka said the figure was recorded in 52 cases concluded by the Bureau during the period. In the period under review, he said the Complaints Bureau dealt with a total number of 349 cases and held four adjudication meetings. Out of this figure, 86 of them were fresh complaints while the remaining 263 are existing/ongoing cases. He said: "The outstanding claims are currently receiving the attention of the Commission, with a view to achieving a quick resolution to the satisfaction of all stakeholders, particularly, members of the insuring public. "The resort to the Bureau for settlement of claims disputes by the insuring public is an indication of the level of awareness of this channel of dispute resolution in the Commission.

"Insurance companies have been made to accept the fact that it is no longer business as usual as their responses and compliance with the Commission's directives had witnessed an improvement compared to previous periods. "Consequently, not less than 85% of the insurance institutions responded to queries or directives issued to them for claim settlement during the period. Majority of the 15% residual are largely claims already before courts of competent jurisdiction and therefore prejudicial for the Commission to intervene.

"The complaints received this year were mainly those involving non settlement of claims on Motor Insurances, Marine, Life, Bond Issues and Pension matters. The Complaints were received from individual policy holders, beneficiaries, government agencies, SERVICOM, Legal Aid Council and Public Complaints Commission." *(Daily Trust)*

Nigeria announced on Tuesday the preferred bidders for five state power generation plants, part of plans to privatise the country's electricity sector to boost growth in Africa's second largest economy. Despite holding the world's seventh largest gas reserves, Nigeria only produces around 4,000 megawatts (MW) of electricity for its 160m people, less than a tenth of the amount South Africa provides for a population a third of the size. In 2010, President Goodluck Jonathan announced plans to break up the state power company and sell it off as 11 distribution and six generation companies. He has promised a marked improvement in power output next year. The highest bidders for the electricity distribution companies are due to be announced on October 16. "This is a milestone in the power privatisation process," Minister of State for Power, Darius Ishaku, said at a ceremony announcing the winners for generation firms in Abuja. "I'm sure each and every one of you would agree the process has been transparent," he told a room of bidding firms.

A consortium including Nigerian firm Transcorp was the highest bidder for the Ughelli Power company, offering USD 300m, while Geregu Power plant was won with a bid of USD 132m by a group which includes Forte Oil, a firm majority-owned by Nigerian billionaire oil tycoon Femi Otedola. A consortium made up of Nigerian, Chinese and British companies is set to buy the Sapele Power firm for USD 201m. Mainstream Energy, a group including Russian firm RusHydro and several Nigerian companies won a contract to manage the Kainji Power company and North-South Power, a mostly Nigerian consortium, won a similar contract on Shiroro Power. Mainstream and North-South had no competitors for their bids, raising question marks over the legitimacy of the sales.

There are also concerns over financing difficulties after the Nigeria's central bank banned loans to 113 firms this week for failing to pay previous debts. These include Forte Oil and other firms bidding for power assets. The sale of the remaining generation firm, which will run the Afam power plant, is being re-tendered after the Power Minister Barth Nnaji resigned last month when it was revealed he had a stake in one of the consortiums bidding for the asset. If Nigeria can fix its electricity problems it could launch Africa's second largest economy into double-digit growth and help pullms out of abject poverty. But corruption, mismanagement and the strength of vested interests mean despite an estimated USD 40bn of capital injected into reforming the power sector over the last two decades, capacity has only improved marginally. *(Reuters)*

Nigeria's Gross Domestic Product (GDP) growth is inching towards double digits and may continue on that path in the rest of 2012, Founder and Managing Partner, Huntingfield Capital, Mr. Onye Nwuka, has predicted. Nwuka, who disclosed this in an exclusive chat with THISDAY, said Nigeria's GDP growth would hit 7.5% this year, rising to 7.7% in 2013. The Federal Government, he warned, must continue to pursue far-reaching reforms in the power and petroleum sectors as well as a sounder fiscal stance, if double-digit growth is to be attained. He stressed that the impact of the global headwinds would be modest because oil price was expected to hold up well,

adding that the non-oil economy would again be the driving force, “private consumption is robust.” The leap, Nwuka reiterated, was conditional upon major reforms adding that, “On power, it is making progress on its ambitious agenda even if publicity could be better.”He added that, “On petroleum, it had some success in its latest attempt at fuel price deregulation in January, and will look to complete its mission. It is difficult to speculate on the timing of the passage of the petroleum industry bill.

“Next step in the policy rate likely downwards: The Monetary Policy Committee (MPC) is confident that the impact of the fuel subsidy cut on inflation will be short-lived. I am inclined to agree and feel that the policy rate has peaked at 12%. I expect a small cut in the rate in the months ahead. The trend in bond yields should also be gently downwards, given this view on inflation and signs of a tighter fiscal stance,” he said. Nwuka however, predicted a slightly weaker naira, noting that the Central Bank of Nigeria (CBN) favours a managed exchange rate but is not inflexible. “It saw the need for an adjustment to the central point within the band in November last year, and, I think they will adopt a similar position when import demand recovers. I see the interbank rate at N163 at end-year,” he stressed. Experts at Cowry Assets Limited had recently submitted that the direction of the naira was highly weighted on the increased dollar supplies from the oil multinationals and the favourable outlook of international crude oil prices.

They pointed out that the relative sanitisation of the fuel subsidy scheme and reduction in the number of petroleum products importers will keep the demand for forex at its realistic level. “Hence, we retain a strengthened outlook for the naira particularly at the interbank market and with an overall range of between N156 per dollar to N160 per dollar,” said Cowry Assets. On the direction of inflation, they stated that the restoration of fuel subsidy in the revised 2012 fiscal policy and pressure from petroleum price deregulation appears alienated from the short term inflationary craft. “However, rising international price of crude oil remains a threat to imported inflation just as the revised expansionary fiscal stance of the Federal Government lends an upward pressure on inflation. “We are therefore more upbeat in our inflation outlook for the third quarter, which is expected to range between 12% and 12.7% by the end of the year. “Given the inflation outlook, interest rates are generally expected to retain its double digit stance particularly as the Central Bank sticks to its tight measures to combat the ripple effects of the expansionary fiscal policy as projected by the revised 2012 appropriation bill,” they said. *(This Day)*

THE Federal Government has signed a bilateral agreement with the United States (U.S.) government for a $340 m (N53.4bn) financing scheme, to assist in the development needs of Nigeria. Meanwhile, Nigerians in the U.S. remitted N1.7tn to the country last year, going by official documents from the financial system. The strategic intervention fund agreement, signed on Monday, in Abuja, according to the Minister of National Planning, Shamsudeen Usman, challenges Nigeria to identify the most appropriate development elements to invest in. He said: “We have reached a point where we are on all fours, one has to respect the requirements of the development needs of the country”. The U.S. Ambassador to Nigeria, Terrence McCurry, said that the over 1m Nigerians’ remittances to the country have made the nation the seventh largest recipient of money remitted by citizens abroad.

The minister, who signed on behalf of the Federal Government, said that the

financial support would be employed in the most critical areas of need, which "must be in line with the development priorities of Nigeria." He added: "Nigeria needs to play a significant role in defining what the priority is and the strategy and the areas that the assistance has to go into…Some people even laugh and ask why is Nigeria taking such money, people think that we are a rich country, we are not rich but we are not poor either. What is important is that the addition to the much we have would be utilised for the development of the country". McCurry said that Nigeria is U.S. most "strategic partner," not just because the country is "Africa's most consequent contributor to global peace keeping," but for the fact that "the country has potentials despite the obstacles" that have bedevilled the nation's development agenda.

"The U.S. is pleased to see Nigeria take ownership of these challenges, and to work to ensure effective use of the resources through good governance, reduction to poverty, increase in access to basic social services, including education and healthcare service," he added. McCurry assured that "the U.S. government, through the USAID, will provide nearly $340 m in assistance from now till next year, to support Nigeria's development efforts." The agreement is part of the over N2tn 2010 strategic intervention fund agreement the USAID signed to support the development of skills acquisition, improved capacity, quality basic education, health care services and agriculture. It would also help in strengthening the capacity of the states and local governments to effectively manage education, services and encourage the planned revival of agriculture.*(Guardian)*

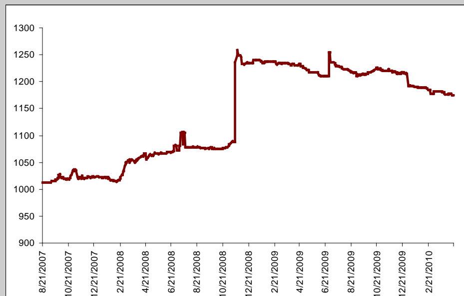
The committee inaugurated by the Securities and Exchange Commission (SEC) on dematerialisation of shares in the nation's bourse has canvassed for an extension of the exercise. Dematerialisation is the elimination of physical certificates or documents on ownership of securities through conversion to an electronic ownership mode domiciled with the Central Securities Clearing System Ltd. (CSCS). Investigation on Wednesday in Lagos showed that extension of the deadline earlier scheduled for January 2013 is the consensus of most of the committee members interviewed separately. Emeka Madubuike, the Chairman of the SEC Committee on Dematerialisation told the NAN that the deadline would likely be extended to ensure effective sensitisation of investors.
Madubuike, who is also the President, Association of Stockbroking Houses of Nigeria (ASHON), said that the extension was necessary for proper implementation of the policy. He said that the capital market community was in the process of concluding arrangement for a nationwide enlightenment campaign and needed time to get the process right.

Madubuike said that the committee planned to get the details of all share certificates through biometrics and as a means of ensuring that dematerialised certificates belonged to their rightful owners. Ms Arunma Oteh, SEC's Director-General, had earlier urged investors to embrace the dematerialisation programme as it would make the market more efficient and in lined with global practices. Oteh said that full dematerialisation ``makes buying and selling of shares easier and also facilitates shareholders entrance in securities lending process in the nation's bourse.'' ``People are still surprise that the stock market that is going to 50 years is still in this format," Oteh said. The director-general said that the market was working on a process for issuance of share certificates for retail investors on demand. The SEC in a public notice dated March 13, has set Jan. 1, 2013 as deadline for the dematerialisation of all share certificates.

The notice said that all share certificates dematerialised on or before Jan. 1, 2013, would be at no cost to the shareholder, but that there would be a penalty for those done after that date. It also said that the allotment of shares of public offerings would from now be by electronic processes that would transfer shares directly to the CSCS. *(Business Day)*

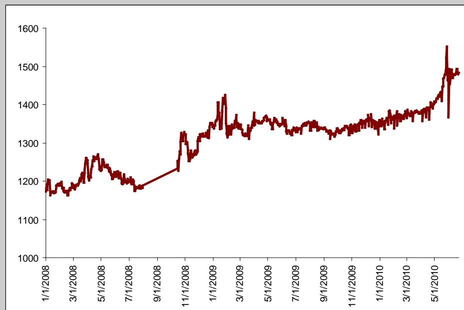
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.907	-9.086	-9.7
Current account balance (USD bn)	-2.195	-2.15	-2.477
GDP based on PPP per capita GDP	1,414.36	1,497.35	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

CPI Inflation

Stock Exchange News

The DSEI appreciated by 0.22% points to close at 1,457.61 while the TSI (+1.05) settled at 1,290.59 points, mainly driven by gains on NMB, CRDB,TCC and TOL counters that gained by 4.2%, 2.2%, 0.5% and 9.1% respectively.

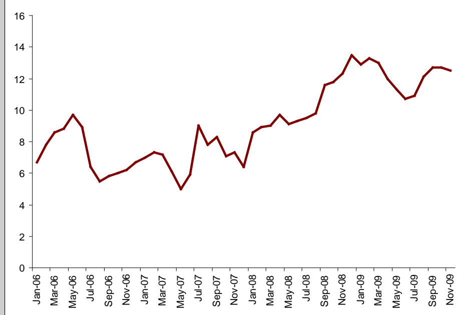
Corporate News

DESPITE the persistent interruptions of power supply, Tanzania Breweries Limited (TBL) managed to invest 100bn/- in its plants and equipment in the year 2011. TBL Corporate Affairs and Legal Director Steve Kilindo said in an interview that, the move aimed at continuing investment in capacity and capability, adding that the company had already spent a total of 5.2bn/- to replace the aged generators in Mwanza and Arusha regions. “In 2011, we had made a significant contribution to government revenues in terms of corporate, excise and value added taxes, where 312bn/-, equal to an increase of 32% was paid,” he said. During the period under review, observed Mr Kilindo, TBL was able to complete the installation and commissioning of waste water treatment plant at its Kilimanjaro brewery Arusha with an investment worth 2.3bn/-.

Regarding the firm’s performance, he said that a sum of 58bn/- was paid to their shareholders as dividend in the tune of 200/- per share, compared to the year before that elapsed without dividend payments mainly due to the investment made by the construction of a new brewery in Mbeya region. He noted that the joint venture between the government and SABMiller (TBL’s parent company) has benefited all shareholders, including the national economy and their consumers as well as the committed and skilled labour force, which makes TBL a truly world class brewer. On the implementation of diverse Corporate Social Responsibility (CSR) projects in the local communities, Mr Kilindo said they are committed to making a positive contribution to the sustainable development of the communities in which they operate. *(Daily News)*

Economic News

Tanzania sustained a high economic growth over the last decade that was driven by financial reforms, which have steadily increased exports levels and significant financial deepening, Finance minister Dr William Mgimwa has said. He made the remarks at the weekend at the launch of the United Bank for Africa (UBA) Africard visa (prepaid). He said that the sustenance has resulted into focused economic planning and execution and growth in the GDP. The GDP has been between 5 and 7% in those years. “The drivers of growth



Source: SAR

over the past decade have been mining, construction, communication and the financial sector, while manufacturing, transport and tourism have also posted solid growth rates," Dr Mgimwa noted. He said it is regrettable that transactions in the sectors are still largely settled through exchange of physical cash.

According to him, the financial system has proven significant growth of electronic transactions over the past years, itself a reflection of the growing confidence in the banking sector by the transacting public. He said the period between 2006 and 2011 recorded very fast growth of electronic banking systems in Tanzania, adding that data from the Bank of Tanzania (BoT) show that the number of ATM machines rose from 521 machines to 1,117 recording a 214% growth. He added that, the volume of transactions through cards rose from 4,332,928 to 69,554,496 users being a 1605% growth. The value of card transactions grew from 481bn/- to 9,642bn/- which was a growth of 2005% increase

However, he said the government stands to promote and encourage banks to produce new products to go in hand with the international demand. Since studies show credit card is the world classic payment in assisting the world economic development. He said the road to the launch passed through a rigorous assessment and regulatory checks at the hands of our technocrats from the central bank, all geared to ensure conformity to standards, safety and convenience to stakeholders of the card since July this year. For his part, the Chief Executive Officer of UBA Gabriel Edgal said the Africard is a Tanzania shilling denominated card that is pre-funded and reloaded. *(IPP Media)*

Tanzania plans to restructure its state-run petroleum company to help the east African country better regulate its vast natural gas discoveries, it said on Tuesday. The Petroleum Development Corporation (TPDC) could be split into two separate entities, one to act as an upstream regulator of the fast-growing gas industry and the other as a publicly-owned commercial oil company. "TPDC as it is now has massive conflict of interest as it is both a regulator and investor at the same time ... This creates a lot of inefficiencies," Zitto Kabwe, chairman of the parliamentary public corporations accounts committee, which oversees the running of state agencies, told Reuters. The region's second biggest economy has said it expects to have the country's first-ever gas policy in place in November and is drafting a natural gas utilisation master plan and legislation to regulate the industry.

Some politicians and civil societies have called for a moratorium on the issuance of new oil and gas exploration rights until Tanzania can effectively manage its gas reserves. In June, Tanzania nearly tripled its estimate of recoverable natural gas resources to up to 28.74 trillion cubic feet (tcf) from 10 trillion following recent major discoveries. "Following this discovery, the TPDC has started a restructuring process to enable it to face existing and future challenges in the gas sector," it said in a statement. Zitto said the auditing of actual costs incurred by oil and gas companies was a big challenge facing the sector. *(Reuters)*

MATURITY on the twelve-month Treasury Bills auction conducted by the Bank of Tanzania (BoT) on Wednesday was oversubscribed despite investors' end of month tax obligations. According to the auction results, the total amount tendered jumped to 145,42bn/- against 110bn/- planned to be

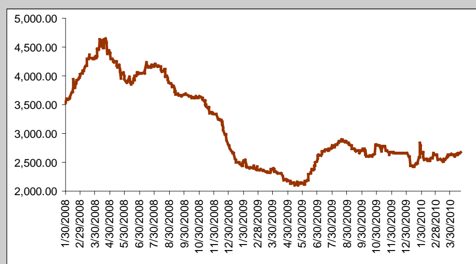
raised by the central bank at an average interest rate of 13.14 %. “More volumes were expected in the auction to settle T-bills. The yield curve has shifted upwards as expected with the largest move in the one year bucket,” stated Standard Chartered Bank Daily Market Commentary. The bank report states further that there was a higher appetite for 91days and one year offers buckets but no appetite for 35 day yet again. The auction shows market appetite for Treasury Bills has improved due to the 35bn/- oversubscription but yields ended up higher across board due to negative market sentiment.

“Interest rates increased marginally across all tenors with the exception of 35 days which had no takers. The auction was oversubscribed by 35.435bn/- with 105 bn/- accepted by the Central Bank,” Barclays Bank market report shows. The total amount tendered for the 364 days offer was 45.76bn/- compared to 40bn/- initially drafted to be mobilized at interest rates of 13.76 %. The 182 days offer was oversubscribed to 48.64bn/- compared to 35bn/- offered for tendering at a rate of return of 13.01 %. Likewise, total amount tendered for the 91 days offer was 51.01bn/- against 30bn/- placed for tendering at 12.45 % rate of return. There was no appetite for the 35 days offer. The Tanzania Securities Limited (TSL) Chief Executive Officer Mr Moremi Marwa said the oversubscription indicates that the liquidity level in the market was still good although most players were about to address the end of month obligations. “The increased yields in 364, 182 and 91 days tenors might have been one of the reasons which attracted massive investments in the twelve month Treasury Bills,” he said.*(Daily News)*

Tanzania's headline inflation is expected to continue its downward trend, reaching 10% by year-end and falling into single digits by the end of the financial year in mid-2013, central bank governor Benno Ndulu said on Friday. Core inflation, which excludes food and oil prices and is currently around 9%, should ease to a 5 to 7% range by December, and stay around 5% till next June, Ndulu told Reuters on the sidelines of a central bankers' conference in Cape Town. Slowing food prices pushed the year-on-year inflation rate to 14.9% in August from 15.7% a month earlier, the National Bureau of Statistics said earlier this month. *(Reuters)*

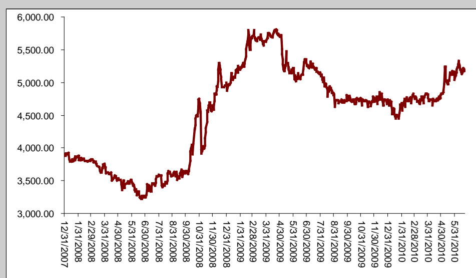
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The LuSE index ended the week 0.06% lower at 3,708.09 points. BATZ and NATB gained 0.06% and 0.01% at ZMK 1551 and ZMK 8001 respectively. While CECZ and ZAIN lost -0.58% and -0.14 at ZMK 680 and ZMK 700 respectively.

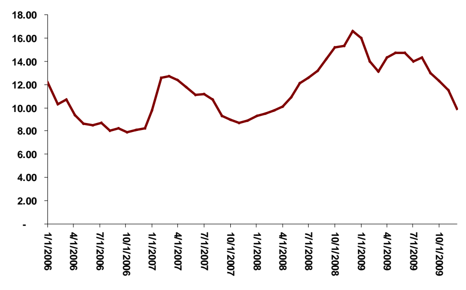
Corporate News

THE Zambia Association of Chambers of Commerce and Industry (ZACCI) has called for effective partnerships with Government through public-private-partnerships (PPPs) and dialogue to implement and evaluate developmental projects resulting from the successful issuance of a USD 750m Eurobond. The Association has also welcomed the successful issuance of the Eurobond on the international financial market with emphasis to invest the proceeds into infrastructural development projects. Association president Geoffrey Sakulanda says the association is ready to partner with Government through PPPs and dialogue in the initiation and monitoring of projects. He said this in a statement released in Lusaka yesterday.

Mr Sakulanda said with the funds in place, the key issue now is to ensure that the money is channelled to the sectors that will generate long-term wealth as identified by Government. He said energy and rail should be priority for Government to contribute positively in the improvement of the business environment in the long term and create employment opportunities. Mr Sakulanda said the bond will also improve Zambia's credibility thereby attracting more investments into the country. Meanwhile, the association has recommended that Government selects priority areas and spend with full transparency in railway infrastructure, hydro power generation, skills development, and water and sanitation. *(Daily Mail)*

THE construction of a K450bn Zambian Breweries (ZB) high tech plant in Ndola, the largest single investment outside the mining industry, is expected to be completed in November this year, Zambian Breweries Plc corporate affairs director Luke Njovu has said. In an interview in Lusaka, Mr Njovu said the 1m hecto litre high-tech plant once completed, would become the biggest brewery in the country and one of the largest investments outside of the extractive industries.

He said the firm was expected to start its production at the new plant in November this year and was aimed at addressing the challenges in the supply of clear lager beer. "The Ndola plant is very old and most of the production is coming from the Lusaka plant and currently, the market has been under-served and we cannot risk going into the festive season with the current low volumes and our plan is to have the plant on stream before the festive season



Source: SAR

and that, what we are working hard to deliver the plant on time," he said.

Mr Njovu said "Looking at the investment in totality of USD 90m (about K450bn) and coming into that area is a significant investment and we are very excited because when you look at the economic aspect of it out of the extractive industries, it is a proper manufacturing plant with value addition and the supply chain itself will be enormous. "We are looking at imports that are coming from the agriculture sector and so the multiplier effect is going to be huge and it is going to bring additional skills to that area." Mr Njovu said more than 20 high skilled jobs would be created for the local people, saying the company was not going to reduce on any employment numbers.

"Very high skilled jobs will be created for the local people and in the past, we have been crying that Zambians are doing low level jobs the artisan type of job but we are now going to have very skilled jobs for the Zambians," he said. Mr Njovu said the facility was going to be an environmentally friendly manufacturing plant. Zambian Breweries is a subsidiary of SABMiller PLC and is the market leaders in the beverage industry in Zambia. Zambian Breweries corporate affairs manager Yuyo Nachali-Kambikambi said the challenge the company had on the supply side of clear lager beer would be dealt with once production at the Ndola plant commenced by November this year. *(Times of Zambia)*

ZSIC General Insurance Company Limited posted steady growth in gross premium income valued at K201.0 billion in 2011 from K190.0 billion in 2010. And ZSIC Life recorded a slight rise in gross premium income of K122. 0 billion from K112.8 billion during the financial year ended December 31, 2011. Group managing director George Silutongwe said while positive premiums were registered, claims paid by ZSIC General Insurance amounted to K51.4 billion in 2011 from K58.6 billion in 2010. He said on the other hand ZSIC Life recorded claims worth K44.0 billion in 2011 from K36.2 billion in 2010. Mr Silutongwe said the insurance sector has grown in the number of insurable units and premium volumes hitting K3 trillion. He however said due to entry into the market of many other insurers and the resultant completion, the prices (premiums) have drastically fallen, which is beneficial to the consumer. "I think what all the players in the market now have to competition on is excellence of service and innovativeness in product and service designs, as well as reaching out more beyond the conventional client bases," he said. Mr Silutongwe said this in response to a press query in Lusaka yesterday.

Meanwhile, ZSIC Life Limited is currently trying out a low cost product it designed for lower income groups in southern province and will soon launch it if the trials are successful. Mr Silutongwe said the group is also working on a pension plan product for the informal sector, particularly to fill the gap for those who are not covered by NAPSA or occupation pension schemes. "Once we are through with consultations with our regulator, we will reveal the details of the scheme. A similar scheme referred to as UMBRELLA pension scheme works very well in East Africa, particularly Kenya," he said. He said the firm has a few projects on its drawing board, and is making necessary consultations and appraisals into their viability and means of operationalisation. "When we have made significant preparations we will make the announcements. We are geared to contribute to the creation of jobs and wealth for our country," he said.

ZSIC Limited is an investments holding company, which has a mandate to look into the formulation of other job creating ventures operating over 40 years. It was restructured, re – energised and rebranded into ZSIC Limited, a diversified investment company with a wealth of experience that is poised for phenomenal growth. With its two subsidiaries ZSIC Life Company (the life assurance business) and ZSIC General Insurance Company (the short – term insurance business), ZSIC Limited says it will continue to provide products suitable for the market. *(Daily Mail)*

Economic News

THE African Development Bank (AfDB) is working on plans to issue an infrastructure development bond in Zambia, country representative Freddie Kwesiga has said. Dr Kwesiga said the bank was at the moment discussing with the Zambian Government to see how best the bank can issue the Kwacha dominated bond which is aimed at triggering off massive development of the country's infrastructure. In response to a Press query in Lusaka yesterday, Dr Kwesiga said AfDB has since commissioned a study meant to find ways of issuing the bond successfully as it was done by the Central Bank of Kenya. "The AfDB is researching ways of issuing an infrastructure bond as was successfully done by the Central Bank of Kenya and is also working with the Government to see how to issue a local Kwacha dominated bond," Dr Kwesiga said.

He said the successful issuance of the USD 750m Euro bond should reduce appetite of the Government, which may also enhance domestic resource mobilisation through further issuance of Kwacha bonds. Dr Kwesiga said the Bank's role as a multilateral organisation would continue to supplement Government's efforts in infrastructure development by continuing to consider financing trans-boundary infrastructure projects such as Kazungula, Mpulungu, Lake Tanganyika and East Africa Energy Interconnector Power Pool. "The bank will continue to work in conjunction with the Government to improve on the already existing infrastructure and provide capacity building to ensure successful implementation of said projects. "Along these lines, the African Legal Facility will provide technical assistance in supporting the Public Private Partnership Unit in the Ministry of Finance," he said. Recently, Government obtained a debt investment of USD 750m from Europe meant primarily to finance infrastructure development in the energy and transport sectors (building more feeder roads, enhancing the energy sector, opening up industries and also focusing on social infrastructure projects). *(Times of Zambia)*

ZAMBIA has recorded steady growth of 20.95 per cent in total non-traditional export earnings USD 1.8 billion in 2011 from USD 1.3 billion in 2010, Zambia Development Agency (ZDA) has disclosed. ZDA director general Andrew Chipwende says the major export products in 2011 included copper wires, tobacco, white spoon sugar, electrical cables, cotton lint, chemicals, cement, fresh flowers and previous/semi-precious stones. He, however, noted that a number of challenges affected the performance of agricultural, gemstones, handicrafts, minerals and wood and wood products sectors and lack of information on standards. Others are technical market requirements, high cost of financing, lack of product diversification and supply

constraints. Mr Chipwende was speaking at the launch of the 2012-2013 train for trade to train small and medium enterprises (SMEs) on the export promotion and economic partnership agreements in the Southern African Development Community (SADC) region launch in Lusaka yesterday.

This year's training is focused on economic partnership agreements which Zambia is configuration of the Eastern and Southern Africa countries. He said it is for this reason that ZDA has partnered with other corporate partners such as German Development Cooperation (GTZ). Mr Chipwende said SMEs contribute significantly to the growth of the non-traditional export sector through job creation and income generation. "This is the more reason to promote south to south trade through business linkages and strengthen the private sector in the region," he said. He said the train for trade, training programme is of importance to ZDA's role of identifying potential market by facilitating the participation of Zambian companies in local and foreign exhibitions among others. He said the training targets mainly SMEs that play a critical role in spearheading the country's social-economic development process. Mr Chipwende said the training programme will also involve interactive lectures, company visits, business clinics and presentation from carefully selected exports on exports trade.

He said all activities are in line with ZDA's mandate of providing market support services to business enterprise and encouraging measures that are aimed at increasing Zambia's capacity to trade, which, a step forward in Zambia's exports promotion drive. Mr Chipwende said the training programme has assisted ZDA in undertaking promotional activities such as the buyers-seller meetings and facilitating the participation of Zambian companies in specialised areas and general trade fairs. He said the past training programme has trained 96 Zambians drawn from export-oriented enterprise, export facilitators and exports and marketing institutions. Mr Chipwende said it is encouraging to note that the knowledge imparted by the past programme contributed in the creation of jobs, income generation and establishment of business partnerships. *(Daily Mail)*

Zambia expects inflation of around 7 percent in 2013 as a bumper harvest helps to moderate food price pressures, central bank Governor Michael Gondwe said on Wednesday. "The year-end inflation is 7 percent. We think that maybe next year it will be more or less the same," Gondwe told Reuters on the sidelines of a global financial conference. "We also expect that we will continue to be producers of food, bumper harvests, even the next coming season and helping to contain inflation." Food inflation is taking hold across southern Africa, putting pressure on some state budgets, as drought in the U.S. has driven corn prices to historic peaks. The Bank of Zambia kept its benchmark lending rate at 9 percent at the end of August, but warned of upside risks to inflation including from higher electricity costs and rising meat prices. Inflation in the southern African country accelerated to 6.4 percent year-on-year in August from 6.2 percent in July. The International Monetary Fund in July urged the government to remain vigilant on price pressures and tighten policy if needed. *(Reuters)*

ACTING President Alexander Chikwanda has urged visiting Princess Anne to encourage investors, especially those in large-scale agriculture, to invest in Zambia. Mr Chikwanda, who is Minister of Finance, said the real challenge for government is to stimulate development in rural areas. He was

speaking in Lusaka on Wednesday night when he had a private dinner with Princess Anne. "The PF government has spent its inaugural year creating the necessary conditions to put the economy into top gear, in the next fiscal year. The wide range of projects we will embark on have a very high job content. Unemployment is the biggest challenge for our country, particularly given the demographic reality of a population that is predominantly young. About 70% of Zambia's population is made up of people of 30 years and below. This is a time bomb," he said. He said Princess Anne's visit is a profound statement underscoring the cordial relations between the United Kingdom and Zambia. Mr Chikwanda commended the Princess Royal for visiting Zambia for the second time since 1985.

He said Zambia is eager to grow the agriculture sector to enhance development and reduce poverty. "The world population currently at 7bn, could leap to 10bn in three to four decades. Agriculture developed to its fullest potential, especially in Zambia's situation, will not only ensure national food security but create the much-needed jobs and above all, hard currency earnings through exports of food and other agro products. Export earnings are a compelling need for us to enable the country to service external debts," he said. Meanwhile, Princess Anne has said the British government plans to spend an average of 59m British pounds every year until 2015, to help Zambia achieve the Millennium Development Goals (MDGs). She also said Zambia has achieved significant socio-economic growth and has great potential to grow further because of its natural resources and peaceful atmosphere. Chief Whip Yamfwa Mukanga revealed this in Lusaka yesterday when Princess Anne addressed parliamentarians.

"Her Majesty's government support through the Department for International Development (DFID) is very welcome as it will help to support our government to improve its systems and use its resources to deliver better services," Mr Mukanga said. Mr Mukanga said the Patriotic Front (PF) administration is happy that the British government plans to spend an average of 59m British pounds on helping Zambia achieve the MDGs. He said Britain has been instrumental in supporting Zambia in improving living standards and that the funds are targeted on poverty, maternal mortality and sanitation. Mr Mukanga, who is also Minister of Mines, Energy and Water Development, said the British government's commitment to helping Zambia tackle corruption and increase transparency and accountability, is in tune with the PF administration's zero tolerance to corruption. He also commended Britain for its support to parliamentary reform programmes, in conjunction with other cooperating partners to strengthen Parliament.

Mr Mukanga said the Commonwealth has also contributed to the strengthening of democratic processes and institutions. "A good example is the Commonwealth election observer groups which deal with electoral processes and the Commonwealth ministerial action group against countries that violate democratic principles," he said. Princess Anne said she is hopeful that Zambia will continue to record growth in all sectors. She said it is encouraging that Zambia has remained peaceful while embracing tolerance of other cultures and religious beliefs. "Crime levels are very low, particularly by the standards of other countries in the region. Foreign investors have noticed the high levels of economic growth in Zambia in the last few years. Many will doubtless be considering significant further investment," she said. Princess Anne said Zambia has also been widely commended for being one of the few African

countries to achieve peaceful elections and a smooth handover of power. “You and your predecessors in the last Parliament are to be congratulated on passing two recent Acts, strengthening the legal framework for combating corruption and I understand that you will soon be considering legislation on freedom of information,” she said.*(Daily Mail)*

The European Union (EU) says about 60,000 farmers have benefited from the agriculture support and increased their yield by an average of 45%. Government has called on the EU to increase its financial support to Zambia to assist it meet some of the set targets of the vision 2030.
EU head of delegation to Zambia Gilles Hervio said with the profit from production surplus farmers can cover other needs such as education, health, services and reinvestment in their farming business. Mr Hervio said this in Lusaka yesterday at the 11th European Development Fund (EDF) consultative event jointly hosted by the ministry of finance, EU delegation to Zambia and the Common Market for East and Southern Africa. “Since 2009, an EU funded project contributes to greater food security in Zambia as a result of increased food production and more sustainable use of environmental resources.

“So far 60,000 farmers have benefited from support and yield for farmers increased by an average 45%. Of course, we do not do this alone. All EDF money is co-managed between the government and the EU,” he said. He said every project, contract and payments are done together adding that over a course of almost 40 years it has worked closely together not only with government but also with EU member states and other international development partners, civil society and private sector.
“And indeed we believe there are persuasive reasons to maintain our support to Zambia .We all know that there remains certain fragility in Zambia’s growth prospects because of its over-reliance on the price of copper. Mr Hervio said one of Government’s key challenges is not only maintaining growth but also ensure that all Zambian citizens have an opportunity to participate in and enjoy the benefits of that growth.

At the same occasion, Ministry of finance permanent secretary Felix Nkulukusa said Government needs the support of various stakeholders to arrive at the priorities for national development plans through consultations led by sector advisory groups. Mr Nkulukusa said Government through consultations has identified some areas to critical to the attainment of vision 2013 such as infrastructure, human development, agriculture and tourism as primary means to diversify away from dependence on copper. “Zambia still needs partners for the purpose of exchange of knowledge and other necessary books. “ I pray that the deliberations you will have are not only informative but will also allow the EU delegation to Zambia to arrive at agreeable content for their counterparts in Brussels with regard to what may or may not be admitted into the frame work of the 11th EDF,” he said. .*(Daily Mail)*

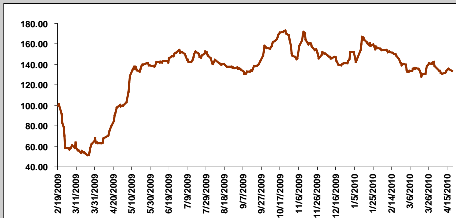
GOVERNMENT has reiterated its commitment to atrtracting and retainsing private sector investment to promote the mining sector. Minister of Mines, Energy and Water Development Yamfwa Mukanga says the mining sector still remains the backbone of Zambia’s economy, hence the need to promote it. Mr Mukanga says the country has so far seen the revival of the mining industry through the renaissance of exploration companies investing in mineral exploration and the recapitalisation of new mines. “The country is witnessing the revival of the mining industry as evident by the

opening of Lumwana, and Kalumbila mine, which is also scheduled to be opened soon," he said. Mr Mukanga was speaking during the Africa Copper Conference in Lusaka yesterday. He said Zambia has seen significant increase in capital investments in the mining sector even in the wake of the global financial crisis. He said the county has also seen significant boost in copper production from 256,884 in 2000 to over 700,000 tonnes per annum in 2011,"he said.

Mr Mukanga said there is potential for more discoveries of mineral resources considering that 42% of land still remains unexploited. "Although the economy is diversifying, the contribution of the mining sector to the economy still remains significant. Zambia has enormous mineral resources some of which are yet to be explored." "Only 42% of the country still remains unmapped and this represents potential for more discoveries, "he said. He, however, said massive and efficient infrastructure plays a vital role in supporting the rate of growth in the mining sector. Mr Mukanga said Government is working towards promoting investment in infrastructure development adding that it is taking steps to encourage thermal power generation from renewable resources to increase power supply in the sector. "The revival of the mining sector requires massive efficient infrastructure. The current power generation levels, transport and communications infrastructure is proving inadequate to support the growth of the mining sector, "he said. He said Government will ensure that benefits accrued from the mining sector are invested in sustainable economic growth. .*(Daily Mail)*

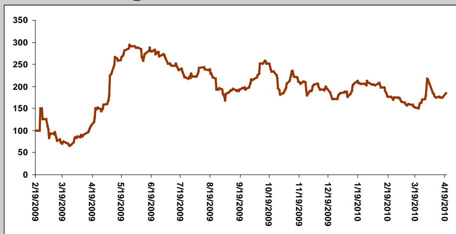
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

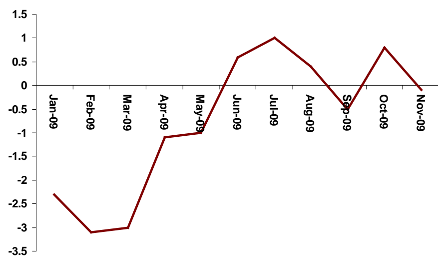
Both indices gained, the mining index +2.67% and the Industrial index +2.51%. In the Mining index, RioZim gained 17% to close at USD 6.55 while Hwange gained 5% to close at USD 0.19. Among the heavyweights, Delta closed at USD 0.78 (+4%), Aico +16.7% to USD 0.14 and Econet at USD 4.41 (+1.4%).

Corporate News

THE High Court last week granted an order for the provisional liquidation of the troubled supermarket chain, Afrofood, with Dr Cecil Madondo of Tudor House Consultants appointed the provisional liquidator. The granting of the provisional liquidation order was the culmination of the High Court application filed by Golden Fruit 97 (Proprietary) Ltd, who had supplied beverages to Afrofood but had not been paid for the supplies. The provisional liquidation was granted on September 12 by Justice Zhou. According to Golden Fruit's application, which cited Afrofood as the first respondent and the Master of the High Court as the second respondent, the retailer had breached the supply agreement with outstanding payments due to Golden Fruit accumulating to nearly USD 70 000. The applicant said it had became evident that Afrofood, once the fastest-growing supermarket chain when the country the adopted multi-currency system, was indebted to several creditors, with some having already attached most of the company's movable assets.

It said most, if not all, of the premises where Afrofood used to operate had closed down and it was clear the business was "struggling". Stocks have been heavily depleted while the remaining assets were outstripped by the company's huge debts. "Based on the above, I believe that it is just and equitable that first respondent (Afrofood) be wound up, so that the remaining assets of the company can be liquidated to provide for some equitable distribution to creditors in an orderly way," read part of the High Court application filed by Golden Fruit 97. Some of the Afrofood's assets, including vehicles and groceries, have already been auctioned. Circumstances that may lead a company into liquidation are set out in terms of Section 206 of the Companies Act (Chapter 24:03). These include instances where a company has, by special resolution, resolved that its operation be wound up by the court. A special resolution is a unique declaration passed by at least 75% of the shareholders of a company.

It can also take place if default occurs in lodging a statutory report or holding statutory meetings. Statutory reports may refer to annual returns lodged with the office of the Registrar of Companies while statutory meetings include AGM. If 75% of paid-up share capital of the company has been lost or has become useless for the business of the company, the company can be liquidated. For instance, if a company with USD 2 000 issued share capital realises cumulative losses of USD 1 500 or whose assets underpinning the business are impaired to



Source: SAR

the extent of USD 1 500, it is liable for liquidation. If a company has committed an act of insolvency that results in its inability to pay its debts, it can be liquidated. The High Court has the powers to determine whether it would be just and equitable to wind up the operations of the troubled company. *(Herald)*

DISPOSAL of starafrica's non-core assets has been hamstrung by acute liquidity conditions pervading the economy, chief executive Dr Sam Mushiri has said. Starafrica has resolved to engage an independent professional adviser to speed up the disposals. The firm seeks to raise USD 20m to recapitalise its operations. But it has only sold a few assets and raised USD 10m — half of the target. "Management is in the process of identifying an independent professional adviser to assist with the disposals," he said. This comes as the company requires a huge dose of fresh funding to rejuvenate operations, return to profitability and guarantee its survival as a going concern. Starafrica has posted persistent losses in the last three years, including the USD 8,4 suffered in the year to March 31, 2012. These have eroded equity to a point where there was a USD 10,8m mismatch between assets and liabilities, which shareholders had to approve last week. Current liabilities had exceeded assets by USD 8,5m by March 2012 compared with USD 1,9m over the same period last year.

The group has been disposing of its non-core assets to reduce working capital challenges, which have seen it struggle to clear arrears for a USD 6,8m raw sugar facility. Assets that have been or are still to be disposed of include Red Star Holdings (West Bev), Arthur Garden Engineering, Marathon Tyres and selected assets owned by its subsidiary, Silver Star Properties. The group could not find buyers for West Bev and Arthur Garden on mutually beneficial terms. West Bev has now been placed under voluntary liquidation while negotiations for the sale of the engineering division continue. Starafrica also had interests in Tongaat Hulett Botswana, ZSR Transport, R. Chitrin and Bluestar Logistics. In its annual report for the year to March 2012, starafrica said it had secured investors for a USD 4,3m plant upgrade of the Goldstar Sugar Harare refinery. The firm would not disclose the investors, but said the funds would be deposited into a Special Purpose Vehicle. "The project is expected to improve operational efficiency and reduce loss from 13% to 4%," the company said.

The plant is not operational due to raw sugar supply challenges after starafrica failed to clear liabilities under a revolving facility that it has with Hulett Tongaat Zimbabwe for the supply of the raw material.
Finance director Regis Mutyiri said that once the plant upgrade was completed and the raw sugar facility extended, the company would be able to meet its obligations. "Right now, our refinery is closed because of raw sugar challenges. We suffered some losses because our facility with our raw sugar major supplier was (exhausted)," he said. "With the work that we have done now, we are confident that if we get raw materials, we would run viably." Starafrica requires about 1 500 tonnes and 2 000 tonnes per week operating an average of production capacity of 40. *(Herald)*

The Securities Commission of Zimbabwe (SECZ) has ordered local transfer secretaries to block the transfer of shares registered under the now-defunct Remo Investment Brokers and Interfin Securities in a bid to protect investor interests. Information at hand shows that SECZ wrote a letter to all transfer securities instructing them to halt the splitting of shares registered under the two brokerage firms without approval from the capital markets regulator. In

the letter dated September 12 2012 copied to the Zimbabwe Stock Exchange (ZSE), SECZ chief executive Tafadzwa Chinamo also advised the transfer secretaries to apprise the commission on such transactions that could have taken place in the period following the cancellation of the firms' operating licences. "This serves to advise that as part of efforts to protect the firm's clients, SECZ directs you to stop any transfer or splitting of securities registered under Remo Nominees (and any other account in the name of Remo Investment Brokers) without prior approval from the commission," reads part of the letter .

"You will be required to advise the commission once you receive any instruction to conduct a split or transfer of shares registered under Remo Nominees. The commission will review such instructions and give consent before the instructions are processed." The commission wrote a similar letter to the transfer secretaries instructing them to block the transfer of shares registered under Msasa Nominees and any account under the name Interfin Securities. In June, SECZ ejected two stock broking firms, Interfin Securities and Remo Investment from operating at ZSE after they were found guilty of breaching trading rules. The commission also revoked the two firms' principal brokers, Rufaro Zengeni and Mohmed Mahmed's licences after it deemed them "unfit" to function as securities dealers. Early this year, SECZ announced it had registered three transfer secretaries to provide share registry services to over 70 companies on the local bourse. The commission licenced the largest transfer secretaries — First Transfer Secretaries, Corpserve and ZB Transfer Secretaries — after the firms met the USD 150 000 net asset threshold. This means that the companies' total assets, excluding their liabilities, exceeded the threshold.*(Newsday)*

Pan-African, multi-commodity resources company Mwana Africa says the sale of the first nickel concentrate is expected in approximately seven months from its Bindura Nickel Corporation (BNC) mine after the successful completion of a rights issue. Mwana's principal operations and exploration activities cover gold, nickel, other base metals and diamonds in Zimbabwe, the DRC and South Africa. In a statement last Friday Mwana said it had now completed the rights issue and placing required to recapitalise BNC and to recommence operations. It said BNC had agreed satisfactory terms for the settlement of creditors and of liabilities relating to the retrenchment of some employees. "The proceeds are sufficient to restart the Trojan Mine, although further funding will be required by BNC within approximately twelve months to provide sufficient working capital to take BNC through to being cash-flow positive," Mwana said. "Sale of first nickel concentrate is expected in approximately seven months, and BNC already has an offtake agreement in place with Glencore International for the sale of nickel concentrate from Trojan."

BNC ceased production in 2008 when the company was placed under care and maintenance at the height of the country's economic crisis. The recapitalisation and restructuring of BNC was completed through the rights issue and followed by a placing, whereby certain creditors and staff accepted BNC shares in lieu of the balances owed to them by the company. BNC shareholders approved the rights issue at an Extraordinary General Meeting held in Harare in June. New funds invested into BNC by way of the rights issue totalled USD 23m, including USD 21m from Mwana Africa. Liabilities of approximately USD 11,5m were converted into BNC shares by way of the placing. Following the rights issue and placing, Mwana now holds 926 359 603 ordinary shares in BNC. Mwana's Freda Rebecca gold mine also in Bindura restarted operations in 2009 and achieved its target production rate of 50 000 ounces gold per annum in 2011. *(Newsday)*

ZIMPLATS, the country's largest platinum miner, will pay USD 34m to the Zimbabwe Revenue Authority after the two agreed that claims of the capital expenditure for tax purposes for the period between 2007 and 2011 should be recalculated given that the undertakings made by the Government on the original formula have not been legalised. The revised assessments will set aside the claims of the capital expenditure in full in the year incurred as provided for in the written undertakings issued by the Government in 2001 when Zimplats started operations. Zimra has argued that the re-assessments will be issued on the grounds that the legislation required to give legal effect to the undertakings has not been promulgated. Zimra, the Government's revenue collecting arm, and Zimplats have agreed the extent of the liability could be USD 33,8m and the miner may be liable for penalties and interests. "At issue, is the claiming of capital expenditure in full in the year incurred provided for in the written undertakings that were issued by the Government in 2001, rather than over four years as prescribed in the tax legislation," Zimplats chief executive Mr Alex Mhembere said.

The company has applied these calculations in good faith over the period in accordance with the original undertaking, but accepts that, in the absence of the Government promulgating the relevant legislation as it undertook to do, Zimplats is liable to pay the additional principal tax. "Zimplats has conducted its tax affairs in good faith, relying on an undertaking received from the Zimbabwean Government in 2001 which informed how tax was calculated. "I would like to reiterate that Zimplats conducts itself at all times as a responsible corporate citizen and will comply with legislation, and pay all taxes due." In a note to shareholders published on the Australian Stock Exchange yesterday, Zimplats said while the company had agreed to pay the tax, it has lodged an objection to the payments of penalties and interest. Discussions are in progress.

"The company has conceded that, given the Government did not give legal effect to the written undertakings as envisaged, it is liable to pay the principal amount of tax."However, it has lodged an objection to the payment of penalties and interest. Discussions with Zimra in this regard are ongoing, including discussions on payment terms." In an interview yesterday, Mr Mhembere said Zimplats had engaged an independent firm of tax experts to audit the company's tax compliance. Zimplats has invested USD 955m since it started operations in 2001, making it one of the biggest foreign investors in the history of the country. Production has risen more than 10-fold from an annual output of 20 000 tonnes to 187 000 tonnes. The company employs about 5 500 people. An expansion programme to develop a mine with an estimated output of 270 000 tonnes is nearing completion. *(Herald)*

PG Industries is exploring a three-pronged approach to raise USD 9,5m for working capital and debt clearance to reverse consecutive perennial losses. This would involve the sale of unutilised assets, disposal of investment in an associate company and recalling a loan from the same company. PG has not recorded a profit since dollarisation in 2009. Company secretary Mr Kudakwashe Waniwa said the group would dispose of USD 5,15m in assets and realise USD 4,35m from its investment and loan to an associate company. PG's investment in Manica Boards and Doors is valued at USD 2,9m while loan to the same company stands at USD 1,3m. Mr Waniwa disclosed the initiative in a statement accompanying the group's results for the interim period to June 30, 2012, during which PG suffered a USD 2,7m loss. The asset

disposals and loan recovery are expected to complement a product supply agreement that PG recently concluded to cover its import requirements. “Discussions are (also) in progress to conclude a long-term business process outsourcing agreement,” said Mr Waniwa.

A transaction funding relationship was established, which will provide access to imported products to the tune of USD 2,1m. This will culminate in an outsourcing contract to be signed in the last quarter of the year and a credit limit increase to USD 4m. “Successful conclusion of the business process outsourcing will have material impact on medium- and long-term performance of merchandising and glass divisions,” he said. The supplies would eliminate the stocking challenges at PG Merchandising and Plate Glass Company of Zimbabwe. This comes on the back of a USD 2,7m loss that it suffered in the interim to June 30, 2012. Mr Waniwa said PG’s loss narrowed from USD 3,1m in the same period last year, but low merchandising volumes and high interest weighed down on the group’s financial results.

“The performance of the merchandising division was constrained by lack of adequate working capital,” Mr Waniwa said. PG recorded a 16% decline in revenue to USD 15,2m in the period under review and attributed this to non-consolidation of Manica Boards and Doors’ results and a drop in volumes at PG Merchandising during that period. Due to financial constraints, PG failed to follow its rights during cash call initiative for Manica Boards and Doors and saw its 60% stake whittled down to 27,9%. The rights offer saw Manica Boards and Doors recapitalised to the tune of USD 10,4m early this year. Dismal financial performance over the past three years has prompted 20% shareholder BancABC to consider divesting, but cautiously to preserve PG’s share value. The persistent losses raised concern last year over the firm’s going concern status when current liabilities exceeded current assets by USD 10,2m by June last year. This dropped to USD 6,7m by June this year. *(Herald)*

Rio Tinto has agreed to sell two small coal assets in South Africa to Forbes & Manhattan Coal for 440m rand as part of its strategy to shed smaller operations. Rio Tinto spokesman David Outhwaite said the coal assets being sold were too small for its portfolio. Rio Tinto is also divesting from South Africa's largest copper producer Palabora Mining but the company has invested elsewhere in the country, doubling its stake in Richards Bay Minerals, a producer of titanium dioxide, earlier this month in a USD 1.9bn deal with BHP Billiton. Forbes Coal in a statement said the acquisition will boost its total production by 39% to 2.5m tonnes a year.

Forbes Coal is taking a 74% interest in the Zululand Anthracite Colliery, a producing anthracite mine, and 74% in the Riversdale Anthracite Colliery ("RAC"), an undeveloped mine. The remaining 26% stakes in each asset are in the hands of black economic empowerment partners. Policy uncertainty and a wave of violent strikes in the platinum sector this year have unnerved some foreign investors in South Africa's mining sector. *(News Day)*

PG Industries remained in the negative despite narrowing its loss in the first six months of the year, after being weighed down by low merchandising and high interest burden. Loss after tax for the half-year to June 30 was down to USD 2,7m from USD 3,1m over the comparative period last year. Net revenue was down 16% to USD 15,2m attributed to the non-consolidation of Manica Board and Doors (MBD). Gross sales declined 12% to

USD 10,5m. In a statement accompanying its interim results, PG said PG Timbers and PG Mozambique posted an impressive growth in sales. As part of efforts to improve working capital, PG said it would be disposing some of its assets. "The board also approved the following initiatives to start addressing the group's working capital and gearing challenges; disposal of properties not being utilised by PG businesses with a book value of USD 5,1m and disposal of the remaining investment in an associate company and recovery of loan investment in the associate company with a combined book value of USD 4,3m," read part of the statement accompanying the results.

PG said the company would soon conclude a product supply agreement with a supply chain management to recover the group's import requirements. "Discussions are in progress to conclude a long-term business process outsourcing (BPO) agreement. "Successful conclusion of the BPO agreement will have material impact on the medium and long-term performance of merchandising and glass divisions," the company said. PG Industries Zimbabwe shareholding in MBD declined to 27,9% from 60% after the recapitalisation of the company to the tune of USD 10,4m by way of a rights issue that the former failed to participate in. During the period under review, Zimtile commissioned a brand new roofing tile factory while the glass division underperformed owing to its inability to consistently source adequate volumes of glass. *(News Day)*

Pan-African resources company Mwana Africa could need as much as USD 25m of additional funding in its second year of production at Bindura Nickel Corp (BNC) in Zimbabwe, the company's head of corporate development, Lorenz Werndle, told Metal Bulletin. Production is to begin in the next few months at BNC's flagship Trojan Nickel Mine, following the resolution of numerous legacy issues. "The difficulty with the next funding requirement at Bindura is that, because it's not capital expenditure but working capital, it's directly linked to the commodity price," Werndle said. "The amount will therefore vary, but we're looking at somewhere in the region of USD 15-25m. If the price of nickel on the London Metal Exchange dips as low as USD 15 000 per tonne, the required funding will be closer to USD 25m. "If it rises to as much as USD 20 000 per tonne, however, the company will need no additional funding at all," Werndle said.

There are a number of options Mwana could pursue to raise the necessary funding, he added, including off take agreements and partnerships with foreign investors. "There are a number of African developmental banks and we will also look at East Asia," Werndle said. "Given our big Chinese shareholding, we will now be able to leverage off that and get contracts in China for some debt finance," he added. "We feel confident we can achieve that because the balance sheet is now well-defined and the company will be selling concentrate at that point." For a long time, unresolved issues over redundancy payments weighed on the balance sheet, he said, but these have now been addressed, allowing the company to clarify its position and move forward. "The significance of this can't be underestimated. It shows a lot of good will (having the community and the government on board). There is collective support to get the business restarted," Werndle said.

First production at BNC is expected during the early part of 2013 and an off take agreement is already in place with Glencore. "The funding would be spread out over the second year. What it will do is get us to the revenue-generation stage," he added. "The risk profile for a debt funder is now a lot lower. Debt funders like

to see a lot of equity moving, which is what we've done just now (with the USD 21m rights issue)." Glencore is mobilised and ready to take concentrate from Bindura as soon as it is available, Werndle told Metal Bulletin. *(News Day)*

DAWN Properties recorded a 10% increase in revenues over the six months to September while operating expenses also eased by the same margin, managing director Mike Manyika said on Wednesday. Speaking at the company's Annual General Meeting (AGM), Manyika said cash-flows had improved significantly adding the outlook for the second half of the year was positive. He said the group had reached an understanding with African Sun over the lease of its properties to the hotel group but declined to give further details. "At the right time, we will appoint advisors to ensure the correct strategy is executed," Manika said. "The disposal of CBRE for USD 1,4m is at an advanced stage, but because management is buying the business and working with a technical partner from SA, Indigenisation and Exchange Control approval is required."

African Sun Limited (ASL) recently acquired an extra 12% interest in the listed property firm for about USD 3.7m taking its interest in the company to about 29%. "The board wishes to advise shareholders that African Sun Limited has recently acquired 294 705 134 shares in Dawn Properties as part of our strategy to protect and enhance shareholder value," said African Sun in a recent statement. "This acquisition represents 11,99% of the issued share capital of Dawn and brigs the shareholding of the company to 28,54%. The consideration, including transaction costs of USD 3,710 442, 24 has been settled in full." Formerly a wholly-owned subsidiary of ASL, Dawn Properties owns several of the hotel groups properties, among them Carribea Bay, Crown Plaza Monomotapa, the Elephant Hills Resort, Hwange Safari Lodge and the Holiday Inn hotels in Beitbridge and Mutare.

But the two companies have been involved in spat over rentals and Dawn has since initiated legal proceedings for the eviction of African Sun from some eight properties. Problems between the two companies started after the collapse of ASL's USD 10m deal with the Industrial Development Corporation of South Africa. The deal collapsed after the Dawn vetoed African Sun's bid to pledge Crowne Plaza Monomotapa as collateral in the transaction. Analysts said African Sun was looking to increase its shareholding in Dawn so that should the hotel group lose the court case against Dawn Properties, it can fight its corner at shareholder level. *(New Zimbabwe)*

Economic News

Ministers of Finance of South Africa and Zimbabwe, Pravin Gordhan and Tendai Biti, met last Friday to discuss ways of deepening co-operation between the governments of South Africa and Zimbabwe. The discussions centred on the resolution of the Extraordinary Summit of the Sadc Heads of State and Government held at the Lozitha Palace, Kingdom of Swaziland, on March 30 2009, to provide support to Zimbabwe's Short Term Economic Recovery Programme (STERP). At the Summit, South Africa pledged to explore a number of possible support measures for Zimbabwe, including: .Budget support grants, A line of credit and Export credit facilities. The two ministers recognised Zimbabwe's positive recovery from a period of hyper-inflation and the

successful implementation of STERP. However, they noted that the country continued to face significant economic constraints, including cashflow challenges arising from revenue collections that are below target, a high debt over-hang, an uncompetitive business environment, infrastructural deficits and limited access to lines of credit for business.

The Finance ministers of the two countries also acknowledged reform measures that Zimbabwe has been undertaking to achieve fiscal sustainability and overall economic recovery. These include: Revenue-enhancing measures including an increase in fuel taxes, coupled with the incorporation of the Zimbabwean Revenue Authority (Zimra) into the diamond value chain, as well as closing tax loopholes and slippages. .Strengthening the Budget process to better support fiscal management, planning and control of spending. .Continued restructuring of the balance sheet of the Reserve Bank of Zimbabwe. .Tightening of financial markets regulation and banking supervision. .Implementation of the Zimbabwe Accelerated Arrears Clearance, Debt and Development Strategy and limiting non-concessional borrowing. .Supporting improvement in the business environment and reduction of the cost of doing business.

The ministers agreed to consider the following: .The facilitation of a line of credit; A request for further Budget support, which will be aligned to South Africa's 2012 budget process. Encouraging the participation of development finance institutions, including the Development Bank of Southern Africa, to invest in infrastructure projects, particularly in energy and roads. .Strengthening the collaboration between the South African Revenue Service and Zimra, with particular focus on the harmonisation of customs systems and procedures and investments in Beitbridge Border Post infrastructure. South Africa further committed itself to continue supporting Zimbabwe's efforts to normalise its relations with multilateral financial institutions. *(Newsday)*

After two years of high growth Zimbabwe's economy is set to slow to 5% this year amid a poor farming season blamed on erratic rainfall and concerns about upcoming elections, the International Monetary Fund said on Tuesday. Zimbabwe's economy grew at a rapid clip of 9.6% in 2010 and 9.4% last year as the country rebounded from a decade-long recession widely blamed on the policies of long-time President Robert Mugabe. In its annual review of the Zimbabwean economy, the IMF said growth should moderate over the medium-term to average about 4%, although electricity supply problems and tight liquidity conditions could pose problems. The IMF said Zimbabwe's current account deficit is projected to narrow to 20.5% of gross domestic product in 2012, as a spike in imports in 2011 is reversed and exports continue to expand. The IMF said Zimbabwe carries a heavy debt burden with total external debt estimated at USD 10.7bn, or 113.5% of GDP, at end-2011, of which 67% of GDP are in arrears. "The large debt overhang remains a serious impediment to medium-term fiscal and external sustainability," the IMF said. Two salary increases for civil servants since 2011 raised employment costs by 22%, and was compounded by an increase in employee allowances and unbudgeted recruitment.

With elections expected later this year or next, there are concerns about a repeat of violence that marred the 2008 presidential poll. Mugabe, 88, has held onto power since independence from Britain in 1980 and is blamed for running the economy into the ground and for massive human rights abuses.
The West has imposed sanctions on Mugabe and his allies, accusing them of

election violence and using state security agents to beat up and detain opponents. Mugabe and opposition leader Morgan Tsvangirai, who is prime minister, share power in a unity government. Mugabe's Zanu PF party is pushing for elections this year, ahead of schedule, while Tsvangirai's Movement for Democratic Change wants new elections only after the adoption of a new constitution and electoral, security and media reforms. Under the terms of the power-sharing deal new elections must be held by next year. The government has turned to South Africa and Angola to help plug a USD 400m hole in Zimbabwe's budget. The country has struggled to attract private investment and funding from global institutions like the IMF. *(New Zimbabwe)*

The Bilateral trade volume between Zim-babwe and China is expected to reach USD 1bn by the end of this year, an official said yesterday. Chinese ambassador to Zimbabwe Mr Lin Lin yesterday said more companies from his country were becoming involved in local economic development. He was speaking at a reception to mark the 63rd anniversary of the founding of the Peo-ple’s Republic of China, held at the Chinese embassy. “The bilateral trade volume was USD 533m in the first months of 2012, an increase of 20% from the same period last year,” said Mr Lin. “Since my arrival in Harare two months ago, I can feel the warmth of China-Zimbabwe rela-tions and the fraternal sentiments Zimbab-wean people have for Chinese people. “I am happy to see that the year 2012 wit-nessed a rapid development of the mutually beneficial economic co-operation between China and Zimbabwe.”

Mr Lin said from 2002 to 2011, China’s Gross Domestic Product grew at an annual rate of 10,7% and moved from sixth to sec-ond in the world. The per-capita GDP rose from more than USD 1 000 to USD 5 432, with the foreign exchange reserves exceeding USD 3tn. Mr Lin said the fast development of relations between China and Zimbabwe brought tangi-ble benefits to the people. He said China made unprecedented social transformation, especially since adopting reform and opening up in 1978. “China’s industrial structure was upgraded, its agricultural foundation was consolidated and regional development became much more balanced,” said Mr Lin. “All-round progress was made in social pro-grammes and people’s lives significantly improved. We have withstood the test of many disasters, difficulties and risks. “In the last five years, we effectively tackled the huge impact of the international financial crisis and sustained steady and fast economic growth.”

Mr Lin said despite the achievements, the Chinese were clear that their country was still a developing country, with a large population and yet a weak economic base. “It has to feed close to 20% of the world’s population with only 9% of the world’s arable land and 6,5% of the world’s fresh water,” he said. “Unbalanced development still exists between urban and rural areas and among dif-ferent regions. There are 128m Chinese people still living under poverty datum line.
“We still have a long way to go,” he said. *(Herald)*

THE Zimbabwe Stock Exchange board has decided against reinstating suspended chief executive Mr Emmanuel Munyukwi. The ZSE boss has been on suspension without benefits over the past five months pending a hearing into allegations of misconduct. ZSE acting board chairperson Mrs Eve Gadzikwa could not be reached for a comment yesterday as her phone went unanswered while Mr Munyukwi was unreachable on his mobile phone. But Securities and Exchanges Commission of Zimbabwe chief executive Mr Tafadzwa Chinamo said while he was not privy to the finer details (of the case)

he was told Mr Munyukwi would not be reinstated. The SECZ regulates trade in securities, as well as the operations of all exchanges and capital markets. “Indications are that, whatever the outcome (of the hearing) he will not be coming back. It is highly unlikely. From what I was told, he is not coming back,” said Mr Chinamo.

He said he was not privy to the charges, except that he was being charged with misconduct. Discussions held last week are understood to have centred on the CEO’s exit package. Mr Munyukwi has been at the helm of the ZSE since 2001. Mr Munyukwi would most likely leave office before he completes the demutualisation of the ZSE. Full demutualisation of the ZSE is pending although the bourse has been registered as a private limited company. Demutualisation refers to a process by which a mutual organisation or company is transformed into a publicly traded firm. A mutual company is one that is owned and used by members for their benefit. After demutualisation, members give up their rights and take up shares in the private company, which the former members may then trade in. After this, the ZSE, in conjunction with the Securities and Exchanges Commission of Zimbabwe, planned to introduce an electronic trading system known as the Central Securities Depository to allow for paperless trading.

THE CSD is a modern and advanced way of securities trading which would enable recording of transactions through an electronic book entry system. SECZ has already contracted a private company to develop a framework for the establishment of the electronic securities trading platform.
Under the terms of the shareholding agreement for the CSD State-owned ZB Financial Holdings has 13%, National Social Security Authority 13% and Infrastructure Development Bank of Zimbabwe 10% stake. The ZSE is made up of 75 active counters. Three counters have suspended trade in their shares. The broader vision is for the ZSE to be a member of the Federation of World Exchanges, which requires members to scrap physical trading in shares and physical certificates. The FWE is an international organisation based in France and handles business policy issues affecting stock exchanges. *(Herald)*

The International Monetary Fund (IMF) has urged the government to adopt a raft of reforms to grow the economy and retire the ballooning external debt as the government pushes for an IMF staff-monitored programme next month. Currently saddled with a huge debt overhang of USD 10,7bn and limited fiscal space, the government has struggled to finance key social and economic projects in the absence of meaningful investment. The executive board of the Bretton Woods Institution last Friday concluded the Article IV consultation with Zimbabwe and urged the government to introduce several reforms, which could quicken economic growth. The meeting came at a time when the government had cut down economic growth rates to 5,4% from 9,3% due to underperformance of diamond revenues. The IMF warned that foreign direct investment in the country would continue to be hampered by lack of clarity on the equity laws compelling foreign-owned companies to dispose of 51% stake to locals. This, the multilateral financier said, would also choke domestic investors from accessing cheap credit.

“A vigorous programme of structural reform and strengthened macroeconomic management would allow the country to sustain higher rates of growth,” reads a statement issued by the IMF. “To achieve sustained and inclusive growth, directors stressed the importance of full commitment to policies focusing on strengthening fiscal management, reducing financial sector vulnerabilities and

improving the business climate. "Directors urged authorities to fully implement the measures announced in the Mid-Year Fiscal Policy review and take additional measures, if necessary, to address earlier slippages and close the financing gap." In response to the fiscal slippages, in July the government announced expenditure and revenue measures, as well as a reassessment of diamond revenue flows. Measures included a general freeze on public sector employment, suspension of a number of diamond-revenue-financed projects, increase in excise duty on fuel and enhanced monitoring of the mineral resources. The IMF said the government should also speed up the enactment of the Diamond Act to improve accountability in the sub-economic sector. Early this year, Treasury projected that USD 600m would be raised from the sale of the gems, but with three months before the end of the year, less than half of the amount has been channelled to State coffers. "Directors emphasised that enhancing transparency in the diamond sector, including timely finalisation and implementation of the Diamond Act, is key to strengthening revenues and reducing fiscal pressures," the IMF said.

Turning to the issue of debt, the IMF said the executive board was impressed by efforts made by the debt-ridden government in seeking a solution to the issue. IMF directors, the statement further stated, urged the government to fast-track the restructuring of the financially distressed Reserve Bank of Zimbabwe. The directors also agreed that in addressing Zimbabwe's large debt overhang and achieving external sustainability, the government would require strong macroeconomic policies and a comprehensive arrears clearance framework supported by donors. The multilateral institution advised authorities to refrain from further non-concessional borrowing and avoid selective debt servicing, as these could complicate reaching agreement with creditors on a debt resolution strategy, further cautioning against the use of special drawing rights holdings to finance expenditures.

"Directors welcomed Zimbabwe's continued improvement in co-operating with the fund on policies and payments to the Poverty Reduction and Growth Trust, (PRGT) as this would allow the lifting of relevant technical assistance restrictions, making it possible to advance towards negotiation of a staff-monitored programme (SMP) to support the country's reform efforts," the IMF said. "Most directors indicated their readiness to support such a lifting. "Directors commended the authorities on meeting the outstanding marker on steps towards removing irregularly hired workers from the payroll, which allowed the initiation of a stock-taking on the feasibility of the SMP. "In this regard, directors welcomed the authorities' renewed commitment to make regular payments to the PRGT." *(News Day)*

Notes

Securities Africa Limited

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

✉ Email: Mail@SecuritiesAfrica.com

This research report is not an offer to sell or the solicitation of an offer to buy or subscribe for any securities. The securities referred to in this report may not be eligible for sale in some jurisdictions. The information contained in this report has been compiled by Securities Africa Limited ("SAL") and Legae Securities ("Legae") from sources that it believes to be reliable, but no representation or warranty is made or guarantee given by SAL, Legae or any other person as to its accuracy or completeness. All opinions and estimates expressed in this report are (unless otherwise indicated) entirely those of SAL as of the date of this report only and are subject to change without notice. Neither SAL nor any other member of the SAL group of companies including their respective associated companies (together "Group Companies"), nor Legae nor any other person, accepts any liability whatsoever for any loss howsoever arising from any use of this report or its contents or otherwise arising in connection therewith. Each recipient of this report shall be solely responsible for making its own independent investigation of the business, financial condition and prospects of companies referred to in this report. Group Companies and their respective affiliates, officers, directors and employees, including persons involved in the preparation or issuance of this report as well as Legae and its employees may from time to time (i) have positions in, and buy or sell, the securities of companies referred to in this report (or in related investments); (ii) have a consulting, investment banking or broking relationship with a company referred to in this report; and (iii) to the extent permitted under applicable law, have acted upon or used the information contained or referred to in this report including effecting transactions for their own account in an investment (or related investment) in respect of any company referred to in this report, prior to or immediately following its publication. This report may not have been distributed to all recipients at the same time. This report is issued only for the information of and may only be distributed to professional investors (or, in the case of the United States, major US institutional investors as defined in Rule 15a-6 of the US Securities Exchange Act of 1934) and dealers in securities and must not be copied, published or reproduced or redistributed (in whole or in part) by any recipient for any purpose.

© Securities Africa Limited- 2010