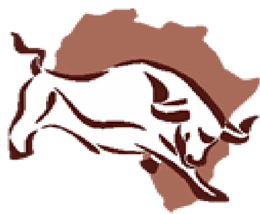


For week ending 8 June 2012

Weekly African Footprint

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

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

Currencies:

	8-Jun-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.11	0.00	-0.19
DZD	76.54	-0.41	-1.72
BWP	7.62	1.38	-3.35
CFA	511.31	1.51	-3.35
EGP	6.02	0.08	-0.07
GHS	1.88	-0.05	-16.30
KES	83.67	1.85	-0.13
MWK	265.80	0.15	-63.67
MUR	28.69	-0.24	-1.98
MAD	8.76	1.26	-2.16
MZM	27,400.00	1.79	-2.62
NAD	8.21	2.19	-0.88
NGN	161.19	-1.31	-0.88
ZAR	8.30	2.63	-1.56
SDD	263.52	0.88	0.97
SDP	2,261.00	0.00	0.00
SZL	8.23	2.18	-1.02
TND	1.60	0.75	-7.07
TZS	1,557.93	0.72	0.16
UGX	2,442.42	0.40	0.20
ZMK	5,231.40	0.65	-4.26

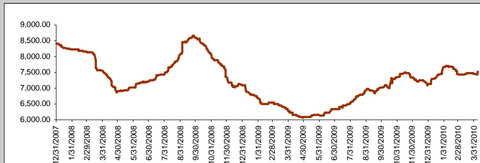
Source:oanda.com

African Stock Exchange Performance:

Country	Index	08 June 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,265.95	0.86%	2.27%	4.23%	0.86%
Egypt	CASE 30	4,489.55	-4.20%	-4.12%	23.94%	23.85%
Ghana	GSE All Share	1,018.84	-0.39%	-0.43%	5.14%	-9.60%
Ivory Coast	BRVM Composite	144.02	-0.01%	1.52%	3.70%	0.34%
Kenya	NSE 20	3,639.46	-0.31%	1.57%	13.55%	13.41%
Malawi	Malawi All Share	5,886.82	0.00%	0.15%	9.64%	-33.01%
Mauritius	SEMDEX	1,794.47	-0.64%	-0.88%	-4.97%	-6.81%
	SEM 7	341.32	-0.28%	-0.53%	-2.57%	-4.46%
Morocco	MASI	10,150.55	-0.78%	0.48%	-7.80%	-9.75%
Namibia	Overall Index	891.00	3.73%	6.05%	6.32%	5.40%
Nigeria	Nigeria All Share	20,902.95	-4.83%	-6.06%	0.83%	-0.05%
South Africa	All Share	34,375.51	0.00%	2.70%	7.44%	5.79%
Swaziland	All Share	284.32	0.60%	2.84%	5.92%	4.84%
Tanzania	DSEI	1,310.34	-0.61%	0.12%	0.55%	0.70%
Tunisia	TunIndex	5,072.33	0.77%	1.53%	7.41%	2.20%
Zambia	LUSE All Share	3,873.26	0.04%	0.69%	-7.11%	-10.65%
Zimbabwe	Industrial Index	133.34	1.12%	1.12%	-8.58%	-8.58%
	Mining Index	82.48	-1.25%	-1.25%	-18.09%	-18.09%

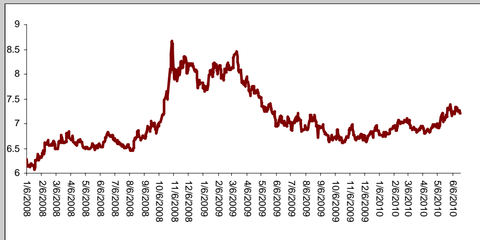
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



Source: Reuters

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The DCI gained a marginal 0.86% to close at 7,265.95 points. AF Copper and BOD led the gainers after adding +25.00% and +11.11% to close at BWP 0.30 and BWP 0.30 respectively. Other notable gains were recorded in New Gold (+4.27%) and BIHL (+2.60%). Anglo was the only shaker after shedding -8.06% to close the week at BWP 245.00. Market turnover for the week amounted to BWP 60.8m.

Corporate News

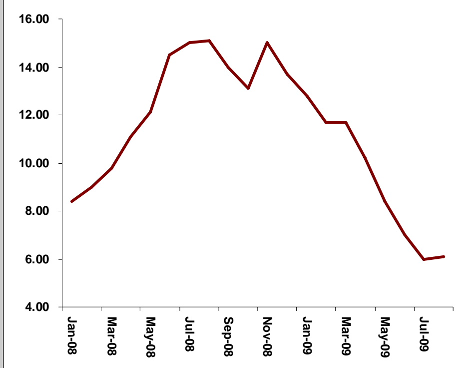
An adjustment of electricity tariffs requested by the Botswana Power Corporation (BPC) is being discussed at the highest levels of government, with an announcement expected soon, BusinessWeek has established. Recently, impeccable sources at the BPC told BusinessWeek that the utility was pushing for a 30% adjustment, being the last instalment of a three-year plan under which increases ranging between 15 and 30% were made in 2010 and 2011.

However, Cabinet, with recommendations from the Ministry of Minerals, Energy and Water Resources will approve the final structure of any adjustment, whether the tariffs are simply reviewed or the BPC is also given tariff support in the form of a cash bailout. Last week, the ministry's permanent secretary, Boikobo Paya told the parliamentary Public Accounts Committee (PAC) that an electricity tariff increase was not only in the pipeline but was also inevitable.

"The BPC continues to struggle for cost effectiveness and cost reflective tariffs and there's need to slowly keep raising these (tariffs) so that they can stand on their own," he told members of parliament. "They (BPC) keep going to government for subsidies and this is not sustainable. We are in the process of suggesting another tariff increase for the 2012/13 financial year." Recently BusinessWeek was informed that the BPC is selling power for lower than it is purchasing it from South Africa and other suppliers.

And even lower than it is producing it from Morupule A power station. For the financial year ending March 31, 2012, the BPC was forecast to make losses of BWP 87m, having paid BWP 1.6bn for power imports and emergency power in the 2011/12 financial year. The utility's total costs were expected to reach BWP 2.74bn, compared to revenues of BWP 2.65bn. At the PAC meeting, however, legislators grilled the ministry's officials on the prudence of using tariff increases and bailouts for the BPC, particularly given their impact on the broader economy.

"The BPC is technically bankrupt and you want to increase tariffs and by extension, inflation which becomes the worst form of taxation as it hurts everyone. These increases also hinder economic diversification and increase



Source: SAR

the costs of production," said Tati East legislator, Samson Guma Moyo. "Are you solving a problem by increasing tariffs?" He added: "The BPC is losing money through system losses, at about 10% of its revenues, which is BWP 200m of BWP 2bn. It also has a debt book of BWP 1bn. Does it really need tariff increases in this regard?"

In response, Paya said the ministry was fast-tracking the establishment of the Botswana Energy and Water Regulator (BEWRA) which will focus on the efficiency and effectiveness of utilities, instead of simply awarding tariff hikes. The permanent secretary revealed that while the ministry has summoned the BPC board and management on the recovery of debts, BEWRA would also hone in on such issues once established. "BEWRA will look at the BPC's operations, cost structure, operating costs and other factors and this is a priority for us," Paya said.

"However, while we are doing that, we cannot let the BPC go down the drain. The tariff increase and tariff support are meant to keep it afloat. There will always be the issue of inflation, but consider that in the past three years, the region suffered from load-shedding where we could not even calculate the threat. I believe the cost of not having power is greater than the cost of having power at cost reflective rates." Paya added that pegging the right power tariff would also ensure the appropriate amount and quality of electricity generation.

For 2012/13, the BPC's total costs are projected to reach BWP 3.16bn driven by the generation, transmission and distribution costs associated with Morupule B's units as well as the maintenance and replacement of components for the new power station. According to the corporation's CEO, Jacob Raleru, the BPC's long-term sustainability lies in cost reflective tariffs and greater internal efficiencies. *(Mmegi)*

BCL mine is in the process of mounting an exploration project for other minerals other than copper-nickel - such as platinum and uranium - in a diversification effort that is expected to sustain the mine beyond its current expected lifespan. Giving highlights of the mine's future strategy to the media, Senior Manager for strategy alignment Mack William said BCL mine has not explored these areas before but they are optimistic that they can achieve and in turn make the mine relevant for a longer period.

He said exploration work is commencing and this is necessary to make the BCL more productive and diverse. "We see ourselves as globally credible and we want to be viewed as a serious player by the rest of the world. We intend to be much bigger than just copper and nickel mine and to be more competitive in the global market,' he said. William explained the benefits of a diversified mine and these include its ability to be self-sustainable without reliance on government.

He feared that without a change in strategy, BCL may at some point have to close its mining operations. He warned that doing more of the same will not produce different results but would lead to the death of BCL. "We have no choice but to save the mine and the town," he said. To ensure this, he said there is need for all the mine's core businesses to also generate revenue.

"We are continuing to look for more concentrates and also considering acquiring other businesses and possibly setting up a refinery at the mine," he said. The mine is currently refining its ore in Zimbabwe and Norway. Ninenty-

two% of metal matte is sent to Zimbabwe and 74% to Norway for final refinery. He added that a feasibility study is currently being carried out to see if the mine could produce enough minerals to feed its own refinery.

"There is enough expertise to do it but it will take some time because we would also have to find other mines that can use our refinery. The renewal of Nkomati contract is to be finalized soon after it expired last year. He is optimistic that the mine will not die but in fact the town will grow bigger than some towns in Botswana. The mine's Assistant General Manager William Osae said they formulated the 'A re chencheng' strategy in 2008 after realizing the challenges that the mine faced in the previous years.

He said costs were rising while production was going down and it was difficult to sustain improvement. The 'A re chencheng' strategy will among other things, increase reserves, the level of production, exploit under-utilized concentrator and smelter potential as well as exploit related diversification and partnering opportunities. The strategy further seeks to significantly improve efficiency across the entire production chain and to transform the organization's climate to high levels of engagement and commitment.

Osae emphasized that the strategy, which is reviewed annually, is very robust. "Currently we do not do whatever is not in support of the 'Are chencheng' strategy. It is a question of strategy. In fact the strategy has brought BCL mine to where it needs to be," he added. He said the strategy also enables employees to take ownership of the company and for the company to bring value to investors and shareholders. Osae said through the strategy, there are indications that the mine will go way beyond the anticipated mine closure because of the progress made so far and the emphasis on efficiency.

He said they need to make sure that they bring more minerals from underground otherwise the mine would not be sustainable. Osae said while they did well in safety performance since 1997, the mine did not record impressive performance in its development as it had to procure a lot of equipment that took long to arrive and had to employ manual labour to do the job. He said the focus for this year is cost reduction in the light of depressed metal prices and high inflationary pressures as well as to fast track design issues on infrastructure required to support the anticipated 10-year lifespan of the mine.

BCL General Manager, Dan Mahupela, said BCL is one of the biggest mining companies in Botswana and it is their dream to have the company wholly-owned by Batswana. "It is however not an easy road to navigate. We will have to work as a team. The whole country must have an input to make sure that Selebi-Phikwe survives," he said. *(Mmegi)*

Nortex Textiles Limited has suspended its BWP 30m expansion plans as it battles to acquire technical skills locally to support the project. In an interview with Mmegi Business last week, managing director Mukesh Josh said the firm, which currently employs 460 people, has been heavily affected by shortage of skills, and can no longer meet the demand for its products, especially from South Africa.

"There is a huge demand for our products in the South African market. We were hoping to begin expansion soon so that we can meet the escalating demand for

our products in the country but we are unable to do so. "There is greater lack of skills in the textile industry locally, especially technicians. That is why we have decided to temporarily ditch our expansion plans. We are now rejecting orders from SA because we can't cope with the demand for our products," he said.

Josh added that it was also difficult and costly to employ skilled expatriates. For this reason, he said it was not viable to expand the firm. He said the textile firm expected to invest nearly P30m in the expansion project, which would have translated into an additional 60 jobs. Nortex is a firm worth slightly above BWP 100m and sells 85% of its produce to South African retail companies. The rest of the produce is sold to retail companies in Zimbabwe, Mauritius and the local market.

"We were also hoping to increase our sales to nearly BWP 140m from about BWP 100m that we are currently making annually," he added. He said the firm would only consider the prospect of expanding its operations in future if the management of the company deems it viable. Josh further said that the company will in future investigate the possibility of setting up another firm in another country in the African region. "As our main market is South Africa, we will in future consider expanding our operations to other countries within the proximity of that country to meet the escalating demand for our products.

We have always had the idea in our mind. That will be either to Mozambique or Lesotho. We will however have to look at factors such as availability of resources, political stability and the cost of operating a business in those countries," he said. Josh also suggested that government should urgently consider injecting more cash to subsidise the fragile textile industry."When the government introduced the textile bail-out nearly three years ago, we were in the process of retrenching workers, but we managed to employ a hundred more people from the 380 we had then.

"We are not yet out of the recession so the government should inject more money into the industry to avoid loss of jobs as, like other firms, we will be looking into reducing our operational costs to maximise profits," he said. *(Mmegi)*

Discovery Metals, promoters of Boseto Copper Mine in Maun, says it has started commissioning of open pit mining operations aimed at producing 36,000 tonnes of copper and 1.1m ounces of silver in the first year of production. At such a production rate, Boseto which was built at a cost of BWP 1.2bn, is the country's largest copper mine, overtaking BCL (25,000 tonnes) and African Copper's Mowana Mine (5,000 tonnes).

In a statement, Discovery said milling, flotation and production of copper-silver concentrate is expected this month with open pit mining from the Zeta deposit progressively ramping up with the last 350 tonne excavator scheduled for delivery to site in July. "Commissioning has commenced within the timeline communicated to shareholders in 2010. We are now focused on bringing the plant to design production rate as quickly as possible.

Given that the company was only awarded the Boseto Mining licence in December 2010, the efforts of all involved to construct this project within 18 months deserve to be recognised," Discovery Metals managing director, Brad Sampson stated. According to the company, all of the planned truck fleet is on

site and being deployed into operations as the workforce is progressively employed and trained.

Although the mine has started as an open pit, it is set to open an underground operation by the end of next year, while a second adjacent deposit, Plutus will be opening in the next couple of years to ramp up Discovery's production to 50,000 tonnes per year. "Open pit operations at Zeta open pit are planned to continue to a depth of approximately 150m finishing in the fourth quarter of 2013. This timing should allow the Zeta underground to be developed without interference from the open pit.

"The open pit operations are planned to scale back by approximately one third when Zeta underground mining is underway assuming the current plant limitation of 3Mtpa. This will allow considerable flexibility in overall production planning without the need for additional capital equipment purchases," reads the statement.

Although the company says it has not made a decision of operating the Zeta pit itself or contracting it out, current expectations regarding Boseto's open pit unit mining are that costs will be higher than the USD 1.35 per tonne presented in the bankable feasibility study (BFS) in 2010 due to increases in diesel and explosives. Unlike many other mines, however, Discovery says it anticipates offsetting higher mining costs by open pit re-scheduling for lower strip ratios and better grades which are expected to be available from exploration success.

Developed at a cost of P1.2bn (USD 175m), the Boseto Zone is part of Discovery's Kalahari Copper Belt prospecting area-covering 9,656km2. The company is planning production of about 36,000 tonnes of copper and more than 1m ounces of silver per annum over an initial 15-year mine life at the project. Discovery's major assets in Botswana are Boseto and Dikoloti in the North East District, which is a joint venture with the Japan Oil Gas Metals & Energy Corporation (JOGMEC), who have earned a right to 60% of the project.

In January 2011, Discovery Metals was granted 16 new prospecting licenses covering 14,425 square kilometres in southern Botswana, which could possibly host an extension of the world-class Kalahari manganese field. *(Mmegi)*

Economic News

Local households are Africa's third biggest spenders on goods and services in terms of per capita value, with data indicating the trend is a mixture of both high prices and robust consumption. Earlier this week, the African Development Bank (AfDB) released a 92-page comparison of real household spending in 49 countries, contrasting the prices of 1,016 products and services, taken at different times of the year and their consumption in individual countries in 2009.

The study is part of a global statistical initiative designed to help countries enhance their statistical capacities in the important areas of national accounts and price statistics. According to the study, spending on food in Botswana, Mauritius, Seychelles and Swaziland is more than three times higher than the all-African average, with food prices in Botswana ranked Africa's fifth most expensive.

In general, local prices of goods and services in 2009 were the sixth highest in Africa after Cape Verde, Comoros, Gabon, Seychelles and Congo. "Cape Verde, Comoros, Gabon, Seychelles and Congo have price levels 40% or higher than the average for Africa as a whole, while the Gambia, Kenya, Ethiopia, Egypt and Tanzania have price levels nearly 20% lower than the average," AfDB researchers said. "Note, however, that these are overall price levels and there are interesting differences between countries in price levels for particular goods and services."

In terms of prices, Botswana had the most expensive restaurants and hotels in 2009, while other categories such as health, education, electricity, water and communication reflect heavy subsidy by government. The AfDB research noted that prices in southern African countries were mostly clustered together and gravitating towards South Africa. Botswana imports up to 75% of its goods and services from the regional powerhouse.

According to the study, in 2009 Botswana consumers - being each citizen, resident and outbound tourist - spent an average of USD 4,050 (BWP 20,450 at 2009 rates) on various goods and services, being the third highest expenditure in Africa. "At the other end of the scale, food expenditures are less than half the all-Africa average in 13 countries with particularly low expenditures in Burundi, Democratic Republic of the Congo (DRC), Liberia and Niger," AfDB researchers said.

"In these countries, many people must be living at near-starvation levels." The study indicates that for Botswana in 2009, the average consumer spent BWP 12,630 on food and non-alcoholic beverages, being the largest share of annual expenditure across the various items. By comparison, the average South African spent R6,310 on food and non-alcoholic beverages. When compared to other African countries, consumers in Botswana outspent their continental peers in food, alcoholic beverages, clothing and footwear.

Local consumers were also ahead in terms of spending on housing, water, gas and other fuels, furnishings, household equipment/maintenance, transport and communication. However, local spending was lower in health, education and restaurants and hotels, the latter being the result of high prices. In education, local households spent 8.4% of the African average expenditure, largely as a result of heavy government subsidies, which also apply to health.

The AfDB's study also shows that in Africa, 17% of Burundians' annual spending was on alcoholic beverages, tobacco and narcotics followed a distance away by Burkina Faso at 9.67%. By comparison, alcoholic beverages, tobacco and narcotics accounted for 2.06% of local consumers annual expenditure, compared to 5.13% in South Africa, 4.65% in Lesotho, 3.63% in Zimbabwe and 3.46% in Namibia.

The percentages reflect both price and level of consumption. AfDB researchers said an update to the comparison study was underway for 2010, whose results will be published later this year. *(Mmegi)*

The International Monetary Fund (IMF) officials who last Friday wrapped up an 11-day mission to Botswana, say a first quarter recovery in diamond markets could power the economy to four% growth this year.

The IMF's latest forecast is up from the 3.3% its researchers predicted in April, a figure arrived at from local and international data up to mid-March 2012. Last September, the IMF had projected 5.3% growth for Botswana, although warning of risks from commodity markets in the US and Europe.

The head of the IMF's just-ended mission to Botswana, Lamin Leigh, said marginal recovery had been noted in the diamond market this year, since the downturn that began in the last quarter of 2011. The IMF mission was part of its annual Article IV Consultations carried out to assess member governments' monetary, fiscal, financial, and exchange rate policies while also gauging risks and vulnerabilities."The mission forecast that overall real GDP growth would be about 4% in 2012 compared to 5% in 2011," Leigh said in a statement."The international diamond market showed some signs of recovery in the first quarter of 2012, following a relatively poor performance towards the end of 2011."

The IMF's assessment is supported by Bank of Botswana figures indicating that first quarter diamond exports reached P6bn, breaking a three-month slump dating back to November 2011.Leigh, who led a similar mission to Botswana last year, said the growth in non-mining this year would be moderate due to the imminent completion of large construction projects. These include the BWP 11bn Morupule B project where completion is due by year-end, as well as Dikgatlhong and Lotsane Dams which are both awaiting handover.

The IMF's generally positive growth assessments were buttressed by its endorsement of the Bank of Botswana's (BoB) accommodative monetary policy stance. In February, the BoB announced that its focus going forward would be to encourage more spending by the private sector through lowering borrowing costs. Looking ahead, the IMF mission chief said a "delicate balancing act," was required on the implementation of economic policies, given the vulnerability of the global economy.

"Going forward, the current fragile external environment poses considerable uncertainty on the global economic outlook and mineral export demand," Leigh said.The IMF mission met with Finance Minister, Kenneth Matambo, Bank of Botswana governor, Linah Mohohlo and other senior government, private sector, civil society and development institutions' officials.The mission praised government on the BWP 1.15bn budgetary surplus expected this financial year, following three years of deficits.

Fiscal authorities also received support for their emphasis on limiting spending and improving efficiency in public finances. However, the IMF again called on government to review its tax exemptions, which it said was an opportunity for revenue-raising and expenditure-cutting. Previous IMF missions have consistently criticised the size of the tax exemption basket, arguing that this narrowed the tax base and meant a higher tax burden for non-exempt items, corporates and individuals.

The latest mission said widening the tax base would prepare the economy for an eventual decline in diamond revenues, expected as long-running mines reach deeper for the precious stones. The IMF team was also laudatory of government's efforts to broaden access to financial services, improve financial intermediation, boost skills development and enhance the Economic Diversification Drive (EDD). *(Mmegi)*

The country's rough and polished diamond exports for April dropped to BWP 1.26bn or less than half of their value in March, latest Bank of Botswana figures indicate. For March, diamond exports were pegged at BWP 2.95bn, trending higher from BWP 2.2bn in February. At BWP 1.26bn, April's exports are seven% lower than in April 2011, but healthily higher than the year-to-date low of BWP 805m recorded in January 2012.

In US dollar terms, the April exports were pegged at USD 173.8m, with the Pula appreciating by 0.4% against the greenback.While the BoB's data contains no trend analysis, analysis of previous statements by leading diamond industry players sheds light on the April drop in exports. Read together, the statements suggest the April slump is part of the seasonal cycle of exports, rather than a result of the slowly emerging pressure on commodity prices caused by economic slowdowns in several European states.

Late last year, Diamond Trading Company (DTC) CEO, Varda Shine, told Mmegi Business that first quarter diamond demand was driven by the Indian wedding season and the Chinese New Year. Last year, China overtook Japan as the world's second biggest market for diamonds after the United States. Other experts have been positive on diamond prices and demand this year, pointing to the continuing mismatch between demand for and supply of high quality stones."The market for rough diamonds has continued to improve following the correction to prices in September 2011," Gem Diamonds said in a recent statement.

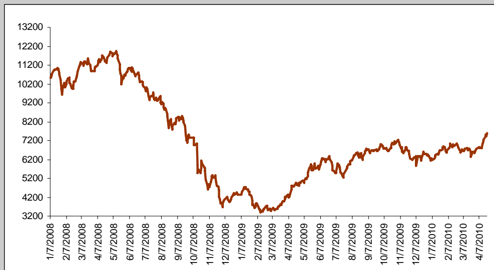
"The Gem Diamonds Price Index has shown increases in every sale since this correction and is up some seven% in 2012. "Gem Diamonds anticipates rough prices across the market to continue increasing into the second quarter of 2012 and, despite the relatively thin volumes being traded in the polished market in high end goods, prices in these goods both in the polished wholesale market and high end branded auctions are expected to improve further."

Earlier this year, De Beers Botswana CEO, Neo Moroka, told Mmegi Business that the demand for diamonds has been strong at the sights or auctions held by the Diamond Trading Company Botswana (DTCB) since the beginning of the year. He said the sales were positive despite the fact that cutting and polishing firms still had stockpiles of diamonds from sights held last year. "Due to the downturn at the end part of last year, companies have been getting rid of the stockpiles and when the industry is selling off stockpiles, the performance is not usually good," he said.

"But much to our surprise, our sights (rough diamond auctions) in the first quarter of the year have been above expectations."The April drop, other analysts believe, could be an indicator of higher inventory levels among diamond manufacturers and retailers, as a consequence of the strong February and March sales. Higher inventories and softer market demand generally mean lower rough and polished diamond sales. *(Mmegi)*

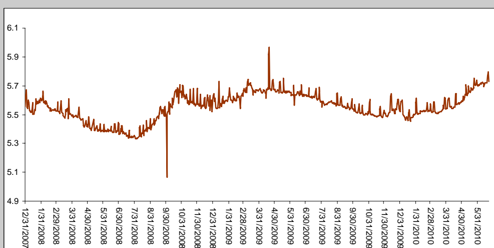
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The EGX CASE 30 Index was down -4.20% to 4,489.55 points. Eastern Tobacco led the movers after gaining +7.85% to EGP 89.30 followed by Ismailia (+4.83%) and Mena Touristic and Real Estate Investment (+4.76%). Grand Capital was the biggest loser after shedding -9.52% to close the week at EGP 6.18. Other notable losses were recorded in: Tourism Urbanisation (-9.52%) and El Watany Bank of Egypt (-6.29%).

Corporate News

Egypt's EFG Hermes poured cold water on an offer by a group of investors to buy its shares at a premium to the market price, saying they should have filed the bid with the regulator and given shareholders better assurances. The group, called Planet IB, said on Friday it intended to offer EGP 13.50 (USD 2.23) per share to buy the Cairo-based investment bank, Egypt's biggest. Shares in EFG rose 1.2% on Monday to 11.15 pounds.

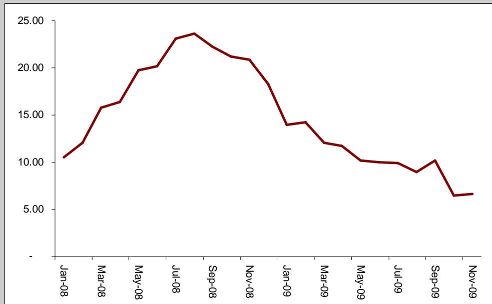
EFG shareholders voted on Saturday to go ahead with an earlier plan to form a joint venture with Qatar's QInvest that would give the Qatari firm control over EFG's main business. "Planet IB Ltd should have filed its tender offer to the Egyptian Financial Supervisory Authority ... regardless of the approval of the company's shareholders, general assembly or the management," EFG Chairwoman Mona Zulficar said in a statement.

Planet's chairman, Mahmoud Abdel Latif, told Reuters on Saturday that EFG's board had railroaded shareholders into voting against its offer at a time when many were out of the room watching the verdict in the trial of Egypt's ousted leader, Hosni Mubarak. He said Planet had already appealed to the regulator and would meet with Prime Minister Kamal al-Ganzouri to suspend the QInvest deal temporarily to give Planet time to perform due diligence on EFG.

Alongside Abdel Latif, until recently chairman of Cairo-based AlexBank, Planet's investors include Egyptianbnaire Naguib Sawiris and Tariq bin Faisal al-Qassimi, a financier in the Gulf emirate of Sharjah. In the EFG statement, Zulficar said Planet "did not provide any legal commitment or guarantee to EFG Hermes Holding nor to its shareholders to conclude such a tender offer."

"Additionally, no proof to availability of funds has been presented to the company nor any information about the identity of the investors who will provide the necessary funds for the tender offer," she said. EFG said it would distribute a dividend of 4 Egyptian pounds (USD 0.66) per share after it completed its joint venture with QInvest, in which the Egyptian firm would control 40% and the Qatari firm 60%.

CPI Inflation



Source: SAR

EFG will transfer its brokerage, research, asset management, investment banking and infrastructure fund businesses to the new venture, which will be called EFG Hermes Qatar. *(Reuters)*

Egyptian billionaire Naguib Sawiris is still backing an attempted buy-out of investment bank EFG Hermes, the head of the bid consortium said on Tuesday, denying talk that Sawiris planned to withdraw. An EFG source told Reuters earlier that Sawiris would step aside because EFG shareholders had backed an alternative tie-up with Qatar's QInvest. "Mr. Naguib Sawiris remains a financial backer of Planet IB's intended bid to acquire 100% of EFG Hermes Holding," said Ahmed El-Houssieny, Planet's chief executive.

Sawiris did not answer several phone calls seeking comment. Economic turmoil and a morose financial market since a popular uprising have left EFG lacking the means for its ambition to expand across the Middle East and in March it announced talks over an alliance with Qatar's QInvest. But last week Planet, which groups Egyptian and Gulf Arab investors, announced a rival bid for EFG.

The consortium said on Friday it was prepared to pay a minimum of 13.50 Egyptian pounds per share for the Cairo-based bank, which would value it at USD 1.1bn at least. It said Sawiris, one of Egypt's richest men, was a backer. Then on Saturday EFG shareholders voted to go ahead with the QInvest tie-up, which would give the Qatari firm 60% of EFG's main investment banking operation.

Houssieny has vowed to press on with Planet's bid, saying it had the financial firepower it needs and would consider a hostile approach for Egypt's biggest investment bank. The EFG source, who asked not to be named, said Sawiris dropped out because a condition for his taking part was that EFG shareholders would vote against the QInvest venture.

The source said EFG received a phone call from Sawiris saying "he would have participated in the Planet offer to buy EFG Hermes on condition that the EFG Hermes extraordinary general assembly vote against the strategic coalition with QInvest, and that did not happen". But Planet's CEO said Sawiris had not changed his stance.

"We have in the past minutes directly confirmed with Mr. Sawiris that he remains solidly in our corner. Mr. Sawiris' support is conditional on Planet IB being allowed to conduct due diligence (on EFG)," Houssieny said. EFG shares, which fell as much as 9.9% early on Tuesday, recouped most of the decline to close down 0.7%. EFG said on Monday it was taking legal measures to protect the company and its shareholders from Planet's takeover attempt.

EFG stock plunged after Egypt's popular uprising last year and the bank came under further pressure last week when its two chief executives were referred to trial alongside former president Hosni Mubarak's two sons as part of a probe into illegal share dealings. The bank said the allegations levelled at its executives were false and it vowed to defend them.

Houssieny said his group would take their bid hostile if necessary, but not

before due diligence proceedings that would allow them closer scrutiny of EFG's accounts. "We are investigating with the regulator the possibility of launching a public tender offer subject to due diligence," the CEO told Reuters. EFG management has questioned the credibility of the Planet approach and its ability to finance a buy-out. EFG has a market capitalisation of around USD 870m, less than half of its value before the uprising.

Houssieny said Planet had secured USD 650m of credit financing by signing an arrangement mandate that could be presented to Egypt's financial regulator EFSA. He said 13.50 pounds per share was the minimum offer that Planet would make but it was "entirely contingent upon EFG Hermes opening its books to due diligence by Planet IB".

"It is impossible to consider undertaking a transaction of this size without the opportunity to do legal, financial and commercial due diligence on the same terms as were afforded our competitor," he said. *(Reuters)*

Egypt's Orascom Construction Industries (OCI) has secured a USD 100m loan from the World Bank's investment arm to help it expand across the region and rebuild confidence in the country's private sector. Egypt is struggling to draw back investors who fled last year when an uprising unseated the country's president, sparking political instability that is still continuing.

The loan from the World Bank's International Finance Corporation (IFC) would be used for existing operations and new projects, Orascom said. "This investment fits with our strategy of boosting confidence in Egypt's private sector, a major contributor to employment," IFC Middle East and North Africa director Mouayed Makhlouf said in the statement. *(Reuters)*

Economic News

Egypt's markets watchdog has told local financial institutions they can no longer trade foreign securities, saying it exposes investors to risks that Egyptian authorities are unable to monitor. A decree signed this week by Prime Minister Kamal al-Ganzouri amends Egypt's capital market law to make it illegal for brokerages and investment firms to deal in all foreign listed or unlisted securities, financial regulator EFSA said.

Traders said the restrictions were imposed after Egyptian investors suffered losses from a sharp drop in Facebook shares after the social platform's initial public offering. But they said the new restriction could be motivated by a desire to limit transfers of hard currency abroad. In a statement, EFSA said it had received many complaints from people dealing with brokerage firms "stating that they have lost large sums of money as a result of following the guidance and advice these firms gave to invest through them in foreign securities traded on foreign exchanges".

It said the trading ban was motivated by efforts to make markets safer and more stable and protect investor rights. It gave local fund managers six months to adjust their portfolios in line with the decree. "It is a shame and I think the decision was taken too quickly, without understanding the effects," said Teymour el-Derini, a trader at Naeem Brokerage. He said the measure meant a "huge loss" for investment houses like Naeem, and suggested the main

reason for the move was to limit outflows of foreign currency from Egypt, which has suffered a sharp decline in foreign reserves.

Tourism and foreign investors were hit hard by a popular uprising that ousted Egypt's president last year. Ganzouri's government has struggled to revive the economy and lure aid from foreign donors to avert a balance of payments crisis. "This will make it harder again to transfer dollars out of the country," said Derini. "They are trying to lock up as many dollars as they can in the country and Facebook gave them an excuse to expedite the decision." *(Reuters)*

Egypt's proposed 2012/13 budget will ramp up state spending while rationalising fuel and food subsidies and boosting public wages and investment in infrastructure, the country's finance ministry announced on Saturday. Speaking at a news conference, Minister of Finance Momtaz El-Saeed said state spending will climb to EGP 533.7bn (USD 88.3bn) in 2012/13. This is 8.8% more than the EGP 490.6bn spent by the state the year before.

Food subsidies, pensions and housing will see additional funding under the new proposals, with a projected EGP 44bn annual increase in state revenues helping bridge the gap. Total expenditure for 2012/13 including spending and repayments of loans will reach EGP 635.4bn, up from EGP 594bn in the previous budget. The new financial year will begin on 1 July 2012. The proposed budget needs the approval of Egypt's ruling military before it is passed to parliament for debate and an eventual vote.

"SCAF [the Supreme Council of the Armed Forces] is not able to change the numbers in the budget now we have parliament," El-Saeed explained. A long-awaited shake-up of fuel and food subsidies is one of the budget's main pillars. Subsidies for fuel and gas will be allotted EGP 70bn of state spending in 2012/13, a significant drop on EGP 95.5bn the previous year.

But while the highest-grade Octane 95 petrol will have its subsidy removed, the changes will not necessarily mean all consumers will face higher fuel prices, El-Saeed said. The minister added that the January 2012 removal of subsidies for fuel-intensive industries is being retroactively applied and that manufacturers which have received supplies at subsidised prices since the start of the year will have to repay the government.

Such measures will bring in EGP 6bn of state revenues by the opening months of 2013, El-Saeed said. Food subsidies, meanwhile, will see a sizeable increase. They will climb to EGP 26.6bn in the 2012/13 budget, up from EGP 18.9bn the year before, in a move the ministry said will benefit 63m citizens reliant on rationing cards. Also seeing increases are Egyptian public wages which will account for a quarter or EGP 136.6bn of 2012/13's total state spending.

The previous year's wage bill was EGP 117.5bn. Part of the additional funding will go towards ensuring that 400,000 government workers with temporary contracts become permanent employees, El-Saeed said. This move will require EGP 4bn in additional spending over the next two years and is factored in to the 2012/13 budget, he added.

When it comes to social welfare projects, among the budget's proposals is

raising spending on state pensions to EGP 32.8bn, up from EGP 24.9bn in 2011/12. Also seeing a hefty increase is the amount the Egyptian state will invest in infrastructure, housing and sanitation projects -- a proposed EGP 55.6bn. Such an amount will be 17.8% more than the EGP 47.2bn invested in 2011/12.

El-Saeed said the public treasury will fund around EGP 43bn of the 2012/13 investment sum, with the rest coming from grants and loans. Spending on government services will see a slight drop to EGP 28.8bn, 4.6% lower than 2011/12. The minister said savings would be made via cuts to non-essential public services. Previous budgets suggest the trims may be to areas such as state employee transportation and print orders of schoolbooks.

Interest repayments on domestic and foreign debts will make up EGP 133.6bn of spending, around a quarter of the total spending, and up from EGP 106.3bn the year before. Despite these commitments, the finance ministry seems confident it will have sufficient revenues to fund its plans. El-Saeed estimated total revenues for 2012/13 at EGP 393.4bn, a steep climb on the EGP 349.6bn generated in 2011/12.

Increased tax revenues will play a major part in this figure, with the ministry predicting EGP 267bn in 2012/13, up from EGP 232.2bn the year before, thanks to more efficient collection and modest tax reforms. Also boosting revenues will be an estimated USD 1.3bn in grants from friendly countries. This is down from USD 1.6bn in such funds mentioned in the previous year's budget.

The ministry's figures indicate a EGP 140.3bn deficit for 2012/13, around 7.9% of GDP. This compares with a deficit-to-GDP ratio of 8.6% in 2011/12. Egypt's ruling military will pass judgement on the budget proposal in the coming days, El-Saeed said, clearing the way for its discussion in parliament. *(Ahram)*

Egypt's Suez Canal brought in USD 434.6m of revenues in May, a fraction more than the month before, the canal authority announced in a statement on Tuesday. Revenue from the waterway in April 2012 was USD 433.1m. In May 2011 it was around USD 436.6m. Along with tourism, oil and gas exports and remittances from Egyptians living abroad, the canal is one of Egypt's vital sources of foreign currency. *(Ahram)*

Egypt's trade balance deficit climbed an annual 138.1% to reach LE14.2bn (USD 2.3bn) in February 2012, official data showed on Tuesday. The country's trade balance deficit was EGP 6bn (USD 1bn) in February 2011. Exports increased by 16.9% (EGP 2.3bn) on the same month last year to reach EGP 16bn in February 2012, according to figures from state statistics agency CAPMAS.

This increase in exports was outpaced by a larger growth in imports, which rose from EGP 19.7bn in February 2011 to EGP 30.2bn this year. Despite an annual increase, import figures fell 2% month-on-month down from EGP 30.8m in January 2012. Climbs in the prices of petroleum products, crude oil and raw steel were behind the significant rise in the value of imports, the statistics agency said. *(Ahram)*

Egypt's foreign reserves climbed USD 302m in May to reach USD

15.52bn, their second consecutive monthly increase, boosted by Saudi aid and foreign investment inflows. Economists, however, warn the rise is unsustainable due to unpredictable current account flows. Foreign reserves rose from USD 15.21bn at the end of April, according to figures from Egypt's central bank on Wednesday. Currency reserves fell every month for a year following the country's 2011 uprising before a partial reversal last momth.

Monette Doss, research manager at Prime Holdings, says May's figure reflects the influence of regional aid. "We have seen dollars come into the central bank, where Saudi Arabia put USD 1bn into the Egyptian banking sector, which mostly explains the rise," she told Ahram Online. Actual inflows may have been significantly higher but eaten up by debt repayments related to Egypt's national oil company, according to Hany Genana, chief economist at Pharos Holdings.

"Some political figures over the last week mentioned that May reserves were up USD 1.7bn, which is roughly equivalent to the Saudi injection of USD 1bn and tax/non-tax proceeds from the sale of Mobinil to France Telecom," he told Ahram Online. "In our view, much of this figure was probably used to settle liabilities, leaving just USD 300m." Doss added that April and May's rises may be a short-term phenomenon.

"This kind of gain is not sustainable in the long-term, unless of course further payments of this type are made," said Doss, predicting at least a mild fall in foreign reserves in June. "We are not likely to see a big dip but it's possible that reserves will fall at the same rate as before, by under USD 1bn a month." Genena agrees a drop is possible but hard to foresee accurately. "It is extremely difficult to predict because we are not dealing with regular and predictable current account flows," he said.

Just before the January 2011 uprising that unseated president Hosni Mubarak, the country's foreign reserves sat at around USD 36bn. The resultant political turmoil scared away tourists and investors, two of Egypt's main sources of foreign currency. *(Ahram)*

Egypt's government will slash fuel subsidies by 27% in the 2012/13 financial year and introduce a new coupon system to rationalise distribution, according to uncirculated details of the new budget acquired by Ahram Online. The amount spent on fuel subsidies will fall to EGP 70bn in 2012/13 from EGP 95bn in the current fiscal year, and make up 48% of Egypt's total subsidies bill of EGP 145.8bn. Octane petrol, diesel and butane gas will all be distributed via a system of coupons and smart-cards in an attempt to keep a tighter rein on distribution and limit profiteering.

Inflationary pressures normally prompt annual rises in octane and diesel prices, but the Egyptian government has in the past used subsidies to cushion consumers from the impact. However, the document suggests that the government will fully remove all fuel subsidies for energy-intensive industries by the end of the 2012/13 financial year.

The removal of subidises for fuel oil generally used by industry is the main driver behind the drop in overall fuel subsidies. Over EGP 10bn was earmarked for fuel oil subsidies in the 2011/12 budget. Fuel oil is a low quality fuel used for industrial purposes. The document also indicates that the

government will shift all fuel oil-reliant industries into using natural gas, reducing demand for the former.

The allocation for diesel fuel makes up 51% of the total energy subsidies bill of EGP 35.7bn. Butane gas is the next biggest recipient, making up 23% of the total. Egypt's finance minister submitted the government's draft 2012/13 budget to Parliament on Monday.

The presentation of the budget is around two months overdue Egyptian law stipulates that parliament must have a draft 90 days before the start of the relevant financial year leading to concerns it may not be passed before it is due to take effect on 1 July. *(Ahram)*

Egypt has secured USD 3.7bn in project financing to upgrade a facility to be operated by the Egyptian Refinery Company (ERC) in one of the country's largest ever inward investments. Prime Minister Kamal El-Ganzouri and project company representatives signed an agreement in Cairo earlier on Thursday with the deal expected to be closed within days.

The scheme was developed by local private equity house Citadel Capital and is a key project for Egypt as it will reduce the country's import bill by producing valuable light fuel products. The new unit will take light products and fuel oil from EGPC's Cairo Oil Refinery Company (CORC) and turn them into valuable light products such as diesel, fuel oil, jet fuel and naphtha.

These products will then be sold back to EGPC under a take-or-pay contract with the product prices based on international norms. Qatar Petroleum International (QPI) is joining the sponsor group on the project by taking a 25.3 per cent stake in the scheme. The QPI investment is significant, and not just for the project.

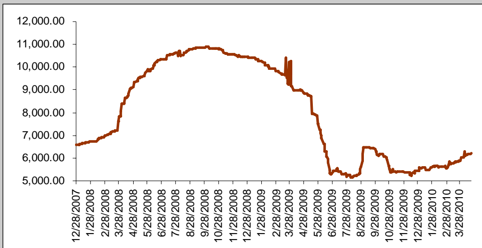
Qatar Inc has been playing a larger political role in North African affairs in the past year, including in Libya. It is now backing this new role up with investment. Qatar National Bank (QNB) has joined the banking syndicate backing the deal. Other shareholders in the scheme include state oil company Egyptian General Petroleum Corporation (EGPC), which will hold 24.2 per cent, Citadel Capital, Saudi Arabia's Al Rajhi, the World Bank's IFC, Germany's DEG and Holland's FMO.

The financing is international and includes a USD 2.35bn project finance package put in place back in August 2010 and a USD 1.9bn construction contract with South Korean construction company GS and Japan's Mitsui. The rest of the funds will come from the shareholders. The project financing is being supplied by agent bank BTMU, local bank CIB, Credit Agricole, HSBC, financial adviser on the deal Societe Generale, Alhi United, KfW, KBC, Sumitomo Trust and Standard Chartered.

QNB and Apicorp recently joined the deal, replacing Espirito Santo and WestLB. Multilateral loan support is being provided by South Korea's Kexim, Japan's Nexi and the European Investment Bank (EIB).The financing was due to be signed at the end of January 2011 but had to be postponed because of the revolution that rocked Egypt last year. The financing package and the construction contract have remained largely the same, however, despite the big changes in Egypt and the global capital markets since then. *(Ahram)*

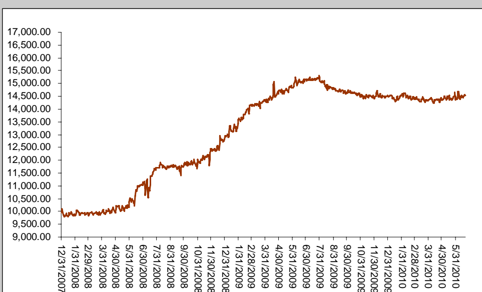
Ghana

Ghana Stock Exchange



Source: Reuters

GHC/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The GSE All Share Index lost -0.39% to close at 1,018.84 points. GGBL was the main mover after gaining +4.79% to GHS 1.97 followed by GOIL (+2.13%) and EBG (+1.35%). FML (-8.21%), CAL (-4.35%) and SCB (-2.08%) were on the losing front. A total of 1.8 million shares valued at GHC 1.5 million traded during this week.

Corporate News

The Managing Director of the Ghana Commercial Bank Limited (GCB), Mr. Simon Dornoo, has predicted a significant upswing in the Bank's interest income for 2012. He explained that the dip in the Bank's profits for 2011 was anticipated and attributed this to a combination of lower interest income and higher cost. Mr. Dornoo said that the Bank was on track with its Q1 2012 results to achieving its objective of becoming the best performing bank in Ghana and added that "this is happening quicker than many would have expected."

He made the prediction when answering questions from journalists relating to the 2011 and first quarter 2012 financial release by the Bank recently. The Bank's results reflect the impact of a deep dive exercise undertaken to clean up its books and improve compliance with International Financial Reporting Standards. GCB recorded 65% dip in profit last year from about GHS 50m in 2010 to GHS 17m in 2011.

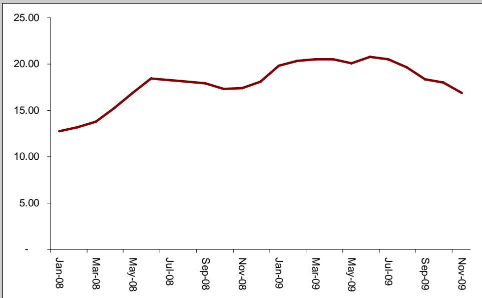
Mr. Dornoo explained that the full impact of the dip in profit was however, offset by a significant decline in loan impairments and expressed optimism at GCB's future, which he said was "bright and promising," He said despite the dip in income and profit, GCB's underlying performance remained strong. To cement this, available results of the first three months of the Bank's operations this year, showed that profits shot up by 18% to GHS 23m compared to last year.

Mr. Dornoo said the Bank was committed to the tenets of good corporate governance, which would make a bigger impact on the Bank's bottom line this year. He said this year, GCB is looking at a combination of service outlets, which include branches and electronic service points. While it will be optimizing branch space, electronic banking services would also increase.

At the moment, the Bank's ATMs have been increased from 100 to 200, while branch environment and ambience are high on Management's agenda. "It is our commitment to do right by our shareholders, customers and employees. We want to de-personalise this institution and have it structured by governance," Mr Dornoo said. *(Ghana Web)*

SECURITIES AFRICA

CPI Inflation



Source: SAR

Economic News

Ghana will maintain fertiliser subsidy levels for all its crops for the 2012/2013 growing season, senior government officials said on Monday after speculation by some on markets that cocoa subsidies might be cut due to low world prices. Agriculture Minister Kwesi Ahwoi said non-cocoa subsidies would be maintained at current levels even though the government will have to pay over 50% more to fund the programme due to rising costs.

Kwabena Asante Poku, deputy chief executive in charge of operations at regulator Cocobod, rejected talk of any reduction in subsidies in the world's No. 2 grower. "That cannot be true," he told Reuters. Poku said subsidies currently covered about 50% of fertiliser costs for cocoa farmers but he did not give details on how much it was costing the government. Ghana is in an election year and under pressure to keep spending under control to ensure inflation and deficit targets are met.

Ahwoi said the government will subsidise 176,000 tonnes of fertiliser for non-cocoa crops, the same as for the 2011/12 season, but the cost will be GHS 124.8m (USD 66.4m), up from 79m cedis. Part of the spending will go on 151,000 tonnes of certified seeds meant to improve the quality and productivity of crops, including maize, rice and soya beans. However, Ahwoi said farmers should prepare for the as yet unspecified day when the government is forced to cut subsidies.

"Let me say that government cannot subsidize farm inputs forever so farmers should embrace and adopt all the good agricultural practices being disseminated to them by our technical people ..," he said. Awhoi said that the subsidies - which will cover crops including cotton, rice and maize - take effect immediately and would give farmers a saving of over 43% per bag of fertiliser. *(Reuters)*

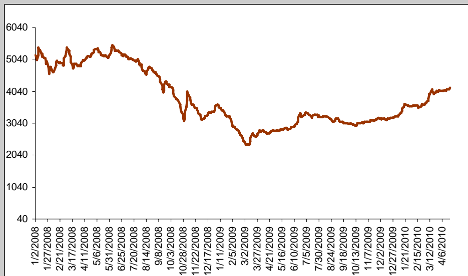
The Bank of Ghana said on Thursday its GHS 200m (USD 106m) 5-year bond auction was oversubscribed, with 232.3m cedis worth of bids accepted at an average yield of 26%. Head of Treasury Adams Nyinaku told Reuters total bids received amounted to 481.5m cedis at rates ranging from 23.99% to 33%.

Thursday's bond was the third this year after a GHS 200m 3-year bond in February and another worth 300m cedis offered last month. Ghana's last 5-year bond auction was in December 2011, with an average yield of 16%. The central bank issued the bond, also open to offshore investors, as part of measures to shore up the cedi currency which has tumbled nearly 15% against the dollar since January.

Nyinaku said offshore bids amounted to GHS 244m out of which GHS 85m of bids were accepted. Settlement for the bond is on June 11 and the central bank said the funds would be used to finance maturing debts. *(Reuters)*

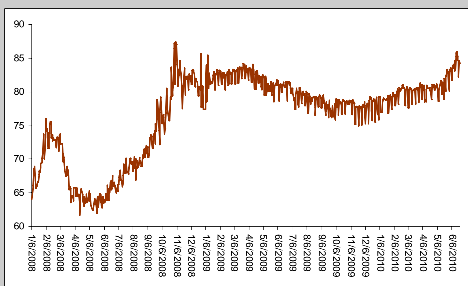
Kenya

Nairobi Stock Exchange



Source: Reuters

KES/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The NSE 20-Share Index was down -0.31% to close the week at 3,639.46 points. LKL led the movers after gaining +8.45% to KES 19.25 followed by SGL which rose +7.78% to KES 24.25. Other notable gains were recorded in Kapchorua up +6.87% to KES 140.00 and Access Kenya (+6.73%). Express was the main loser, shedding -7.50% to KES 3.70 followed by EAPCC (-6.25%) and Jubilee which lost -5.88% to KES 160.00. Market turnover was up +122.73% to KES 2.94bn.

Corporate News

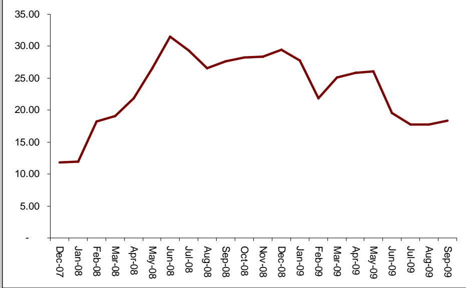
Auto-dealer CMC Holdings reported a 219% surge in half-year profits for the period ended March 31, 2012, on the back of huge net foreign exchange gains and an emphasis on cost control. Profit after tax for the six months rose to KES 383m up from the KES 120m recorded over the same period the previous year. The company board however, did not recommend the payment of an interim dividend as earnings per share surged to KES 1.32 up from KES 0.41 last year.

The earnings boost came despite intense wrangles that have rocked the company since last year as major shareholders fight for control of the vehicle dealer. Turnover rose 4% to KES 6.38bn up from KES 6.11bn recorded the previous year despite a decline in the number of units sold. "The decline in the number of vehicles sold is mainly attributable to the Kenyan subsidiary which recorded a 5% decline in units attributed mainly to the significant increase in bank lending rates during this period," the company said in a statement signed by CEO Bill Lay.

The company's Ugandan subsidiary also saw a four% decline in sales but Tanzania showed strong 18% growth in turnover. "The four% increase in turnover was achieved despite the introduction of cash terms to mitigate the serious losses relating to credit sales which resulted in frequent huge bad debt write offs in previous years," the statement read.

The company noted that overall purchasing power was eroded by the high cost of asset finance as interest rates soared and general inflation. CMC's share is suspended from trading on the Nairobi Stock Exchange as rival shareholders battle for control of its board. Pater Muthoka who was ousted from the board after serving a short stint as chairman has been in courts seeking to block his removal. Muthoka is the largest single shareholder of the company with just below 25% shareholding.

Billionaire tycoon Paul Ndungu, chairman of Mobicom Ltd and his partner Joel Kibe engineered the removal of Muthoka as troubling allegations of corporate



Source: SAR

misgovernance and siphoning of company funds became public. Kibe is the current chairman of a 10-member CMC board that was re-constituted with input from the Capital Markets Authority. "In the second half of the year, the management and the board continue to focus on increasing sales and improving the group's working capital through reduction of costs, inventories, receivables and borrowings. *(All Africa)*

KLM, Kenya Airways' largest shareholder, is in talks with Abu Dhabi-based Etihad Airways to sell it an undisclosed stake. The financially struggling Air France-KLM is currently carrying out a major cost-saving programme after posting a loss of EUR 809m (KES 85bn) for 2011 and a first quarter net loss in 2012 of EUR 368m (KES 38bn).

A Netherlands newspaper, De Telegraf, reported on Wednesday that Etihad Airways was in talks to buy a stake in the Franco-Dutch company, which is Europe's biggest airline. "Etihad is still staking out Air France-KLM," the daily said, adding that "the course is set" for a buy-in. Air France-KLM owns 26% in Kenya Airways (KQ), making it the largest shareholder ahead of the government of Kenya which controls 23%.

However, it is expected that this shareholding structure will change tomorrow after the national carrier announces the results of its just ended rights issue. Kenya Airways was fully owned by the government of Kenya until April 1995 before it was privatised in 1996, a deal which saw Air France-KLM acquire a 26% stake.

The World Bank's investing arm, the International Financing Corporation (IFC), will also be joining the list of large shareholders tomorrow with a 7.4% buy-in. It is not yet clear if the deal will have any significant change on the current board members of Kenya Airways and its partners. In April, Etihad Airways launched its first direct flight from Abu Dhabi to Nairobi.

The airline noted that this was the first step to increase its presence in Africa, posing direct competition to Kenya Airways, which draws much of its business by connecting African countries. A spokesman KLM told De Telegraf that collaboration talks were still on, but did not give specifics. Qatar Airways is also interested in taking a stake in the European airline, but has been kept on the sidelines for now, De Telegraf said. *(Nation)*

Kenya Airways raised KES 14.5bn (USD 171.5m) from a USD 250m rights issue that received a subscription rate of 70.06%, it said in a statement seen by Reuters on Thursday. The airline, which is 26% held by AirFrance KLM , sought to raise the cash to fund the purchase of new planes ahead of a planned routes and flights expansion.

The 16-for-five issue was priced at KES 14 for 1.48bn shares. All investors would be allocated the shares they had applied for, Kenya Airways said, adding that the Kenyan government and AirFrance KLM would raise their stakes after the cash call. AirFrance KLM will raise its stake to 26.73% while the Kenyan government would increase its holding to 29.80% from 23%, subject to approval from the market regulator.

Kenya Airways plans to spend USD 3.6bn over the next five years on new planes and routes, mainly to connect travellers between Africa and Asia. The

new shares are expected to be listed and start trading on the Nairobi bourse on June 21, it said. *(Reuters)*

Economic News

Kenya's central bank left its benchmark interest rate unchanged at 18% for a sixth month in a row on Tuesday, saying potential risks to inflation and the stability of the shilling remained. Eight out of 10 analysts polled by Reuters had expected the bank's Monetary Policy Committee (MPC) to leave its Central Bank Rate on hold, while two called for a cut.

The central bank said there was still excess liquidity in the market, which also posed a risk to demand driven inflation pressure and exchange rate stability. "Given the above considerations, the Committee observed that there is need to expand the monetary policy instruments in use to address both the inflationary pressures and exchange rate dynamics," the MPC said in statement.

"These instruments should help bring inflation towards the government short-term target of 9%, restore exchange rate stability, and address the threat posed by the excess liquidity in the market," it said. "The Committee therefore decided to retain the Central Bank Rate at 18.0% while introducing longer tenor Term Auction Deposits as an additional instrument for liquidity management." *(Reuters)*

Kenya has received the first tranche of a USD 600m syndicated loan that is expected to boost the central bank's foreign exchange reserves and reduce pressure on local interest rates. Joseph Kinyua, the top official at the Treasury, said in a statement dated June 4 that the government had received USD 240m and expected the remaining USD 360m to be drawn down after one month.

"The dollars will go towards enhancing the foreign exchange reserves of the Central Bank of Kenya," Kinyua said in the statement seen by Reuters on Tuesday. The Treasury will transfer the money to the central bank, boosting the latter's forex reserves, and will receive shillings in return that will substitute nearly half of its 119bn shilling (USD 1.4bn) local borrowing target for the fiscal year ending this month.

It will use that money to fund ongoing work including road construction, port dredging, irrigation and energy projects, as part of a plan to invest heavily in infrastructure to cut the costs of doing business. "After taking into account the above foreign currency borrowing ... the debt to GDP ratio is estimated to be at the level of 46% at the end of June," Kinyua said.

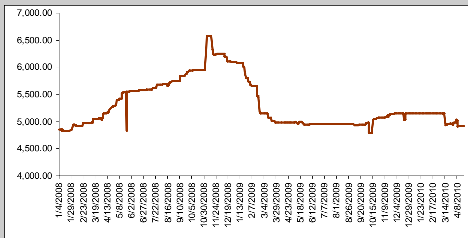
Kenya's debt-to-GDP ratio declined to 46.8% in February from 54.2% in June 2011, a monthly statement from the central bank showed. Arranged by a consortium of Citibank London, Standard Chartered Bank and South Africa's Standard Bank, the loan will come with an interest rate of 4.75% above the Libor rate.

Officials decided to borrow funds from international creditors after yields on the short-end of the curve shot to above 20% on the back of an ultra-tight monetary stance aimed at fighting inflation and currency weakness. Yields have since

edged down in recent weeks, as inflation dropped for the sixth straight month to 12.2% in May, and investors rushed into auctions in search of yields. *(Reuters)*

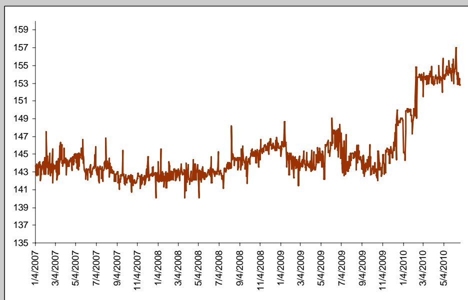
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

Stock Exchange News

The market index was steady at 5,886.82 points, with thin trades across both local and foreign boards. Market turnover for the week amounted to USD 72,074.89. The market recorded trading activity in 5 counters, namely, ILLOVO, MPICO, NBS, NITL and OML during the week

Corporate News

No Corporate News this week

Economic News

Britain on Friday released EUR 33m (USD 51m) to Malawi to help new President Joyce Banda rebuild an economy left reeling after her predecessor soured ties with donors whose aid had propped up the budget. Banda took office in April after President Bingu wa Mutharika died of a heart attack, pledging to restore frozen aid from donors including former colonial master Britain that traditionally accounted for about 40% of the budget.

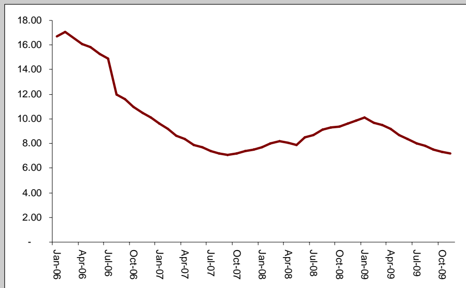
British International Development Secretary Andrew Mitchell told Reuters the money has been fast-tracked to fund programmes in agriculture, education and health. "The money is in today," Mitchell said. Malawi has not received budget support from donors since January last year, creating a budget gap of USD 121m in the current fiscal year which ends in July.

The African Development Bank has pledged to give Malawi USD 45m in three tranches, while the World Bank says it will work with the IMF to quickly respond to Malawi's needs. Mutharika, a self-proclaimed economist-in-chief, picked fights with major donors over the last year, telling them Malawi did not need their cash.

His policies sent the economy into a tailspin and the country into diplomatic isolation. He was globally condemned when his police killed 20 civilians in anti-government protests in July 2011. Banda has tried to repair the diplomatic damage and won support from Mitchell for her calls to bar Sudanese President Omar Hassan al-Bashir from attending the African Union heads of state summit in July in Malawi.

The International Criminal Court (ICC) has issued arrest warrants for Bashir to face charges of masterminding genocide and other war crimes during his nation's Darfur conflict. Malawi under Mutharika angered international donors when it played host to Bashir last year. ICC member countries like Malawi are supposed to arrest people wanted by the global court. *(Reuters)*

CPI Inflation



Source: SAR

The International Monetary Fund (IMF) and Malawi said on Wednesday they had agreed to a 3-year, USD 157m package to support the southern African country's troubled economy. "We hope that this will encourage Malawi's donors, who have already pledged that they will support the 2012/13 budget, to quickly release their funds and make the country's international reserves sustainable," IMF mission chief Tsidi Tsikata told a news conference.

Aid-dependent Malawi had been in a tail-spin for more than a year after its former president, Bingu wa Mutharika, picked fights with donors whose assistance traditionally accounted for 40% of the budget. The aid cut coincided with steady decline in sales of Malawi's biggest cash crop, tobacco. Mutharika died in April of a heart attack and new President Joyce Banda has moved quickly to restore diplomatic ties and aid flows.

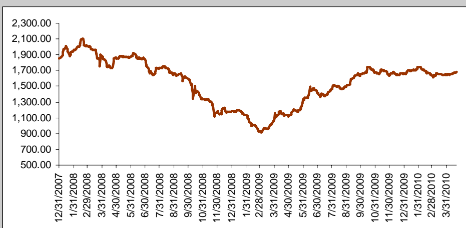
Under the new plan, the IMF will cancel a USD 79.4m facility approved in 2010 that was suspended due to problems with Mutharika, who scoffed at the fund's recommendations to devalue the kwacha currency, reform the finance sector and increase transparency. Tsikata said the new extended credit facility should improve the balance of payments and restore donor confidence.

Mutharika, a self-proclaimed economist-in-chief, told donors Malawi did not need their cash, spent lavishly on pet projects and failed to address a foreign currency crisis that led to shortages of fuel and other vital commodities. Banda's government last month met one IMF requirement for a resumption of support when it scrapped the kwacha's peg to the dollar, triggering a devaluation of more than a third.

Last week Britain, Malawi's former colonial master and its largest donor, released USD 51m in aid to support Banda. Britain and the United States froze aid packages worth nearly USD 1bn over several years due to friction with Mutharika. *(Reuters)*

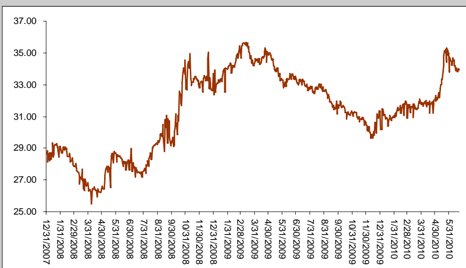
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The SEMDEX was down -0.64% while the SEM 7 lost -0.28% to close at 1,794.47 and 341.32 points respectively. IBL led the movers, gaining +1.3% to close the week at MUR 78.50 followed by Moroil, up +1.20% to MUR 6.20 and Terra (+1.1%). Gamma Civic led the losers after shedding -9.8% to MUR 340 while Dale lost -8.7% to MUR 10.50 and ENL shed -6.00%.

Corporate News

Mauritius's leading sugar producer Omnicane plans to raise MUR 1bn (USD 33.4m) through the issue of multi-currency medium-term bonds to fund its growth strategy, it said on Wednesday. "The company may issue one or more tranches or series of notes having a maximum nominal amount of 3bn rupees," it said in a statement.

Funds raised would be used to finance growth at home and in the wider African continent, in the sugar and renewable energy businesses, Omnicane said. It said Standard Bank Mauritius had been appointed as mandated lead arranger and it would list the first tranche of bonds amounting to MUR 1bn on the stock market, subject to regulatory approval. *(Reuters)*

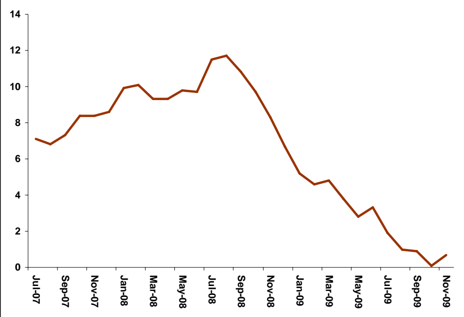
Economic News

Mauritius' annual average inflation rate fell for the sixth straight month in May to 5.3% from 5.6% in April, data showed on Tuesday, while the year-on-year rate was unchanged. Statistics Mauritius said the consumer price index was unchanged at 132.5 in May. This left the year-on-year inflation rate at 3.8%, according to Thomson Reuters calculations.

The cost of housing, water, electricity, gas and other fuels fell, as did those of furnishings, household equipment and routine household maintenance and communications, the statistics agency said. Food prices were unchanged, while those of alcoholic drinks and tobacco and transport rose slightly.

Despite the drop in inflation, some analysts said they expected Bank of Mauritius' Monetary Policy Committee (MPC) to leave its benchmark lending rate unchanged when it meets on June 11 after a large cut two months ago. Mauritius slashed its key repo rate by a surprise 50 basis points to 4.9% in March, due to risks to the growth outlook, which it also trimmed to take account of uncertainty in global markets.

"The declining trend in inflation could be explained by the lower growth rate and the slowdown in demand," Chandan Jankee, economic professor at the University of Mauritius, said. "However, I don't expect the MPC to cut rates



Source: SAR

further at its next meeting. Exporters have shifted the pressure from interest rates to exchange rate management," Jankee said.

The central bank governor has said he was worried about the the weakening of the euro against the rupee, a weekly newspaper quoted him as saying on Sunday. Rundheersing Bheenick advised commercial banks to minimize their exposure to the euro zone, a key trading partner for exporters on the Indian Ocean island and an important source market for the tourist industry.

He said a weak euro and lower demand from Europe was hurting export earnings and widening the trade gap. However, he said the bank had limited scope for intervention. "It isn't in the national interest to peg the rupee to the euro" Bheenick told Weekend newspaper.

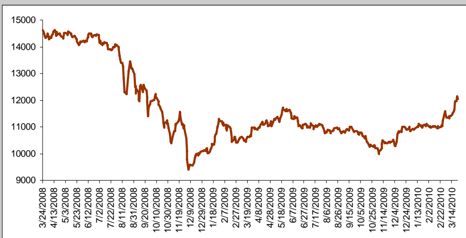
Mauritius' central bank said last month it expected the annual average inflation rate to slow to 4.7% by the end of the year, although high oil prices meant that figure could rise. The bank expects the annual inflation rate to converge with the year-on-year rate by the end of the year.

The central bank typically looks at the year-on-year rate to determine monetary policy. Mauritius' statistics office has cut its growth forecast for 2012 to 3.6% from 4%, citing a dimmer outlook for key sectors of the economy. *(Reuters)*

Mauritius will sell MUR 1.5bn (USD 50.17m) in a three-year Treasury bond next week, its central bank said on Wednesday. The three-year bond will carry an annual interest rate of 4.90%. Bank of Mauritius said in a statement it will receive bids on June 13 and auction the bonds on the same day. *(Reuters)*

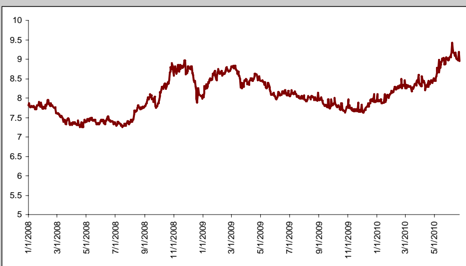
Morocco

Casablanca Stock Exchange



Source: Reuters

MAD/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The MASI lost -0.78% to close the week at 10,150.55 points. Gains were recorded in CDM (+10.66%) to MAD 675.00, Mediaco (+8.88%) and Jet Aluminium (+6.52%). On the losing front we had Stroc Industrie, down -6.70% to MAD 189, Maghreb Oxygene which shed -5.85% to MAD 193 and Holcim (-5.26%).

Corporate News

Banque Centrale Populaire (BCP), Morocco's second biggest lender, will invest EUR 1bn (USD 1.26bn) for a 50% stake in Ivory Coast's Group Banque Atlantique, the two companies announced on Thursday. The deal, signed in Ivory Coast's commercial capital Abidjan, creates a new holding company grouping Atlantique's seven banking subsidiaries as well as its finance and technology operations, according to a statement.

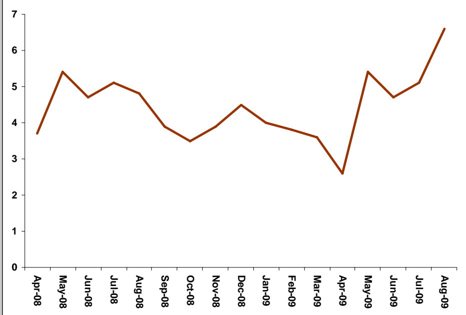
BCP will have an equal stake with Atlantic Financial Group in the new entity and will take over management of the subsidiaries, the statement read. "We are going to invest around 1bn," Rachid Agoumi, who head's BCP's international and enterprise bank, told a press conference in Ivory Coast's commercial capital, Abidjan. "(Ivory Coast subsidiary) BACI needs liquidity. We are going to inject this amount for the development of the group... That will permit us to be in seven African countries," he said.

Groupe Banque Atlantique has banking operations in Ivory Coast, Senegal, Benin, Togo, Burkina Faso, Mali and Niger. Talk of the deal earlier in the day caused Morocco's stock exchange regulator to suspend trading in BCP.Traders on the Casablanca bourse were uncertain, however, whether the acquisition deal would target the parent group or simply its Ivory Coast subsidiary. BCP has a market capitalisation near MAD 31bn (USD 3.5bn).

The announcement comes two months after French cooperative bank BPCE announced an agreement to buy a 5% stake in BCP Banque Centrale Populaire (BCP) under a capital increase plan. The Moroccan government last year raised 5.3bn dirham by selling a 20% stake in BCP at a time when a spending spree to contain street protests inspired by the Arab Spring revolts had burdened public finances. BCP already has affiliates in Guinea and the Central African Republic. Its immediate rivals AttijariWafa Bank and BMCE Bank have deeper presences in the continent. *(Reuters)*

Economic News

Morocco has not made a final decision to issue a dollar-denominated sovereign bond issue, the budget minister told Reuters on Tuesday. Idriss



Source: SAR

Azami al-Idrissi did not however totally dismiss the possibility of an international sovereign bond issue this year as the north African country struggles against an acute liquidity squeeze worsened by high external and fiscal deficits.

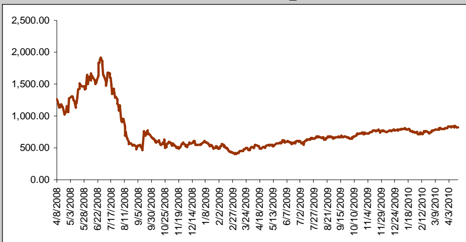
"We have not made a final decision about a sovereign bond issue," said Idriss Azami al-Idrissi, minister in charge of the budget. "We have not even mandated a bank or financial advisors for any bond issue." Last month the deputy director of treasury and external finance at the finance ministry's debt office said Morocco is considering a potential dollar-denominated international bond of up to USD 1bn in September or October.

Azami said Eddez' comments were taken out of their "technical" context. Morocco, whose economy is heavily anchored to the euro zone, raised about 1bn euros via its most recent international bond issue in 2010. Worsening economic conditions in the European Union and a poor agricultural season look set to pile pressure on the country's finances this year. It closed 2011 with budget and current account deficits of around 6% of its USD 100bn Gross Domestic Product (GDP).

A senior finance ministry official said the government is contemplating four possible scenarios for an international bond issue this year, but a decision has yet to be made. "It could either be a new Eurobond issue, a sukuk issue or a dollar-denominated issue. We are even contemplating a bond issue exclusively open to institutional investors in the Gulf Cooperation Council (GCC)," the official said. Azami declined to comment on these remarks. *(Reuters)*

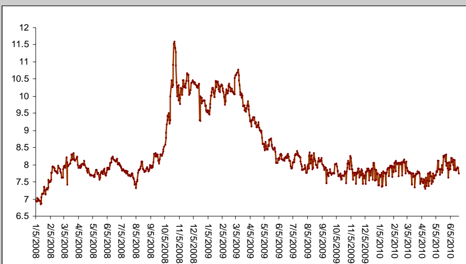
Namibia

Namibia Stock Exchange



Source: Reuters

NAD/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The NSX overall Index gained 3.73% at 891.00 points. On the NSX local and DevX, DYL (+20%) FSY (+1.19%) and NBS (+0.33%) were the only gainers closing at NAD 0.06, NAD 0.85 and NAD 12.07 respectively. MMS was the main shaker after losing -11.11% to close at NAD 0.16 followed by BMN which shed -6.67% to NAD 0.14 and EOG (-6.25%).

Corporate News

Barclays Plc plans to buy a 49.9% stake in Namibia's second-largest lender by assets, Bank Windhoek, the country's central bank said on Thursday a deal that gives the British lender a presence in the south-western African country. The value of the potential deal had not been determined as Barclays was yet to start talks with the bank that holds more than USD 2bn in assets, Ebson Uanguta, the central bank's deputy governor told reporters.

"We have given the approval for potential acquisition of Bank Windhoek by Barclays. Now Barclays will continue with its due diligence and enter into price negotiations," Uanguta said. Uanguta also said Bank Windhoek, which offers corporate and retail banking services, will list the remaining shares on that country's bourse following the acquisition.

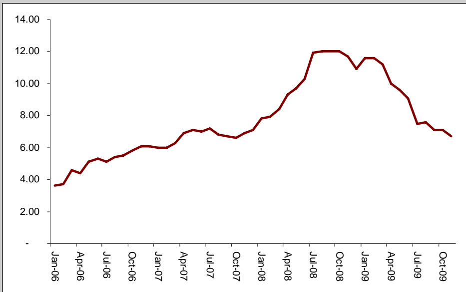
Bank Windhoek Limited reported a net profit after tax of 160m Namibian dollars (USD 19.25m) in the six months ended 31 December 2011. Barclays attempt to enter the country comes two years after the Namibian central bank blocked its South African unit Absa Group Ltd from taking at least 70% in the same bank, citing concern about foreign dominance in the industry. Uanguta said the bank was talks with other South African lenders to cut their holdings in domestic banks in favour of local ownership.

"We cannot give you an exact%age, but we can guarantee that the foreign shareholding will decline in favour of Namibian ownership," he said. South African banks operating in Namibia are Standard Bank , FNB Namibia and Nedbank. *(Reuters)*

Economic News

No Economic News this week

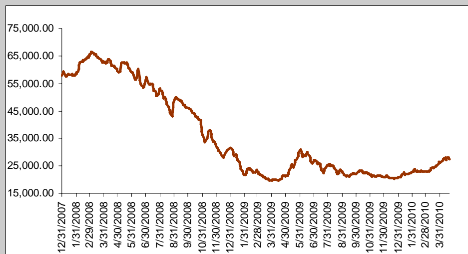
CPI Inflation



Source: SAR

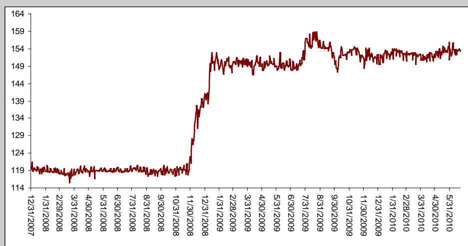
Nigeria

Nigeria Stock Exchange



Source: Reuters

NGN/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The NSE All Share index lost -4.83% to close at 20,902.95 points. May and Baker gained +26.24% to close at NGN 1.78 while Transcorp was up +24.74% to close at NGN 1.21. Other notable gains were recorded in Japaul Oil (+23.44%), Neimeth (+20.00%) and RT Briscoe (+17.95%). On the losing front we had AshakaCem (-15.98%), Union Bank (-15.47%) and Access Bank (-12.48%).

Corporate News

In a move perceived by analysts as an attempt to further consolidate its influence in the Nigerian beer market, Nigerian Breweries plc, last week in Ibadan re-presented Goldberg beer to the Nigerian public. Heineken, world's third-largest brewing company, with controlling interest in Nigerian Breweries, had in its expansion drive, acquired controlling interests in five breweries in Nigeria, including Sona Breweries, producers of Goldberg.

The acquisition, according to the company, is to alleviate a shortage of production capacity in Africa's largest beer market. The 're-entry' of re-branded Goldberg is expected to strengthen the company's market coverage and market share in the competitive beer environment, especially as brand employs economic price, taste as niches.

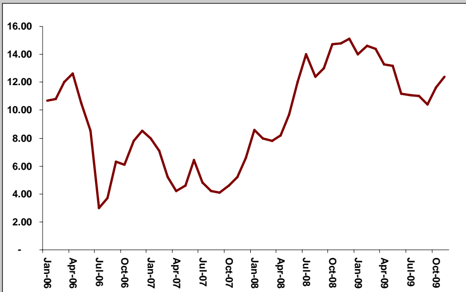
"The price is N140, which is pocket friendly for consumers. We want to give our consumers what they need. Though we have other brands but we will never stop at giving our consumers what they need. Those consumers who desire high quality product and want to go for low priced quality beer can go for Goldberg," Tony Agenmonmen, marketing manager, Nigerian Breweries, said.

Agenmonmen further explained that the re-launch of the product at the carnival-like ceremony in the ancient city of Ibadan, where trade partners of the brewing firm were visibly enthusiastic, was because "Ibadan is one of the strongest markets. But we are not restricting the launch to Ibadan as we plan regional markets re-launch." In the past few months, it is gathered that NB has put the brand through a refining process to bring it to its standards.

This was confirmed by Walter Drenth, marketing director, NB, who said the launch was an outcome of a painstaking process of refining Goldberg to give it the usual NB's treatment of high quality, sequel to its addition to the company's brand portfolio. Drenth explained that it took the NB chief brewer and his technical team over six months of meticulous process of refining the product with a view to bringing value to the customers, adding that the exercise resulted in the new Goldberg with natural ingredients of refined taste.

He commended the distributors for their unflinching support over the years,

CPI Inflation



Source: SAR

stressing that the relationship between them and the company would continue to be symbiotic as the company was determined to always meet their expectations. The marketing director also commended the company's creative partner, IMS Advertising Limited for its ingenuity in the conceptualisation and production of the new Goldberg TVc.

The trade partners who thronged the venue of the event in their hundreds watched the television commercial and listened to its radio version for the first time. The NB major distributor, A. Ogungbola commended the new TVc and believed that it would go a long way in moving the brand in the market. According to him, the high quality of the TVc is in congruent with the high quality of the now refined brand.

Speaking in the same vein, Hubert Eze, sales director, NB, assured the trade partners that the product would be made available all-year round, as the company had put the necessary machinery in motion to ensure that their expectations were met. *(Business Day)*

Following the exit of ConocoPhillips, the American oil giant, from Nigeria after 46 years, there are concerns that this may have dampened the government's drive to attract fresh foreign direct investment, FDI, into the petroleum sector. Although companies have been invited to bid for the ConocoPhillips' assets in the country, the Board of Directors, of the Nigerian National Petroleum Corporation, NNPC, the government's concessionaire for petroleum assets is yet to meet on the subject, raising questions on the actual intention of government.

The U.S. oil group ConocoPhillips had contracted French bank, BNP Paribas, to sell off its assets in Nigeria. The new chief executive officer, CEO, Mr. Ryan Lance, confirmed at the group's annual meeting in Houston last month that "We're testing the market on our Nigerian assets," even as he said that a deal was not imminent. This is the second time an American company with over 40 years operational experience is closing shop in Nigeria.

Oil and gas services contractor Willbros Group Inc. in 2006, also packed its bags from Nigeria, and sold its assets for USD 155.3m to Ascot Offshore Nigeria Ltd. Nigerian government sources attributed Wilbros' exit to the global financial crises at the time, even as Ascot never recovered from the acquisition of the asset, and has allegedly been placed under receivership on account of its numerous debts.

ConocoPhillips, the third largest integrated energy company in the U.S. and the fifth largest refiner in the world, is leaving Nigeria under very mysterious circumstances, leaving room for speculations about its exit from the country. While some industry sources have alluded to dwindling returns on investment and poor performance of assets, others speculated on regulatory and industrial issues as well as the fiscal lacuna created by the non-passage of the Petroleum Industry Bill, PIB as possible reasons for the move.

The move has also been attributed to the group's global restructuring leading to the disposal of its assets in Nigeria. The Director, Department of Petroleum Resources, DPR, Osten Olorunsola, agreed that the exit coming at this period in time, "is not particularly good", and admitted that the group "had said certain things but I think there are deeper reasons why they are polling out." He said

this called for a deeper "understanding of exactly what the bigger picture is, we need to understand the motives behind their pull out. That we don't know yet."

The industry regulator dismissed speculations that part of the reasons of the group' exit may have been connected with regulatory issues, and argued that for as long as there was operation, there would be issues. "I'm not particularly aware of any issue they have with DPR, there are several other companies that are working around here. And where there is operation, there will always be issues. But the thing is to work the issues to a complete solution, that's why I said I'm still waiting to know why they have left," he said.

To avoid a spiral effect, Olorunsola said, "It's a wrong signal and on the down side and that is why I say we have to know the exact reason so we don't see a band wagon of that happening again." *(Vanguard)*

In line with its vision of becoming a frontline foods business in Nigeria, the Chairman of National Salt Company of Nigeria Plc, (NASCON), a subsidiary of Dangote Group, Alhaji Aliko Dangote has assured the shareholders of bumper returns on their investment on a consistent basis as the company had concluded arrangements to diversify to other lines of businesses. Speaking recently at the company's 2012 annual general meeting (AGM), Dangote said: "Your board and management are working on establishing a seasoning business, vegetable oil refinery and tomato packing operations, which unfortunately have been delayed for a while."

Dangote assured that limited production would commence in the two factories before the end of this year. He said: "I wish to assure you that our commitment to maintain our leadership in the salt industry remains the same, regardless of increasing competition within the sub-sector. We continue to be committed to improving our upward trend, and we will ensure your company continues to grow and remain competitive so as to deliver increasing dividends to all stakeholders."

It would be recalled that the shareholders of the company have described the dividend payout of 70 kobo per share, as a very good motivation, especially at this period of general lull in the capital market. Dangote, who highlighted some of the challenges faced by the company during the year just like other manufacturing concerns, said that the company was able to surmount the hurdles to post a good performance.

He explained that the payment of NGN 1.855bn representing 70 kobo for every 50 kobo ordinary shares held was in line with the practice of the management to reward shareholders for their unwavering support. Reacting to the performance of the NASCON, the shareholders commended the management for wading through the difficult times to record good performance to their delight urging the board and management to continue in that direction.

Alhaji Kabiru, Tunde Sarumi of the Independent Shareholders Association, lauded the NASCON management and expressed the satisfaction of his colleagues with the results saying it had become obvious that no share of any Dangote Group's subsidiaries was a bad buy because all of them had declared good profits and the NASCON was no exception. Dangote disclosed in his statement that the company posted a turnover of NGN 9.7bn reflecting a percentage growth of 8.9 on the previous year of 2010, while the operating

profit before tax achieved was NGN 3.1bn and the profit after tax standing at NGN 2.2bn, a 30.7% growth over 2010 figure.

According to him, the performance was a reflection of the efforts of the management board and staff of the salt company in response to the difficulties experienced in the year thus leading to a stronger and more profitable business Reviewing the 2011 performance analytically, the company's chairman said that the challenges faced were the usual ones associated with operating environment of businesses in Nigeria citing energy, poor infrastructure, uncoordinated tax administration amongst others as playing a role in preventing the manufacturing sector in the country from reaching its full potential.

Specifically, he lamented that NASCON was severally impacted by the global salt shortages that characterised the year, which led to the 20% reduction in the normal import level of the organisation. "However, the board successfully overcame these difficulties to be able to post the impressive performance declared." *(Guardian)*

The Bureau of Public Enterprises (BPE) is awaiting further directive from the National Council on Privatisation (NCP) to begin the liquidation of NITEL, the spokesman of the agency, Chukwuma Nwokoh, has said. Nwokoh made this known in a telephone interview with the News Agency of Nigeria yesterday, in Abuja. NCP, the body responsible for the sale of government-owned companies, is headed by the Vice President, Namadi Sambo.

In March, the Federal Government approved the adoption of "guided liquidation process" for the ailing NITEL and its mobile subsidiary, Mtel. However, that process hit a brick-wall following an order by the Senate Committee on Privatisation to the NCP and the privatisation agency to halt the liquidation process. Nwokoh said that BPE had responded to some queries raised by the committee, including providing detailed information on the current debt profile of the telecommunications firm.

He however, did not provide information on the current value of NITEL, but said the current debt profile was about NGN 350bn, while some organisations, especially government parastatal agencies were, owing it NGN 35bn. The Special Adviser to the President on Performance, Monitoring and Evaluation, Prof. Sylvester Monye, was quoted as saying last week that "the liabilities of NITEL had gone so bad that nobody wants to buy it."

Monye spoke at a one-day forum, in Abuja, organised by the Nigeria Institute of Advanced Legal Studies. "The liability and the mess in the company have gone so bad that no amount of money can pay for the mess; that is why we have gone for `controlled and managed' liquidation," he said. Several attempts by the BPE to get prospective core investors to take over the ailing NITEL and Mtel since the privatisation exercise began 10 years ago, have failed. *(Guardian)*

No fewer than 33 companies currently listed at the Nigerian Stock Exchange (NSE) have been stigmatised as operating Below Listings Standard (BLS), INVESTOR has learnt. The stigma of 'BLS' resulted from companies' non-compliance with post-listing rules, like late submission of financial statements and unauthorised publications, among others. The Listings Regulation Department of the NSE in a recent X-Compliance report says the

NSE has been able to tag companies appropriately to show the listed companies/equities that are BLS, Awaiting Bank/Insurance Regulatory Approval, under Capital Reconstruction Exercise and companies in delisting process.

The Listings Regulation Department says these companies include Ekocorp plc, IPWA plc, Premier Paints plc, Omatek Ventures plc, Abplast Products plc, Conoil plc, Ikeja Hotels plc, Daar Communication plc, Afrik Pharmaceutical, Union Venture & Petroleum plc, Costain (W.A) plc, G Cappa plc, Nigerian Wire & Cable plc, Udeofson Garment Factory plc, P.S. Mandrides plc, Union Homes Savings & Loans plc, West African Aluminum Products plc.

Others are Aluminum Manufacturing Company of Nigeria plc, MTI plc, Union Dicon Salt plc, Jos International Breweries plc, Stokvis Nigeria plc, Capital Oil plc, Rokanna Industries plc, West African Glass Industries plc, Lennards plc, Afroil plc, Golden Guinea Breweries plc, Rak Unity Petroleum plc, Nigerian Sewing Machine plc, Mtech plc, and Investment & Allied Assurance plc.

In a related development, the X-Compliance report shows that 22 companies at the nation's bourse are awaiting Bank/Insurance Regulatory Approval (ARA) – thereby tagged ARA; while one company (Pinnacle Point Group) was tagged as Delisting in Process (DIP). The Exchange presented 2011 audited result compliance list where it says in the list of 195 companies, "we have only 139 companies with full compliant status, representing 66% compliant status of the market as regards to 2011 audited result.

"On the other hand, we have 56 listed companies with negative compliant status which are marked red in the list. The group represents 34% non-compliant level of bourse as regards to 2011 audited result." *(Business Day)*

In a bid to strengthen its position with the Central Bank of Nigeria (CBN) initiative on cashlite economy, First Bank, one of the licensed mobile money operators, last week in Lagos, signed partnership deal with RIA International Money Transfer. The signing of the partnership deal, which coincided with the bank's 43rd Annual General Meeting (AGM), was aimed at repositioning the bank to further deepen its operations in mobile money transfer service offerings.

Addressing staff of the bank and representatives of RIA International present at the signing ceremony, Group Managing Director of First Bank, Mr. Bisi Onasanya said: "At First Bank we are driven by the quest to provide the best financial services possible to our teeming customers. Consistent with this mission, I am optimistic that this venture with RIA International will make a remarkable impact on the lives of our invaluable customers in particular and the entire people of Nigeria in general."

First Bank has established diverse operations in the Nigerian financial services industry, with over 650 widespread service outlets, enabling it to serve its customers better. "I am delighted that subsidiaries of the First Bank Group, within and outside the country, are making enormous contributions to the growth and development of the national economy, to the delight of all our stakeholders,"

Onasanya said, adding "First Bank is a pioneer in the money transfer sector.

We have a long-standing relationship with two other leading international money transfer companies, as exclusivity gave way to multi-agency environment. We are proud that we have received many global awards for outstanding performance in recognition of our outstanding money transfer services."

Responding, Vice-President, Euronet Worldwide and Managing Director for Middle East, Mr. Mohammed Abdallah, who represented RIA International, said he was pleased with the partnership deal with First Bank because of the high-level commitment the bank has shown in mobile money transfer and promised that the partnership would yield results for both institutions, being a long-term deal.

RIA International is the third largest money transfer business in the world that has developed a fast, reliable and secure system, with expansive global operations. In the global economy, the money transfer subsector certainly requires the energising competitive environment presented by a rapidly growing company like RIA International. According to Onasanya, RIA International and First Bank worked hard to actualise the relationship. It is therefore our belief that the relationship will grow stronger and provide opportunity to serve our customers better, he said. *(This Day)*

The share price of Skye Bank Plc closed on a positive note yesterday as the bank projected a profit after tax of NGN 13.933bn for the third quarter (Q3) ending September 30, 2012. On a day 11 that banking stocks depreciated, Skye Bank Plc joined Zenith Bank Plc to book the only gains recorded in the banking sub-sector. While Zenith Bank appreciated by NGN 0.15 to close at NGN 13.40, Skye Bank Plc garnered four kobo to close at NGN 2.89 per share. Market operators said the news of the profit forecast boosted investors' demand for Skye Bank's shares.

According to forecast, Skye Bank projected gross earnings of NGN 99.71bn and profit after tax of NGN 13.933bn for the Q3 of 2012. Stock dealers said the projected profit of NGN 13.933bn for Q3 was well ahead of the NGN 5.2bn recorded in the full year ended December 31, 2011. They believed if the forecast was achieved, it would be a big boost on the returns to shareholders at the end of the current financial year.

Despite declaring a NGN 5.2bn profit after tax in 2011, the directors recommended a dividend of NGN 3.3bn, translating into 25 kobo per share. The Chairman of Skye Bank, Mr. Olatunde Ayeni, had last month told shareholders at the Annual General Meeting (AGM) in Lagos that the decision to pay 25 kobo dividend was taken in line with the bank's commitment to deliver optimal returns to the shareholders.

Also speaking at the AGM, the Group Managing Director/ Chief Executive Officer, of the bank, Mr. Kehinde Durosinmi-Etti, assured that the bank would continue to do well in order to enhance shareholders' value and returns on investment. He said the bank had been positioned for a leadership role in the banking industry, having been strengthened by capital injection and good corporate governance policy. According to him, Skye Bank Plc recorded an impressive growth in its asset base, growing by 31.3% from NGN 705.9bn to NGN 927.1bn. *(This Day)*

The Group Managing Director, Diamond Bank Plc, Alex Otti, has said that the focus of the bank in 2012 is to manage growth in the bank's risk asset. Otti, said at the bank's yearly general meeting last week in Lagos that the bank's focal point was to keep the loan book healthy and create unique customer experience.

He said, "we are braced for all these by our recent improvements with respect to capital adequacy, liquidity, strong systems of credit origination and monitoring, continuous investment in human capital and novel business transformation initiatives during the last few months. Initial results give us the confidence that we shall surmount these challenges."

The Diamond boss noted that the bank was in the process of acquiring a bank with presence in one of the major European capitals. "We remain ambitious about our growth plans for West Africa and retain plans for expansion into other countries where we are not yet represented. We continue to scan the environment for business partnerships but will continue to implement an organic growth plan.

"We will acquire a bank with presence in one of the major European capitals. This will go a long way to complement our existing trade finance and wealth management businesses, and enable us gain a foothold in Europe as a first step of our plans to be a truly global bank," he said. On the bank's international license, he said that the bank complied substantially, with the conditions for the issuance of its international banking license by the CBN.

"We achieved full disposal of subsidiaries like ADIC Insurance Limited, Diamond Capital Limited and Diamond Securities Limited. In the case of ADIC Insurance, we recorded a profit from its sale, but write-downs in the assets of Diamond Capital and Diamond Securities led to the bank making losses from these disposals," he added.

The Chairman, Diamond Bank, His Royal Majesty, Obi of Onitsha, Nnaemeka Achebe said the worst was over and the bank was now under a tested management team with track record of good performance. "On the part of the Board, our priority remains making sure that all our employees develop rewarding careers with us," he added. *(Guardian)*

Singapore commodities trader Olam International Ltd said on Thursday it bought 100% of Nigerian dairy and beverage company Kayass Enterprises S.A. for USD 66.5m. Olam said Kayass owns several brands including the beverage "Nature's Fresh" and that the acquisition would allow it to tap into Nigeria's fast-growing consumer market. *(Reuters)*

The Group Managing Director of Union Bank of Nigeria Plc, Mrs. Funke Osibodu, has called for concerted efforts by banks to make agricultural financing attractive and profitable for shareholders/depositors using a holistic value chain. She made this call in Abuja at the African Rural and Agricultural Credit Association (AFRACA) workshop sponsored by the bank.

She said the benefits of this approach to include the production of input/output linkages, meeting the needs of industries, infrastructure needs of stakeholders among others. The Union Bank boss said that the value chain model would enhance increase in per capita income, employment generation, rural development, empowerment of citizens and well informed banking customers.

She listed other benefits to include products for agricultural and industrial sectors, reduction in Africa's food import bill and sustainability of Africa's food security. Osibodu eulogised the leadership role being played by the Central Bank of Nigeria (CBN) in providing the platform for banks to focus on agriculture. Mrs Osibodu said this was being complimented by the Federal Ministry of Agriculture through practical innovations in enlarging the value chain approach.

The AFRACA is expected to assist the central banks, development agencies and related ministries to align their interventions and policies with areas that will enhance the agricultural value chain. The forum is also expected to provide a road map to utilising knowledge for bank credit facilities from the farmers' viewpoint. Union bank has been in the vanguard of agriculture financing for many decades, which has earned it national and international awards and laurels.

Meanwhile, experts and farmers at the workshop have called on relevant government agencies to take agriculture more seriously by increasing incentives to the sector. The Secretary General of AFRACA, Alhaji Saleh Usman Gashua, set the tune by challenging African leaders to refocus their energies on policies that would attract investors to the sector.

He observed that in most emerging nations, Nigeria was behind practical steps towards achieving the much needed food security. Experts such as professors Victor Okoruwa, James Olukosi, Dapo Adedire and Dr Ilo posited that until an enabling environment was provided for all issues in the value chain, agriculture will continue to suffer policy inconsistencies and somersaults.

They challenged all the stakeholders to team up towards realising food sufficiency in the continent. The agriculture experts opined that it was through collaboration that the value chain would be pulled rather than pushed. *(The Guardian)*

Economic News

Federal Inland Revenue Service (FIRS) has granted tax exemption to bank holding companies to avoid the incidence of double taxation. Meanwhile, Shareholders of First Bank of Nigeria (FBN) have approved dividend of 80 kobo per share for the operating year ended December 31st 2012. Addressing shareholders at the 44th annual general meeting of the Bank, Group Managing Director/Chief Executive of the Bank, Mr. Bisi Onasanya disclosed that the formation of a bank holding company, which would serve as parent company to the bank and all its subsidiaries was slowed down by the need to get tax exemption for bank holding companies so that the holding companies would not pay tax on profit for which the subsidiaries have already paid.

He said, "We have kick started the process. The good news is that the FIRS has released operating circular to clear the issue of double taxation. We are awaiting the Ministry of Finance to officially gazette it. Already we drafted a Scheme of Arrangement for SEC and CBN's approval. Thereafter, we will hold AGM later in the year to seek your approval. We are following due process and we are clearly on course," he said.

At the meeting, the shareholders also endorsed the plan by the management to set up a HoldCo in line with Central Bank of Nigeria (CBN) directive. Onasanya said the board had decided on a new structure before the CBN directive, stating that the development would benefit the shareholders. He said that the management decided not to sell off the subsidiaries as they were doing well and could contribute positively to the HoldCo bottom line. He said the bank was following due process to register the new company, noting that shareholders will exchange one for one share in the new holding company.

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

In his contribution, General Secretary, Independent Shareholders Association of Nigeria (ISAN), Mr. Adebayo Adeleke, lauded the prudent nature the bank is being run, stating that the performance at the key financial indices was laudable. In his words:" Our bank has not only been regenerated but also rejuvenated. The board and management must be commended for this. We are also impressed with the dividend paid to us. We believe it could be better."

On his part, a shareholder, Nonah Awoh, while expressing satisfaction with the result posted, he expressed dissatisfaction over the performance of the bank' shares on the trading floor of the Nigeria Stock Exchange (NSE), advising the management to put on hold further issuance of bonus shares to shareholders. The financial results of the bank shows that the Group's balance sheet increased by 32% for the year. Total assets were N2.8tn and total assets and contingents were over N4.4tn. *(Vanguard)*

Crude oil exports from Nigeria to the United States rose to USD 34bn in the year 2011; from USD 31bn and USD 19bn in 2010 and 2009 respectively. Within the same period, the figures for non-oil export rose from USD 101m in 2009 to USD 115m and USD 150m in 2010 and 2011 respectively. These figures were presented by the Economic Counsellor of the US Embassy, Mr. Perry Ball, at a recent media briefing held in Abuja.

He also added that the success of the amnesty programme of late President Yar'Adua was responsible for the rise after production dropped due to the restiveness in the Niger Delta region. He added that the global economic downturn accompanied by drop in oil prices caused the oil export figures to drop from USD 35bn in 2008 to USD 19bn in 2009. Briefing on the benefits of African Growth and Opportunity Act (AGOA) for Nigerian businesses, Ball advocated that small and medium business owners can liaise with big companies in Nigeria or in the US to participate in exports to the US especially for non oil exports.

The benefits of AGOA, he outlined, include the provision of duty free treatment for 1,800 products in addition to the standard 4,600 products available to non-AGOA countries. Exports from sub-Saharan Africa in 2011 amounted to USD 74.2bn, he said with Nigeria topping the list with USD 33.7bn mainly from crude oil sales and Chad at the bottom of the list with USD 3.1bn also from crude oil

sales.

It also provides an additional preference in the form of duty free/quota free access for apparel made from fabric originating anywhere in the world under a special rule for lesser developed beneficiary countries with per capita GNP of under USD 1,500. Ball disclosed that over 300,000 jobs have been created in Africa since the creation of AGOA in 2000; many of these jobs for women in the textile industry. It has also encouraged the export of non mineral products to the US, he added.

Since its enactment, two-way trade under AGOA has grown to USD 82.1bn in 2010 and AGOA exports to United States have increased to USD 44.3bn. The official annual AGOA Forum which would hold in Washington in June, 2012 would bring together senior US administration officials, African government ministers as well as US and African businesses and civil society stakeholders from AGOA eligible countries. *(This Day)*

Bank-owned insurance firms are not lacking in buyers, the Chairman Nigerian Insurers Association (NIA) Olusola Ladipo-Ajayi, has said. He told The Nation that many organisations are discussing with the insurance firms to buy stakes of their affiliated banks.Ladipo-Ajayi noted that the association is playing a neutral role in the process as it is not bound to encourage its members to buy stakes in the troubled firms.

He said it is commercial decision for any insurer to invest in the firms, which were affected by the Central Bank of Nigeria's (CBN's) divestment policy. "The decision to invest in the bank-own firms is purely commercial business decisions for any individual to take. The NIA is not concerned with that now because it is not a major problem. "The companies are not in danger of lack of suitors. To the best of my knowledge, there are people that are willing to get involved with them either from the insurance industry or outside. So, it has not been a problem for us to consider."

He said it is the duty of the NIA to promoted ownership of a company, adding that the association is only saddled with ensuring that existing firms adhere to stipulated rules. "It is not the responsibility of the NIA to ensure that any company remains afloat. NIA does not promote ownership of a company, we only deal with companies that are in existence and are licensed by NAICOM.

"From our point of view, those bank-sponsored companies have not contravened any law. What the insurance industry was against was the kind of universal banking they wanted to introduce years back, whereby a bank would not need an insurance licence to transact insurance business," he said. *(Nation)*

Nigeria's interbank lending rates climbed by about 3.84%age points on the average last week to 14.25%, compared with 10.41% the previous week, as the Central Bank OF Nigeria (CBN) aggressively mopped up liquidity to curb inflation. The cost of borrowing among banks, according to Reuters, fell last week after large budget allocations from centrally-held oil revenue accounts were disbursed to the three tiers of government, increaing liquidity in the market.

"Market liquidity has dropped significantly (since then) because the central bank has been aggressively mopping up funds from the system with the conduct of

open market operations (OMO)," one dealer said. Traders said the central bank mopped-up around NGN 200bn (USD 1.25bn) using treasury bills for OMO, creating cash shortage and rate spike. The market opened with a cash balance of about NGN 92bn on Friday, compared with NGN 387bn balance last Friday.

The secured Open Buy Back (OBB) jumped to 14%, from 10.25% last week, 200 basis points above the central bank's 12% benchmark rate, and four percentage points above the Standing Deposit Facility (SDF) rate. Overnight placement also climbed to 14.25%, from 10.5%, while call money rose to 14.50%, compared with 10.5% last week. *(Nation)*

Finance Minister, Dr Ngozi Okonjo-Iweala revised down the country's growth forecasts to 6-7% on yesterday, from 7-8% previously. "We can do 6-7% this year. That would be very good," she told a news briefing during an African Development Bank annual meeting in the Tanzanian city of Arusha.

During its budget presentation for 2012, the government had forecast 7-8% growth. Nigeria has already spent half of its 2012 fuel subsidy budget on arrears for last year, the finance ministry said yesterday, risking Africa's second-largest economy racking up further debt or running out of money to sustain huge subsidy payments.

Nigeria tried to remove fuel import subsidies in January, but the move more than doubled the petrol price to NGN 150 per litre, from NGN 65 per litre previously, prompting more than a week of strikes and street protests. The government backed down and partially reinstated the subsidy, bringing the price down to NGN 97 per litre.

A parliamentary probe that followed uncovered a USD 6.8bn fraud in the subsidy regime and said Nigeria spent NGN 2.58tn last year on subsidy payments, more than 900% the budgeted amount for the year. President Goodluck Jonathan, the NNPC and the finance ministry pledged to clean up any inefficiencies, but the latest data shows spending remains out of control.

Nigeria budgeted NGN 888bn for fuel subsidies this year but it has already spent NGN 451bn on back payments for 2011, the NNPC and finance ministry said, more than double what it had expected to pay in arrears. Africa's biggest crude exporter will need to dip into its oil savings once the budgeted amount runs dry and with only around USD 3.5bn in the excess crude account (ECA) it could be wiped out by the end of the year, economist have warned. *(Daily Trust)*

The Federal Government has unveiled plans for a USD 100m Diaspora bond as part of a fresh USD 500m bond that would be issued sometime next year. The government had early last year issued USD 500m Eurobond to investors, which was over-subscribed. Also, the government assured stakeholders that it was still working on the modalities for the forbearance for stockbrokers, in respect of margin loans, as part of efforts to enable the stock market fully recover, following its near collapse in 2008.

Last November, the government announced the approval of debt forbearance for stockbrokers, who got their fingers burnt owing to the crisis that rocked the stock market. The margin loans to the stockbrokers stood at over N400bn, which is part of the N800bn total exposure of the nation's commercial banks to

the stock market.

The Coordinating Minister of the Economy and Finance Minister, Dr. Ngozi Okonjo-Iweala, spoke recently in Arusha, Tanzania, at a debate tagged: 'Africa Transforming Africa' organised by Africa Finance Corporation (AFC) at the annual meetings of the African Development Bank (AfDB), that the government was working closely with the World Bank on the Diaspora bond.

"We are working on a Diaspora bond with a large and generous definition of Diaspora, to make sure we succeed. We will work on it, it will take some time, because it takes a little more work, by next year, we will be able to do something. We are working closely with the World Bank. "I will be very modest; we will do a bond, a section of which will be a Diaspora bond. May be we will still USD 100m mark, because this is the first but it will part of a bigger bond.

Let's say we go for USD 500m like our last Euro bond, we might decide to dedicate USD 100m of that to Diaspora Bond and the remaining to the normal bond issuance," she said.

Okonjo-Iweala stated that remittances by Nigerians in Diaspora were so enormous that such needed to be harnessed for the development of the country, recalling that a World Bank study had put the remittances figure at USD 10bn. "Nigeria has a huge Diaspora. According the World Bank studies, Nigeria has about USD 10bn in remittances recorded and unrecorded. Even if its USD 6bn, it's still a large number. The question is, it's coming in, and it's helping a lot in the rural areas.

"If you go to some areas, every other person's somebody is in the Diaspora. How do you incentivise it? That's something we could think about. We can also think of doing instruments to securitise it, to manage this fund better", she added. On the specific projects on which proceeds of the bond will be applied, Okonjo-Iweala said discussions with the Nigerians in the Diaspora would determine the projects that would be the beneficiaries.

"Let us discuss with the Diaspora to see what they will want their funds to be invested in. I don't want to get ahead of myself. But you know, it must be in concrete projects that they can see, that is my belief. Then they will be more excited if they see that a particular project will be delivered. "We are going to have conversation with them; we are already launching it, to see what they have in mind. You know the level of trust is also not that high. You must in something that people can believe in," she said.

However, the finance minister assured that government would implement the forbearance but was only being careful not to create a situation whereby those unaffected would complain that the government was unduly favouring those affected. According to her, "We are working on the forbearance, we've agreed on it. We are going to implement it. We've been have been discussions on how to deal with it. We must remember that we don't want any moral hazard.

We don't want all those stockbrokers who did the right doing that they are not appreciated and have been neglected. "So we must honour them too by looking at the type of forbearance that will be accorded to the stockbrokers that are having difficulties. There will be forbearance but there will some conditions attached to that," the minister added. *(This Day)*

The Federal Government, through the Ministry of Trade and Investment, has secured investment commitments worth N6.6 trillion for the next three years, the Executive Secretary, Nigeria Investment Promotion Council (NIPC), Mustafa Bello, has said. Bello, who dropped the hint at a lecture orgnised by the Lagos Chamber of Commerce and Industry (LCCI) held at Eko Hotel, said the amount comprised N3.9 trillion in Foreign Direct Investment (FDI) and N2.7 trillion in Local Direct Investment (LDI), adding that the investments have the potential for job creation.

He said the investment drive is on-going, given the many reforms that the Federal Government is putting in place to improve the nation's business and investment climate. He listed the port reforms, liberalisation in goods clearance, ease of business registartion , tax, immigration, power and improved infrastrcuture as some of the incentives to aid business growth. "Our country has continued to attract the required flow of investment from both domestic and foreign sources, especially in sectors where we have competitive and comparative advantages, such as downstream oil and gas, mining, agriculture, real estate development, maritime and shipping.

"Only recently, the National Industrial Revolution Plan (NIPR) was launched by the Ministry and Trade and Investment with participation by the Oraginsed Private Sector (OPS) and the Manufacturers Association of Nigeria (MAN). The aim of the plan, which has innovation and skills development as its core agenda, is to firm up our Micro, Small and Medium Enterprises(MSME), enhance the productivity of our industrial sector, and transform it into a modern engine of growth , wealth and job creation," he said.

On the Public Works/Women and Youth Empowerment (PWYE) Project launched by the government, Bello said the project is expected to generate about 370,000 jobs by the end of the year, adding that the Youth With Innovation programme (YOUWIN), is aimed at empowering 1,200 youths with between N1m and N10m to start their businesses. The President, LCCI, Goddie Ibru, said the country has a private sector that is weak, adding that this is of concern to the operators. *(Daily Trust)*

Total assets of the Pension Commission (Pencom) under the contributory pension scheme is NGN 2.6tn, the Director-General, Muhammad Ahmad, has said. Ahmad, who spoke in Abuja at a meeting of the Migrant Workers Group of the International Social Security Association, said there is the need for other countries in the sub-region to ensure flexibility in their pension scheme.

He said the Federal Government would continue to work towards safeguarding the retirement benefits of workers. "It is well known to us that many pension schemes are not as flexible, he said, adding that the portability of retirement benefits of the affected employees may not be possible. He said: "In some cases, the workers are employed as contract staff with salaries that are slightly higher than the benefits of the employees that could benefit from some form of pension arrangements.

This bias has since been corrected in Nigeria by the introduction of the Contributory Pension Scheme CPS). So far, about NGN 2.6tn has been generated under the scheme and had been invested in various sectors of the economy." In attendance at the two-day meeting that was convened to discuss

issues relating to benefits and rights of migrant workers in the West African sub-region, were the Minister of Labour and Productivity, Chief Emeka Wogu, President of the Nigerian Labour Congress (NLC), Abdul-wahed Omar and other notable government functionaries. *(Nation)*

The bilateral trade between Nigeria and Turkey has reached USD 1.2bn (NGN 192bn) as at the end of 2011. The Deputy Secretary-General, Istanbul Chamber of Commerce (ICOC), Kenan Oztekin, made this disclosure yesterday at a media briefing to announce the first Turkish Product Exhibition, which will take place in Lagos between 12 and 14 June 2012. According to him, Turkey exported USD 394m worth of goods to Nigeria, while it imported USD 605m merchandise into the country during the same period.

He noted that the figure showed that the trade between the two countries has increased significantly from USD 134m and USD 148m, recorded in 2007 in exports and imports respectively. Oztekin listed certain industrial products, which Turkey exported to Nigeria to include iron, cement, steel construction components, steel wire rods, machines and instruments for cleansing, separating, grinding and processing of seeds, isolated wire, cables, paper towels, tissues materials and table cloths.

He said that Turkey's imports from Nigeria remained petroleum, natural gas, oleaginous seed and fruit, cocoa, tanned sheep and lamb hides, cotton, natural rubber, timber, ethylene polymers and others. Oztekin added that over 30 Turkish companies were already working as developers in Nigeria, as well as in the manufacturing and energy sectors. "A growing number of Turkish businessmen are studying the investment environment in Nigeria and closely following the projects that are taking place."

He added: "The commercial and cultural relationship between Nigeria and Turkey, which stretches back into the historical past, still continues today and is increasing with every passing day. I would like to state that ICOC, as a non-government organization and representing private sector, is ready to support all activities that will help to develop these relationships. "Nigeria is a country that is a friend and a brother to Turkey, a country that has a long history, and one with whom we have cultural ties.

The political relations between the two countries are at a sound level. There is a common will to carry the relationship forward in every possible field. As member countries of the organisation of Islamic Cooperation and the D-8 Group, Turkey and Nigeria have closely cooperated within the framework of international institutions". Oztekin disclosed that Turkey was the 18th largest economy of the world with Gross Domestic Product of USD 772bn in 2011 and the sixth largest in Europe. "Turkey is expected to become one of the world's largest ten economies by 2030".

Oztekin explained that the exhibition, taking place at Eko Hotel, Lagos, from June 12 to 14, is expected to further strengthen the trade relationship between the two countries. He added: "In the exhibition nearly 100 companies will take part and all sectors from Turkey, ranging from construction, textile, food, industrial machines, kitchen equipment, home textile, cosmetics, furniture and others. "We see this exhibition as an important opportunity for strengthening the relationship between Nigeria and Turkey. *(Guardian)*

The Niger Delta Power Holding Company Limited (NDPHC), owners of the National Integrated Power Project (NIPP), said it has about 1,025 megawatts (MW) of electricity in three NIPP power stations in the country waiting to be wheeled into the national grid. The Managing Director /Chief Executive of the company, James Abiodun Olotu, said this when the Commissioner of Police, Federal Capital Territory, Adenrele Shinaba, visited him in Abuja.

In a statement issued by the Deputy General Manager, Communication and Public Relations, Yakubu Lawal, Olotu said: "We have five units at our Olorunsogo Phase II Power station ready to deliver 650MW and in Sapele about 250MW while in Omotosho we have 125MW of electricity ready for the national grid." The NDPHC boss, however, pointed out that the delivery of this 1,025MW into the national grid is dependent on the availability of gas, stating that gas suppliers including the Ministry of Petroleum Resources, Nigerian National Petroleum Corporation (NNPC), International Oil Companies (IOCs) and the Nigeria Gas Company (NGC) are intensifying efforts to bridge the gas gap.

He said this year would be a harvest season for the organisation charged with boosting power infrastructure in the country. He expressed optimism that Alaoji Power Station, the largest among the 10 NIPP power stations, would also make a significant power delivery into the national grid before the end of this year. He said NIPP projects cut across generation, transmission and distribution of electricity in the country. He noted that the magnitude of these infrastructure make it imperative for the organisation to seek the co-operation and support of the Police and other law enforcement agencies in protecting the facilities and creating the enabling environment for its contractors and consultant to work in.

Olotu urged the Commissioner of Police and his team to support the organisation so that the determination of President Goodluck Jonathan to light up Nigeria will become a reality. Shinaba explained that the visit was part of his strategy to acquaint himself with operations of establishments under his command. The Police boss commended the efforts of the Federal Government through NDPHC to address the challenges in the power sector by ensuring adequate and steady electricity supply to the people of Nigeria. *(Nation)*

The first quarter recorded a total of NGN 6,622.0bn trade volume amounting to a decline of 22.4% as against NGN 8,529.3bn in the preceding quarter, figures from the National Bureau of Statistics (NBS) show. The survey figures were released yesterday in Abuja. The bureau noted that the change was as a result of a decline in the value of exports by N2,162.5bn representing 30.3% over that of the previous quarter.

The year-on-year analysis revealed that the country's value of total trade in the first quarter of 2012 rose by N296.7bn representing 4.7% over the value in the first quarter of 2011. The survey also revealed a trade balance of NGN 3,317.5bn, a decrease of NGN 2,417.7bn or 42.2% over the preceding quarter. "This decrease was attributed to the decline in the value of exports, non-crude oil exports in particular in the quarter under review. Year-on-year, the balance of trade increased substantially as a result of the decline in imports in first quarter 2012 especially the mineral products section compared to the corresponding period in 2011," the NBS said.

Meanwhile, the total value of the nation's import stood at NGN 1,652.3bn in the quarter in review representing an increase of NGN 255.2bn or 18.3% over the previous quarter. "Year-on-year comparison revealed a decrease of NGN 1,455.3bn or 46.8% from first quarter of 2011. This was largely as a result of the decline in the importation of mineral products in the period, especially processed fuels and lubricants and crude inedible materials."

Imports relationship by country of origin showed that China, United States, United Kingdom, Brazil and India were Nigeria's major trading partners with NGN 265.3bn, NGN 196.1bn, NGN 190.6bn, NGN 169.9bn, and NGN 114.0bn respectively. The report further put the total value of export at NGN 4,969.7bn, a decrease of NGN 2,162.5bn representing 30.3% over the value in the previous quarter. This decline was attributable to the decrease in the value of non-crude oil exports amongst others. *(Daily Trust)*

The Central Bank of Nigeria (CBN) has offered to guarantee 75 per cent loans provided by Deposit Money Banks to farmers in the states and the Federal Capital Territory as part of efforts to transform the agricultural sector. The guarantee is being packaged under the Nigerian Incentive-Based Risk Sharing in Agricultural Lending (NIRSAL), a Public Private Partnership scheme established by the CBN, the Bankers' Committee and the Federal Ministry of Agriculture and Rural Development.

The Head of NIRSAL Project Implementation Office under the Development Finance Department of the CBN, Jude Uzonwanne, stated this on yesterday in Abuja at a presentation on the role of NIRSAL to the Minister of State for the Federal Capital Territory, Oloye Olajumoke Akinjide. A statement by the Special Assistant (Media & Publicity) to the Minister of State for FCT, Oluyinka Akintunde, quoted Uzonwanne as saying that the guarantee would be issued by the NIRSAL to the farmers through the commercial banks and other financial institutions.

He explained that NIRSAL mobilises financing for Nigerian agribusiness by using credit guarantees to address the risk of default, adding that the scheme is a flexible financing tool designed to change the behaviour of financial institutions. "It covers all crops and livestock activities in Nigeria, while driving improved investment outcomes and job creation. It is also building on the legacy of previous CBN interventions in agriculture that have helped in creating thousands of jobs," he stated.

He said the programme was designed to create access to finance by integrating end-to-end agriculture value chains such as input producers, farmers, agro dealers, agro processors and industrial manufacturers with agricultural financing value chains, such as loan product development, credit distribution, loan origination, managing and pricing for risk, and loan disbursement.

"The integration is driven by NIRSAL's five pillars, particularly the Risk Sharing Pillar and the Technical Assistance pillars such as Risk sharing Facility (N45bn), Insurance Facility (N4.5bn), Technical assistance facility (N9bn), Agricultural bank rating scheme (N1.5bn), and Bank incentive mechanism (N15bn). "NIRSAL will share risks with banks ranging from 30 per cent to 75 per cent of loss depending on the segment.

We are prepared to offer following terms to farmers in the states and FCT

Abuja: 75 per cent guarantees on all input, working capital and limited living cost loans to plant the crop, and loan duration should be about 28 months," he noted. The minister said NIRSAL is cardinal to the success of the Federal Government's Agricultural Transformational Agenda (ATA) as it was established to address the grey areas inhibiting agricultural growth in Nigeria. *(Nation)*

Nigeria recorded USD 44.3bn worth of exports to the United States of America (USA), in the past 10 years, under the African Growth and Opportunity Act (AGOA). USA has however, urged Nigeria to increase the export profile ahead of the AGOA programme's extension to Asian countries, which may pose stiffer competition against African countries.

Economic Counselor at the U.S. Embassy in Abuja, Perry Bell, who gave the volume of the two-way trade under the Act as USD 82.1bn since the enactment of the Act in 2000, said that Nigeria should concentrate more on the export of non oil products to the U.S. as these products have more prospect of being picked off the shelves instantly.

Bell, who said Nigeria was the biggest beneficiary of the AGOA Act advised that it would be good if the country can reduce its dependence on oil as its major export product as is the practice now and diversify into other products especially the agricultural produce which he said are "usually taken off the shelf in the U.S. without delay, actually within 48 hours".

He said in 2011 alone, Nigeria topped the list of countries that exported crude oil into the U.S. by USD 33.7bn, a figure, which represented about 99.9 per cent; while the non-oil produce represented 0.45 per cent, adding that the country that came close to Nigeria in oil export was Angola, with USD 13.5bn worth of crude.

"The top supplier is Nigeria. So, you can say that Nigeria is the largest beneficiary of AGOA, but it is predominately oil", he said, adding that U.S. was considering extending the opportunity of AGOA to other parts of the world under the World Trade Organisation (WTO).

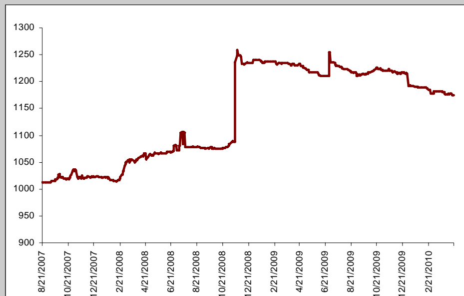
According to Bell, "the implication would be a stiffer competition between Africa and other producers for the same market. Africa has a unilateral access to the U.S. which is the most generous access into the largest economy of the world." He also wondered what would happen to other countries whose major export is textiles like Lesotho, which exported USD 314m worth of the commodity last year alone, should the U.S. extend AGOA benefits to Asian countries.

He noted also that trade was more than getting products from one point to another and that the aspect of provision of infrastructure was important. This, he said, informed the decision to consider "Enhancing African infrastructure for trade", as the theme for the 2012 AGOA forum.

The forum is scheduled to hold between June 14 and 29, in the U.S and participants are expected from African government ministries, business and civil society stakeholders and AGOA eligible countries. *(Guardian)*

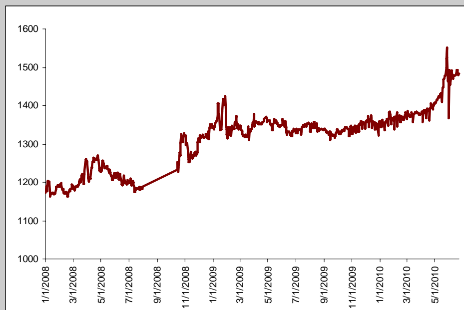
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.907	-9.086	-9.7
Current account balance (USD bn)	-2.195	-2.15	-2.477
GDP based on PPP per capita GDP	1,414.36	1,487.35	1,578.68
GDP based on PPP share of world total (%)	0.082	0.085	0.088
GDP based on PPP valuation of country GDP(USD bn)	57.335	61.5	66.582
GDP (current prices)	546.63	572.25	605.346
GDP (Annual % Change)	4.954	5.649	6.74
GDP (US Dollars bn)	22.159	23.862	25.531
Inflation(Annual % Change)	7.251	7.028	7.126
Inflation (Annual % Change)	6.659	6.423	5.5
Population(m)	38.2	38.964	39.743

Source: World Development Indicator

Stock Exchange News

The DSEI lost a marginal -0.61% to close at 1,310.34 points. NMB was the only mover after gaining +1.12% to close at TZS 900 while CRBD was the main shaker after shedding 8.16% to TZS 112.50 followed by TBL (-2.40%).

Corporate News

No Corporate News this week

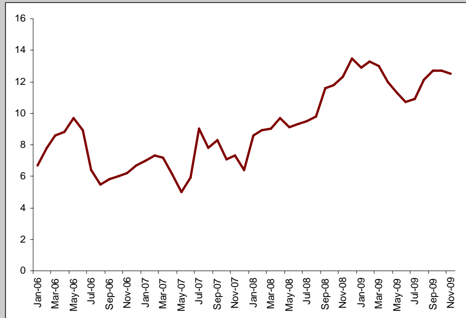
Economic News

Tanzania's current account deficit more than doubled in the year to March following a sharp rise in oil imports and a decline in transfers of aid and loans, its central bank said on Tuesday. The deficit widened by 117.2% to USD 5.178bn from USD 2.384bn the year ago, highlighting an underlying economic weakness that has put downward pressure on currencies in neighbouring Uganda and Kenya as well.

Oil imports surged 82.8% to USD 3.592bn due to a rise in domestic demand and higher commodity prices on the world market. The country's total imports bill rose by 35.9% to USD 12.643bn, while exports increased by 11.5% to USD 6.934bn from a year ago. "The worsening of the current account balance was intensified by the decline in official current transfers by 13.4% to USD 598.7m," Bank of Tanzania said in a statement.

Official current transfers are composed of aid and loans from external sources. Tanzania, which has significant natural gas deposits, is one of Africa's biggest per capita aid recipients, having received USD 453m of aid for its 2011/12 budget. *(Reuters)*

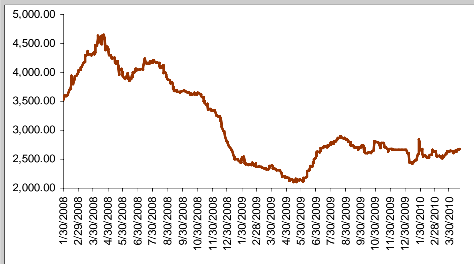
CPI Inflation



Source: SAR

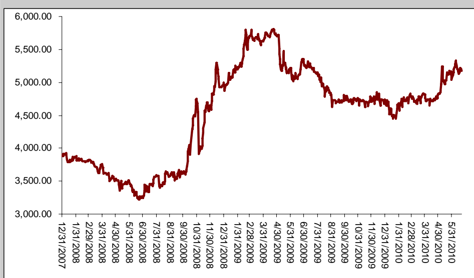
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The LuSE index gained a marginal 0.04% to close at 3,873.26 points. Farm led the gainers after adding +10.00% to ZMK 3.300 followed by CECZ which rose +6.15% to ZMK 690.00 and ZSUG (+4.40%). AELZ was the biggest loser after shedding -6.67% to ZMK 3,000 followed by Zamefa, down -7.55% to ZMK 600 and Zambeef (-3.57%).

Corporate News

Zambian independent power transmission group, Copperbelt Energy Corporation (CEC) continues to evolve as an independent power producer with progress reported by the company on its efforts to develop the 40 MW Kabompo Gorge hydroelectric project. The project is situated in the Mwinilunga district of north-western Zambia, and is in close proximity to the emerging copper mining industry of the country's North-Western province.

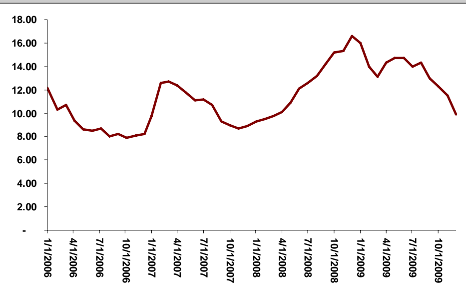
CEC placed an international tender to identify interested and qualified contractors to undertake the project through an expression of interest, following which a short list of five contractors was selected to submit a full bid. The final bid responses were to be received by March 2012, and a preferred contractor identified by June 2012. Standard Bank was appointed as debt advisor and arranger for the project.

The debt financing process, which commenced during the first quarter of 2012, involved presenting a fully structured project to a range of international financial institutions from commercial banks to development finance institutions and export credit agencies, with a view to obtaining the most appropriate and cost effective debt terms. A capital intensive project of this nature will require debt tenors of up to fifteen years.

The project will cost an estimated USD140m and the design specifies a roller compacted concrete dam that is 47.5 metres high and 123 metres long, a reservoir with an area of 3,485 hectares, an underground chamber for the power house, and four kilometres of tunnelling. A transmission line would be constructed to connect to the national grid at Lumwana.

The project is scheduled to reach financial close during the latter half of 2012, with construction commencing during 2013 and project commissioning during the latter half of 2015. In addition, CEC has commenced feasibility studies for different hydro schemes along the Luapula River which, based on pre-feasibility studies already completed, are capable of accommodating at least five different hydro schemes with an estimated generation capacity of about 800 MW.

CPI Inflation



Source: SAR

It is expected that rights to the power will be shared between Zambia and the Democratic Republic of Congo, as the river lies along an international border. CEC already has 80 MW of embedded thermal generation capacity in its network that supplies a number of large mining operations on Zambia's copperbelt. *(Esi Africa)*

The newly acquired Maamba Coal mine Wash Plant has seen the company increasing its coal production from 30,000 to 80,000 tonnes per month. Company Resident Director Ashwin Devineni disclosed this at a media briefing in Lusaka yesterday. Mr Devineni said the new coal Wash Plant procured at the cost of USD 20m is also technologically superior and restricts environmental pollution.

He further said the new state-of-the-art equipment has also enabled the company to restart selling its coal products to the local customers and the foreign market on a large scale. The new Wash Plant was commissioned in April this year after the old machinery proved to be a threat to the environment by the Zambia Environmental Management Agency (ZEMA) prior to the new management's takeover of the company in 2010.

"With the coming of the new machinery we have quenched the fires that were an environmental hazard through covering of old waste dumps which were burning and polluting the environment, "he said. Mr Devineni added that through this new achievement the company will also be committing a sum of USD 3 per every tonne processed of washed coal to cooperate social responsibility projects such as irrigation, water harvesting, livestock development, small scale mining among others.

He said so far, the company has spent about ZMK 3bn in social infrastructures such as school desks, recreational and sporting infrastructure, repairs to the community water treatment plant, Maamba market foot bridge construction among others. Meanwhile Mr Devineni has appealed to Government to consider constructing permanent bridges in Maamba area saying the current temporary ones are too weak and are frequently washed away during the rainy season.

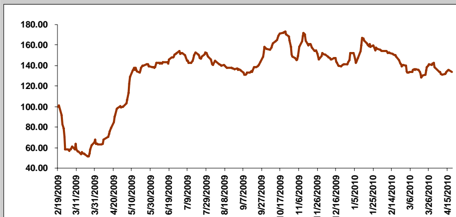
He said the bad state of the roads in the area has had a negative impact on the smooth transportation of deliveries to project sites. Mr Devineni has further called on the Government to engage the Railway Systems of Zambia (RSZ) to revise the railing rates as the current ones are too high for the transportation of the commodity to neighboring countries. Mamba Coal Mine is being run by Nava Bahart of Singapore and mines coal for the local and export markets and has a total workforce of 641 employees. *(UK Zambians)*

Economic News

Zambia's central bank kept its benchmark interest rate unchanged at 9% on Thursday, saying it expected inflation to moderate. "The continued favourable macroeconomic environment and the seasonal improvement in food supply will have a moderating effect on inflation," Bank of Zambia Deputy Governor Bwalya Ng'andu said. *(Reuters)*

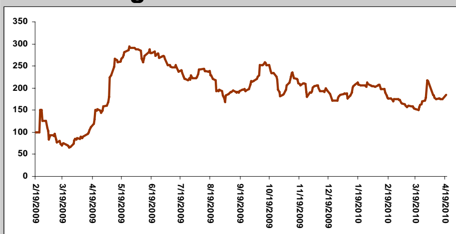
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The market closed the week on a mixed note with Industrial Index closing +1.12% higher at 133.34 points while Mining Index was down -1.25% to 82.48 points. Pioneer and CBZ led the movers after gaining +100% and 47.56% to close the week at USD 0.05 and USD 0.13 respectively. Other gains were recorded in Cairns up +33.33% to USD 0.01 and Ariston which put on +26.76% to USD 0.018. Zeco and Lafarge led the losers after shedding -96.67% and -15.38% to USD 0.0001 and USD 0.55 respectively. Other notable losses were recorded in Powerspeed (-15.15%) and Barclays (-11.17%)

Corporate News

ZIMPLOW has acquired a 16% stake in Tractive Power for USD 3m as the manufacturer of ploughs and agricultural implements eyes a controlling stake in the maker of farm machinery. The deal was in the form of a special bargain involving 27,2m shares sold at 8% discount on the last trading price of US12c. Sources familiar with the transaction said last Friday that the 16% stake bought by the Bulawayo-based firm was part of the Reserve Bank of Zimbabwe's 59% equity in Tractive Power.

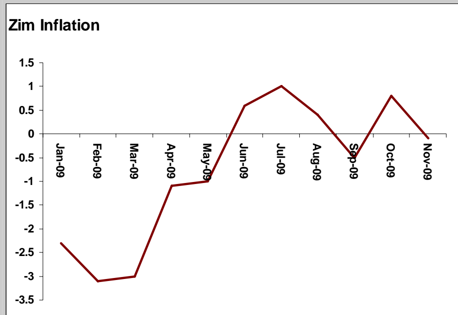
Zimplow and Tractive are both listed on the Zimbabwe Stock Exchange. In May last year, the central bank said it was disposing of its shares on non-core businesses to concentrate on its core functions. The proceeds from the share sale would be used to finance debt payments. Two weeks ago, both companies issued separate cautionary statements advising respective shareholders that there were negotiations that could have an impact on the shareholding structures of the companies. *(Herald)*

TN Holdings and Rufaro Marketing have sealed an USD 845 900 deal for leasing Rufaro Marketing beer halls for the next 12 years, a company official has said. Rufaro Marketing finance director Daniel Mutiwadirwa said TN holdings had revised downwards the number of outlets to be leased from 25 outlets to 14. TN Holdings have already paid Rufaro Marketing USD 705 900 in advance for the first six months for the 14 beer halls, said Mutiwadirwa.

He said the remaining balance was USD 140 000 for the full-year rentals. He, however, said TN holdings had not begun operations as there were outstanding technical aspects to deal with, since they were changing the plan altogether. Rufaro Marketing chairperson Philip Mataranyika said the TN deal for the leasing of 14 outlets had been finalised and some of the outlets were in Dzivarasekwa, Tangai Bar in Wedza, Nenyere in Mbare, Spaceman Bar in Glen Norah and Harare Gardens.

We have already finalised and we are receiving our monthly rentals as agreed,

CPI Inflation



Source: SAR

said Mataranyika. He said what Rufaro Marketing wanted was to lease the property as agreed and the rest was up to TN Holdings on what they wanted to do with the leased property. Mataranyika, however, said the company was to lease the remaining property as soon as they found takers. *(News Day)*

Telecel Zimbabwe says it has seen its active subscriber base grow considerably over the past few months, contrary to recent media reports. The companys managing director John Swaim said growth in the number of subscribers had grown steadily and the network expected to hit the twom active subscriber mark by July this year. Swain said figures provided by Telecel were based solely on its active subscriber count.

An active subscriber refers to a customer who has made a revenue-generating activity within the last 90 days. This is the officially accepted GSM definition. There is also a reported capacity called home location register, which refers to the total installed capacity including those subscribers who have not been active over 90 days as well as those whose lines are inactive pending registration and the subsequent initial activation, Swaim said. The number of Telecel active subscribers had increased, he said, from 1 500 000 at the end of December 2011 to 1,8m at the end of March, an increase of 300 000 subscribers.

Swaim said statistics reported recently in the Press were incorrect. At the end of the first quarter of this year, Telecel had 1 800 000 active subscribers as opposed to the incorrect 1 500 000 reported. The incorrect figures had reflected a loss of more than 300 000 subscribers in the first three months of the year, when in fact, the reverse was the case. There had been a gain, not a loss, of more than 300 000 subscribers. *(News Day)*

CBZ Holdings Limited (CBZ) shareholders have approved the group's plans to embark on a share buy-back and to revive its employee share option scheme (Esos). The shareholders also approved the declaration of a final dividend at an annual general meeting held on May 30, 2012. CBZ said the revival of the Esos was subject to regulatory approval.

It said the share buy-back is subject to the purchase price not being lower than the nominal value of the company's shares and not greater than five% or five% below the weighted average trading price. "The shares secured under this resolution shall be ordinary shares in the company and the maximum number of shares that may be acquired shall not exceed 68 414 450 shares," the group said in a statement, adding that the shares purchased would be held for treasury purposes.

The group said the board also planned to revive and amend the Commercial Bank of Zimbabwe Limited Esos that was initially established in the year 2000 and rename the scheme to CBZ Holdings Limited Employee Share Option Scheme. CBZ recently appointed John Mangudya group chief executive following the early retirement of Nyasha Makuvise. *(Daily News)*

ZIMBABWE Stock Exchange (ZSE)-listed insurance concern, NicozDiamond, deliberately stre-amlined its investment portfolio in response to developments that were occurring on the local bourse, enabling it to record a net income growth of 23% in the first quarter of this year. NicozDiamond Treasury head, Joseph Mashika, told Standardbusiness that the company took a decision to increase exposure to the money market and

properties segments in response to developments on the stock exchange.

The ZSE has been affected by investor apathy, lack of an automation upgrade and latent attrition with the Securities Commission of Zimbabwe (SCZ).Mashika said the money market was currently offering lucrative rates given that inflation is around 5%. “Upon realising that the ZSE was continually being affected by the prevailing liquidity challenges and negative investor sentiments on indigenisation regulations, there was a deliberate reduction of exposure to equities while increasing exposure to the money market and properties segments,” said Mashika.

He added: “There was also a switch from vacant pieces of land into rental income generating properties, which saw the properties portfolio benefiting from both capital appreciation and rental income. These initiatives saw the investment income increasing significantly.” Ever since the dollarisation of the economy in 2009, the stock market has been relatively stagnant, thereby limiting the growth of investment income derived from fair value adjustment of listed equities.

Mashika noted that an acute liquidity crunch, limited foreign direct investment inflows and the absence of long-term funding, were negatively impacting on the productive sector activities and profitability. Consequently, the ability of companies to insure continues to be restricted. The dollarised environment has seen improved performance of the insurance sector. The short-term insurance market used to write premiums of around USD 600m at its peak prior to 2000.

In 2011 the non-life insurance market wrote an estimated USD 160m in premiums, indicating a marked improvement of 132% from the USD 69m registered in 2009. NicozDiamond’s investment portfolio mix is made up of four distinct segments, namely quoted equities, unquoted equities, money market and properties. Mashika said with the tight liquidity conditions obtaining, premium collection remained a great challenge, as most clients are reneging on their payment plans.

The latest Finscope 2011 survey on financial inclusion, shows that 69% of Zimbabweans do not have any kind of financial product covering risk. However, Mashika said a number of clients were slowly recognising the importance of insurance companies in risk management. He said the low insurance uptake rate, though increasing, was a reflection of the subdued macroeconomic performance.

The company’s corporate strategy targets growing sectors of the economy while working together with struggling companies. “The insurance motor class of business has recently registered impressive growth rates in the market,” said Mashika. “Motor insurance is compulsory in Zimbabwe and the increased volume of car ownership of mainly second-hand imported ex-Japanese vehicles, has greatly resulted in more business for the short-term insurance sector.”

He added that the motor class would remain profitable in the year 2012. But the deteriorating road network infrastructure also led to an upsurge in motor accident claims for the company. *(The Standard)*

Retail group OK Zimbabwe, the southern African country's biggest supermarket chain, recorded a 133% rise in full-year earnings as demand continued to grow in line with the recovering economy. OK Zimbabwe's

basic earnings per share were 1 cent in the year to March 2012, up from 0.43 cents previously, financial statements showed on Tuesday. Revenue increased by 60% to USD 412.6m, while after-tax profit was USD 10.3m, up from USD 4.3m the previous year.

The retail sector, ravaged by hyperinflation and price controls at the peak of an economic crisis in 2008, is one of the fastest growing under a coalition government formed four years ago by President Robert Mugabe and Prime Minister Morgan Tsvangirai. OK said it expected the sector to continue growing in line with the economy, which is projected to expand around 9% in 2012. *(Reuters)*

Furniture retailer Pelhams Limited is considering a long-term funding structure to expand "securitisation" of its debtors' book and raise working capital. Last year, the company required about USD 5m for recapitalisation as well as funding its operations. Group chairman Mr Oliver Chidawu in a statement for the full financial period ended March 31, 2012, said the fund-raising exercise has been pending since 2009. "To augment the securitisation structures that have sustained operations to date, the company will require a long-term funding structure," he said.

This means that Pelhams is seeking low-cost long-term funding, like a three-year long-term paper whose costs would be represented on their interest on credit. The group says in the absence of sustainable funding, securitisation of the debtors' book, which stands at USD 10m, funded operations and raised its level of trading. Since 2009, Pelhams has been surviving on expensive short-term debt. Yesterday, analysts said the company is likely to be aggressive in securing funding only after resolving its outstanding shareholder issues.

Mr Chidawu said the issue was still outstanding. "As previously acknowledged and advised, resolution of the shareholder issue remains outstanding and will be formally communicated in due course, once finalised," he said. Last year, TN Asset Management bought about 36% of Pelhams on the market when Mr Chidawu failed to settle a USD 3m loan from businessman Mr Jayesh Shar. Pelhams shareholders opted for debt because rights issues have failed in the market due to lack of cash while equity would result in dilution of major shareholders.

During the period under review, revenues grew by 95% to USD 16,7m. This was against an expenditure of USD 12,2m in cost of sales. Operating profit for the group stood at USD 4,2m profit before tax and profit for the year was USD 1,5m compared with USD 121 831 in the comparable prior period. Pelhams debtors' book recorded a 197% growth while net finance income was at USD 2,3m, contributing significantly to overall profitability, compared with USD 273 000 for last year.

During the period under review, Pelhams increased credit terms to 24 months from 18 months, in view of low disposable incomes on the market. Lending by financial institutions has remained minimal as a way of spreading risk. Pelhams says this strategy underpinned the sales growth of 95% against a prior year comparative of 115%. "During the year under review, unit sales more than doubled and were driven mainly by credit sales which grew by 127%," said Mr Chidawu.''

He said local production costs had a negative impact on the margin, which were reduced to 27% against 30% in the prior year. Due to lack of funding, the group's sales mix for the year was skewed towards locally manufactured products with a lower margin relative to imports. *(Herald)*

Zimbabwe Stock Exchange-listed conglomerate Meikles Limited is set to open the first Pick'n Pay Supermarket in Kamfinsa, Harare, this month following the injection of USD 13m into the group. The company's finance director Onias Makamba said plans to set up the South African retail chain in Zimbabwe were at an advanced stage following regulatory approval.

Pick'n Pay received approval from the Reserve Bank of Zimbabwe (RBZ), Competition and Tariff Commission and Youth Development Indigenisation and Empowerment ministry to up its stake in TM Supermarket to 49%. The deal has enabled TM Supermarkets to access USD 13m from Pick'n Pay for refurbishments. The coming on board of Pick'n Pay will increase competition in the retail sector in the country.

"TM Pick'n Pay will open end of this month and we have used part of the USD 13m that we received from Pick'n Pay South Africa," Makamba said. "We have also started refurbishments at TM Borrowdale that will be followed by TM Mutare, Masvingo and Gweru." He said Meikles injected additional funding for the refurbishment of supermarkets. Makamba said the company was refurbishing Meikles Hotel and Victoria Falls Hotel at a cost of USD 7,5m and USD 3m respectively.

In January this year the Moxon family, the majority shareholder in Meikles Limited consolidated its shareholding in the company through its offshore investment vehicle Gondor Capital Investment to unlock USD 200m for the group and the country. The transaction was approved by the RBZ and Exchange Control for the Moxons to swop their shareholding in Meikles Ltd with Gondor Capital Ltd. John Moxon in January said, they were aware companies in Zimbabwe were generally undercapitalised and most of the potential capital available to alleviate this situation would not be sourced locally. *(News Day)*

Zimbabwe Power Company has signed a USD 230m Memorandum of Understanding with Indian power company Wapco Ltd to refurbish the country's three thermal stations. In its newsletter, "Megawatt Bulletin" published yesterday, the power-generating unit of Zesa said Bulawayo, Hwange and Munyati power stations would be renovated under the agreement. The memorandum also includes a feasibility study for the Gairezi hydropower station and upgrading of the Deka pumping station for Hwange Power Station.

"These developments will greatly reduce the demand-supply gap that is compounding load shedding" read part of the bulletin. After the overhaul, Bulawayo Power Station is expected to produce an additional 90MW from an average of 30MW while Harare would be upped to 230MW from an average of 30MW. This means the refurbishment exercise will add about 350MW to the national grid. Zimbabwe requires about 2 200MW of electricity at peak but generates just 1 300MW with the remainder being imported.

As of yesterday, production from all power stations was at 1 224MW. The agreement with Wapco comes amid calls for Government to replace the equipment at the thermal stations as it was constantly breaking down and its

production capacity had been reduced. Thermal power stations have become expensive to operate taking into account the frequent technical faults and the low output. The equipment is said to be obsolete and aged, hence revamping the whole plant would reduce operational costs.

Hwange Thermal Power Station is the biggest power plant in the country with an installed capacity of 920MW. However, technical problems, spare parts replacement and regular upgrading make the plant prone to frequent production stops. The Government recently shortlisted 11 bidders for the expansion of Hwange and Kariba South power plants, with a winner expected to be announced in the third quarter of this year.

Extension of the Hwange Thermal Power Station will add 600MW to the national grid, while extension of the Kariba South hydro plant will add an extra 300MW. Mozambique recently reduced power exports to Zimbabwe to a mere 25MW to push for the settlement of a USD 78m debt. *(Herald)*

OK ZIMBABWE has earmarked USD 16m to expand its capacity and refurbish existing supermarkets this year, to meet growing demand and bring its outlets across the country to ultra-modern standards. The country's biggest retailer by sales says it stands to benefit significantly from expanding capacities of OK Marimba, OK Fife Avenue and extensive refurbishment of Bon Marche stores. "OK Marimba can do much more than it is doing now," said OK Zimbabwe chief executive Mr Willard Zireva.

"OK Fife Avenue can also do better. We need to expand it by 50%." The retail giant and hypermarket operator will also carry out extensive refurbishment work on its Kadoma, Chinhoyi and Lobengula (Bulawayo) outlets. OK Zimbabwe currently operates 53 outlets constituted by 44 OK branded stores, seven Bon Marche outlets and two OK Mart branches. Plans are on course to open two new stores this financial year.

Mr Zireva said the company would use a combination of the USD 5m convertible loan received from investors (Investec) in 2010 and about USD 11m from internally generated resources. The massive capital project, including the upgrading of distribution facilities, risk and security management systems comes as OK continues making inroads in consolidating its market leadership.

This has reflected in improved financial performance and profitability over the last three years, despite the many challenges it faces. The firm has thus rewarded shareholders with a US0,35c dividend and will pay out USD 3,6m, compared with USD 2,7m paid out last year. *(Herald)*

Zimbabwe Alloys Ltd, the country's second largest ferrochrome producer, has secured USD 60m loan from Global Emerging Markets to rebuild its three furnaces, an official said yesterday. The reconstruction of the furnaces in Gweru about 275 kilometres west of Harare has started, ZimAlloys chairman Mr Farai Rwodzi said in an interview. It will take up to 12 months for the refurbishment programme to be completed.

"The USD 60m will be used to pay off debts and reconstruction of furnaces," said Mr Rwodzi. "Of four furnaces that we have, one is working and we have started reconstructing the other three furnaces with a production capacity of 115 000 tonnes per year."ZimAlloys will repay the loan through the sale of chrome

concentrate, briquettes and ferrochrome. Government has banned the export of raw chrome, which includes concentrate and briquettes, but ZimAlloys has since requested for permission to export the products.

"While we appreciate the Government's position on stopping the exports on unbeneficiated chrome ore, we would seek your permission to export chrome concentrate and briquettes," finance manager Mr Munyaradzi Dube wrote to the Mines and Mining Development Ministry in February. Zimbabwe has the second largest chrome deposits after South Africa and ZimAlloys holds 30% of the country's chrome reserves.

Early this year, ZimAlloys was forced to stop mining due to lack of working capital coupled with rising stockpiles of chromite ore after the Government imposed a ban on exports of unprocessed chrome ore. ZimAlloys is 88% owned by local company Benscore Investment, which bought the equity from Anglo American Corporation of Zimbabwe in 2005. The other 12% shareholder is Cometal SA of Spain. The company has capacity to directly employ about 1 000 people and 5 000 people downstream.

Once the current reconstruction is completed, ZimAlloys will aim to increase production to 250 000 tonnes per annum, according to Mr Dube. Since 2005, ZimAlloys shareholders have invested about USD 30m into the business. About three months ago, GEM invested about USD 55m in RioZim, a diversified listed resource firm. *(Herald)*

Insurance group NicozDiamond has been forced to revise its share buyback scheme after the Securities Commission of Zimbabwe (SECZ) raised concerns over the proposal. NicozDiamond last month announced that shareholders had approved a share buyback at its annual general meeting held on May 22. The terms of the scheme stated that the minimum price paid would be 20% above or below the weighted average of the market price of the shares for the five days immediately preceding the date of the repurchase.

It is understood that following this announcement, the capital markets regulator approached the insurance company warning that the planned scheme was in violation of the Zimbabwe Stock Exchange (ZSE) listing requirements and rules. Sources said the commission wrote a letter to NicozDiamond instructing the firm to put on hold its plans until the scheme was regularised.

SECZ chief executive officer Tafadzwa Chinamo yesterday told NewsDay the ZSE-listed insurance firm had rectified the anomaly and was expected to issue a statement in line with ZSE listing requirements. "The share buybacks reported were not in line with the listing rules, but that has since been rectified," Chinamo said.

According to ZSE listing requirements; "repurchases may not be made at a price greater than 10% above the weighted average of the market value for securities for the five business days immediately preceding the date on which the transaction is effected". A share buyback entails a repurchase of outstanding shares by a company in order to reduce the number of shares on the market. *(News Day)*

Edgars Stores Limited (Edgars) says group performance remains strong, with all margins in the first quarter to April surpassing prior year figures.

Chief executive Linda Masterson yesterday told the company's Annual General Meeting, turnover grew 30% compared to the corresponding period. She said the company recorded a five% growth in accounts on year to date while collections increased to 22% in the period compared to bad debts of 0,4% from December.

The Edgars executive said growth in turnover was a sign of overall improved performance which the group attributed to its Jet Stores brand. "The Jet chain is the success story as it will assist the cash position of the group," she said. Masterton's statement follows group financial accountant Jacqueline Ngwenya's sentiments that the company was capitalising on its Jet brand to meet a USD 57m turnover target by end of 2012.

"Our customers had been shopping abroad and accustomed to South African standards and quality," she told an Imara Investment conference last month. "We have quality assortments which include genuine quality brands," Ngwenya said, adding the group was looking to improve productivity and seeking cheaper funding with longer tenures. The move she said, was in line with the company's targets to increase turnover by year end.

The Apparel retailer announced the re-branding of its Express and Express Mart Stores to Jet Stores earlier this year. The introduction of the Edcorn brand on the local market coincided with the launch of a new merchandise line. Latest reports indicate that Absa, the South African unit of Britain's Barclays Plc, plans to buy the Edcon's private label store card portfolio in South Africa.

The USD 1,1bn deal is expected to close in the second half of 2012. The deal Absa said will; "Strengthen Absa Bank's position in the unsecured retail credit sector, build a strategic relationship with one of South Africa's leading retailers and allow Absa to make a greater range of financial services products available to existing and new customers."

Edcon was quoted by international media as saying the deal would boost its credit sales and at the same time improve its balance sheet. The Edcon store card business operates primarily in South Africa and has a much smaller footprint in Botswana, Lesotho, Namibia and Swaziland. Absa has also indicated plans to expand the credit card deal to other countries were Edcon operates. *(Daily News)*

Zimbabwe's focused investment firm, Cambria Africa Limited, plunged to USD 15m loss in the interim to February 2012 weighed down largely by write-offs following a review of asset values. The firm said to better align actual valuations with book values, significant write-offs related to intangible assets, goodwill and non-core investments were undertaken during the period under review.

Cambria said operating profit, prior to adjustments for costs, losses and gains it does not anticipate in future, stood at USD 4,2m. But adjustments for costs associated with subsidiary ForgetMeNot Africa, the Lonrho management agreement, non-compete agreement and related charges, ZSE listing preparation fees, "one-off" charges associated with transition from Lonrho and a one-off gain on investment, cuts the operating loss to USD 1,4m.

While the losses appeared modest in the face of improving financial performance towards profitability a prudent review of Cambria's assets by a new board

increased operating costs by USD 10,8m. The new board for Cambria, previously LonZim, decided to review asset values for more prudent reflection on the balance sheet after former shareholders of the company decided to sell the firm.

During the period under review, revenues and gross profit of Cambria grew to USD 6,4m (2011 USD 4,8m) and USD 3,6m (2011 USD 2,5m) respectively, representing corresponding growth of 32 and 42% over the same period last year. Combined gross profit of Cambria's five core companies was USD 3,5m during the half year to February 2012, compared to USD 2,1m last year, representing an increase of 64%.

As at February 29, the company's net assets totalled USD 36,2m (2011 USD 52,1m) and market capitalisation of USD 16,4m. Cambria's assets, after the various write-offs undertaken during the period under review, are almost entirely tangible (USD 40,3m). Cambria's core portfolio consists of the Payserv (100%), Leopard Rock Hotel (100%), Millchem (100%), Celsys (60%) and CES (100%).

The Leopard Rock Hotel is a four-star hotel and resort located in the Eastern Highlands while Payserv, previously trading as Paynet Group, provides electronic data interchange switching services. Celsys has become arguably the best-equipped printer in Zimbabwe and commands leading market positions in security and commercial printing.

Millchem, previously trading as Millpal, is a value-added chemicals distributor with leading market positions in the local market whereas CES provides a wide range of IT products and services. Cambria also holds 100% stake in LonZim Air, which owns two aircraft and 51% of messaging technology provider ForgetMeNot Africa deployed at nine operators across Africa.

Chief executive officer Mr Edzo Wisman was upbeat about developments in the economy citing the 9,3% Gross Domestic Product growth in 2011 as testimony. Forecast GDP growth for 2012 is 9,4%. "Barring the first few months of 2012, Zimbabwe's economic growth continued at a pace, well beyond the growth of many of its peers in Sub-Saharan Africa, a region itself already growing faster than most other parts of the world," said Mr Wisman.

During this period of high GDP growth Zimbabwe's inflation remained low at an annualised 4,4% for the period under review, comparing well with inflation levels in, for example, the US (3,3%) and South Africa (6,2%). *(Herald)*

BINDURA Nickel Corporation (BNC) plans to raise USD 21m through a rights issue to fund the restart of operations at its Trojan nickel mine. London-listed Mwana Africa, which owns owns 52.9 per cent of BNC, said Thursday it believes now is the right time to restart phased operations as economic and operating conditions have improved in the country. Said group CEO Kalaa Mpinga: "Economic and operating conditions in Zimbabwe have improved markedly over the past few years, and following the recent subscription by China International Mining Group Corporation into Mwana, the time is right to proceed with the phased restart of operations at BNC; beginning with mining at BNC's Trojan nickel mine.

"I look forward to updating shareholders on the result of the rights issue in due course." BNC estimate that the total total of restarting the Tojan, currently on

care and maintenance, amount to around USD 33m. The company said USD 21m will take the mine into production and revenue generation in the first year of the restart, with a further USD 12m in the following year taking BNC to a cash flow positive position.

The planned rights issue will fund the first USD 21m and BNC said it was confident that the remainder can be secured from alternative sources, including debt. BNC owns the only integrated nickel mine, smelter and refinery operation in Africa. It also has the potentially world-scale Hunters Road nickel project just outside Kwekwe in the Midlands province.

On April 20 this year, Yat Hoi Ning, through his investment vehicle, China International Mining Group, subscribed USD 21.2m for around 242.4m Mwana shares representing a 22 per cent interest in the enlarged share capital. On Thursday, Mwana also announced that Ning has been appointed non-exec director of Mwana with effect from today. The rights issue is subject to the approval from BNC shareholders at a meeting on June 29 this year, following which, the rights issue is planned to close on July 27 this year. *(New Zimbabwe)*

Hunyani Holdings Limited, which posted a profit after tax of USD 435 854 for the six months ended April 30, has disposed of Botswana waste collections. The group's revenues in the interim period were 6% up to USD 22,2m compared to USD 20,9m in 2011 during the same period. Operating profit jumped 21% to USD 912 367.

In a statement accompanying interim results, group company secretary Keith Nicholson said the disposal of the Botswana unit followed the closure of the firm's paper mill. "Its (Paper Mill) contribution to profit was marginal and the full net asset value will be recovered. The proceeds on disposal will be applied to capital projects," Nicholson said.

He said volume efficiencies at the company's division, Corrugated Products, were badly affected by unacceptable high levels of power cuts. "The implementation of the capital projects will result in improved efficiencies, particularly the generator at Corrugated Products," said Nicholson. "Hunyani intends to continue developing export markets and seasonally. Agriculture and commercial volumes will improve in the second half of the year."

He said demand for packaging was negatively affected by liquidity challenges faced by customers and persistent power cuts. "Commercial market volumes did not reach forecast levels, while tobacco volumes were lower due to a smaller crop size. The focus on increasing exports resulted in export volumes improving significantly," he said. During the period under review Flexible Products volumes were below forecasts and the grain milling industry was experiencing problems with low-cost substitutes affecting viability.

"Several customers are facing serious cash-flow difficulties. At Printopak the division continued its recovery with recovery, with volumes increasing significantly while overheads were well controlled. Softex achieved improved sales, but margins were lower due to an influx in competitors," he said. The firm did not declare dividends due to the tight liquidity conditions, capital and working capital requirements. *(News Day)*

Economic News

The Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz) is working on a two-phased USD 30m project to expand network coverage to all inaccessible areas as national teledensity rises. Zimbabwe's teledensity rose to 78,8% in 2012 from 74,7% in the previous year according to March 2012 mobile and fixed subscriber statistics from the telecoms regulator. A teledensity measures the number of active mobile phone SIM cards and landlines as a%age of the country's total population.

The development by Potraz comes amid complaints by subscribers in some of the country's remote areas over poor network reception. In written responses to NewsDay, Potraz director-general Charles Sibanda said the project had been rolled out through the universal service fund (USF) and will begin with eight sites throughout the country. Under the USF, which is managed by Potraz, operators are levied 2% of annual revenue.

The fund among other things is used for site-sharing infrastructure amid concerns that local mobile phone operators are unwilling to share critical infrastructure across the country. "The current project is worth USD 10m and the next phase will be worth USD 20m," Sibanda said. "We hope that this will improve the level of network coverage throughout the country and that even those communities that were formally marginalised, will benefit from this.

"We hope to commission the first phase of the project before the end of 2012." He said the telecommunications sector currently contributes about 6% to the country's gross domestic product. Zimbabwe currently has three mobile operations, Econet Wireless, Telecel and NetOne. *(News Day)*

Finance minister Tendai Biti has ordered capital market players to speed up the process of setting up an automated trading system (ATS) and central securities depository (CSD) amid indications that Treasury was frustrated with the slow pace of reforms. Sources said Biti on Monday summoned the Zimbabwe Stock Exchange (ZSE) board, management and committee as well as the Securities Commission of Zimbabwe to his offices. He reportedly instructed the parties involved in the automation of the exchange, to immediately address the paperwork required in setting a historic CSD.

A CSD is an entity that holds and administers securities and enables transactions to be processed by book entry. The ZSE currently utilises a call-over system to execute trade. Critics say paper-based operations of the exchange were fraught with inherent risks. Clearance and settlement is done between stockbrokers with payment against delivery of physical scrip on a T+7 calendar days basis.

The sources said this was the first time this year that all market players have met the Finance minister over the issue. "Minister Biti is currently unhappy with the progress and he wants to give the nation a clearer picture of automation process when he presents his Mid-Term Budget review next month. "So essentially the parties were instructed to speed up the process," said a source close to the developments.

ZSE chairperson Eve Gadzikwa confirmed meeting the Finance minister. "We

were tasked to come up with timelines for the CSD, ATS and demutulaisation of the exchange and we are expected to give the minister that roadmap within a week," Gadzikwa said. "There was consensus on the issues and we will continue with our efforts to automate the exchange."

Plans to set the CSD by June last year hit a snag after Biti put the proposal on hold and referred the matter to Cabinet. The minister then announced that quasi-government institutions would own 51% of the CSD firm while private players, including the ZSE, would own the remaining stake.

This suspension came after the ZSE, which was then seeking control of the CSD, was approached by Chengetedzai Depository Company (Pvt) Ltd a company that had initially won the tender to run the system with a view to court the exchange as an equity partner. Experts say delays in automating the exchange have exposed the ZSE to manipulation, which in turn has affected the integrity and transparency of the bourse.

The ZSE which is currently reeling from low market confidence on the back of perceived liquidity and counterpart risk, low standards of corporate governance, vulnerability to market shocks and lack of competitiveness in the local market, among other factors sees automation and demutualisation as a means to unlock the potential of the lacklustre exchange. Last year, ZSE stockbrokers proposed a new law on demutualisation of the exchange, as the capital-starved bourse pushed for listing.

Demutualisation, according to the paper, entails a change in the legal status of a stock exchange from a mutual association with one-vote per member guided by consensus based decision-making, to a company limited by shares with one vote per share. This process would also result in the ZSE becoming a for-profit firm in a competitive financial market environment. *(News Day)*

The Africa Capacity Building Foundation yesterday advanced USD 10,8m in grants to Zimbabwe for various capacity development programmes. South Sudan also received USD 2,25m from the foundation to build its human and institutional capacities, bringing the total grants signed to USD 13,3m. Zimbabwe signed two regional and national projects while South Sudan appended signatures to its first national project at a ceremony held in the capital yesterday.

ACBF has invested about USD 26,4m in Zimbabwe since 1992. ACBF executive secretary Dr Frannie Leatier said the grants were a reflection of the foundation's strong support for programmes promoting social and political stability. "ACBF will continue to support capacity development where it sees innovation, results and building skills that enable the development of effective policies and institutions that will long serve the future generation of Africa," she said.

The Zimbabwe Capacity Development Programmes, through the Ministry of Finance, received USD 5m, being the single largest grant issued since the inception of ACBF in 1991. The grant will go towards strengthening economic management capabilities of Government to successfully implement the goals of the Medium Term Plan. The Ministry of Regional Integration and International Co-operation got USD 2m to strengthen internal efficiency and effectiveness to influence development assistance and enhancing regional integration.

The two regional programmes are the Women's University in Africa with a second phase grant of USD 3m and Africa University with USD 800 000. WUA's grant is earmarked to raise women capacity to exploit full potential in Africa's development process while AU will spearhead a programme on analysing issues on peace building, conflict transformation leadership development and responsive governance.

Dr Leatier said ACBF's grant to South Sudan was timely as the new nation begins to build its human and institutional capacities. "We realise that South Sudan has immense untapped potential to emerge as a economic powerhouse, given the oil deposits, crop production on vast arable land covering 80% of the country, livestock, fishery and forestry."As a new nation, the country is faced with the challenge of transforming this potential to a vibrant economy that sufficiently delivers basic needs to its citizens," she said.

WUA Vice Chancellor Professor Hope Sadza and AU Vice Chancellor Professor Fanuel Twagira signed on behalf of the two regional projects. However, as Minister Biti was not available for the signing ceremony, the agreements would be signed through an exchange of instruments with ACBF. Honourable Salvotore Garang Mabiordit, the first under-secretary of finance, Ministry of Finance and Economic Planning, signed on behalf of the South Sudan government.

Minister Biti in a speech read on his behalf by the Accountant-General, Mrs Judith Madzorere, said the grant would go a long way towards improving efficiency and transparency. "The grant is a clear demonstration of ACBF desire for the development of Africa and Zimbabwe in particular," said Minister Biti.

ACBF also assisted Zimbabwe in the establishment of the Zimbabwe Economic Policy Analysis and Research Unit, Zimbabwe National Statistical Agency and the National Economic Consultative Forum. *(Herald)*

Notes

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