SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change			YTD % Change	
Country	Index	3-Feb-17	10-Feb-17	Local	USD	31-Dec-16	Local	USD
Botswana	DCI	9220,32	9043,10	-1,92%	-2,01%	9700,71	-6,78%	-5,62%
Egypt	CASE 30	12803,07	13114,86	2,44%	7,21%	12344,00	6,24%	8,06%
Ghana	GSE Comp Index	1825,59	1805,09	-1,12%	-1,81%	1689,09	6,87%	3,15%
Ivory Coast	BRVM Composite	279,63	282,16	0,90%	19,52%	292,17	-3,43%	17,19%
Kenya	NSE 20	2862,39	2951,62	3,12%	3,45%	3186,21	-7,36%	-7,48%
Malawi	Malawi All Share	13108,57	13579,58	3,59%	3,53%	13320,51	1,94%	0,94%
Mauritius	SEMDEX	1888,50	1894,01	0,29%	0,51%	1808,37	4,74%	6,15%
	SEM 10	360,40	361,92	0,42%	0,64%	345,04	4,89%	6,31%
Namibia	Overall Index	1085,53	1108,11	2,08%	1,92%	1068,59	3,70%	5,48%
Nigeria	Nigeria All Share	25802,54	25340,02	-1,79%	-3,85%	26 874,62	-5,71%	-9,05%
Swaziland	All Share	381,73	383,38	0,43%	0,27%	380,34	0,80%	2,54%
Tanzania	TSI	3380,25	3380,83	0,02%	0,44%	3677,82	-8,08%	-10,65%
Zambia	LUSE All Share	4073,08	4101,33	0,69%	1,44%	4158,51	-1,38%	-0,94%
Zimbabwe	Industrial Index	140,44	139,38	-0,75%	-0,75%	145,60	-4,27%	-4,27%
	Mining Index	56,03	60,73	8,39%	8,39%	58,51	3,79%	3,79%

CURRENCIES

	3-Feb-17	10-Feb-17	WTD %	YTD %
Cur-rency	Close	Close	Change	Change
BWP	10,39	10,40	0,09	1,24
EGP	18,69	17,85	-4,45	1,71
GHS	4,36	4,39	0,70	-3,47
CFA	606,88	512,37	-15,57	21,34
KES	102,04	101,71	-0,32	0,12
MWK	717,67	718,13	0,06	-0,99
MUR	34,21	34,14	-0,22	1,35
NAD	13,40	13,42	0,16	1,72
NGN	307,57	314,16	2,14	-3,54
SZL	13,40	13,42	0,16	1,72
TZS	2 192,15	2 182,97	-0,42	-2,80
ZMW	9,84	9,76	-0,73	0,44

SECURITIES AFRICA

Botswana

Corporate News

Botswana's high court agreed on Tuesday to delay the provisional liquidation of state-owned BCL Mine Ltd after lawyers representing the liquidator KPMG said they had received an offer to buy its mothballed mines, which produce copper and nickel. While the lawyers declined to name the company making the offer, a source close to the process told Reuters a company from the United Arab Emirates had put forward an offer for the three companies under the BCL group. "The minister is currently in the UAE negotiating for the sale of the BCL group," said the source, who declined to be named as the matter was confidential. The Minister of Minerals, Energy and Green Technology Sadique Kebonang posted on his Facebook page on Monday a picture of himself captioned: "In the UAE trying to save BCL." In a briefing in January, Nigel Dixon-Warren of KPMG said he would recommend to the courts that BCL be placed under final liquidation as its three subsidiaries were insolvent and the government had no money to finance operations. Following the placement of BCL group under provisional liquidation in October 2016, Russia's Norilsk took legal action against the mining group to recover $271.3 million it says it is owed for the sale of a 50 percent stake in the Nkomati JV in South Africa. Apart from the Norilsk claim, BCL owes creditors including suppliers and banks around $85.41 million. *(Reuters)*

Economic News

Botswana's economy will grow by nearly double in 2017 compared to the previous year as Africa's largest exporter of diamonds shakes off a slump in global commodity prices and electricity shortages. In a budget speech to parliament on Monday, Finance Minister Kenneth Matambo said the economy would grow by an estimated 4.2 percent in 2017 compared with 2.9 percent growth in 2016. However, the minister said the budget deficit would widen, to 1.43 percent of GDP from 0.7 previously, as government spent more on electricity and water infrastructure following a severe drought in the region. "The optimistic outlook is based on the anticipated slight improvement in the mining sector and positive growth prospects for the non-mining sectors," Matambo said. The minister said revenues for the 2017/18 financial year were estimated at 57.2 billion pula ($5.5 billion), with customs collections accounting for 29.8 percent of revenues followed by minerals at 28.6 percent. Matambo warned that slow recovery in the global economy and low commodity prices posed risks to the growth forecast. An analyst at First National Bank Botswana, Moatlhodi Sebabole, said the investments in water and energy infrastructure were a positive step. "The rise in expenditure is enough to support the growth projections but the key will be implementation of these projects," Sebabole said. Botswana, which celebrated 50 years of independence in 2016, is considered one of the continent's most stable nations and boasts one of the highest rates of income per capita in the world. The land-locked state has, however, struggled with weaker growth in recent times as mineral sales slowed, while electricity shortages have hurt mining. *(Reuters)*

Egypt

Corporate News

Egypt's Alexandria Mineral Oils Co (AMOC) plans a secondary offering of 10-20 percent of its shares on the Cairo stock market and will also issue 10 percent as global depositary receipts in London, its chairman said. The oil company first floated on the Cairo exchange in 2005 and around 20 percent of its shares are currently listed there. President Abdel Fattah al-Sisi's office said in January that Egypt plans to list shares in state-owned banks and other companies on the stock market as part of moves aimed at jump-starting investment and boosting the economy. AMOC's Chairman Amr Mostafa said the board would decide next week exactly how much of the company would be listed.
"I think AMOC will be the first company listed as part of the government listings programme. The listing will come out of the principal shareholder's share or from more than one shareholder's shares," Mostafa said during an interview in his office in Alexandria this week.
AMOC's biggest shareholder is state-run Alexandria Petroleum Co. with a 20 percent stake. Two other state oil companies each own 3.6 percent stakes and various banks and investment funds own 52 percent of the company. Mostafa said he expects the share issues would be in the first half of 2017 and that the issue price would be the average stock price for the six months preceding the listing. He also said that the company plans to make dividend payments of no less than 7-8 Egyptian pounds per share from 2016/17 profits, up from 5.5 pounds in 2015/16.

AMOC produces essential mineral oils, paraffin wax and its derivatives, naphtha and butane, and distributes and markets them in Egypt and abroad. On Jan. 22 it announced a first-half net profit of 545.8 million Egyptian pounds ($30 million) up from 157 million a year earlier and Mostafa said he expected a similar profit in the second half. The company is moving into oil refining and will start operations at its Midor refinery next month. "We agreed with the (state-owned) Egyptian General Petroleum Corporation that we would start refining crude next month in Midor. We will start with around 350,000 barrels per month and the Corporation will buy the crude for us and we will sell the products back to them," he said. Mostafa said AMOC expects to make $2 per barrel and that it aims to make refining crude oil contribute around 12 percent of its annual profits. Al-Ahly Capital, the investment banking arm of Egypt's largest state-owned bank the National Bank of Egypt, will be responsible for promoting the London GDR issue. *(Reuters)*

Economic News

Business activity in Egypt shrank for the 16th consecutive month in January as record-high inflation pushed up prices charged by businesses and sent employment to a four-month low, a survey showed on Sunday. The Emirates NBD Egypt Purchasing Managers' Index (PMI) for the non-oil private sector registered 43.3 points, well below the 50 mark that separates growth from contraction. The index showed new orders dropping but at a slower pace of 39.2 points compared with 38 in December as inflation soared a the Egyptian pound weakened against the dollar. Egypt has contended with a shortage of dollars that has made its black market the primary source of hard currency since a 2011 uprising scared off foreign investors and tourists, key sources of hard currency. The central bank floated the pound on Nov.3 and it has since weakened sharply to around 18.75 per dollar. "January's survey provides little evidence that an economic recovery is yet under way at the start of 2017," said Jean-Paul Pigat, senior economist at Emirates NBD. Underpinning the economic downturn were ongoing reductions in output, which continued to contract at 39.3 points, albeit at a marginally slower pace than in December. Greater cost pressures saw companies continue to raise prices, this month sharply, on the back of record-high inflation. Output prices stood at 71.2 points, the highest in the survey's history. They were at 63.5 points in December. Annual consumer price inflation in Egypt's cities soared to a second straight eight-year high in December, hitting 23.3 percent on the back of the pound float. Companies continued to cut jobs in January, marking a 20-month sequence of job losses. The rate of job loss was one of the highest in the survey's history, standing at a four-month low of 44.8 points compared to 46.5 in December. Companies were optimistic about the future, however, with future output projections reaching a four-month high of 73.2 points, up from 68.5 in December. PMI data are only available under licence from Markit and customers need to apply to Markit for a licence. *(Reuters)*

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The Egyptian Stock Exchange approved on Wednesday a request filed by Banque Du Caire, one of Egypt's largest and oldest public lenders, to offer its shares through an initial public offering (IPO) with a capital of EGP 2.25 billion covering 562.5 million shares to be listed on the bourse. In a statement on its official website, the stock exchange said the bank's IPO will be issued in two parts: one worth EGP 1.6 billion and the other worth EGP 650 million, setting the value of a share at EGP 4. Sources told Al-Ahram newspaper on Saturday that the bank's IPO is expected to be issued in May through banks EFG-Hermes and HSBC, which were selected as consultants for the offering in October. In March 2016, CBE Governor Tarek Amer announced that Egypt would float parts of two state-owned lenders, United Bank and Banque du Caire, on the Egyptian stock exchange this year. Banque du Caire, established in 1952, has a capitalisation of EGP 1.6 billion. The bank has around 240 branches and units around the country. The public lender's offering is its first step in public IPOs. Investment Minister Dalia Khorshid has said that the trilateral committee responsible for Egypt's public IPOs decided to start with offerings in the banking and oil sector.*(Ahram)*

Dana Gas will not make new investments in Egypt because of delays in obtaining payments owed to it there, the chief executive of the United Arab Emirates company said. Political and economic turbulence in Egypt and Iraqi Kurdistan mean Dana has struggled to secure revenues in either country, once again hitting its profit on Thursday. Dana posted a $7 million net profit in the three months to Dec. 31, versus $134 million in the same period of 2015 when it benefited from a one-off legal settlement. Shares in Dana fell 3.7 percent following the results. The amount owed by Egypt was $265 million as of Dec. 31, up from $221 million at the end of 2015, Dana said. Unpaid receivables from the Kurdistan Regional Government were $713 million, down slightly from $727 million in 2015.

"As uncertainty remains we must therefore be rigorous in balancing any additional capital investment in Egypt with actual collections," CEO Patrick Allman-Ward told reporters. Dana will complete current Egyptian investments in critical health, safety, security and environmental areas and all of its up-and-running projects, but all non-critical projects have been paused since the start of the year, he said. The Egyptian government has been seeking to draw foreign investors back to its energy sector to boost shaky public finances, but it has failed to meet self-imposed deadlines for paying back international oil companies. Dana had thought that part of a $12 billion loan from the International Monetary Fund loan agreed with Egypt in November would be used for payments to the petroleum sector, but the money had been "used for other purposes", Allman-Ward said. He now hoped part of a combined $5.5 billion that Egypt has secured through an international bond issue and loans from the World Bank and African Development Bank would be used to meet outstanding petroleum debts. Dana's investment freeze would be reviewed once it had been paid by the Egyptian government, Allman-Ward said, adding that the company wanted to continue developing its assets there. Production from Egypt in the fourth quarter rose to 40,500 barrels of oil equivalent per day (boepd), up 31 percent on the year-ago period, Dana said, although it took a $20 million charge last year because of currency depreciation. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana will miss its 2016 targets on growth, fiscal deficit reduction and its primary balance, but it intends to restore fiscal discipline and eliminate overexpenditure, Finance Minister Ken Ofori-Atta said on Friday. The new government said this week it inherited debt from state-owned enterprises and government ministries of at least 7 billion cedis ($1.6 billion) and a budget deficit close to "double digits" compared with a 2016 target of 5 percent of GDP. Ofori-Atta said the government is hopeful of meeting the challenges by enforcing strict financial discipline. "We are hopeful because we believe that we can restore policy credibility and we would be able to enforce the public financial management act to restore the discipline that is required to stabilize the economy," Ofori-Atta told reporters. Ghana, which exports cocoa, gold and oil, is halfway through a three-year, $918 million International Monetary Fund programme aimed at restoring fiscal balance and promoting growth. *(Reuters)*

The Ghana Cedi ended the first month of 2017 with a depreciation rate of 2.80 percent against the US dollar, according to investment bank, Frontline Capital Advisors. Among six African currencies that were captured by thecapital advisors, the cedi, the Nigerian naira, Egyptian pound and Kenyan shilling all registered depreciations against the American dollar. They declined by 2.80 percent, 1.47 percent, 2.82 percent and 1.42 percent respectively. The Mauritian rupee and Moroccan dirham however increased in value against the US dollar by 1.13 and 1.40 percent correspondingly. Many analysts have expressed worry about the recent trend but are counting on the new Finance Minister and his team to craft a strategy that will support the Bank of Ghana's quest to stop the disturbing trend. According to MrKen Ofori Atta, government will use a number of fiscal policies and practical economic measures - such as increasing agricultural output to correct the imbalances between imports and exports of agriculture produce - to stabilise the cedi. "With the cedi's instability, there are a number of things we have to do and that is where the one factory, one district comes into the fore. We are now looking to see whether we can generate export and therefore diversify the economy," he said. Mr Ofori Atta has also disclosed government's intention to reduce the importation of crude oil as the Sankofa Gas project comes on stream in the third quarter of this year. This will reduce the demand of forexfor crude oil importation. Interestingly, the recent decline in Treasury bills yields and expected lower inflation rates could not boost the supply side of the dollar and consequently improve the cedi's stability. The 91-day and 182-day bills are presently going for 15.92 percent and 16.96 percent respectively.

The central bank had also injected some millions of dollars into circulation but is yet to make an impact on the currency market. Financial market portal 'Doobia' said "the cedi could still be under pressure against the US dollar in the first half of the year. May be we could see some stability in the second half of the year as we boost foreign exchange reserves from increased oil revenue and proceeds from COCOBOD syndication". Presently, the cedi is trading at about GH¢4.44 against the US dollar at the forex bureau. It is however unclear whether the depreciation will continue or subside. It is expected that the local currency will continue this downward trend in the next few months before it stabilises. Businesses will soon rush for more dollars to pay up for imports made on credit for the Christmas celebration. The rush is projected to be higher than what was recorded in the past few years because last year was an election year. *(Ghana Web)*

Kenya

Corporate News

Loss-making East African Portland Cement Company (EAPCC) has approached the government to acquire some of its 14,000-acre idle land as part of a strategy to raise up to Sh45 billion in new capital. The Nairobi Securities Exchange-listed firm says it will concurrently launch a rights issue underwritten by development finance institutions (DFI), which could dilute the Treasury stake in the company, ending its status as a parastatal. The twin fundraising strategies are expected to be implemented over the medium term and the money will be used to repay debt and invest in new plants and upgrade the existing factory. EAPCC has posted the worst financial performance among the listed cement makers, partly due to mismanagement and shareholder wars in recent years. "The government is interested in the non-operational land owned by EAPCC and EAPCC is interested in extracting value from its idle assets to support implementation of its turnaround plan," the company said in a statement. "In view of this, EAPCC is in structured discussions with the government on a special scheme that will allow the government to secure the land for its future projects and to purchase the land over an agreed period of time at an agreed price."

The firm says the government will take possession of the land and make provisions in the annual budget to pay the company over the years. The government could buy parts of the land for itself or for other investors in the proposed call option deal which EAPCC says has an additional advantage of solving the problem of squatters who have laid claim to some of its land. "This kind of contract secures the land while the government makes provisions in its annual budget for EAPCC's drawdown when they need it. The government will have lien over the 14,000 acres in question," the company said. The EAPCC has in the past moved to sell part of its land holdings without success and it remains to be seen whether letting the government lead the process will work. The company's land is carried in its June 2016 audited accounts at Sh8.4 billion but the directors say this is a highly conservative figure in light of the prevailing market prices. Besides the land transactions, the EAPCC also plans a massive cash call of an unspecified amount that is unlikely to be supported by its existing institutional investors and the few thousand individual shareholders.

LafargeHolcim holds a 41.7 per cent stake in the EAPCC where the interests of the Treasury and the National Social Security Fund (NSSF) stand at 25.3 per cent and 27 per cent respectively. The government has combined the ownership of NSSF and the Treasury to classify the EAPCC as a parastatal and maintain control over the company against a series of challenges by its managers and LafargeHolcim in the past.
"Should the existing shareholders not take up the new shares, DFIs can take them up thereby diluting the current shareholding," the company said. "There's a likelihood that government will opt not to increase its shares, NSSF and Lafarge might take up more, either way, government will be diluted thereby killing the parastatal tag on EAPCC." The company's current liabilities have overtaken its short-term assets by Sh2.8 billion and a Sh6.2 billion gain on revaluation on its properties masked a Sh1.5 billion loss from operations in the year ended June. *(Nation)*

Kenya Power has opened a window for staggered payment of accumulated bills in an apparent move to appease consumers angered by its recent update of consumption records. Hundreds of customers have either been disconnected or served with disproportionately high bills since the utility firm launched a countrywide meter audit campaign late last year in a bid to recover billions of shillings in unpaid bills.
"Affected customers are advised to visit the nearestKenya Power offices to negotiate the option of staggering their payment of accumulated bills," the company told the Business Daily. The offer came after the Consumer Federation of Kenya (Cofek) accused Kenya Power of slapping several customers with huge bills yet it is the one that had delayed in reading their meters. The Nairobi-bourse listed utility firm has attributed the delays in meter reading to inaccessibility of some premises, something that it says has prompted it to rely on estimates as basis for billing. The firm's officers are supposed to read meters every month, but that has not been happening. The Cofek went public over the surprise billing on Tuesday. "We have received numerous complaints on Kenya Power excessive billing for December 2016 consumption resulting from many months of estimated bills. Whenever accurate readings are taken, consumers are over-charged with bills ranging between five to 10 times on average bills," Cofek secretary-general Stephen Mutoro said in a statement. "It is unacceptable that KPLC would then expect such inflated bills to be settled within one month," he added.

The utility firm was owed Sh12.4 billion in unpaid bills as of June 2016, which outstrips its net profit of Sh7.5 billion for the year ended last June. The mounting pile of debt has forced the electricity retailer to switch defaulting customers to pre-paid meters from post-paid as a strategy to arrest defaults. All new customers connected to the grid beginning June 2013 were put on pre-paid metering, which uses a pay-as-you-go model hence there is no risk of non-payment. Consumers on pre-paid meters use power they have paid for in advance, similar to mobile air time top-ups, helping Kenya Power to receive its revenues in full. *(Nation)*

Economic News

French carmaker Peugeot SA's plan to resume car assembly in Kenya after more than a decade will help raise total output by 43 percent in three years to 10,000 vehicles, the motor industry association said. The East African nation undermined what was a thriving local assembly industry in the 1990s with policies that encouraged cheap secondhand imports. It is now seeking to attract manufacturers back to help create jobs and support growth. Peugeot, which closed its local plant in 2002, will now put together two models in Kenya after Volkswagen took a similar step last year. Like others, the Peugeot operations involve bolting together parts from kits to make finished vehicles. Of the 14,000 new vehicles sold in Kenya last year, about half were assembled locally and most were trucks and light commercial trucks, Rita Kavashe, the chairwoman of the Kenya Vehicle Manufacturers Union (KVMA), told Reuters. "It could go to 10,000 vehicles in the next two or three years," she said, citing the re-entry of Peugeot and VW. Those firms will join Kenya's biggest assembler, General Motors, and smaller ones such as Toyota. However, sales of new vehicles in Kenya are still far outstripped by the import of 70,000 used cars each year. Kavashe, who is also head of the GM operation in Kenya, said the government could boost local assembly by cutting the maximum age of used cars imports allowed to five years from eight. "It is not about protectionism here, it is about giving customers value for money," she said. Officials could not be reached for comment but the government says it wants to boost its score in the World Bank's Ease of Doing Business rankings to attract investment. Peugeot and VW will both assemble vehicles in Kenya through licensing agreements with local partners. Peugeot said it planned to move from light assembly from kits to intensive operations involving greater content of local materials. *(Reuters)*

Kenya's retail spending hit Sh1.8 trillion in 2016 as the sector expanded by 13 per cent, a new survey by Procter & Gamble (P&G) shows. The survey, released on Tuesday, says the rapid expansion of the retail sector is driven by several shopping dynamics including a tendency by Kenyan consumers to shop for goods in bulk as opposed to shopping for individual items when the need arises. "The total cumulative figure for retail spending in 2016 is $17.62 billion (Sh1.8 trillion) which can be allocated across different channels based on 30 per cent supermarkets, 67 per cent traditional retail, and three per cent special channels. Overall, retail spending accounts for 30 per cent of Kenya's GDP," said P&G, one of the biggest manufacturers of consumer products. The availability of quality brands and better prices for bulk purchases are said to have contributed to the expansion. The study says that over half of Kenyan urbanites now shop in supermarkets regularly. This is driven by the fact that supermarkets stock branded products which are well known and perceived to be of good quality, says the study. "Kenya was reclassified as a middle-income economy in 2015 and this is being evidenced by the shopping habits and rising consumerism. Although traditional retail stores still dominate the fast moving consumer goods (FMCG) sector, supermarkets and hypermarkets are catching up fast," said P&G managing director Vivek Sunder. The study points out that supermarkets are moving into residential areas as residents' buying power increases. "This is happening because neighbourhoods are now dense enough that they have the spending power to sustain such businesses, and also out of the need for retailers to compete with traditional traders on convenience. Proximity will be one of the big drivers for supermarkets as a channel gaining importance within retail," the report says.

The rise in the cost of living has made consumers more discerning, opting for retail stores with a variety of products. "Inflation has made consumers start to make choices between the products they buy, this is one of the reasons why supermarkets are welcome these days. ''Supermarket shelves represent choice, and choice makes it possible for shoppers to feel like they're making smart decisions in an inflation-ridden environment," it says. Meanwhile, e-commerce and m-commerce are driving the growth of non-store retailing. M-commerce, where

Kenyans use mobile payment to shop, has tripled in the past two years making it the fastest growing sector in retail, according to the study. "Traditional retail still dominates the market although supermarkets and malls, a distant second, are catching up as the choice shopping destination for Kenyans," it notes. Malls and proposed shopping complexes currently occupy more than 470,000 square metres of land including residential areas and attract more retailers who would not travel to the city to shop. P&G's data also reveals that Kenyans spend the bulk of their income (about 60 per cent) on food and beverages and 23 per cent is spent on personal and household care products. *(Nation)*

Kenya's shilling was steady on Wednesday and it was expected to remain in a narrow range due to subdued demand for the dollar, traders said. At 0725 GMT, commercial banks quoted the shilling at 103.65/85 to the dollar, compared with Tuesday's close of 103.65/75. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

The weighted average yield on Mauritius' five-year Treasury bond fell to 3.40 percent at auction on Wednesday from 3.93 percent at the previous sale, the central bank said. The Bank of Mauritius sold all the 1.8 billion rupees ($50.85 million) worth of the debt it had offered. The bids totalled 3.832 billion rupees, with yields ranging from 3.10 percent to 4.05 percent. It also said the bond has a 3.25 percent coupon and is due on Feb. 10, 2022. The bank said in a separate statement it will auction Government of Mauritius Treasury Notes worth 1.8 billion rupees on Feb. 17. *(Reuters)*

Mauritius will sell four-year Bank of Mauritius Notes worth 2 billion rupees ($56.50 million) this week, the central bank said on Wednesday. The Bank of Mauritius said in a statement it would receive bids on Feb. 10 and auction the bond on the same day. The coupon rate for the paper is 3.14 percent and is due on Jan. 31, 2021. *(Reuters)*

Mauritius' inflation rate fell to 1.8 percent year-on-year in January from 2.3 percent a month earlier, the statistics office said on Wednesday. *(Reuters)*

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Nigeria

Corporate News

Nigeria's Fidelity Bank is targeting retail clients using low-cost electronic channels to boost profits after a recession in Africa's biggest economy forced the mid-tier lender to slow loan growth, a senior executive said on Tuesday. Several Nigerian lenders have adapted their business models after low crude prices put pressure on the once lucrative oil and gas loan book. Nigeria faces its worst recession in 25 years, brought on by the fall in oil prices. Fidelity Chief Operations and Information Officer Gbolahan Joshua said electronic banking had become a growth area as lenders enable customers to make payments such as phone top-ups and airline tickets for a fee via the internet without taking credit risk after the crisis at home forced them to curb loans. Joshua said Fidelity's instant transfer platform, which had almost no customer three years ago, had about one million customers at the end of 2016. Total bank account holders hit 3.5 million last year, he said. "Electronic banking is where we see income growth," he said in an interview in Lagos. "We are capturing customers with mobile phones." Normalised profit for Fidelity in the past two years was around 15 billion naira, Joshua said, adding that earnings could rise further as the economy recovered. The bank's pretax profit in the nine months to September 2016 was 9.83 billion naira. Fidelity's shares were down 1.12 percent on Tuesday at 0.88 naira, having gained 6 percent so far this year.

Shares fell 44 percent in 2016. Industry data showed that instant transfers hit 38 trillion naira ($121 billion) last year. Nigerian banks had a total of 65 million accounts last year, up from 23 million eight years ago. Fidelity would not need to raise equity or debt to finance growth this year, Joshua said, as electronic banking was not capital intensive and the bank's capital ratio was well above the regulatory minimum of 16 percent. But a further 50 percent devaluation of the naira could knock off 1-2 percent from industry capital levels which would trigger widespread capital raising for weaker rivals, Joshua said. Loans grew around 25 percent last year largely due to the sharp depreciation in the naira, which lost a third of its official value in 2016. He said loans grew around 4.5 percent without the currency effect. Fidelity expects loans to grow under 10 percent this year as the bank targets firms that produce goods locally or export-led ventures. "We have aligned our trades to the sectors that are getting dollars from the central bank. We are funding less import dependent customers and a lot of focus is on companies that are focusing on exports," he said. *(Reuters)*

A FEDERAL High Court sitting in Lagos, yesterday, suspended further proceedings in a suit filled by Ecobank Nigeria Limited seeking to recover an alleged N5.5billion debt from Honeywell Flour Mills Plc. Trial judge, Justice Mohammed Aikawa in his ruling, held that he would prefer to await the outcome of appeals in the case pending at the Supreme Court. Ecobank MD, Charles Kie According to him, it was not advisable to continue with the case since Honeywell was praying the Supreme Court to dismiss it, adding that it will amount to an academic exercise if he goes ahead to hear and determine the case and the Supreme Court ends up dismissing it. Justice Aikawa refused a prayer by the respondent's counsel, to continue with the case. He held: "We have to await the outcome of the appeals pending at the Supreme Court even though there is no express order for stay of proceedings, because what is being challenged is the entirety of the suit itself. "Continuing with a case that is on appeal depends on the nature of the appeal. This appeal touches on the case in its entirety. I'll exercise my discretion to stay proceedings. If you go on with the matter and the Supreme Court rules otherwise, what you would have done here will be academic and an exercise in futility. "I don't want a situation where we'll create a judicial anarchy.

Let me hear what the Supreme Court will say. If you want this court to hear this matter, then go to Supreme Court and withdraw your appeals," Justice Aikawa said. Justice Aikawa, who was recently transferred to Lagos, took over the case from Justice Jude Dagat, who inherited it from Justice Mohammed Yunusa.Justice Yunusa had granted an ex-parte application by Ecobank's lawyer Mr Kunle Ogunba, SAN, restraining chairman of Honeywell Group, Dr Oba Otukedo, the company's directors and subsidiaries from withdrawing their funds from any bank or financial institution. But Honeywell, through its lawyer Chief Wole Olanipekun, SAN, sought to discharge the order, contending that it was an abuse of court process. Justice Yunusa, who was later transferred, refused to discharge the order but held that Honeywell could withdraw up to N60million in a month pending when the suit was heard and determined. Honeywell appealed against partial freezing of its accounts, and the Court of Appeal allowed the appeal and ordered that the case be heard. While Ecobank appealed to the Supreme Court, Honeywell also appealed to Supreme Court against the Court Appeal's refusal to dismiss the case in its entirety. "We have to take a reasonably long date by which time the Supreme Court would have reached a decision," he said. Justice Aikawa adjourned until June 15 for mention. (Vanguard)

Ecobank Transnational Incorporated has launched Ecobank Fintech Challenge, a competition for African technology start-ups to build and deploy innovative fintech and banking solutions across the continent. The lender said it was currently accepting applications from start-ups and developers in all 54 African countries. In a statement, Ecobank said, "Twenty finalists of the Fintech Challenge will be invited to an award ceremony and an innovation fair at the global headquarters of Ecobank in Lome, Togo. "The top three start-ups at the fair will win cash prizes worth $10,000, $7,000, and $5,000 respectively. The finalists will also be conferred Ecobank Innovation Fellows and will qualify to explore a once-in-a-lifetime partnership opportunity with Ecobank Group that includes major start-up funding worth up to $500,000." The lender listed them as multinational product rollout for the most commercially viable start-ups to launch their products in Ecobank's 33 markets across Africa; service provider partner deals for start-ups with deep capabilities to become a pan-African service partner within Ecobank's country ecosystem; and mentoring and networking support for founders to be honoured with the Ecobank Innovation Fellow for a period of one year, "granting them access to networking and mentoring from Ecobank's vast global network of technology leaders, fintech experts, investors and management coaches." The Ecobank Group Chief Executive Officer, Ade Ayeyemi, was quoted as saying, "This is one of the biggest support packages put together by any bank or investor to support Africa's technology start-ups.
"Fintech is the future of banking; that is why we are opening our doors and vast market infrastructure to support Africa's brightest innovators." The Ecobank Group Executive for Operations and Technology, Eddy Ogbogu, said, "At the core of Ecobank Fintech Challenge is a mission to drive Africa's fintech revolution. Ecobank is committing resources to this initiative to support the most serious product innovators and fintech companies to grow." *(Punch)*

South Africa-based MTN Group expects to report a full-year loss due to a $1 billion regulatory fine in Nigeria and underperformance there and at home, it said on Wednesday, sending its shares to a two-month low. Africa's most populous nation and biggest economy Nigeria is MTN's most lucrative but increasingly problematic market, hobbling its growth outlook. But the appointment of banker Rob Shuter, who starts next month, as chief executive is expected to bring operational strength and step up Africa's biggest telecoms company's hunt for returns, possibly in financial services. "We hope that this new CEO with a stability mentality will be able to stabilize MTN and not venture into all these risky operations," said Momentum SP Reid analyst Sibonginkosi Nyanga. MTN, which makes a third of its revenue in Nigeria, said it expects a headline loss, and will issue a further trading statement on the likely range within which its headline loss is expected. Eight analysts polled by Reuters had expected the company to post a 39 percent fall in headline earnings per share to 455 cents. MTN agreed in June to pay Nigeria a 330 billion naira ($1.05 billion at the time) fine for missing a deadline to cut off unregistered SIM cards from its network. The fine, which was originally set at $5.2 billion, shaved off 474 cents per share from headline earnings per share, a primary profit gauge that strips out certain one-off items. In the mix of paying the fine, MTN is being investigated by Nigerian lawmakers for illegally repatriating $14 billion between 2006 and 2016, the second major dispute analysts have said exposes the inherent risk of investing in frontier markets. Shares in MTN, which fell more than 4 percent at market open, were 2.18 percent lower at 115.16 rand at 1043 GMT, the lowest level since December. Underlying operational results for full-year 2016 were also affected by fees incurred for a planned listing in Nigeria and under performance of its unit there and in South Africa in the first half of 2016. MTN has said it aims to list its Nigerian operations on the local bourse during 2017, subject to market conditions. However, the unit has been battered by the weak economy, depreciation of the naira and the disconnection of l4.5 million subscribers in February last year. *(Reuters)*

JAIZ Bank Plc, yesterday, joined the league of quoted companies as the Nigerian Stock Exchange, NSE, admitted its 29,464, 249,300 ordinary shares at N1.25 per share, valued at N36.8 billion on its Daily Official List. The bank has also projected to pay its first dividend after its listing on the NSE in 2018, saying it is meant for all Nigerians and not for any religious group. Speaking on the facts behind its listing on the NSE, Chairman of Jaiz Bank Plc, Dr. Umar Abdul Mutallab said, "The bank is for all Nigerians and not just for Muslims alone. It is for all religious groups in the country. Our shareholders cut across all segments of the society. Any person can buy the shares here on the NSE. The bank is here to bring all Nigerians together; the only thing is that the bank does not pay interest on nor invest in anything that is regarded harmful." Nigerian Stock Exchang In his presentation, the Managing Director/CEO, Jaiz Bank Plc, Mallam Hassan Usman said, "The bank has diversified investors and before listing has 30,000 shareholders. The shareholders invested based on certain Islamic principles. We are non-interest bank but not a nonprofit entity. Our model of banking is non interest but profit making. "Basically, we earned income in range of products and services that can broadly be classified into three typologies. Basically, we make profit from sales, partnership and lease. We are anticipating to have a payout ratio dividend to our shareholders of not less than 50 per cent over our current plan period in 2018. "The paid up capital stood at N14.7 billion, the major shareholders with five per cent and above are controlling a total of about 65 per cent of the total share capital of the bank. The shareholders base of the bank is diversified with one foreign, 108 institutional, 220 corporate, 26,157 individuals, 156 joint, 6 states and 106 local governments." In his remark, the Chief Executive Officer, NSE, Mr. Oscar Onyema said, "I congratulate the board and management of Jaiz Bank Plc on its successful listing on the main board of the Nigerian Stock Exchange. With large un-banked populations as well as established middle classes across the continent, which is home to numerous member nations of Organization of Islamic Countries, Africa has been openly touted as a target Islamic finance market." *(Van Guard)*

Economic News

Nigeria's central bank sold about 400 billion naira ($1.27 billion) of Treasury bills on Friday, lifting the interbank lending rate up to 12 percent, traders said. The bank sold 82 billion naira in 181-day Treasury bills at 18 percent and 309 billion at 18.6 percent, mopping up liquidity from the money market and pushing up the cost of borrowing among commercial lenders. "We have some major placers quoting about 20 percent for overnight placement, but most takers are not willing to borrow at that rate," one dealer said, adding that the rate eventually settled around between 10 percent and 12 percent at 1328 GMT. Markets had opened on Thursday with a surplus liquidity of about 467 billion naira due to an injection of matured Treasury bills until the central bank later debited banks for the purchases of 302.4 billion in primary market Treasury bills. Traders said the central bank on Friday further moved to reduce liquidity with the sale of open market operations bills, which fetched returns above the inflation rate. Nigeria raised 302.4 billion naira at Wednesday's Treasury bills auction, more than the 242 billion planned due to strong demand for the one-year debt, while payment for the purchased was debited from commercial lenders' accounts on Friday. Local currency traded flat at both official interbank window and parallel market, with black market traders quoting the naira flat at 498 to the dollar. Commercial lenders quoted the currency at 305.25 a dollar, about the level it has traded since August. Nigeria's main all-share index . fell by 0.52 percent to close at 25.802 points on Friday, dragged down by losses in Nestle (2.86 percent) and Guaranty Trust Bank (2.46 percent). *(Reuters)*

The federal government monday unveiled new measures to turn around the Nigerian economy which last year plunged into its first recession in 24 years. The Minister of Budget and National Planning, Udo Udoma who announced the measures at a government-private sector engagement forum on the Nigeria Economic Recovery and Growth Plan (ERGP) at the Presidential Villa, Abuja, said the new plan would enable Nigeria to attain a minimum GDP growth rate of 7 per cent within the plan's period
The minister said the programme would be implemented between 2017-2020. In designing the plan, Udoma said government consulted widely and received inputs from all segments of the Nigerian society including the states. According to him, some of the 34 key actions selected for immediate implementation were already yielding results, especially the reforms in agriculture and solid minerals. He said the government would tackle the constraints to growth, noting that Nigeria's growth faces various supply constraints including fuel, power, foreign exchange and even business unfriendly regulations. He assured his audience that the strategies were designed in such a way that they would overcome the bottlenecks that impeded growth in the past. The minister also pointed out that government would leverage on the private sector, adding that economic recovery and transformative growth cannot be achieved by the government alone.

He said: "Economic recovery and transformative growth cannot be achieved by the government alone.
"It is essential to harness the entrepreneurial nature of Nigerians from the MSMEs to the large domestic and multinational corporations."
Udoma further listed the principles of the plan to include: "Promoting national cohesion and social inclusion: the ultimate beneficiary of more inclusive growth is the average Nigerian man and woman. "Allowing markets to function: we recognise the power of markets to drive

optimal behaviour among market participants. The plan prioritises the use of markets as a means of resource allocation where possible and supporting a more business friendly economic environment. "Upholding core values: the economic recovery and growth plan is rooted in the core values that define the Nigerian society and are enshrined in the 1999 Constitution, notably discipline, integrity, dignity of labour, social justice, religious tolerance, self-reliance and patriotism." According to him, the goal is to have an economy with low inflation, a stable exchange rate, and diversified and inclusive growth. He listed the immediate priorities of the recovery plan as agriculture and food security, energy (power and petroleum), small businesses and industrialisation, and stabilising the macroeconomic environment. "There will be a major emphasis placed on the implementation, monitoring and evaluation of this plan, and also the establishment of a specially staffed delivery unit to drive the implementation of the NERG plan," he added. *(This Day)*

Nigeria's economic recession, its first in 25 years, "will soon be history", the vice president said on Tuesday, as the country grapples with high inflation and low prices for the crude oil exports it depends on for revenues. As part of a medium-term economic recovery plan, Nigeria is targeting a growth rate of at least 7 percent a year by 2020, a far cry from the current situation. In the third quarter of 2016, the economy shrank by 2.24 percent. "With complete focus on improving the economy every day, the recession will soon be history," Vice President Yemi Osinbajo said in a statement, without elaborating. With inflation at an 11-year high, frustration in Nigeria is rising, with protesters taking to the streets of Lagos on Monday to call for a change in government. *(Reuters)*

The macro-economic challenges in the country as well as the level of depreciation suffered by the nation's currency, will compel more commercial banks to seek for avenues to beef their capital this year, a Lagos-based investment and research firm, CSL Stockbrokers Limited stated in a report titled: "Capital Adequacy: Pulse Check." The move, the firm added, is expected to enable the financial institutions withstand any shock in the industry as well as to remain above the regulatory threshold. Capital adequacy is a persistent issue for a number of Nigerian banks. Regulatory capital ratios have been impacted by the large depreciation of the naira given the extent of dollar lending in the sector. They have also been hit by the sharp rise in impairments (implying little or no retained earnings). The Central Bank of Nigeria (CBN) requires that banks with international subsidiaries maintain a capital adequacy ratio (CAR) of 15 per cent while banks without international subsidiaries maintain a CAR of 10 per cent. The minimum requirement for systemically important banks (effective July this year) is 16 per cent. First City Monument Bank Limited (FCMB) last week sold N5.1 billion bonds, less than it originally planned to raise, at an interest rate coupon of 17.25 percent, its advisers said on Friday. The seven-year bond was issued by way of a book-building with Standard Chartered Bank, local investment bank Chapel Hill Denham and FCMB Capital Markets as book runners. The offer was fully subscribed. But before the recent Access Bank's offer, the last Eurobond issued out of Nigeria was in October 2014 by Seven Energy Finance Limited. Sourcing naira bonds has also become a tough call given high interest rates on treasury bills and FGN bonds.

Wema Bank had embarked on an issue of N20 billion in local currency bonds after scrapping plans in 2015 to issue a $100 million 7-year dollar bond because of currency risks. Sterling Bank also tried to raise a N35 billion local currency-denominated bond last year. However, a look at banks' nine months 2016 capital adequacy ratios (CAR), according to the report suggested that the industry may begin to see a flurry of capital raising activities if macro-economic conditions fail to improve. Nonetheless, the report indicated that the smaller banks may have more difficulty in finding willing investors in their foreign bond market and the domestic market. The bigger banks however appeared to have performed better last year as Guaranty Trust Bank successfully redeemed its $500 million Eurobond early 2016. Access Bank also successfully refinanced its existing senior unsecured $350 million 7.25% notes due July 2017 last year. Despite challenges in the raising naira bonds, the expectation is that local currency bonds would remain the favoured option, especially for the mid-cap lenders. According the report, the options available to the banks are limited in the current macro environment. "Rights issues would be very dilutive given low share prices while raising tier-2 capital, by issuing long-term dollar subordinated debt, is difficult in as US dollar rates can be so high as to make the exercise unprofitable in terms of spreads on US assets. "Sourcing naira bonds has also become a tough call given high interest rates on treasury bills and FGN bonds. Despite challenges in raising naira bonds, we believe that local currency bonds still remain the favoured option, especially for the mid-cap lenders, " it added.

The CBN had tried various means in the past months to reduce the widening gap between interbank and parallel market rates. Despite these measures however, the naira has continued on a depreciatory path in the parallel market, and fell to a historic low of N500 to the dollar last week. Asset quality also remains a problem for the industry. If a bank suffers an unexpected rise in cost of risk (COR) that exceeds the capacity of one year's profits to absorb it, then that bank will be looking at writing down capital. "We examine the potential impact on capital of a sudden surge in CoR and a notional further 20 per cent naira devaluation on capital adequacy. A further 20 per cent devaluation will still leave the banks we cover in this report above regulatory limits, although Diamond just barely. "In our first scenario, which assumes 10 per cent of loans to stressed sectors go bad, Zenith, Guaranty Trust Bank, UBA, Access, and Fidelity remain at comfortable capital levels.
" An unexpected surge in CoR, assuming 20 per cent of these loans go bad, however will take all the banks, with the exception of Access, below regulatory limits," it added. *(This Day)*

Nigeria will increase custom duties for tomato imports and waive tariffs for some farming equipment to stimulate local production and investment in the agriculture sector, its trade minister said on Wednesday. "We are going to go up. We will be announcing what the new tariffs are but clearly there is a new set of tariffs," Okechukwu Enelamah told reporters, without giving details. Customs duties on some greenhouse equipment currently amounting to as much as 20 percent would be removed. "We are going to restrict imports of finished tomato products that can be produced locally," the minister said. Nigeria has been trying to encourage local food production in order to reduce a costly import bill and end its reliance on oil exports. But an artificially high exchange rate has dried up the supply of hard currency, forcing the temporary shutdown of two local tomato paste plants dependent on imports in recent months. *(Reuters)*

Nigeria's parliament has approved the government's request to sell a $1 billion Eurobond to help the country finance its budget deficit, senate spokesman said on Wednesday. Nigeria is suffering its first recession in 25 years and needs to find money to make up for shortfall in its budget. Its revenues have plunged along with global oil prices and militant attacks in its crude-producing heartland, the Niger Delta. Finance Minister Kemi Adeosun, Central Bank Governor Godwin Emefiele and other senior government officials have been meeting investors this week in London and the United States on a roadshow to issue the bond with a 15-year maturity. Adeosun said in October that Africa's biggest economy had commitments for half the amount it wanted to raise from the Eurobond, to be issued in dollars. "... the only request for approval from the executive was ... for the issuance of $1 billion Eurobond ... for the funding of the 2016 budget deficit, and we immediately granted the approval," Senate spokesman Aliyu Sabi Abdullahi said. Low oil prices have triggered chronic dollar shortages in the economy and battered the naira, which lost a third of its official value last year and is now trading at a 39 percent discount on the black market. A source with knowledge of the investor meetings, organised by Citigroup and Standard Chartered Bank, told Reuters that oil production and currency were the two main issues investors were considering in pricing the bond this week. Investors also asked about the continuity of government policies in the absence of President Muhammadu Buhari, who is in Britain on medical leave.
"The real concern is oil production and FX. Will there be a further devaluation this year?" the source said, adding that investors queuing for the dollar bond were looking at a potential yield above 7 percent. Senate spokesman Abdullahi said the government wanted to use part of the Eurobond proceeds to finance two rail projects. The source added that recurrent expenditure would also be funded from the bond. The government has laid out plans to spend a record 6.86 trillion naira ($22.5 billion) to help pull Nigeria out of recession in a draft 2017 budget sent to parliament for approval. It planned to spend 6.06 trillion naira last year, but struggled to fund it. The government has set out a $30 billion overseas borrowing plan to finance planned infrastructure projects until 2018, but analysts are sceptical whether it would be able to raise the funds.*(Reuters)*

Nigeria has priced a $1 billion, 15-year Eurobond at 7.875 percent, the government said in a statement on Thursday. The paper was almost eight times subscribed, it said, adding that the proceeds would be used to finance the budget deficit. Nigeria is suffering its first recession in 25 years, with state revenues having plunged along with global oil prices and militant attacks in its crude-producing heartland, the Niger Delta. *(Reuters)*

STAKEHOLDERS in the Nigerian capital market have criticised the high interest rate on FGN bonds saying it discourages investment in productive activities. They spoke at a one day seminar organised by the Securities and Exchange Commission, SEC, to deliberate on the implications of the 2017 budget to the capital market. They also called on the federal government to make concerted effort to address inconsistencies in the foreign exchange regime as it adversely affects private sector operations. The seminar featured a presentation on "2017 Budget of Growth and Recovery: Relevance, Implications and Perspectives of the Nigerian Capital Market" by Mr. Afolabi Olowookere, Head, Economic Research & Policy Management and a panel discussion with Johnson Chukwu, Managing Director/CEO, Cowry Assets Limited, Mrs Ore Sofekun, Managing Director/CEO, Investment One Vencap Limited, Mr. Bodun Adebipe, Chief Consultant, B. Adebipe Associates Limited and Bayo Rotimi, CEO, Quest Advisory Services Limited as panelists LISTING OF SHARES : From left, Alhaji Musbahu Basir, Director, Jaiz Bank Plc; Oscar N. Onyema, OON, Chief Executive Officer, Nigerian Stock Exchange, NSE; Alhaji Umaru Abdul Mutallab, CON, Chairman, Jaiz Bank Plc and Alhaji Umaru Kwairanga, Director Jaiz Bank Plc at the Facts Behind the Listing at the NSE. According to Johnson Chukwu and Biodun Adedipe, with interest rate of over 15 per cent on FGN bonds and treasury bills, which are risk free instrument, nobody will want to invest in productive activities with all the attendant risks. They argued that the use of high interest rate regime to grow the economy was not practicable as it stifles the growth of Small and Medium Enterprises, SMEs.

In a communique issued at the end of the seminar, the operators emphasized the need for greater synergy between the monetary and fiscal policies and elimination of silos in policy formulations. They said that public private partnership should be exploited in infrastructure development, arguing that unless our infrastructure is first developed by local funds, no foreign investors would be willing to bring in their funds to develop the infrastructures. On how to stimulate growth in the capital market, they said that privatization of government owned firms is key to stimulating economic activities, while calling on the government to specify specific timelines to identify assets that would be sold and the process through which they would be sold. "The same should be done through the capital market. This would encourage efficiency and scarce resources used to manage these assets can be freed up and channeled to critical sectors of the economy," they said. Exploiting private partnership "Government should exploit private partnership in developing infrastructure. There should be proper and lingering framework to ensure that every party to this partnership are held accountable to their part in this agreement. "Foreign exchange regime inconsistencies need to be sorted out as this impacts private sector adversely. The conflict between monetary and fiscal policies needs to be resolved; there is need for greater degree of synergy and elimination of silos in policy formulation. "The Boards of SEC and other critical agencies in the financial sector should be reconstituted. The delay in their reconstitution is sending wrong signals to prospective investors" they noted. There is need for better coordination between the regulatory agencies in the financial sector – the Central Bank of Nigeria, the Pension Commission, PenCom, NAICOm and others," they added. *(Vanguard)*

Tanzania

Corporate News

The bank's financial statements show that the major part of the profit was earned from interest income amounting 94.63bn/- which is an increase of 30.9 per cent over the last year. "We have shown an excellent performance in 2016 by becoming the eighth bank in terms of profit, believing that this year will be even better," said Bank M Acting Chief Executive Officer Ms Jacqueline Woiso in Dar es Salaam yesterday. Despite the tough market conditions, she said the nine years bank has managed to attain this growth due to its client focus, professional expertise, trust and confidence reposed on it by its customers. The bank has successfully contained non interest expenses, other than loan loss provisions and extraordinary expenses to 34.15bn/-, representing 4.27 per cent compared to the preceding period. Also, the total assets registered growth of over 22 per cent to 1.05tri/- whereas deposits jumped to 805.94bn/- which is 6 per cent growth. During the year under review, in terms of product development the bank rolled out money moja kwa moja enabling clients to upload their outward clearing cheques from the convenience of their offices rather than operating through the traditional ways where the client will be required to physically deposit the cheques at the bank prior to clearance. She said the bank is in the final stages of upgrading its core banking system to Flexcube version 12, a product of oracle financial services. "Bank M has continued to focus on family owned corporates helping to clearly understand the requirement of its target clients and develop all products and services based on their needs and expectations," she noted. *(Daily News)*

THE country's largest bank in term of balance sheet, CRDB, is formulating a plan that seeks to increase its focus on mortgaging and helping 'wananchi' to own decent houses. The bank move comes at a time when the future for real estate in the country is promising pushed by strong economic growth which failed to match with demand of decent houses. Latest data show that current demand stands at around 200,000 houses while supply is merely 15,000 units annually. This makes Dar es Salaam to rank highest in cost of rental in the region. On top of that a total housing shortage stands at around three million houses, according to National Housing Corporation (NHC) 2015 assessment. The demand, apart from strong GDP growth, is also pushed up by commercial banks that have thrown their weight on mortgage financing to create even more house demand. Reports show the number of mortgage lenders in the market increased from three in 2009 to 21 in 2015 and the average mortgage interest rate in dropped from 22 per cent to 16 per cent. In that vein, CRDB Bank, Tanzania's largest bank in term of balance sheet, takes the matter to its hand and envisages increasing focus on mortgaging and helping 'wananchi' to own decent houses at affordable price. The move, according to CRDB's Director of Marketing Research and Customer Services, Ms Tully Mwambapa, seeks to raise the country's mortgaging bar in the region. "Housing as a basic need enhances security and health wellbeing of the society," said Ms Tully Mwambapa, Director of Marketing Research and Customer Services, of CRDB. The bank started to issue mortgage under a "Jijenge" portfolio four years ago in a bid to facilitate acquisition of affordable quality houses via purchase, construction and refinancing. "Using our team, we will provide technical advice on matters related to mortgage financing including selection of property, insurance, property locations and well structured loan repayment terms" Ms Mwambapa said.

In its latest report, the Bank of Tanzania (BoT) said Tanzania is one of the fastest growing mortgage markets in the region, propelled by a high demand and driven by a sustained economic growth. The mortgage market increased by almost 30 per cent to reach 482bn/- in June 2016 against 375bn/- that was recorded in March 2016. Nevertheless, the September 2016 report shows that Tanzania's mortgage market is still relatively smaller compared to regional peers, specifically, Kenya, Rwanda and Uganda. "Mortgage debt outstanding as a proportion of [Tanzania] GDP was around 0.53 per cent as at the end of the second quarter of 2016. "This is lower than its East African neighbouring countries but growing at an accelerated pace," the report reads. In Rwanda, it stands at around 3.6 per cent of the GDP while in Kenya and Uganda; it is at 3.4 per cent and 0.9 per cent respectively. Nevertheless, CRDB said apart from massively promoting its Jijenge loans, in this year, it will, also foster its relationship with existing real estate developers so as to bring Tanzania's mortgage to new heights. Apart from the Jijenge loans, CRDB signed in 2015, a lending agreement with Watumishi Housing Company (WHC) in a move that seeks to boost provision of mortgage financing to public servants. WHC is a property developer and a licensed fund manager for the WHC Real Estate Investment Trust (WHC-REIT) which is the main implementer of the Tanzania Public Servant Housing Scheme tasked with building 50,000 housing units in five phases commencing from 2014/2015. According to Ms Mwambapa, CRDB is also working with several stakeholders the NHC, PSPF, Joiven Investments (the developer of the Jangwani Seabreeze Project) and with AVIC Coastland Development Limited in the endeavour to develop the real estate industry. NHC, which has built thousands of houses during the past few years, is currently undertaking a country-wide project known as 'My Home My Life' which seeks to offer 5,000 affordable housing units. *(Daily News)*

Economic News

Tanzania's energy regulator raised maximum fuel prices on Saturday, citing higher international costs for crude and refined products and a weaker local currency. Fuel prices weigh heavily on the inflation rate in the east African country, which rose to 5.0 percent in the 12 months through December from 4.8 percent the previous month. Tanzania's Energy and Water Utilities Regulatory Authority (EWURA) raised the maxiumum retail price of petrol by 3.64 percent and increased the cap for diesel sales by 7.47 percent. Maximum kerosene prices were raised 8.9 percent in the latest monthly price limits, which take immediate effect. "These changes have been caused by an increase in petroleum products prices in the world market ... and the depreciation of the Tanzania shilling against the U.S. dollar," EWURA said. The regulator increased the price of petrol in the commercial capital Dar es Salaam by 69 shillings a litre to 1,959 shillings ($0.8785), and the price of diesel in the capital by 129 shillings to 1,861 shillings per litre. Kerosene prices in the commercial capital rose 151 shillings to 1,852 shillings per litre. *(Reuters)*

Tanzania said on Monday it needs $46.2 billion in investment over the next 20 years to revamp ageing energy infrastructure and meet soaring demand for electricity. Investors have long complained that a lack of reliable power is an obstacle to doing business in east Africa's second biggest economy. A power system master plan released on Monday by the country's energy ministry said 70 per cent of capital spending would be financed by debt and the rest by the government's own resources. "The financing requirement to implement the Power System Master Plan (PSMP 2016 – 2040) is about $46.2 billion for capital cost," the updated plan said. "The cost includes investment on generation, transmission and sub-stations. Generation accounts for almost 80 percent of the total investment cost." Tanzania aims to boost power generation capacity to 10,000 megawatts over the next decade from around 1,500MW now by using some of its vast natural gas and coal reserves to end chronic energy shortages and boost industrial growth. Tanzania said in January it was seeking a loan of $200 million from the World Bank for its debt-ridden state power supplier Tanzania Electric Supply Company (TANESCO) after the country's president refused to allow the utility to raise prices to cover costs. President John Magufuli wants cheap electricity to drive industrialisation, but the World Bank is likely to insist the loss-making utility increases prices so it can cover the cost of producing power and begin much-needed reforms. TANESCO has debts of $363 million, up from $250 million at the end of 2015. Tanzania's energy regulator approved on Dec. 31 a tariff hike of 8.53 percent, less than half of what the utility said it needed to cover the losses. But the next day, Magufuli sacked the head of TANESCO and blocked the rise, saying the price increase would stymie his plans to ramp up industrial output. Decades of mismanagement and political meddling means the utility sells electricity below cost. It also struggles to cope with transmission leaks and power theft. The power system master plan said around 40 per cent of Tanzania's estimated population of 50 million currently has access to electricity. The government wants to boost the electrification rate to 90 per cent by 2035. *(Reuters)*

DEMAND for the five-year treasury bonds was low during Wednesday auction by the Bank of Tanzania (BoT) that recorded a 7.74 per cent, a sign of a moderate appetite on the medium term paper. The auction results show that a total of 66 out of 90 bids received emerged successful. At the end, the government retained 69.74bn/- as successful amount despite the undersubscription. The weighted average yield to maturity declined slightly to 17.68 per cent compared to 17.96 per cent of the previous session held in November, last year. The weighted average coupon yield was 12.66 per cent compared to 12.78 per cent of the auction in November 2016. Weighted average price for successful bids was 72.49 compared to 71.79 of the preceding session. Minimum successful price/100 was 71.00 the same as in the session held last year. The highest and lowest bids /100 were 73.45 and 67.00 respectively. Yields may stabilise as more funds are chasing government papers as well as continued decline in inflation. Treasury bonds are among the instrument used by the government to borrow from the public for various development projects. Some of the key players of long term maturities are commercial banks, with only five per cent as retail investors. Others are pension funds, insurance companies and a few microfinance institutions. *(Daily News)*

THE government has called on the Local Authorities Pension Funds (LAPF) to embark on investment activities with huge impact on creating more jobs and contributing to economic growth. The Minister of State in the President's Office, (Regional Administration and Local Governments), Mr George Simbachawene, made the call after inaugurating the new LAPF board of directors in Arusha at the weekend. "It is high time that LAPF embark on investment opportunities particularly in the industrial sector in order to generate more employments to the people for improved living standards," he said. Industrialisation forms a fundamental platform of the fifth phase government plans of undertaking economic transformation. He said the pension fund should join forces with the government in turning around the country's economic fortunes by investing in the industrial sector. He instructed LAPF to ensure retirees get their rightful benefits on time. He said the board members should avoid conflicts and instead should stick to the laws and regulations governing the fund for the benefits of the members and the country in general. "The new board is comprised of elites that give assurance to leading the fund professionally in close collaboration with the management," he said. Earlier, the new board chairman, Prof Faustine Bee, thanked President John Magufuli for appointing him to lead the board that comprises of seven members. Other board members are Rehema Kilonzo, Suleiman Kikingo, Henry Kabatwa, Cornelius Kariwa and Tumaini Nyamhokya. *(Daily News)*

Tanzania's inflation rose to 5.2 percent year-on-year in January from 5.0 percent the previous month, the National Bureau of Statistics said on Wednesday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

IN AN effort to help Zambia tackle the energy crisis, Stanbic Bank has invested over US$570 million in the development of the sector in the last two years. This reflects a big share of the institution's loan portfolio which has been channelled to the energy sector as it is a key driver in sustaining economic growth. Stanbic manager for investment banking Mwila Mwenya pledged support in providing financial advice to organisations intending to embark on big energy projects in sectors such as mining. "The bank has been acknowledged for funding in excess of US$3 billion worth of projects across the Zambian mining spectrum, investing over US$575 million in the energy sector, and over US$155 million in the construction of shopping malls, all done over the last two years. "Banks are always looked at as lenders, but they should also see themselves as providers of advice. You educate an investor or a promoter on how to raise capital and equity that is required to maintain an equity level that is sustainable, because control is not everything," Mr Mwenya said. He said this recently on the sidelines of the Sustainable Energy Southern Africa Forum of the Africa-European Union Energy Partnership. Mr Mwenya also said there is need to revise the current electricity tariffs if the energy sector is to thrive. "We need to look at whether the electricity tariffs that we have in this country are market-related, and if not, how to adjust them to make long-term projects bankable and profitable, but we also need to provide a social safety net for people who may not be able to afford those tariffs," he said. Mr Mwenya said unlike other sectors, electricity tariffs cannot be increased overnight because the impact on the economy can be severe; therefore, discussions have been taking place between the public and private sectors to find the way forward. *(Daily Mail)*

KONKOLA Copper Mines (KCM) has cleared US$160 million outstanding debts to contractors and suppliers who were owed by the mining firm. The $160 million, which is part of the $200 million the mine owed local contractors and suppliers, represents 80 per cent of the total arrears. In December last year, the mining giant reached a deadlock on the delay in paying money owed to local contractors and suppliers. This prompted Government to get involved and an agreement was reached for KCM to settle all outstanding arrears by January 31, 2017 but suppliers and contractors only confirmed having received 80 per cent of the outstanding amount on Friday last week. Association of Mine Suppliers and Contractors of Zambia (AMSCZ) president Augustine Mubanga said the mining firm had paid 80 per cent of the total debt and the remaining amount would be settled by February 15, 2017. "The payments have brought relief to our members who spent months waiting for their money," Mr Mubanga said. He said this in an interview in Kitwe yesterday. He said KCM management has assured that money had been sourced and that the remaining 20 per cent would be cleared by February 15, 2017 as promised. Direct Material Suppliers Limited proprietor Bernard Mwila confirmed receiving the remittance by KCM. "I supplied pumps last year to KCM and when the remittance was given, I was promised that the money reflected last Friday," Mr Mwila said. According to Reuters, Vedanta Resources Plc, KCM's parent company last week reportedly floated a $1 billion bond due for maturity in 2022 which will help to refinance part of its 2018 and 2019 maturities and extend its average debt maturity. The company also plans to use the proceeds to repay its other existing debt stock. *(Times of Zambia)*

ZAMBIA Sugar Plc says earnings per share for the year ending March 31, 2017 are expected to register a drop due to a fall in domestic sales volumes caused by declining disposable income levels and illegal sugar imports. According to a trading statement posted on the Lusaka Securities Exchange (LuSE) website, the decline in earnings is predominantly due to a 20 percent drop in local sales, driven mainly by declining disposable income levels. It further says that competitive pressure in the domestic market from illegal sugar imports has also impacted the sales volumes. "In accordance with LuSE listings requirements, the board of directors of Zambia Sugar hereby advises the shareholders of the company that the earnings per share for the year ended March 31 ,2017 is expected to be between 135 percent and 155 percent lower than that for the year ended March 31,2016," LuSE says. It, however, says that while the increase in finance costs arising from the new refinery funding is expected, the persistent high interest rate environment has further impacted finance costs negatively. It stated that the projected strength of the currency during the new season has significantly reduced the value of standing cane, adversely impacting earnings further. "Sugar production for the full year is six percent lower than the previous year due to lower than expected sugar cane yields and sucrose levels. This is attributable to drought conditions experienced between November 2015 and January 2016, and associated power interruptions which restricted irrigation," it stated. *(Daily Mail)*

PRODUCTION at the Munali Nickel Mine in Mazabuka that was suspended in 2011 is expected to resume in the third quarter of this year, a senior company official has said. Speaking to journalists on the sidelines of the on-going African Mining Indaba conference in Cape Town, Consolidated Nickel Mine (CNM) general manager Matthew Banda said about US$40 million is expected to be invested to start operations at the initial stage. However, Mr Banda said a total of US$100 million is expected to be invested to start full operations and will result in the creation of 400 direct jobs and 300 indirect jobs through contractors to be engaged by the mine. "Once operational, the mine will boost economic activity and broaden the income-generating base in Mazubuka, which is currently driven by sugar production. "We have been looking forward to re-open, the mine. We have done feasibility studies and are looking at how best we can to lower the cost of production at the mine and we now want to start operations," he said. He also said about US$ 250,000 is being spent on care and maintenance monthly. Mr Banda said the mine, which is on a US$250,000 monthly cost of care and maintenance, will in the third quarter start producing nickel concentrate with finished nickel expected to be produced next year once the processing plant is upgraded. He said the company is expected to produce about 5,000 tonnes of nickel concentrate at initial stage. "On the concentrate side ,we are looking at around 5,000 tonnes of nickel in concentrate, so if the concentrate is going to be around 12 percent, we are looking at over 40,000 tonnes at the end of the year," he said. Mr Banda said recruitment of employees and buying of more equipment will be concluded by June, 2017. *(Daily Mail)*

Canada's First Quantum Minerals plans to invest over $1 billion in a new smelter and modernisation of a copper mine in Zambia, a senior Zambian official said on Wednesday, but the company said the investment was "very conditional". Zambia's high commissioner (ambassador) to South Africa Emmanuel Mwamba told Reuters by telephone that First Quantum Minerals Chief Executive Officer Phillip Pascal had announced the investment on Wednesday when he met Zambian officials attending a mining conference in Cape Town. First Quantum planned to invest $700 million in a new smelter whose location the company did not specify and $350 million would be invested in modernising its Kansanshi copper mine, Mwamba said.

"These are fresh investments which should help boost Zambia's economic growth," Mwamba said. First Quantum owns 80 percent of the operator of Kansanshi, Africa's largest copper mine in northwestern Zambia. Clive Newall, First Quantum's president, told Reuters in Canada that the possible new investment was "very conditional". "Our intentions are at some point to invest a lot of money," Newall told Reuters by telephone, without confirming the $1 billion figure. "But there are a number of conditions that need to happen before we do that, some of which are our own, you know balance sheet issues," he said. "Some are practical: We are building a very major project in Panama, which is taking up a lot of our energy." "We need demonstrable fiscal stability in Zambia over a period of time before we do it," he said, summarising what he said First Quantum had told the Zambian officials. Zambia proposed measures in November to curb its budget deficit at a time when slumping commodity prices have seen the country face mine closures, rising unemployment, power shortages and soaring food prices. First Quantum had invested $5.7 billion in Zambia as of 2015 with $2.6 billion going into the Kansanshi Mine, $1 billion in the Kansanshi smelter and $2.1 billion in the Trident Project, which includes the Sentinel and Enterprise mines. First Quantum has asked a Zambian court to dismiss a $1.4 billion claim by a state-owned firm, which accused the Canadian company of irregular transactions with its local subsidiary, according to court papers. *(Reuters)*

FIRST Quantum Minerals (FQM) has projected to spend over K9.8 billion (US$1 billion) to modernise its Kansanshi Mine plant and construction of a new smelter in Solwezi. During a meeting with Minister of Mines andMinerals Development Christopher Yaluma on the sidelines of the ongoing African Mining Indaba, FQM chairman and chief executive officer Philip Pascal said the Toronto Stock Exchange-listed company wants to solidify its presence in Zambia. "The company is re-investing over K3.4 billion (US$350 million) to modernise Kansanshi Mine in Solwezi and over K6.8 billion (US$700 million) will be invested in a new smelter," he said. And FQM director of operations, Matt Pascal said the company is Zambia's largest taxpayer and has since paid over K30.7 billion (US$3.6 billion) in taxes over a 10-year period. Mr Pascal said FQM has also built a 600km electricity transmission line from Lusaka West to Sentinel Mines in Kalumbila at a cost of K2 billion (US$206 million). And Mr Yaluma said Government wants to partner with responsible investors to enable the country fully benefit from its resources. "Government is seeking responsible investors into the country. Zambians are expecting meaningful contributions to the communities and to the domestic revenue of the country," he said. He also hailed FQM for its contribution to the development of mining and the economy in general. *(Daily Mail)*

Economic News

THE central bank was last week active on the open market operations (OMO), as liquidity continued to drop marginally amid the Kwacha holding on firmly against the United States dollar, a financial market player says. Zanaco says the money market continued to experience a downward drop in liquidity levels from K2.6 billion seen the previous day to K2. 4 billion, with the Bank of Zambia (BoZ) being in the OMO, which is an activity by the central bank to give or get its currency to or from a bank or groups of banks. According to the bank's treasury newsletter, the move could indicate that interbank borrowing rates will be above 15 percent. "BoZ was in the market in both morning and afternoon sessions on OMO, this may signal rates remaining above 15 percent in the short term. The cost of borrowing funds on interbank stood at 15.45 percent from 15.10 percent," the bank says. On the foreign exchange market, the Kwacha held steady against the dollar on Thursday with demand for the greenback appearing to taper off and easing pressure on the local unit. "The local unit opened at K9.85 and K9.90 per dollar, stronger than its previous day's close of K9.87 and K9.92. The Kwacha fluctuated within a tight range kept in line by almost matched supply and demand in local trading," the bank says. The bank, however said the Kwacha could remain vulnerable in the short term in the absence of significant dollar inflows. "Today's [Friday's] trading is expected to be in a range of K9.95 and K10.00. On the commodities market, the price of copper fell on Friday after China's central bank moved to tighten monetary policy, curbing demand for commodities. The London Metal Exchange's three-month copper contract was down 1.4 percent at US$5,827 a tonne in morning trade after a volatile week, market watch reports. "The decline put copper on course for a 1.1 percent drop for the week. The price briefly touched a June 2015 high over US$6,000 a tonne on Wednesday after workers voted to go on strike at Chile's huge Escondida mine," market watch reports. *(Daily News)*

GOVERNMENT has indicated that it will remove subsidies in line with its quest to attain fiscal consolidation. The state has been providing subsidies that cover farmer input support, electricity andfuel consumption. Government has, however, also indicated that the removal of subsidies will be done gradually to mitigate adverse impact on the poor. With regards to fuel procurement, stating that it will disengage from the procurement of finished petroleum products with effect from March 2017 and going forward, the adjustment of fuel prices will be based on market conditions.
The subject of removal of fuel subsidies is nothing new. Government has been subsidising petroleum products for years. In 2013 Government removed fuel subsidies arguing that the move would enable the state to have more finances for spending and also to guarantee proper implementation of government programmes and projects. This pronouncement notwithstanding, subsidizing of fuel in the country has continued. Government expenditure on fuel subsidies has ballooned rising to K2.7 billion in 2015 from K1.6 billion in 2013. Government has been responsible for fuel procurement since 2007. The country procures petroleum feedstock in the form of comingled crude oil, which is refined at Indeni Petroleum Refinery in Ndola. Government has also been procuring finished petroleum products (mainly diesel and petrol) to supplement Indeni's production. In 2015, 643,000 metric tonnes of feedstock and 815,000 metric tonnes of finished products were imported.

The country imports more finished products than the feedstock. The procurement of fuel is supposed to be a self-financing venture. Through the Energy Regulation Board (ERB), a price regime is structured such that all costs are recouped from the fuel pump prices. However, Government finds itself in a situation whereby it subsidises the procurement of petroleum. The subsidies usually arise due to the change in costs mainly as a result of exchange rate fluctuations. If the kwacha depreciates, the pump price of fuel is also impacted as the cost of importation is increased in kwacha terms. This is not a problem if this happens once in a while. However, the Zambian kwacha has been depreciating since 2012 reaching K10 per US$1 in 2016. Therefore to avoid increasing the price of fuel so frequently, Government has been forced to subsidize the shortfall. On face value, there need not be any issues with Government's position that it will not participate in the importation of finished products and also that prices would be adjusted based on market conditions. As stated earlier, fuel procurement is supposed to be self-financing. However, the biggest challenge regarding pricing of fuel is the exchange rate fluctuations. Should we get to a situation whereby the exchange rate is unstable, the country will experience frequent changes in the pump prices. If the kwacha depreciates at a rapid rate, the price of fuel should also increase in a similar fashion.

Maintaining stable macro-economic stability will therefore be critical in this case. It should also be noted that should the kwacha appreciate considerably or the price of crude drop on the world market, fuel pump prices may reduce on the local market. In this way the economy is impacted positively. Needless to say, the cost of petroleum in Zambia goes beyond the exchange rate stability. There are other factors that have contributed to the high cost of petroleum products in the country that need to be addressed soon. One major contributing factor is that the current procurement model through Indeni has not responded to the market dynamics. Indeni was originally built with a technical configuration to produce comingled crude. In the early days, the market demanded more heavy fuels than light fuels such as petrol and diesel. This meant that the petroleum feedstock had to contain more pure crude oil than the lighter products. The model worked for the market at that time because crude oil is obviously cheaper than the finished or processed products.
Over the years, the demand for light fuels (diesel) has increased and therefore importation of the co-mingled crude contains more refined products than pure crude. It is the high component of refined products that makes the current model expensive. According to experts 'this structural absurdity' is primarily responsible for the high cost of fuel in Zambia. If Zambia imported and refined pure crude oil, the costs of the feedstock would have been cheaper, and the resulting pump prices would have been lower. However, for Indeni to only refine pure crude, it requires upgrading its technical configuration to enable it do so.
It is not very clear what model the Government will employ to fully involve the private sector in the procurement of finished products. What is clear, however, is that it is cost efficient for the country to import refined products than comingled crude. It has also been argued that the country can benefit if the sub-sector is fully liberalized as the private sector would source finished products using shorter routes. However, it is important to ensure that the regulator is well positioned to keep private sector profit motives in check and also that the country has sufficient reserves to cushion any market failure. *(Daily Mail)*

Zambia recorded $3.4 billion in investment pledges in different sectors of the economy in 2016, representing a 0.7 percent increase from the previous year, the investment promotion agency said on Wednesday. The energy sector registered the highest amount of pledged investment, followed by manufacturing and agriculture, the Zambia Development Agency said in a statement. It said investment rose despite a general election last year, showing confidence in Zambia was not eroded, and forecast a further rise this year, especially in the energy sector. Zambia's electoral commission suspended campaigning in some areas, including the capital Lusaka, due to sporadic violence. The southern African nation is struggling to maintain power supplies as a severe drought has caused levels to drop in the Kariba Dam which generates much of the nation's electricity. *(Reuters)*

Zimbabwe

Corporate News

Econet Wireless Zimbabwe's shareholders on Friday voted to approve the highly contentious $130 million rights issue, with 74 percent of the votes at an extraordinary general meeting. The EGM went ahead despite strong opposition from the Zimbabwe Stock Exchange which on Wednesday ordered the company to postpone it indefinitely until 'certain technical issues' were clarified. About 16,5 percent of the votes were cast against the rights issue while 9,5 percent of the shareholders abstained. Excluding Econet Wireless Global, the privately held anchor shareholder in Econet Wireless Zimbabwe with a 30 percent stake, 56 percent of shareholders voted to approve the capital call. EWG will underwrite the transaction and could be the biggest beneficiary should the offer be significantly undersubscribed. The rights issue had generated some controversy largely due to its initial requirement that shareholders pay abroad to subscribe, a move that analysts say would have disadvantaged pension funds and other minorities who would not be able to make offshore payments to follow their rights. Econet has since dropped that proposal and has created a facility to enable local payments. Econet says it needs to raise the cash offshore to pay off its external debt, which it has increasingly struggled to amortise due to Zimbabwe's foreign currency crisis and had put up a facility to allow local shareholders to participate in the rights offer. The move probably tipped the balance for a yes vote, analysts said. The mobile operator owes a consortium of creditors — China Development Bank, African Export Import Bank, Ericsson and South Africa's Industrial Development Corporation — just over $128 million. Between 2012 and 2014, Econet secured more than $460 million in multi-creditor loans to expand its network and refinance earlier facilities. The company said it intends to clear its secured long term loan obligations using the rights issue and debenture cash, the company's first capital call since its 1998 listing on the ZSE. *(Source)*

Cement manufacturer, Pretoria Portland Cement (PPC), says sales at its Zimbabwe unit rose by nine percent in the nine months to December 2016 after commissioning a $82 million plant in Harare. The Harare plant, which was commissioned in November last year, doubled its total output to 1,4 million tonnes of cement. In a trading update, PPC however, said liquidity challenges in the country continue to harm efforts to import key raw materials. "…management is exploring various solutions to overcome these challenges," said PPC. The company also reported that its $82 million Harare Msasa mill was completed on time and $3 million below budget without a single lost time injury over the entire project construction period. "The project debt was initially anticipated to be $75 million. However, the use of own-cash resources reduced debt drawdowns by $20 million. All the performance tests have now been successfully concluded with final handover achieved late in January 2017. The first bi-annual debt and interest repayment was made in December 2016," said the company.
PPC has two other plants in Zimbabwe, in Bulawayo and Colleen Bawn near Gwanda with production capacity of 700,000 tonnes annually. *(Source)*

The Zimbabwe Stock Exchange (ZSE) yesterday sent its CEO Alban Chirume on an indefinite leave to pave way for investigations after Econet Wireless Zimbabwe disregarded a directive from the regulator not to hold an extraordinary general meeting. In defying the ZSE directive, Econet said it was authorised to do so by a committee of the board. The EGM was held on Friday where shareholders approved a $130 million cash call to pay foreign obligations. ZSE board chairman Caroline Sandura told NewsDay last night, "We have sent him on indefinite leave to investigate what has been happening." ZSE senior operations executive Martin Matanda will be the acting CEO. The decision to send Chirume on forced leave came after board members had caucused following last week's embarrassment in which its directive was ignored. Chirume has been CEO since May 2013. It could not be established what action would be taken against Econet. A source told NewsDay on Friday the ZSE board was miffed by the open defiance and would crack the whip.
"We will take the necessary steps required. We don't want some people to give themselves certain powers," a board member said.
"Our concern was for Econet to follow the correct processes and not prejudice any section of the market." In terms of the rights offer, shareholders shall be offered, pro rata to their shareholdings, 1 082 088 944 ordinary shares plus263 050 614 Class A shares at a subscription price of five cents each on the basis of about 82 ordinary shares for every 100 shares already held. Each rights offer share shall be linked to a debenture with an issue price of 4.665 cents each and, a coupon rate of 5% per annum, thus, giving a redemption value of 6,252 cents each. The amount due on both the shares and the linked debentures shall be payable in full on acceptance of the offer. *(News*

Day)

THE Deposit Protection Corporation (DPC) says liquidity challenges have led to AfrAsia Bank Zimbabwe debtors finding it difficult to repay their loans, thereby, impeding liquidation disbursements. This comes as to date, $1,9 million out of the insured $3,4m has been paid to AfrAsia Bank depositors, while $2,9m had been paid to preferred creditors as dividends. AfrAsia Bank Zimbabwe surrendered its operating licence in February 2015. In emailed responses to NewsDay on Friday, DPC said in bank liquidations, the dividend paid to creditors ultimately depended on loan recoveries and realisation of available assets. "In the current economic environment, debtors are finding it difficult to repay their loans for various reasons including liquidity challenges," DPC said. "Take note that to date about $1,9m out of the insured amount of $3,4m has been paid out to depositors of AfrAsia Bank with balances equal to or less than $500. A total of $2,9m has been paid out to preferred creditors of the bank as dividends. The Master of High Court has provisionally accepted claims against the bank valued at about $61m." Last week, AfrAsia Bank's liquidator, Reggie Saruchera, said the illiquid market had caused delays in liquidation disbursements. The third interim dividend is expected to be paid in the first half of the year to concurrent creditors, after preferred creditors had been paid and will be distributed on the rate of recovery and disposal of assets. The second interim dividend was paid to preferred creditors last November. As part of AfrAsia Bank liquidation, a double-storied administration block, with six offices, boardroom, and banking hall was recently placed on the Hammer and Tongues auction website.

However, the illiquid market has put challenges on the realisation of funds from the disposal of the AfrAsia Bank's assets through public auctions. DPC said this could result in low recoveries and, thus, low dividends to creditors. "In liquidation, dividends to creditors are not guaranteed as much depends on the rate of recoveries from debtors and asset disposals through public auctions," DPC said. "This said, the liquidator and other stakeholders are actively pursuing any official or past official of the failed banking institutions, who is or appears to be personally liable to pay damages or compensation to the bank or is personally liable for any liabilities of the bank. Such endeavours will enhance the compensation available to the creditors." To mitigate the challenges of the illiquid market affecting liquidation distributions, alternative forms of payment other than cash from debtors had been adopted. These include properties and Treasury Bills. *(News Day)*

Zimbabwe's leading coal producer, Makomo Resources says failure by the Zimbabwe Power Company to service its $25 million debt has crippled operations, with output falling to 30 percent of capacity. Company director Ray Mutokonyi told The Source that production was now at 60,000 tonnes a month from 200,000 tonnes because the company cannot service its equipment. "ZPC owes us in excess of $25 million and the non-payment means we are not able to service our equipment on time. This then means we are not able to meet our production targets," he said. The power generation unit, ZPC uses between 3,000 and 4,000 tonnes of coal per day, and requires around 120,000 tonnes per month. Makomo has become a major supplier of coal to ZPC after government-controlled Hwange Colliery Company failed to meet demand due to operational challenges. "At this rate yes, we cannot meet ZPC demand," added Mutokonyi. The coal mining company has a coal concession at Entuba Coal Fields which covers 7,000 hectares. Its estimated the open cast resources have a lifespan of more than 30 years at 1 million per annum plus another 100 years of underground mining. *(Source)*

NAMPAK Zimbabwe's turnover for the first quarter is three percent ahead of budget but 11 percent below last year while all units are trading profitably. Managing director John Paton Van Gend told the AGM on Wednesday that turnover was below last year mainly due to an exceptionally good quarter last year because of the higher temperatures in November and December in 2015. "The higher temperatures in 2015 drove up demand for beverages. However the first quarter has almost been the opposite, with the rain and cooler temperatures." The group's units were trading profitably while treasury and cash flow management remains a key focus area. Van Gend said the group was currently evaluating capex projects with a value of a little over US$4 million. On operations, the group had done a review of its structures in October last year and had implemented the first phase which will see a significant reduction in operating costs going forward. Hunyani had started the year strong against both budget and prior year particularly in the Corrugated section. "We received some late season export orders for tobacco boxes, which helped lift demand." Van Gend also said SI64 of 2016 had helped encourage more local users of the group's products and this was being reflected in improved commercial carton sales. "Going forward we are cautious of the effects of the heavy rains on this season's tobacco crop, and as a consequence, the demand for tobacco boxes. We are also facing pricing pressures from local customers." The Cartons and Labels and flexible businesses had shown improved performance following on from the restructuring. However volumes were not as buoyant but there had been improved profitability. There had also been improved performance at Softex, where they hold a 50% stake. Megapak had a slow start to the financial year with volumes lagging behind prior year. Van Gend said this was in the main due to the reduced offtake in performs, mainly by Delta, as the lack of disposable income was now being felt.

The blow moulding sections were running on reduced volumes but there had been an improvement in the Large Injection Moulding Section. "The capital expansion into 1881 closures undertaken last year is starting to yield improved capacity and performance in closure sections of the business. We are in the process of obtaining Coke approval for this closure, and once we receive this, volumes will improve further." At CMB, both turnover and volumes were running behind the same period last year mainly as a result of weakened sales of both HDPE bottles and closures, driven by the poor economic fundamentals." Demand for crowns remains subdued but the group was starting to see improvements in the demand for food cans. "Going forward, we believe this could help to offset the reduced performance in other sections of the business." Overall, Van Gend said the group was not immune to the challenges the economy as a whole was experiencing and already signs were there that 2017 will be a tough year. "Nampak is not immune to these issues and we have seen in recent trading updates for Delta, the magnitude of the problems being faced." He said central to these challenges was the delay in paying foreign creditors, and this in turn was starting to impact on raw material cover. "We have sufficient stock in the short term but unless we start to see an improvement in the ability to pay for imported raw materials we will face a situation in the coming months where we have certain lines or customers that we will fail to supply.

We are also building up a large external liability that will have to be paid at some stage. Van Gend said parent company Nampak continues to be supportive in terms of credit lines "but realistically they will have to draw a line in the sand at some point. "So overall, the business is not in bad shape but 2017 will be a tough year." At the AGM directors fees were approved at $31 290 and auditors fees at US$145 000. *(Financial Gazette)*

Pan-African telecoms group Liquid Telecom has completed the acquisition of Tanzania's leading internet service provider, Raha. Liquid is a subsidiary of Econet Global and will strengthen Raha's position in the Tanzania market through further investment in both its network and services. Raha will become part of Liquid Telecom's extensive fibre network, providing businesses with access to one single network that runs all the way from Cape Town up through Dar es Salaam and onto Nairobi, stretching over 40 000km and connecting 12 countries, it said. "We welcome Raha as the latest exciting addition to the Liquid Telecom group. Tanzania is a rapidly growing and dynamic African market, and through this acquisition, we will be able to greatly support the demand for internet access across the country," Nic Rudnick, Liquid Telecom group CEO, said. Raha currently serves over 1 500 businesses, as well as a growing number of retail customers with a range of connectivity solutions, including fibre, satellite, WiMAX and WiFi. Liquid Telecom plans to invest further in the rollout of fibre across Tanzania, enabling greater access to high-speed, reliable broadband for more businesses and households. The rollout of new fibre will also help provide high-speed connectivity to more government schools across the country, supporting key education initiatives by the State.

Liquid Telecom also plans to significantly increase the number of free WiFi hotspots throughout Tanzania, helping to bridge the digital divide by providing more of the population with access to the internet. Raha has already introduced over 150 free WiFi hotspots across all major cities in Tanzania, which are currently enjoyed by over 150 000 unique users. Raha CEO Aashiq Shariff said with Liquid's support, "Raha can explore new ways to increase connectivity within Tanzania as well as to the rest of the region". "We will also benefit from the group's skills and expertise, helping us to achieve our vision of a more connected Tanzania," Shariff said. Liquid Telecom has built Africa's largest single fibre network currently spanning over 40 000km, including Neotel's network, across borders and covering Africa's fastest-growing economies, where no fixed network has existed before. Working under various brands, the Liquid Telecom Group has operating entities in Botswana, the Democratic Republic of Congo, Kenya, Lesotho, Mauritius, Rwanda, South Africa, Tanzania, Uganda, the United Kingdom, Zambia and Zimbabwe. Raha was one of the first companies to bring internet to Tanzania, when it launched as a dial-up service in 1996. It operates a 400km metro fibre optic network throughout the central business district of Dar es Salaam as well as other areas of the Tanzania capital. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

The value of shares that exchanged hands on the Zimbabwe Stock Exchange (ZSE) was down 67% in January to $8 552 699 from the previous month, with foreign investors as net sellers, latest data from the bourse has shown. In December, turnover value was $25 996 713. In January, foreigners sold shares worth $5 514 345,38. They bought shares worth $1 411 133,22. The volume of shares that exchanged hands was 31 616 982, down from 292 538 969 recorded in December. The low January turnover value is a break on the rally, which began in October, when investors switched to equities in fear of the bond notes that were introduced at the end of November. Investors were uncertain about the currency, as analysts saw the bond notes as an attempt to reintroduce the Zimbabwean dollar, which was demonetised in 2015. The fact that foreign investors were net sellers showed that they have lost confidence in the market, which is grappling with foreign currency shortages. The foreign currency crisis has seen companies facing challenges in repatriating dividends to foreign shareholders. In November, the country's biggest company by market capitalisation, Delta Corporation, said it had a backlog on foreign dividend of $14,8 million paid in June. Foreign investors have been the major driver of the stock market, as locals are constrained due to the deteriorating economic environment. *(News Day)*

GOVERNMENT has created a "managed foreign currency" system, which will see the central bank retaining 50% of the export proceeds to be distributed to companies, as it moves to resolve foreign payments delays. This comes as the Confederation of Zimbabwe Industries is on record saying the delays in paying foreign suppliers have led to manufacturers failing to meet production deadlines, with a growing number now facing the prospect of closing. Finance minister Patrick Chinamasa yesterday told reporters on the sidelines of the official opening of Lesaffre Zimbabwe's new baking centre that the delays were as a result of the government taking too long in plugging the siphoning off of foreign currency from the market in 2016. He said, as a result, a lot of forex left the market, leaving them with very little by the time they introduced this more managed system. "All the exports are channelled through the central bank. When you export, you need to advise the central bank, fill in forms and acquittals, et cetera," Chinamasa said. "We moved to a managed foreign currency system. What that means is with any exporter, 50% of the foreign currency is taken over by the central bank for use by other economic players, who are into import substitution (dependent on outside raw materials) and who do not export. "Now, 50% (the other 50%) is given to the exporter for themselves for raw materials, spares and also to the bank for their clients. So that process has already started and we think that the problem you have mentioned, a legitimate complaint, will be sorted out sooner rather than later. This is why we are looking forward to inflows from the sale of our tobacco."

The managed system means that 50% of export revenues from the country's exports — which include the two biggest, namely, gold and tobacco — will be retained by the central bank to be redistributed toward import dependent manufacturers'. As such, exporters and depositors' will look forward to the other 50%, which will be redistributed to the banks. Currently, the central bank retains between 25% and 30% of foreign currency, while the 70% and 75% is redistributed to the banks. Manufacturers have been struggling to make foreign payments for raw materials. Industry and Commerce minister Mike Bimha said his ministry was engaging the Reserve Bank of Zimbabwe (RBZ) on the problems manufacturers were facing in importing raw materials. "They [RBZ] are doing the best they can, but the point is that we can only generate forex if we export so that is where the issue stands. But at the same time, we need to facilitate the forex to them (manufacturers)," he said. "I have been having weekly meetings with the RBZ looking at these issues and he (central bank governor John Mangudya) is very supportive. *(News Day)*

Zimbabwe's government has shelved a 15 percent value-added tax on basic foodstuff which came into effect last week, following an uproar from consumers already burdened by a struggling economy, Finance Minister Patrick Chinamasa announced on Tuesday. Faced with shrinking tax revenues and mounting government expenditure, Chinamasa had on February 1 introduced the standard 15 percent VAT rate on previously zero-rated and exempted products, including rice, margarine, meat, cereals and potatoes. The move had seen prices of the basic foodstuffs rise, further compounding the woes of consumers in a country battling a 90 percent jobless rate and a deepening economic crisis. In a ministerial statement in Parliament on Tuesday, Chinamasa said the tax had been put on hold.

"Following the debate that took place here and stakeholder representations, wherein concerns have been raised regarding potential informalisation due to perceived price increase, I propose to shelve the implementation of Statutory Instrument 20 of 2017 which levies VAT on potatoes, rice, margarine, maheu and meat products," Chinamasa said. "This will allow for further consultation with relevant stakeholders and those consultations, I will start them with this august House. I need the august House to give me guidance. I must tax something to raise money to pay for service delivery, allowances, and wages. So, we need to have guidance so that we understand and agree on which items to tax."

VAT is the biggest contributor to Zimbabwe's revenues, accounting for $942 million in 2016, 27 percent of total collections of $3.462 billion. VAT on local sales was $358 million, with the bigger chunk coming from taxed imports. Individual income tax, at $737 million, is Zimbabwe's second largest contributor to revenue. While shelving the VAT measure, Chinamasa said Zimbabwe has the longest list of VAT exemptions in a Southern African Development Community (SADC) region which has agreed to harmonise taxation matters and co-ordinate tax regimes. However, Zimbabwe, which adopted the United States dollar as its accounting currency in 2009, is a much more expensive producer compared to its regional peers who have seen their currencies weaken considerably against the greenback over the past three years. *(Source)*

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