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	4-Aug-17	11-Aug-17	Local	USD	31-Dec-16	Local	USD
Botswana	DCI	9018,00	8984,87	-0,37%	-0,92%	9700,71	-7,38%	-4,16%
Egypt	CASE 30	13413,12	13462,38	0,37%	0,52%	12344,00	9,06%	11,53%
Ghana	GSE Comp Index	2268,45	2271,31	0,13%	-0,38%	1689,09	34,47%	29,44%
Ivory Coast	BRVM Composite	250,41	251,20	0,32%	-0,63%	292,17	-14,02%	-4,28%
Kenya	NSE 20	3775,89	3976,98	5,33%	5,31%	3186,21	24,82%	24,08%
Malawi	Malawi All Share	17067,33	18101,06	6,06%	6,12%	13320,51	35,89%	34,52%
Mauritius	SEMDEX	2179,00	2185,99	0,32%	0,28%	1 808,37	20,88%	31,68%
	SEM 10	424,27	424,07	-0,05%	-0,09%	345,04	22,90%	33,88%
Namibia	Overall Index	1138,71	1113,77	-2,19%	-2,89%	1068,59	4,23%	6,10%
Nigeria	Nigeria All Share	37425,15	38198,60	2,07%	1,78%	26 874,62	42,14%	18,38%
Swaziland	All Share	389,98	395,59	1,44%	0,71%	380,34	4,01%	5,88%
Tanzania	TSI	3671,04	3659,74	-0,31%	-0,25%	3677,82	-0,49%	-4,59%
Zambia	LUSE All Share	4749,61	4748,53	-0,02%	1,77%	4158,51	14,19%	26,34%
Zimbabwe	Industrial Index	207,09	210,61	1,70%	1,70%	145,60	44,65%	44,65%
	Mining Index	73,92	74,04	0,16%	0,16%	58,51	26,54%	26,54%

CURRENCIES

Currency	4-Aug-17 Close	11-Aug-17 Close	WTD % Change	YTD % Change
BWP	10,12	10,18	0,55	3,48
EGP	17,78	17,76	- 0,16	2,26
GHS	4,38	4,40	0,51	- 3,74
CFA	553,18	558,45	0,95	11,33
KES	102,18	102,19	0,01	- 0,59
MWK	718,74	718,28	- 0,06	- 1,01
MUR	31,75	31,76	0,04	8,93
NAD	13,31	13,41	0,72	1,80
NGN	362,83	363,86	0,28	- 16,71
SZL	13,31	13,41	0,72	1,80
TZS	2 214,18	2 212,93	- 0,06	- 4,12
ZMW	9,02	8,86	- 1,76	10,64

Botswana

Corporate News

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Economic News

The International Monetary Fund (IMF) has revised Botswana's 2017 and 2018 economic growth forecast due to rising diamond demand, investment in the water and power sector and reforms to attract investment. The IMF on Wednesday lifted diamond-producer's 2017 and 2018 economic growth forecast to 4.5 and 4.8 percent respectively. "The forecast assumes a gradual pace of reforms to improve the efficiency of the public sector and foster private sector activities," the IMF said. Following a downturn in 2015, growth is expected to gradually increase supported by a recovery in the diamond market and moderate fiscal stimulus, the IMF said in the report. The latest forecast is higher than the IMF's previous forecast for Botswana contained in its Africa regional economic outlook report released in April, which forecast growth at 4.1 percent in 2017 and 4.2 percent in 2018. The IMF's growth projection is more bullish than government forecasts. Finance Minister Kenneth Matambo said in February during the national budget presentation that the local economy was expected to grow by 4.2 percent this year. *(Reuters)*

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt expects to see three to five initial public offerings before the end of this year, the Vice Chairman of the country's stock exchange said. In an interview with Reuters, Mohsen Adel said that over the next few years, the stock market would work on attracting more companies by adding new financial instruments including Islamic financing, and switching to a full digital quote system. "A committee will be set up in the stock market within a few days to work on attracting new companies... by informing them of the benefits of registering," Adel said. Around 270 companies are listed on Egypt's stock market and the Nile bourse for small firms. Some 500,000 investors registered to trade though not all are active in the market. "I expect the listing of three to five new companies in the stock market before the end of this year, between medium and large-sized ones," Adel said. Egypt's prime minister appointed Mohamed Farid Saleh as the new chairman of the stock exchange on Sunday, replacing Mohamed Omran whose four year term ends this week. *(Reuters)*

Egypt's prime minister has appointed Mohamed Farid Saleh as the new chairman of the country's stock exchange, the investment ministry said on Sunday. Saleh, a former vice chairman of Egyptian Exchange (EGX), will replace Mohamed Omran whose four year term ends this week. An economist, Saleh helped to launch the first weighted index on EGX during his time as vice chairman from July 2010 to October 2011, the ministry said. Since then, he headed a financial consultancy. Nearly 270 companies are listed on EGX and the government is launching an IPO programme that will offer shares in dozens of state-owned companies over the next three to five years in areas such as petroleum, services, chemicals, shipping, maritime and real estate to help boost state finances. The programme is part economic reforms aimed at luring back foreign investment after an economic slump in Egypt in the years since a popular uprising in 2011 drove foreign investors and tourists away. The listing of oil company ENPPI will kick off the programme in the next 12 months, the country's first initial public offering of a state-owned company for 12 years. *(Reuters)*

Egypt's Suez Canal revenues jumped to $446.3 million in July from $427.2 million in June, according to Reuters' calculations. A statement from the canal's authority said on Sunday that its revenues stood at $2.938 billion from January to July. In July last year, revenues stood at $429 million. The Suez Canal is the fastest shipping route between Europe and Asia and one of the Egyptian government's main sources of foreign currency. Egypt has been struggling to revive its economy since a 2011 uprising drove tourists and investors away. The country agreed to a three-year, $12 billion International Monetary Fund loan programme last November that is tied to ambitious economic reforms such as subsidy cuts and tax hikes. *(Reuters)*

The average yields on Egypt's three- and nine-month treasury bills fell sharply in an auction on Sunday, central bank data showed, days after foreign currency reserves surged above their pre-2011 levels. The average yield on the 91-day bill slipped to 19.131 percent from 20.767 percent at the last similar auction on July 30 and the yield on the 273-day bill fell to 18.878 percent from 20.570 percent. Egypt's central bank said last week that foreign currency reserves jumped by $4.73 billion at the end of July to $36.04 billion, higher than before the uprising that drove away tourists and foreign investors, key sources of foreign currency. "We are witnessing an influx of foreign inflows which is easing liquidity and reducing borrowing costs for the government," said Hany Farahat, senior economist at Cairo-based CI Capital. Egypt's dollar liquidity has been improving since it floated the pound in November as part of a $12 billion International Monetary Fund programme aimed at boosting the economy. Since the currency float, the central bank has raised key interest rates by 700 basis points, encouraging foreign investors to buy up its debt. *(Reuters)*

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Saudi Arabia's Prince Alwaleed bin Talal will invest about $800 million to expand the Four Seasons resort in Sharm el-Sheikh, in partnership with Talaat Moustafa Holding Group, Egypt's Investment Minister Sahar Nasr said on Monday. Billionaire Alwaleed's investment will also include establishing two new hotels in al-Alamein, a town on Egypt's Mediterranean coast, and Madinaty, a residential compound east of Cairo, Nasr said in a statement. Alwaleed owns about 40 hotels and resorts in Egypt, in addition to 18 others that are still under construction. In June, Egypt passed a long-delayed investment law that aims to make doing business there easier and lure back investors after years of turmoil following a political uprising in 2011. Egypt floated its pound currency in November and is making economic reforms under a three-year $12 billion International Monetary Fund programme in an effort to restore capital flows after the uprising drove away investors and tourists.*(Reuters)*

Egypt's fuel subsidy spending for the 2016-17 financial year that ended in June more than doubled, hitting 120 billion Egyptian pounds ($6.76 billion) from about 51 billion a year earlier, Minister of Petroleum Tarek El Molla said on Tuesday. In June, Egypt hiked fuel prices by up to 50 percent as part of subsidy cuts in line with a $12 billion three-year International Monetary Fund loan programme it agreed last November.1. (*Reuters)*

Egypt's annual urban consumer price inflation jumped in July to 33.0 percent from 29.8 percent in June, the official CAPMAS statistics agency said on Thursday. The rate is the highest since Egypt floated its currency in November last year as part of a deal with the International Monetary Fund. Egypt raised fuel prices by up to 50 percent in July to help meet the terms of the $12 billion IMF loan agreement. *(Reuters)*

The average yields on Egypt's six-month and one-year treasury bills fell at auction on Thursday, continuing their decline since last week, when the central bank announced a surge in foreign currency reserves. Average yields on the 182-day bill fell to 18.832 percent from 19.574 percent at the last sale on Aug 3, and yields on the 357-day bill fell to 18.705 percent from 19.348 percent, central bank data showed. The one-year bill yields have now fallen by a total of 2.25 percentage points and the six-month bill yields by 2.34 percentage points since the central bank announced that foreign currency reserves had hit $36.04 billion, surpassing levels before Egypt's 2011 political uprising. Demand for Egypt's domestic debt has increased since the central bank floated its pound currency in November as part of an International Monetary Fund loan agreement aimed at reviving the economy. Foreign purchases in Thursday's sale totalled 2.9 billion Egyptian pounds ($163.47 million), head of public debt at the finance ministry, Sami Khallaf, told Reuters. Total foreign holdings of Egyptian treasuries reached 270.5 billion Egyptian pounds ($15.25 billion) as of the auction on Aug. 8, he said. Egypt's central bank has raised its key interest rates by 700 basis points since November when it floated the currency, encouraging foreign investors to buy its high-yielding debt. Egypt attracted $9.8 billion in foreign investment in domestic debt instruments in the 2016-2017 fiscal year that ended in June, compared to $1.1 billion the previous year. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The Ghana Investment Promotion Center (GIPC) has intensified efforts to woo Israeli investors into the country's Information and Communications Technology (ICT) sector. The move, according to GIPC is in recognition of Israel's position in the development of ICT services in the world. Speaking to Citi Business News after a meeting with the Israel-Ghana Chamber of Commerce at the residence of the Israeli Prime Minister, the CEO of GIPC Mr. Yofi Grant announced that a number of Israeli IT companies have expressed interest to work in Ghana. "We think that in certain sectors, it is important to engage some of our foreign partners. For example, the Israeli Chamber of Commerce, we all are pretty clear that Israel has an edge in the innovation space and you must have heard of some of the money they are raising with start-ups". "In this year, one start-up in Israel alone was bought for 15 billion dollars by Intel. We are looking at what we can do together to also facilitate innovation to Ghana to make it an innovation hub," he said. Mr. Grant stated that a number of Israeli businesses have shown interests to invest in Ghana. He assured that government will put in all the necessary measures to encourage Ghanaian businesses to partner with some of the Israeli firms. "For us at GIPC, it is not just about bringing foreigners to invest in Ghana but also create an opportunity from Ghanaian companies to partner them. That is the only way we can transfer knowledge and skills to our own indigenous people," he maintained. He added that a number of the Israeli firms have also shown interest in investing in Ghana's agriculture sector for export. The move, according to him will boost Ghana export earnings and create jobs since the products will be processed here in Ghana. "In the sector of agriculture, we had serious engagement with Israeli businesses. They have a leading edge in transformative agriculture. There are keen people looking at that," he stressed.*(Ghana Web)*

Government has signed a deal with the Republic of Iran for the construction of a 30,000 metric tonnes capacity chocolate factory in Ghana. The project will be executed and managed by Shirin Arsal Food Industrial Group, a major food processing factory in Iran. The Minister for Food and Agriculture, Dr Owusu Afriyie Akoto, signed on behalf of Ghana whilst the Vice President of the Shirin Arsal, Mr. Amir Taghdisi, signed on behalf of his company at a ceremony in Tehran on Sunday. The project is expected to commence after final negotiations are concluded in Accra before the end of this year. If forms part of the campaign promise by the President Akufo Addo-led New Patriotic Party (NPP) administration to improve the local cocoa industry and enhance value addition. The 30,000 metric tonne capacity facility will have state of the art processing technology. The chocolate products from the factory will also be distributed through the company's global network of 63 countries. The Minister of Food and Agriculture of Ghana is in Iran with the Vice President for a three-day investment visit which amongst other things, is expected to strengthen bilateral ties with Ghana and the Arab giants. *(Ghana Web)*

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Kenya

Corporate News

KCB has partnered with UnionPay to facilitate digital payments in Kenya. The lender will issue UnionPay Prepaid Travel Mate cards in the eastern Africa region. UnionPay prepaid and debit cards with chip-enabled technology will also be issued first into the Kenyan market and then in the neighbouring markets. "We are constantly looking for new ways to offer our customers enhanced speed and convenience when it comes to payments through integrated services," said KCB Kenya head of channels Dennis Njau. The cards will also feature UnionPay contactless technology called Quickpass which provides speed and convenience to cardholders at major retailers and quick service merchants. Contactless payments represent the next generation of payment processing technology, eliminating the need for customers to swipe their cards. The new cards will come bundled with new security measures to mitigate possible risks in e-payments and collections. *(Business Daily)*

Kenya Re has embarked on an aggressive collection of unpaid premiums as it sets aside Sh104.3 million to cover doubtful debts relating to products sold on credit. The listed reinsurer had receivables arising from premiums sold amounting to Sh4.6 billion as at June 2017 from Sh3.5 billion a year earlier, a growth of 28.8 per cent. The reinsurer said it had changed its accounting policies to set aside provisions for bad debts on a quarterly basis, unlike previously when it was done annually. "Efforts will be put to ensure we collect all unpaid premiums. We have not written them off. We have actually strengthened collections," said Kenya Re chairman David Kemei. Provisions for bad debts ate into Kenya Re's half-year earnings given that they are treated as expenses alongside claims, business acquisition costs, and other operational expenditures. Half-year after-tax profit stood at Sh1.62 billion compared to Sh1.56 billion a year earlier, a growth of 3.7 per cent. Gross premium grew by 5.75 per cent to Sh7.5 billion. *(Business Daily)*

Kenya Airways shareholders voted to approve a financial restructuring plan to create new shares and convert debt into equity at a special meeting on Monday. The plan is essential for the indebted airline to continue operating and return to profit, Michael Joseph, chairman of the board, told shareholders before they voted overwhelmingly to back the plan. *(Reuters)*

Vodacom has finalised the acquisition of a 35 per cent stake in Kenya's leading telecoms firm Safaricom after the South African firm received all regulatory approvals. The transaction, valued at about Sh266.6 billion, has seen Vodacom buy the interest from its parent firm Vodafone, a British multinational. The transaction received the backing of Vodacom's largest institutional investor — South Africa's Public Investment Corporation — in June. Vodacom's minority shareholders also approved the deal on July 18, leaving Kenyan and South African regulators as the last hurdle for shares transfer to be completed. "Vodafone Group Plc announces today that its wholly-owned subsidiary Vodafone has completed the transfer of a 35 per cent indirect shareholding in Safaricom to Vodacom, its sub-Saharan African subsidiary," Vodafone has said in a statement. "Vodafone retains an indirect stake of five per cent in Safaricom." *(Business Daily)*

Kenyans can now individually own a stake of the African Export-Import Bank (Afreximbank) after the continental trade finance bank opened shareholding to the public. Afrexim which finances and promotes African trade said it will launch a $300 million (about Sh31.1 billion) equity offering, using depositary receipts backed by its Class "D" shares. This will see it sell part of the multilateral lender to the investing public in a deal arranged by Mauritius financial services firm SBM Group. Depositary receipts are certificates that represent ownership interest in a company's common stock shares, marketed outside of the company's home country. "The depositary receipts issuance represents an opportunity for Afreximbank to diversify its shareholder base by enabling investors in Africa and beyond," said Benedict Oramah, President of Afreximbank. Dr Oramah added the depositary receipts would enable the Cairo headquartered bank to increase its permanent source of capital. The receipts whose listing has been approved on the Stock Exchange of Mauritius, is subject to raising funds by the end of September, the bank said. As a profit-oriented multilateral institution with a mixed public-private shareholder base, Afreximbank focuses on private sector loans, guarantees and advisory services. The bank's four-tier shareholder base is a mix of public and private entities divided into four classes and consists of African governments, central banks, regional and sub-regional institutions, private investors and financial institutions, as well as non-African financial institutions. Class 'C' shares are held by non-African investors, mostly international banks and export credit agencies. *(Daily Nation)*

Billionaire investor Baloobhai Patel has sold two million shares in trading and manufacturing company Flame Tree Group , earning millions of shillings. Mr. Patel held 933,939 shares of the firm listed on the Nairobi Securities Exchange in December 2016, down from three million the year before, according to the company's latest annual report. The shares sold have a current market value of Sh10.7 million, based on Flame Tree's closing price of Sh5.15 on Thursday. Mr. Patel's stake in the company dropped to 0.58 per cent from 1.87 per cent as his ranking on the list of its top investors declined to seventh place from second. The sell-off is rare for Mr. Patel who prefers a buy-and-hold strategy. He also exited Mumias Sugar Company as troubles mounted at the miller. Mr. Patel, whose total NSE portfolio tops the Sh3 billion mark, has Barclays , DTB and Sanlam Kenya among his long-term holdings. *(Business Daily)*

Economic News

Kenya's central bank is taking an unusual approach to protecting its currency: intimidation. Monetary authorities in Nairobi have been cracking down on selling, hedging and even making bearish predictions, according to traders and analysts. In a sign of the skittishness, none of 12 market participants contacted by Bloomberg spoke on the record, citing possible retaliation. "There's a hush-hush rule on traders: Either talk up the shilling, or shut up," said Kwame Owino, chief executive officer of the Institute of Economic Affairs, an independent research institute based in Nairobi that tracks Kenyan economic policy and financial markets. "This kind of pressure isn't sustainable, especially when you have an open trading system. It will end in tears." So far, Kenya has dodged years of emerging-market currency turmoil that forced Egypt to surrender control of its pound, sparked a hard-currency shortage in Nigeria and pushed South Africa's rand to all-time lows. Concern is mounting among analysts that violence could follow tomorrow's elections and trigger a depreciation that would lead to a debt crisis, according to two Nairobi-based traders who declined to be identified. The shilling is officially a free-floating currency, but it's barely budged for months, with volatility falling to a third of the average for the benchmark emerging-market currency index last month. Traders say Yale University-educated central bank Governor Patrick Njoroge, in his post for two years, and deputy Sheila M'Mbijjewe have made their desires clear that traders shouldn't speculate.

The central bank declined to comment for this story. Njoroge told reporters in Nairobi last month that while the bank intervenes to manage volatility, it doesn't target a specific level for the currency. Still, some traders shared stories of being summoned, along with their bosses, to the central bank headquarters in Nairobi and getting reprimanded for publicly speaking about possible shilling weakness in public or for conducting trades that might hurt the currency. The traders said they are keeping a low profile to avoid putting their jobs at risk because their bosses don't want to attract the wrath of the central bank. For instance, they said the central bank is asking local banks to justify all hedging contracts arranged for clients wanting protection against future shilling declines. To avoid the hassle, some exporters are opting not to take any protection at all, three traders said. In addition, the central bank in June banned the 80,000 Kenyans who trade currencies via online platforms from conducting transactions involving the shilling, the Capital Markets Authority said June 20. A separate directive from the central bank has delayed the planned introduction of derivatives -- like currency and equity-index futures -- to make sure they wouldn't hurt the exchange rate, according to the Nairobi Securities Exchange. "They want to ensure there is little room for traders to manipulate the market," said Bernard Omenda, who resigned last year as head of treasury at Nairobi-based lender Spire Bank. He now runs Meta Capital Ltd., which offers technology including automated trading systems. Banks need to take swift steps to offset their currency exposure, such as investing in fixed income, he said.

Treasury chiefs at Kenya's biggest banks, including KCB Group Ltd., Equity Group Holdings Ltd. and Co-operative Bank of Kenya Ltd., declined to comment. Commercial Bank of Africa Ltd.'s head of treasury, Raphael Owino, said he wasn't aware of any central bank directives. So far, the central bank's tactics are working. In the past year, the shilling weakened 2.4 percent to almost 104 per dollar, trailing losses of 6.4 percent in neighboring Uganda, a retreat of as much as 10 percent in Ghana, and the Egyptian pound's 50 percent slump.

There's a lot at stake for the East African nation of 47 million people if the shilling weakens sharply. Rising import costs would thrust inflation back into double digits and make it harder to service an external debt burden that doubled in four years to almost $21 billion. It would also threaten the nation's $7.5 billion of reserves which, while near a record, cover just five months of imports. A weaker shilling would also drive up foreign-debt costs. The first repayment on $2.75 billion of Eurobonds sold in 2014 is due in the fiscal year that begins on July 1, 2018, which will lift the government's external-debt repayments to 232 billion shillings ($2.2 billion) by 2018-19 from 43.6 billion shillings in the fiscal year that ended June 30. On the flip side, artificially propping up the currency diminishes the competitiveness of the black-tea exporters and flower growers who rely on business abroad for their roses and lilies. Treasury Secretary Henry Rotich said Kenya's debt, estimated by the International Monetary Fund at 54 percent of gross domestic product last year, is "sustainable" and only a sharp depreciation in the currency would alter that view. "If the shilling depreciated by a huge margin, it would impact on debt repayments," Rotich said in a July 31 phone interview. "But for us, it is a significant depreciation that will have an impact and by significant, I mean by a magnitude of 20 percent. If the dollar goes beyond 120 shillings, for example, that is when it will have a big impact on our debt." If recent history is a guide, emerging nations can't withstand devaluation pressures for long.

Since 2014, as China weakened its yuan and oil prices dropped, countries from Argentina to Kazakhstan abandoned dollar pegs, and Egypt followed in November after initially resisting. Nigeria, where street vendors charge a 14 percent premium for dollars, is under pressure to do the same. Kenya, on the contrary, has tightened currency controls since a 2011 crash wiped out a quarter of the shilling's value, dragging it to a record 106.75 per dollar. Policy makers at the time blamed speculators, but investors said the selloff was warranted as a fierce drought caused Kenya's widest current-account deficit ratio since 1999. More recently, Governor Njoroge targeted speculators as the shilling inched downward in the final weeks of a tight presidential campaign that pitted incumbent Uhuru Kenyatta against former Prime Minister Raila Odinga. While the vote four years ago passed relatively peacefully, more than 1,100 people were killed in turmoil sparked by a disputed 2007 result. If Kenyans suspect the latest ballot is rigged, analysts say it could happen again. "There is a lot of speculation from people who think things will go haywire," Njoroge said July 18, assuring the bank would dip into foreign reserves to defend the currency. "Those people need to chill." Shortly after taking office in 2015, Njoroge barred Kenyan banks from keeping more than 10 percent of core capital in open foreign-currency positions, down from a 20 percent ceiling. The trading crackdown intensified after the shilling suffered its biggest monthly loss since 2015 in January, falling 1.3 percent. The central bank started scrutinizing trades, often grilling bank treasurers for having open positions much smaller than regulatory limits, traders said.

Since then, three-month shilling price swings have fallen to 1.2 percent, near the lowest since Bloomberg started collecting data 30 years ago. Only four of the 10 analysts who typically give currency forecasts on Bloomberg, meanwhile, currently provide market outlooks. Not everyone feels silenced. Charlie Robertson, the London-based global chief economist at Renaissance Capital Ltd., which has offices in Nairobi, put the shilling's fair value at 124 per dollar, 16 percent below current levels, with projected declines to 109 by year-end and 114 the following December. Robertson said the central bank has asked his colleague, Yvonne Mhango, who oversees sub-Saharan Africa, to share her foreign-exchange model for "reassurance" that the market outlook was justified. He added that the request is understandable for a frontier market. "The central bank seems determined to prevent 'finger in the air' forecasts being touted around, which might be used to sharply move the exchange rate," Robertson said. Owino at the Institute of Economic Affairs said intimidation tactics will backfire. He said a black market could develop, although initially Kenyans may buy dollars from neighboring countries like Uganda, where the currency market is freer. In a sign foreign investors are jittery, outflows from Nairobi stocks reached a two-year high in the second quarter, Standard Investment Bank data show. "What we need to ask ourselves is this: Will this escalate into a crisis and will that crisis lead to a very big slide? I fear that is what will happen," Owino said. *(Bloomberg)*

Kenya's trade deficit worsened by 46 per cent in the first five months of the year, with the country's import bill recording a sharp jump on higher capital equipment purchases. Latest data from the Kenya National Bureau of Statistics (KNBS) shows the gap between imports and exports grew to Sh454.9 billion in the five months to May, compared to Sh311.8 billion in a similar period last year. While exports declined only marginally by 0.9 per cent or Sh2.2 billion to stand at Sh248.3 billion, imports grew by 25 per cent or Sh140.9 billion to Sh703.2 billion in the period compared to last year. The largest year-on-year growth in imports was recorded in the first three months of the year, which the

Central Bank of Kenya (CBK) attributes to imports of the rolling stock for the new standard gauge railway. "Import numbers in those particular months surged on purchase of machinery and transport equipment," CBK governor Patrick Njoroge said at a Monetary Policy Committee (MPC) press conference at the end of May. Imports of cereals and sugar also pushed up the import bill in the first half of the year as the country counted the cost of drought. As a result, the current account deficit widened to 6.2 per cent at the end of May from 5.2 per cent at the end of last year. The CBK though forecasts that the deficit will come down to about 5.8 per cent by the end of the year. A large deficit normally piles pressure on the shilling, forcing the CBK to intervene thus depleting foreign exchange reserves. The fall in exports meanwhile is indicative of the difficult operating environment for businesses. The July purchasing managers index (PMI) by IH Markit and Stanbic Bank shows that even as businesses continued to receive orders from export markets, they were hampered by lack of access to credit and pre-election caution. "Output fell for the fifth time in the past six months during July. More than one-in-three panellists reported a decline in business activity, with firms widely linking this to the General Election, customers facing money shortages, high inflationary pressures and a lower customer turnout," they said in the PMI report. *(Business Daily)*

Trading at the Nairobi bourse on Wednesday plummeted to rock bottom as tension gripped the country in the wake of a contested outcome of Tuesday's election, bringing economic activity across all sectors to a standstill. Turnover slumped to Sh166.6 million as investors largely kept away from the market hoping for a speedy resolution of the election impasse, cutting trading volumes to a bare minimum. Dealers said few clients were in the market looking to buy or sell shares, with most preferring to observe events from the safety of their homes. Most cities, including Nairobi, Mombasa, Kisumu and Nakuru, were mostly deserted although the government had only declared Tuesday a public holiday. "Market turnover has been subdued as most market participants stayed out. We expect today's trading session to be slow as well as we wait for the election results," said Genghis Capital in a trading update. A spot-check across several stockbroker premises revealed largely empty banking halls, a situation reminiscent of what transpired a decade ago when post-election turmoil cut trading activity sharply.

Market data showed only 7.8 million shares were traded across all 62 counters, compared to 10.4 million on Monday and 29.3 million last Friday. Turnover had stood at Sh302 million on Monday, down from Sh848 million on Friday. The number of deals also fell to 638, from 1,097 on Monday. The NSE traded an average turnover of Sh1 billion per day in July, indicating just how much the political tension has spooked investors, prompting them to hold on as they wait to see what direction the country will take. On Wednesday, the stocks that traded largely recorded price gains, with the optimism indicating that the negative effect of the polls on the market is unlikely to persist once the there is a conclusive end to the impasse. The stock market has been on the upward trajectory since March, pushing the main NSE 20 share index to trade at one-year high of 3850 points. Telecoms operator Safaricom dominated Wednesday's trading, accounting for 32 per cent of turnover having moved 2.21 million shares at Sh23.75, which was 25 cents higher than Monday's Sh23.50.

The secondary bonds market was also slow, the turnover having halved to just Sh306 million from Sh684 million on Monday. A quick resolution of the election row that is now seen as key to restoring investor confidence in the financial markets was complicated after the opposition Nasa coalition claimed that the IEBC database had been compromised and the tallying of results manipulated — putting the country deeper into the waiting mood that may persist for the rest of the week. Currency trading was also slow even as the shilling initially strengthened against the dollar to an average of 103.80 units to the greenback, from Monday's average of 104 units. It later on eased to 103.85 units to the dollar. The CBK indicative rate stood at an average of 103.90, slightly weaker than Monday's 103.88 average. "The shilling remains under pressure but we expect it to remain range-bound today as most buyers take a wait-and-see approach," Genghis said. The IEBC's discredited provisional results indicated that President Uhuru Kenyatta was leading the race for the top job with 54.4 per cent of the valid votes cast against former Prime Minister Raila Odinga's 44.4 per cent. Analysts said that in addition to the immediate resumption of normal trading, investors are also keeping an eye on the possibility of seeing key policy changes, such as a revision of the bank interest rate cap which has caused upheaval in the banking sector. "Next, from a financial markets perspective, focus will shift to whether President Kenyatta's coalition has established a sufficient majority in Parliament... to repeal the interest rate cap law," said Hasnain Malik, an analyst at Exotix Capital. *(Business Daily)*

WEEKLY AFRICAN FOOTPRINT

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The overnight cost of borrowing among commercial banks jumped to the highest point in the year-to-date a week ahead of the polls on reduced liquidity, official data shows. The Central Bank of Kenya (CBK) has reported that banks were demanding an average of 9.22 per cent to lend to each other overnight by Wednesday last week, a rate higher than the price the government paid for the 91-day Treasury bills at 8.2 per cent during the auction last Thursday. The average interbank rate for the week ended August 2 rose from 7.24 per cent to 8.2 per cent — equalling the average return investors got for the three-month Treasury bill. Analysts at Cytonn Investments attributed the rise in the overnight rate to "liquidity being skewed towards a few large banks", indicating that cash-strapped smaller lenders are finding it hard accessing cash. Large banks have been accused of refusing to lend smaller lenders citing risk, forcing them to resort to the expensive CBK window. The CBK said transactions that added liquidity into the market and those that reduced it were "fairly matched" in the week.

"However, due to uneven distribution of liquidity the central bank was on both sides of the market. It withdrew excess liquidity from segments of the market with surpluses and used reverse repos to support segments facing temporary liquidity shortages," the CBK says in the weekly bulletin. About Sh59.4 billion was withdrawn from the money market, which was more than the Sh58 billion that was injected, resulting in a net liquidity of negative Sh1.3 billion. The main source of liquidity was government payments at Sh26.6 billion, Treasury bills redemptions (Sh19.5 billion) and reverse repurchase agreements (Sh11.9 billion). However, payment of taxes by banks to the tune of Sh22.1 billion, investment in Treasury bills (Sh14.6 billion), sale of Treasury bonds (Sh5.2 billion), repurchase agreements (Sh5 billion), term auction deposit (Sh2.5 billion) and reverse repo maturities (Sh1.4 billion) sucked liquidity from the market. Average interbank rate at the end of July was 7.2 per cent, Cytonn said in its weekly market update, after increasing from 4.8 per cent in June. "During the month there was a net liquidity injection of Sh61.8 billion in the money market with the bulk of it coming from government payments. The net liquidity position was an increase from a net liquidity injection of Sh22.5 billion in June," Cytonn said. *(Business Daily)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

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

Mauritius' inflation fell to 5.3 percent year-on-year in July from 6.4 percent in June, the statistics office said on Monday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Nigeria's Union Bank has sufficient cover for its 3.9 billion naira ($10.69 million) loan to telecoms group 9mobile and will focus on lending to agricultural and real estate businesses, its chief executive Emeka Emuwa said on Monday. Lenders have agreed to extend a $1.2 billion loan which mobile operator 9mobile, formerly known as Etisalat Nigeria, took out four years ago but struggled to repay due to a currency crisis and a recession in Nigeria. Union plans to raise 50 billion naira in fresh capital from existing shareholders by the end of the year to boost lending. *(Reuters)*

MTN Group has confirmed it will proceed with plans to list on the Nigerian Stock Exchange (NSE) over the coming months up to 2018. The mobile operator presented an improved performance over the past six months in its interim financial results, despite what it described as challenging macro-economic conditions in many of its markets "with Nigeria, continuing to experience weaker naira as well as hard currency liquidity challenges." Its Group President and CEO, Rob Shuter, who assumed office in March this year, said the 6.7 per cent rise in group revenue (underpinned by a 10.8 per cent growth in revenue for Nigeria) is a good start to the year. "I think we have made good progress and we have set out very clearly what we are asking of ourselves. We also need to get better at managing the kind of big issues and events that really come with managing a large number of complex geographies. I think we have made a respectable star," he said. According to ITWeb, the telco said its Nigerian business is continuing to make progress with preparations to list on the NSE and should have the task completed in 2018 subject to market conditions. The telco added that Nigeria is also the market it has chosen along with South Africa for the rollout of its operational execution programme called Project IGNITE.

MTN's Net Promoter Score, which measures the likelihood of customers to recommend a company's products or services, stands at 13 per cent in Nigeria – although it is much higher in the telco's other key markets including Iran (33 per cent) and South Africa (75 per cent). Its Group Chief Financial Officer, Ralph Mupita, said the use of constant currency to measure financial performance provides a better visibility of the underlying operating performance of MTN. "If you look at all our operations across the 23 markets relative to the rand over the period, they have all weakened and so the first major impact of this is that you will see that our reported results are lower than our constant currency results if you look at revenue, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) and other main KPIs (Key Performance Indicators) particularly in Nigeria, where the weaker naira has had a significant impact on network opex (operation expenditure) and has resulted in lower margins as you will have seen at the end of December 2016," he said. While Nigeria EBITDA declined 15 per cent over the six months to 30 June in rand terms, driven by the naira devaluation and network opex according to Mupita, MTN reported service revenue growth of 11 per cent in the country over the same period. Overall MTN, experienced a 3.6 per cent drop in subscribers to 231,8 million over the six month period, with Nigeria and Ghana recording the biggest drop.

The number of MTN subscribers in Nigeria has decreased by 14.3 per cent to 53.1 million. Shuter emphasised the telco's unshaken belief in the potential of its Nigeria business which has historically been its most profitable market. "One of the challenges for the Nigerian economy is that it is very much resource focused unlike South Africa which is a much more diversified economy, but things are looking better. Even though the oil price has not moved much, the production has increased, we see some lift coming back into the market; we are seeing more availability of foreign exchange for the kinds of things that we need to do there. Our revenues were up 11 per cent, data is up 70 per cent. It is a vibrant market and I think MTN is well placed there. I've actually been encouraged by our performance there in the last couple of quarters. I think things will look a lot better going forward," Shutter said. *(The Nation)*

Nigeria's Union Bank expects to close the sale of a 50 billion naira ($137 mln) share issue by the end of the year and hopes to win regulatory approval for it this quarter, it said on Monday. The mid-tier bank has said it planned to raise fresh funds to boost its capital adequacy and tap opportunities to lend to agribusinesses.*(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Lafarge Africa is consolidating its businesses on the continent to simplify its ownership structure and operations, its head of strategy told Reuters on Monday. Wole Adeleke said the decision was made three years ago after Lafarge combined its Nigerian business with its South African operations and listed the combined entity, which it renamed Lafarge Africa, on the Lagos stock exchange. Now its seeking approval from the Securities and Exchange Commission to merge the operations of two other wholly-owned units, in a move engineered to consolidate management of the companies with no operational savings, Adeleke said. In a notice to the stock exchange, Lafarge Africa said its board has asked the company to "undertake a business combination with United Cement Company of Nigeria Limited (Unicem) and Atlas Cement Company Limited (Atlas)." "We needed to simply the ownership structure of Unicem. Because Unicem has some significant tax attributes it was decided that Unicem should be merged into Lafarge Africa," he told Reuters by phone. Unicem is the third largest cement plant in Nigeria. Lafarge has been consolidating its businesses in Africa to cut costs and accelerate growth, particularly with arch-rival Dangote Cement, owned by Africa's richest man Aliko Dangote, expanding aggressively on the continent.

Last month Holcim Nigeria, now part of Lafarge Africa, said it will pass a resolution in August to dissolve the company after its Swiss-based parent firm merged with French rival Lafarge in 2015. It also delisted Lagos-listed Ashaka Cement after a buyout of minorities that breached stock exchange's free float requirement, Adeleke said. The Nigerian-based business of Franco-Swiss cement group, LafargeHolcim, expects to generate cost saving synergies of 9 billion naira by 2018 in Nigeria, it has said, following the global merger two years ago. Shares in Lafarge Africa gained 1.69 percent on Monday, adding to a 44 percent rise so far this year, valuing the cement firm at 329.2 billion naira ($902.3 million). LafargeHolcim Chairman Beat Hess has said the company was still adjusting its structures in big markets where both Lafarge and Holcim were present following the merger. Lafarge Africa is raising 140 billion naira in fresh equity and plans to convert some loans into shares as part of a planned rights issue after it reported losses last year. LafargeHolcim has said it will take part in a capital increase of the Nigerian unit to avoid diluting its nearly 71.4 percent stake, in a move which would also help simplify the ownership structure in Nigeria. *(Reuters)*

Leading food manufacturing company, Nestle Nigeria Plc has announced a profit after tax (PAT) of N16.5 billion for the six months ended June 30, 2017, showing a jump of 2,987 per cent compared with N536 million in the corresponding period of 2016. However, the company got a boost from a significant reduction in finance cost made possible by the stable foreign exchange witnessed in that period. Details of the results show that a revenue of N121.919 billion, up 51 per cent from N80.442 billion in 2016. Cost of sales rose from N47.712 billion to N73.576 billion, while gross profit grew by 47 per cent to N48.343 billion, compared with N32.731 billion. Marketing and distribution expenses trended upwards, standing at N16.863 billion, from N12.731 billion in 2016. Administrative expenses declined marginally to N4.780 billion, from N4.9177 billion. Nestle Nigeria recorded a finance income of N5.145 billion in 2016, showing an increase of 529 per cent from N817 million in 2016, while finance cost fell by 50 per cent from N14.891 billion to N7.385billion in 2017. As a result, net finance cost dipped by 84 per cent from N14.074 billion in 2016 to N2.239 billion in 2017. A further analysis of the net finance cost show that net foreign exchange loss improved from N13.1 billion to N5.175 billion, while finance cost expenses improved from N14.891 billion to N7.385 billion. Hence, net finance cost stood at N2.239 billion in 2017, as against N14.074 billion in 2016.

Consequently, Nestle Nigeria ended the H1 of 2017 with a profit before tax of N24.459 billion, up by 2,629 per cent from N896 million in 2016, while Pat grew faster by 2,987 per cent to N16.547 billion, from N535 million in 2016. Speaking on the results, Managing Director/ Chief Executive Officer of Nestle Nigeria, Mr. Mauricio Alarcon said: "We are particularly pleased with the growth which is an affirmation of the loyalty and trust of our consumers in our brands. The result is also due to the hard work of our people, and our distribution network." "The Board and the management remain confident that our strategic roadmap will continue to leverage on the potential of the business and the company will further increase investments behind brand and route-to-market activities while proactively managing input cost pressures." Meanwhile, the Nigerian stock market remained bullish, opening the new week with a gain of 0.27 per cent to close at 37,525.38. Similarly, market capitalisation closed higher at N12.93 trillion. *(This Day)*

The construction of the fertilizer plant in Dangote Refinery and Petrochemical Complex will be completed in January and March 2018, Africa's richest man and President of Dangote Group, Alhaji Aliko Dangote has said. Speaking when the Minister of State for Petroleum

Resources, Dr. Ibe Kachikwu visited the refinery complex in Lagos, recently, Dangote stated that the first train of the fertiliser plant will commence operations in January next year, while the second line will be completed in March next year. Dangote said his company was committed to playing its part in the efforts of the minister and the federal government to comprehensively address the energy crisis in the country. "As you are aware, we are currently building the world's largest single line Refinery, Petrochemical Complex and the world's second largest urea fertiliser plant. The Refinery will have the capacity to refine 650,000 barrels of crude oil per day. The petrochemical plant will produce 780,000 metric tonnes of polypropylene yearly, 500,000 metric tonnes of polyethylene while the fertiliser project will produce 3.0 million metric tonnes per annum (mmtpa) of urea," Dangote said.. Dangote added that his company is also building the largest sub-sea pipeline infrastructure in any country in the world, with a length of 1,100 kilometres, to handle three billion standard cubic feet of gas per day.

According to him, the company also plans to construct a 570 megawatt-capacity power plant in this complex. "As a matter of fact, gas from our gas pipeline will augment the natural domestic gas supply and we estimate an additional 12,000MW of power generation can be added to the grid with the additional gas from our system," he said. "We will be adding value to our economy as all these projects will be creating about 4,000 direct and 145,000 indirect jobs. We will also save over $7.5billion for Nigeria annually, through import substitution and generate an additional $5.5billion per annum through exports of the refined petroleum products, fertilizer and petro chemicals. We envisage that these projects, which would cost over $18billion, would be completed in 2019," he explained. Dangote solicited the support of the federal government to enable his company to achieve these targets. Dangote commended the minister for the effort he has put into ensuring availability of petroleum products in the country, as well as his present ongoing efforts at revamping our ailing refineries. "In addition, the minister has been championing a comprehensive overhaul of the energy sector in Nigeria, with a view to making us a self-reliant nation. I have no doubt that he will succeed in this quest, given his enviable profile," Dangote added. *(This Day)*

The Dangote Group has announced the signing of a Memorandum of Understanding with the Kano State Government for the proposed 100 megawatts Dangote-Black Rhino solar power plant. The conglomerate said in a statement that the formal agreement for the project was reached on Thursday at the office of Secretary to the Kano State Government, Usman Alhaji, in Kano. The power plant would be located at Zakirai, in the Gabasawa Local Government Area of the state, Dangote said. The President/Chief Executive Officer, Dangote Group, Aliko Dangote, was quoted as saying, "The MoU is yet another milestone in the evolving partnership between Dangote Group and the government of Kano State in their determination to bring about the much-needed improvement in the economy of the country." He said many were of the view that the poor power supply in the country had led to the decline of the status of Kano, which he described as a once vibrant industrial and commercial city. Dangote, who was represented by the group's Executive Director, Mr. Mansur Ahmed, said it was necessary to restore the economy's vibrancy for the benefit of the people of Kano and the entire nation.

He said, "As we all know, Kano's preeminent status as a great entrepôt and centre of commerce in the sub-Saharan region for almost two centuries has sadly declined. It is an open secret that the gross inadequacy of supply of reliable and affordable electricity is one of the critical challenges facing the state's economy. "This project will, on completion, add 100MW to the state's electricity supply and is fully in line with our group's strong commitment to contribute to the re-invigoration of the state's economic potential and overall national development." According to the statement, the power plant will be fully financed, jointly by Dangote Industries Limited and its global strategic partner, Black Rhino Group, and will convert abundant energy of the sun into high-quality clean electricity with no deleterious impact on the nation's economy. Signing the MoU on behalf of the state government, Secretary to the State Governmen said the event showcased the sacrifice of Dangote for the people of the ancient city of Kano, and the nation. He expressed gratitude to Dangote for making Kano proud and said all hands would be on deck towards ensuring the completion of the project in good time. *(Punch)*

Shareholders of Zenith Bank Plc have reasons to smile as the bank Thursday announced an interim dividend of N7.8 billion for the half year ended June 30, 2017. The dividend, which translates to 25 kobo per share was declared following a profit after tax (PAT) of N75.317 billion reported for the period. The audited results of Zenith Bank made available by the Nigerian Stock Exchange (NSE), show that the bank recorded gross earnings of N380.4 billion, up by 77 per cent from N214.8 billion posted in the corresponding period of 2016.Net interest income stood at N138.962 billion, as against N127 billion in 2016. However, impairment charges increased by 196 per cent from N14.2 billion to N42 billion. But the bank got a boost from trading and other operating income. While trading income, realised foreign exchange, jumped from negative N864 million to positive N65.318 billion, other operating income similarly soared from N3.567 billion to N15.112 billion in 2017. Consequently, Zenith Bank Plc ended the period with profit before tax of N92.183 billion, compared with N53.905 billion in 2016. PAT rose from N35.465 billion to N75.5.317 billion. Hence, the directors recommended an interim dividend of 25 kobo per share, just like what was paid in the corresponding period of 2016. Market analysts said given the high level of profitability, the bank would pay a final dividend higher than the N1.77 paid at the end of 2016.

The Chairman of Zenith Bank Plc, Mr. Jim Ovia had told shareholders last March that in line with its commitment to delivering superior returns to its much-valued shareholders, the bank ensured that a good chunk of the profit was set aside for shareholders. According to him, even in the face of a very challenging operating environment, Zenith Bank has maintained its culture of outstanding performance and industry leadership. He said: “As a bank, we are monitoring developments both in the local and global economy and applying pragmatism and dynamism as appropriate. Our strategy and approach to the pursuit of financial inclusion and sustainability gives us a lot of competitive advantage to explore even new frontiers in the market.” Also speaking, Group Managing Director/Chief Executive Officer of Zenith Bank, Mr. Peter Amangbo said as an institution of well-primed people, the bank relied on its pool of exceptional staff to make sound and timely decision and addressed issues in a manner that anticipated developments and demonstrated excellent understanding of the dynamics of the market and economy. *(This Day)*

Economic News

The naira closed at 365 per United States dollar at the parallel market on Sunday, reversing the gain it recorded in the past week. The local unit had closed last week at 363/dollar. The naira, which initially traded at 365/dollar, recorded slight after the Central Bank of Nigeria sold $462m to players in the foreign exchange market last Monday. Specifically, the regulator sold the total sum of $462,336,426.74. A breakdown showed that the Retail Secondary Market Intervention Sales received the largest allocation of $267.3m, while the sum of $100m was offered for wholesale interventions; the sum of $50m was allocated to the Small and Medium Enterprises forex window. Those requiring foreign exchange for Business/Personal Travel Allowances, tuition and medical fees, among others, got a total allocation of $45m. The naira is forecast to trade in a narrow range this week, and is expected to get support due to dollar inflows from CBN. At the official interbank market, the naira has stuck around 305.90/dollar since August 2016. On the CBN Investor and Exporters FX window, the local currency was quoted at 367 to the dollar, Reuters reported. Economic and financial analysts said the continued intervention by the CBN was helping the regulator to keep the local currency from depreciating beyond the current state. They said if the central bank failed to sell the greenback, the naira could begin to slide further. (*Punch)*

The Federal Government will today (Monday) offer for subscription two-year and three-year Savings Bonds to investors at 13.54 per cent and 14.54 per cent, respectively. A statement issued by the Debt Management Office in Abuja on Sunday said the two-year bond would be due in August 2019, while the three-year bond had a maturity date of August 2020, adding that the offer would end on Friday. The offer has a minimum subscription of N5,000, with increases thereafter in multiples of N1,000 up to a maximum subscription of N50m. According to the DMO, the bond is backed by the full faith and credit of the Federal Government, with quarterly coupon payments to bondholders. The DMO said that the savings bond would help broaden the country's funding base. It added that the FGN Savings Bond was targeted primarily at retail investors to enable them to contribute to the development of the country, while also earning good return on investment in a sovereign instrument. The FGN Savings Bond was introduced by the DMO in March 2017. It is issued every month through stockbroking firms trading on the Nigerian Stock Exchange. Since its introduction, the FGN Savings Bond has attracted a lot of new investors to the FGN Securities market with its attractive features. The income earned on the FGN Savings Bond is exempted from taxes. It can also be traded in the secondary market on the NSE. According to the DMO, the FGN Savings Bond is promoting the savings culture, while enhancing financial inclusion in the country. *(Punch)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria plans to refinance $3 billion worth of maturing naira-denominated short-term treasury bills with dollar borrowing of up to three years' maturity, to lower costs and improve its debt position as the economy recovers from a recession. Finance Minister Kemi Adeosun said on Wednesday she was aiming to borrow less in naira and more in foreign currency. She said the government could borrow at a cost of 7 percent overseas, roughly half the interest rate it currently pays locally. "As the economy recovers and grows we will be in a much better position to repay instead of just rolling over the debt," she told reporters after a cabinet meeting where the government approved a spending plan for 2018-2020. Dollars have been in short supply in Nigeria since the price of crude oil, the main source of hard currency, plunged in mid-2014, triggering a currency crisis, an exodus of foreign investors and its first recession in 25-years. The government expects the economy to recover this year and grow by 2.2 percent. The International Monetary Fund sees just 0.8 percent growth. Adeosun said the government was aiming to restructure its debt portfolio into longer term maturities by borrowing more offshore and less at home to lower cost and also support private sector access to credit to boost the economy.

Adeosun said the government would issue dollar debt as $3 billion worth of naira treasury bills mature. She did not provide a timeframe for this. Nigeria expects a shortfall of $7.5 billion for its 2017 budget. It expects to raise around half of that in foreign loans including from the World Bank and from international debt markets. "We are not increasing our borrowings. We are simply restructuring. Instead of owing naira, we will be owing dollars," Adeosun said. At the briefing, Udoma Udo Udoma, minister for budget and national planing said the government had approved "a slightly different" growth trajectory of 3.5 percent for next year, down from 4.8 percent it announced last week in its strategy paper. Udoma forecast growth would top 4.5 percent by 2019 and 7 percent by 2020, adding that the government was projecting 2.3 million barrels per day crude production for next year at a price of $45 a barrel. He said the government was committed to exploring ways of raising additional revenues to lower the debt service burden. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

No Corporate News This Week

Economic News

The Bank of Tanzania (BoT) has once again cut its discount rate by three percentage points in a deliberate attempt to improve liquidity in commercial banks and spur growth of credit to the private sector. The BoT said in a circular to commercial banks on Thursday – a copy that The Citizen has – that it was revising its discount rates downwards to 9 per cent from 12 per cent with effect from today. "Please be informed that the bank has revised the discount rate. It will go down to nine per cent from 12 per cent with effect from August 7 (today). The revised discount rates takes into account the prevailing monetary policy stance," reads the statement, which was signed by the BoT deputy governor for administration and internal controls, Mr. Julian Raphael. The discount rate is applicable to commercial banks borrowing from the BoT, which is a lender of last resort. When a commercial bank faces liquidity challenges, it can get funds through the interbank market (loans from a bank to a bank) or it can even do so through growing its own deposits among others. Borrowing from the BoT – an exercise that is applied through discount rates – is the last resort to a commercial bank that is in liquidity challenges. This is the second time in four months that the BoT is slashing the rate it charges the commercial banks, which borrow from it. In March, the discount rate was reduced to 12 per cent from 16 per cent. It is also the third attempt by the BoT in four months to ease monetary policy by reducing the cost of borrowing and stimulating economic growth. In March, the central bank also reduced the amount of cash that the banks must hold as reserves – the statutory minimum reserve (SMR) requirement.

The SMR was lowered to eight per cent from 10 per cent from April 20 as the BoT sought to leave part of the money that the commercial banks would be required to deposit so they can use it in issuing loans to the productive sector. Experts believe that the measures seek to help unlock funding for key business sectors at a time when figures paint a gloomy picture of commercial banks' credit to the private sector. "This is nothing new. It only means since weighted average yields for 91-day and 182-day Treasury Bills have gone down, the discount rates must also follow," said the Dhow Financial Ltd chief executive officer, Prof Mohammed Warsame. However, he noted that that in as far as unlocking funds for commercial banks to loan the private sector is concerned, the SMR reduction was the most important step to have been undertaken during the period. The BoT's measures come against the backdrop of falling commercial banks' lending to the productive sector as financial institutions concentrate on internal controls while battling rising levels of Non-Performing Loans (NPLs). Last year, the economy was said to have grown by seven per cent, slightly less than the target of 7.2 per cent. Lending to the private sector grew by 2.5 per cent in 2016 after expanding by 26.8 per cent a year earlier, BoT data shows. *(The Citizen)*

The Tanzanian shilling's outlook remains stable in the near term, helped by dollar inflows from tourism and agriculture sectors and subdued dollar demand from importers. On Thursday, commercial banks quoted the shilling at 2,234/2,244 to the dollar, unchanged from a week ago. "Demand for dollars is being matched by supply at the moment, so the outlook for next week is that of continued stability," said a trader in one of Tanzania's largest banks. Historically, the Tanzania Shilling reached an all time high of 2260.80 in June of 2015 and a record low of 1014.30 in December of 2004. The shilling is expected to trade at 2251.00 by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate it to trade at 2318.00 in 12 months time. *(Daily News)*

PRESIDENT John Magufuli has directed the office of the Attorney General (AG) and other responsible ministries to speed up the amendment of Value Added Tax Act 2015, saying it is slowing down development projects. Speaking at the newly inaugurated 4bn/- modern Korogwe bus stand in Tanga Region yesterday, the Head of State said it was irrational to impose VAT on everything, especially soft loans and grants. "In 2015, we made amendments that lead to imposition of VAT on everything. These changes have affected us immensely.

When we negotiated with the World Bank (WB) on this project (Korogwe Bus Stand) the amendment hadn't been effected. "I have directed the AG, Regional Administration and Local Government and other responsible ministries to fasttrack the amendment of the section of the VAT Act during next month's Parliamentary session," Dr Magufuli said. He pointed out that when VAT was imposed on development projects funded under soft loans or grants from development partners, the government suffers immensely because it has to raise money to pay the tax. After government manages to raise the amount for VAT, President Magufuli explained, some unfaithful contractors renegotiate with Tanzania Revenue Authority (TRA) to pay only 40 per cent of the tax. He explained, furthermore, that under the circularity system involving the Finance Ministry, the funder, and taxman who seizes goods at the port, work on development projects is slowed down and original completion deadlines were not met. "That is why I have directed the Minister of Works, Transport and Communications, and his counterparts in charge of Finance, to make sure that the seized materials for the Dar es Salaam-Morogoro Standard Gauge Railway (SGR) should be released soon as we await the amendment," the President added.

Dr Magufuli said the current WB projects, which are undertaken under the 'soft loans' system do not deserve to be taxed because the VAT can be utilised elsewhere, adding, "Yes, we need VAT but not from everything because this slows down development." He pointed out, for instance, that an X-ray machine donated for serving wananchi could be seized at the port as the Taxman would demand VAT. while patients would be suffering in hospitals. "The donors give you something for free, and then you demand that they pay tax… this is sheer nonsense," said the President, as he stressed the need for amendment of the 2015 VAT Act. Meanwhile, Dr Magufuli has ordered two engineering companies Don Consult Ltd and Tansmo Contractors to resume construction of a water dam in Handeni within the next two weeks at their own costs or refund the 2.8bn/- of public funds they had already been paid. If the deadline was not met, he stated categorically, security organs in the region should arrest their officials. The President's remarks were among the highlights of a public rally he addressed in Handeni, Tanga Region en route to Dar es Salaam. He added: "They should choose between going back to the site and going to prison. The regional administration should oversee this matter." He further remarked that the engineers must push the work to an adequately satisfactory level to deserve payment of the 1.2bn/- balance. He explained that work on the 4.1bn/- project embracing water supply dams in Mkata, Namanga and Kwadungwa, for which the contractor had already pocketed 2.8bn/- was shoddy and didn't match the amount. "Those who facilitated the payments are probably enjoying the percentages they received from these companies. The boil-lancing expert has come," Dr Magufuli announced amid cheers, reiterating that his government won't tolerate to see public funds being misappropriated. *(Daily News)*

INFLATION slowed to 5.2 per cent in July from 5.4 per cent a month earlier due to price decline of main food items, the statistics office said yesterday on Wednesday. The National Bureau of Statistics (NBS) Director of Population Census and Social Statistics, Ephraim Kwesigabo said food and non-alcoholic beverages prices grew at a rate of 8.9 per cent year-on-year in July, down from 9.6 per cent in June, he said. Cereals, fish, beans and vegetables were among the food items whose prices declined, he said. The decline in price for the main food items includes meat for 3.8 per cent, raw fish at 14.1 per cent, sardines for 8.4 per cent, cabbage for 16.6 per cent, eggplant for 10.6, onions for 13.2 per cent, carrots at 16.9 per cent, green beans at 15.7 per cent and round potatoes at 13.5 per cent. At 38 per cent, food has the largest weight in Tanzania's inflation basket and tends to be the main factor behind any changes to inflation rates. Month-on-month inflation declined by 0.2 percent in July from a 0.1 percent drop in June. He said the inflation decline in July was a regional phenomenon after it slowed in Kenya to 7.47 per cent from 9.21 per cent in June and in Uganda to 5.70 per cent in July from 6.4 per cent in June. *(Daily News)*

SHILLING is expecting to moderate appreciate in this quarter due foreign currencies inflows from agro-exports and tourism. The shilling will also get a shot in the arm from central bank intervention from both side of the market, National Microfinance Bank (NMB) predicted. The bank, through its 'The Market Digest' said the shilling which depreciated by merely 0.2 per cent in quarter-two (Q2), variables are supporting the local currency gain. The Market Digest pointed out that the agriculture season sets to kick off in the coming quarter alongside tourism hence pumping more forex in the market to quell US dollar demand pressure. "…The shilling will likely moderately appreciate given the Central Bank's participation in the Interbank Foreign Exchange Market (IFEM) on both sides of the market to smoothen out volatility as well as liquidity management," the Market Digest said. On other hand, shilling pressure in Q2 subdued as import and export businesses slumped in the said period despite high liquid at forex market. "This is an outcome of slump in business confidence and consequently activities across different sectors of the economy both imports and exports were relatively low," the Digest said. The IFEM, despite a very liquid local currency market, volumes traded dropped to 441million US dollars in Q2 from 466million US dollars of previous quarter. The shilling and US dollar traded sideways in Q2 opening at 2,235/-to the dollar and traded three shillings below its open exchange rate. "…this was on the back of subdued demand as credit to private sector and money supply growth slowed," NMB's Digest said. Comparatively, during Q2, the shilling depreciated by only 0.2 per cent against a depreciation of 2.4 per cent in Q1. *(Daily News)*

TANZANIA and China trade volume is hovering around 4.6 billion US dollars annually, as both countries pledge to keep their trade and investment doors open. The Beijing's Embassy in Dar es Salaam said yesterday they will continue wooing Chinese investors to the country in a bid to increase trade volume between the two countries. "We will continue to invite our investors to come and invest in Tanzania due to the fact that there is a conducive business environment," China Embassy Chief Commercial Representative Lin Zhiyong said. Mr. Lin said yesterday that at the moment figures showed that China investment to Tanzania has gone up by over 40 per cent from 7.0 billion US dollars to current 10 billion US dollars. Mr. Lin was speaking at the one day workshop organised jointly by the Association of Tanzania Employers (ATE) with the Chinese business community on the importance of the Chinese to understand laws, business environment, working and residence permits procedures to improve their working relations with government agencies. He said that Tanzania is a unique business and investment destination eyeing to reach a middle income country while championing to the industrialization economy that target to fight against unemployment and poverty. Mr. Lin added that the workshop came timely for the Chinese business community so as they understand working regulation, revenues and other appropriate measures that should be taken by them to avoid violating the laws.

ATE, Executive Director Dr Aggrey Mlimuka said that the workshop focused on improving cooperation and relations between Chinese investors and businesspeople community with the government agencies such as labour office under the Prime Minister office, migration department and other relevant stakeholders. He said that the government is working closely with the Chinese government in enhancing bilateral cooperation that will improve business environment that attract more foreign direct investment from China. "The government has reiterated that it will continue with the fight against bureaucracy in issuing investment and working permits to foster the industrialisation drive championed by President (John) Magufuli." Dr Mlimuka noted that during the last meeting with the government, the Minister of Trade and Industry, Charles Mwijage vowed to find ways to reduce pressure from multiple regulators that seem disturbing investors while discourage businesses. He underscored that the association will ensure that the relations between the government, employers and workers continue to improve in the process of supporting the industrialisation drive in the country. Janson Huang, Chairman of Chinese Business Chamber of Tanzania has hailed the government in its efforts in reducing the red tape system that hinder most of foreign investors in running their business in the country. He commended the government in its industrialisation drive that seeks to uplift people from extreme poverty while fuelling employment to majority. *(Daily News)*

Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia's central bank cut its benchmark lending rate for a third time this year as inflation remained below the government's target. The Bank of Zambia lowered the rate to 11 percent from 12.5 percent, Governor Denny Kalyalya told reporters Thursday in Lusaka, the capital. That's the lowest level since February 2014. The southern African nation's consumer inflation rate is near the lowest since 2013, with this year's record harvest of corn, which is used to make a local porridge, leading to lower food prices. A reduction in fuel costs this month could also ease inflationary pressure in the continent's second-biggest copper producer, which has been struggling with ballooning budget deficits as metal prices fell and state spending rose. Inflation will remain in the medium-term target range of 6 percent to 8 percent over the next two years, Kalyalya said. The International Monetary Fund is still engaging with Zambia over a potential program, it said earlier this week. The nation was on course to reach a staff-level deal with the IMF for about $1.3 billion last month, Finance Minister Felix Mutati said at the time. The inflation rate fell to 6.6 percent in July and has been below the government's 9 percent target for the year since November. It peaked at 22.9 percent in February last year. Higher agricultural output, a recovery in power generation and more mining production have improved growth prospects, with the bank raising its forecast for expansion in gross domestic product this year to 4.3 percent from 3.9 percent. It increased the estimate for next year to 5.1 percent from 4.6 percent. *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

The Securities and Exchange Commission (SECZ) says CFI Holdings minority shareholders should disregard an informal offer by Messina Investments which it says undermines the integrity of the market and transparency in trading of equities on the local bourse. Messina, controlled by British tycoon, Nicholas Van Hoogstraten, on July 25 offered to purchase shares from minorities at 46 cents per share exclusive of charges, countering an earlier offer by Stalap Investment's minority offer at 22 cents per share. Stalap is an investment holding company for CFI shares owned by Zimre Holdings and owns 41 percent shareholding in the agro-industrial group. Messina Investments published a notice in the press saying that it already holds a 42 percent shareholding in CFI, together with its associates. "Members of the investing public are advised to disregard the calls by Messina Investments. The conduct of Messina Investments Limited in inviting minority shareholders of CFI Holdings to sell their shares off-market, outside the Zimbabwe Stock Market undermines the integrity of the market and inhibits transparency and efficiency required in securities market trading," the commission chief executive Tafadzwa Chinamo said in a statement on Monday. "To protect investors and promote transparency and orderly trading of securities, the Commission advises investors to trade their shares on the Zimbabwe Stock Exchange regulated platform through licensed stockbrokers only," he said. The Zimbabwe Stock Exchange last week said it viewed the notice by Messina as an unsanctioned informal offer to minorities and therefore non-compliant with the ZSE's Listing Requirements. The battle for CFI control has been under the spotlight on the local bourse, as CFI's share price rallied from 18 cents, a day before Stalap's minority offer on July 13, to close at 51,03 cents when Stalap Investments minority offer closed on Friday. CFI's current price on the market is 132 percent higher than Stalap's original minority offer price and it values the agro-industrial group at $54,2 million. *(The Source)*

AIM-listed junior miner, Premier African Minerals says it has discovered more lithium deposits at its Zulu Mine in south central Zimbabwe. The Zulu lithium project near Fort Rixon, has an estimated 20.1 million tonnes resource base grading 1.06 percent lithium oxide. Premier, which also owns 49 percent of RHA Tungsten mine in Kamativi and has three other mining projects in the country, has started drilling at Zulu mine to expand the main mining zone. "The current drilling programme has provided in-fill and expansion of the Main Zone, but more importantly, has identified a new zone with potential to exceed the already substantial resources and exploration target of the Main Zone," said Premier chief executive George Roach on Monday. Premier is planning to list Zulu mine independently. "Premier will also progress its review of strategic options for the development of Zulu and the options for unlocking value for the company and its shareholders, including possible strategic partnerships and / or the possibility of a separate listing for Zulu Lithium," said Roach last week. Metallurgical tests carried out by Premier show that the mine can produce commercial grade lithium and tantalum. Zimbabwe is already Africa's largest lithium producer and fifth largest in the world after producing 900 tonnes in 2015. *(The Source)*

South African logistics group Transnet has won a bid to recapitalise the government-owned National Railways of Zimbabwe (NRZ) with $400 million, the company's board chairman said on Thursday. Larry Mavhima said the financially struggling NRZ will begin contract negotiations with Transnet next week. *(Reuters)*

Old Mutual Zimbabwe group's after tax profit jumped seven-fold to $89,4 million in the six months to June from $12,5 million in the comparable period last year mainly due to an increase in investment income from non-banking activities, chief executive Jonas Mushosho told analysts on Wednesday. Investment income from non-banking activities jumped to $216,4 million from a loss of $24,4 million in the same period last year, attributable to gains in the equities market. Banking interest and similar income increased by 4 percent to $46,5 million while non-interest income grew 12 percent to $30,9 million in the same period. However, net earned premiums dropped slightly — by one percent — to $91 million from $91,8 million achieved in the same period in the previous year, on decreased life insurance revenue. Life sales declined by 5 percent to $10,4 million while non-life sales rose 3 percent to $153,5 million in the same period. Total revenue increased by 175 percent to $384 million from $139,8 million reported in the same period last year. Finance director, Takura Mudekunye said the group's adjusted operating profit before tax increased by 11 percent to $36,8 million from $33,1 million in the comparable period last year, driven by life assurance and asset management profits. The group's funds under management increased by 31 percent to $2,1 billion in the period , attributable to a surge in equities. "Funds under management grew by 31 percent, largely driven by the increase in equity prices and also strong net client cash flows," Mushosho said. The group's loans and advances increased by 11 percent to $617,5 million. The amount of treasury bills (TBs) that the group holds increased by 61 percent from $88,9 million in the same period last year to $143,4 million. Mushosho said the SME centre is now 50 percent complete and is expected to be commissioned in the first half of next year. The group's total assets increased to $2,39 billion from $2,16 billion previously, on the back of a an increase in investments and securities. Mushosho said the Kupinga Hydroelectric project in Chipinge, which was funded by Old Mutual, was completed during the six months under review. Old Mutual invested $5 million in the Kupinga 1,6 MW Hydro power station project , and is expecting a 17 percent annual return from the project. The group has a 20-year power purchasing agreement with Zimbabwe Electricity Transmission and Distribution Company (ZETDC). *(The Source)*

ZB Holdings reported a 38 percent increase in net profit from $5,9 million to $8,2 million in the six months to June driven by a jump in transaction revenue. Chief executive Ron Mutandagayi on Wednesday told analysts that a jump in transaction volumes had driven revenue up 17 percent from $29,4million in 2016 to $34,5 million during the period under review. "The performance is on the back of improved revenue, enhanced by dividend accruals on investments, increased transaction volumes and improved net insurance premium outturn," he said. Net interest income increased by 13 percent to $9,2 million. Operating expenses increased by 10 percent from $21,8 million to $23,9 million driven by an increase in technology related costs as the usage of electronic platforms became more pervasive. Zimbabwe is facing liquidity challenges which have forced the transacting public to shift to digital payment methods. "Intermittent system outages have been reported during the period under review as a result of increased transaction volumes. This has necessitated the commitment of further resources to strengthen the technological platforms in order to achieve system stability and improve customer experience," said Mutandagayi. Depreciation and amortisation charges remained flat at $2,7 million. Total deposits reduced by 6 percent from $275.3 million as at 31 December, 2016 to $259.8 million as at 30 June, 2017. Mutandagayi said the "deposits however remained transient and thus not suited for the creation of long dated assets." The group's total assets decreased from $439,2 million to $430,7 million. Loans and advances decreased marginally from $99 million last year to $97 million with Treasury Bill holdings declining marginally from $118 million to $117 million. Earnings Per Share grew from 4 cents to 5 cents. *(The Source)*

African Sun Limited overturned a half year 2016 loss position of $560,000 to a net profit of $190,000 in 2017 largely driven by the growth in revenue and cost management initiatives. Chairman Herbert Nkala said group revenue went up 17 percent to $21.01 million from $17.99 million same period last year, largely attributed to an 8 percent increase in occupancy. During the period, occupancy was at 45 percent up from 37 percent in prior year same period. "Occupancy growth was supported by a stronger performance from all our markets, with local, international and regional rooms sold increasing by 21 percent, 33 percent and 2 percent respectively," said Nkala in a statement. Total borrowings fell to $7,3 million in the period from $8,3 million previously. The company said its outlook for the year is bright given the second half of the year falls in the peak trading season, underpinned by expansion of the Victoria Falls airport which has increased potential arrivals to the destination by 40 percent. The hotelier did not declare a dividend in the interim. *(The Source)*

Stalap Investment's offer to CFI minority shareholders flopped with no takers as minorities wait for a higher offering on the local bourse. The Zimre Holdings controlled Stalap made the mandatory offer on July 13 at 22 cents per share after clearance from the Zimbabwe Stock Exchange (ZSE) listing committee. However, British tycoon, Nicholas Van Hoogstraten's Messina Investments, on July 25 countered, offering to purchase the shares at 46 cents per share exclusive of charges, and urged the minorities to ignore the Stalap offer. "Stalap has advised that due to unanticipated increases in the market price of CFI shares above the offer price following the opening of mandatory offer, they have not received any shares on this mandatory offer," company secretary, Panganayi Hare said in a statement on Thursday. When the minority offer closed on August 4, CFI shares traded 132 percent higher than Stalap's original minority offer price. CFI share price closed at 58,07 cents on Thursday. *(The Source)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Barclays Bank Zimbabwe reported a 191 percent increase in net income to $9,5 million in the half-year to June from $3,3 million reported in the comparable period last year on increased income. Basic earnings per share improved to 0,44 cents from 0,15 cents in the same period in 2016, as all income lines showed improvement on prior year. Total income rose by 38,6 percent to $35,05 million from $25,3 million achieved in the comparable period last year, driven by growth in both interest and non-interest income. Net income grew by 15 percent to $10,04 million while non-interest income rose 13 percent to $15,5 million in the same period. Operating expenses increased to $21,97 million from $20,3 million incurred in the same period last year, owing to higher administration and general expenses. Total deposits increased to $390,6 million from $280,4 million previously, while loans and advances to customers fell to $113,5 million from $126,5 million recorded in the same period last year. Barclays bank holds treasury bills (TBs) worth $925,000. Core capital as at June stood at $66,9 million. The central bank has set a $100 million capital threshold by December 2020. The bank's liquidity ratio increased to 79 percent from 61 percent last year, above the regulatory limit of 30 percent, while its capital adequacy ratio at 25 percent is above the regulatory limit of 12 percent. The bank did not declare a dividend. *(The Source)*

First Mutual Holdings Limited (FMHL) is seeking shareholder approval to raise $17,25 million through a rights issue to finance the acquisition of a 80,92 stake in Zimbabwe's largest short-term insurer Nicoz,Diamond. The transaction is being pushed by state-run pension fund, National Social Security Authority (NSSA) which is the majority shareholder in both FMHL (50,95 percent) and NicozDiamond (50,89 percent). NSSA is the country's biggest institutional investor with interests spanning across various sectors. It is currently restructuring its investment portfolio. As a related party, NSSA together with Capital Bank (19,93 percent) will not be eligible to vote on the transaction. "Subject to shareholder approval, FMHL will initially acquire 300,263,184 NicozDiamond shares, representing 50,89 percent of the total issued shares of Nicoz Diamond, currently held by NSSA," FMHL said in a circular to shareholders on Thursday. "NSSA has made an irrevocable undertaking to procure and deliver to FMHL an additional 177,161,256 NicozDiamond shares, constituting 30,03 percent shareholding in Nicoz Diamond, in exchange for 35,292,087 new FMHL shares." As at July 31 NicozDiamond major shareholders were NSSA (50,89 percent), Zimre Holdings (30.03 percent) and others at (19.08 percent). This implies that Zimre will sell its entire shareholding in NicozDiamond to either NSSA or FML. Subsequent to the acquisition of the NSSA and Zimre stakes, FMHL will then be required to make a mandatory offer to the remaining 19,08 percent NicozDiamond shareholders in terms of the ZSE listing requirements. Following the acquisition, FMHL intends to merge NicozDiamond with its wholly owned subsidiary, Tristar Insurance. "The mechanism for the proposed merger will depend on FMHL's ultimate shareholding in Nicoz Diamond and the process is expected to take up to 24 months to complete," the circular reads. The rationale of the transaction is to consolidate NSSA's investments in the short-term insurance industry and create synergies. *(The Source)*

Old Mutual Zimbabwe's mortgage lender Central African Building Society (CABS) reported a 20 percent drop in profit in the six months to June from $20,7 million last year to $16,5 million, weighed down by a surge in operating costs. Operating expenses were up 13,5 percent from $30 million to $33,6 million. Impairments during the period under review were $2,9 million compared to a reversal of impairments of $1,6 million last year. Net interest income in the six month period increased by 7,2 percent to $29 million. The building society achieved non -funded income of $23,7 million compared to $21,6 million previously. Deposits were up from $768 million last year to $855,6 million while loans and advances increased by 11,5 percent to $594. CABS's holdings of Treasury Bills increased from $88,4 million during the same period last year to $131,5 million pushing total assets up from $990 million last year to $1,08 billion. *(The Source)*

Dairibord Holdings narrowed its loss in the half year period to June to $845,000 from $1,9 million in the same period last year on improved revenue and a reduction in costs. The dairy processor reported a five percent revenue increase to $44,6 million driven by growth in volumes and firm price. "Volumes sold across all categories was above the previous period benefiting from investments made in 2016, line extension, firm demand and SI 64. Volumes grew by 4 percent to 37,3 million litres with liquid milks, foods and beverages increasing by 2 percent, 10 percent and 3 percent respectively," board chair Leonard Tsumba said in a statement accompanying company results on Thursday. Pfuko volumes increased by 31 percent driven by new flavours and UHT milks were 24 percent up due to improved packaging. Earnings before depreciation, amortisation, interest and tax rose to $2,9 million from $346,700 last year. Finance costs were 9 percent down to $460,000 from $507,500 last year as the company's borrowings dropped six percent from $10,4 million to $9,8 million. During the period under review, the company incurred restructuring costs amounting to $865,500. The group invested $931,000 in a UHT plant, refrigeration equipment and a water reservoir at its Chitungwiza factory. Total assets dropped by seven percent to $69 million from $74,5 million in 2016. Loss per share narrowed from 0,52 cents to 0,22 cents. *(The Source)*

Economic News

The Zimbabwe Stock Exchange (ZSE) has experienced capital flight during the year to July 31, as foreign sales amounting to $60,9 million outweighed foreign purchases of $33,5 million, resulting in a net capital outflow of $27,4 million. Participation on the local bourse by foreigners has however, been generally lower compared to last year, registering 33,8 percent of the trades in the seven months to July 31, down from the 62,36 percent achieved in the same period last year. Total foreign purchases amounted to $33,5 million compared to $48,7 million recorded in the same period last year, while equity disposals as of July 31 equalled $60,9 million relative to $77,4 million achieved in the comparable period last year. Foreign portfolio flows, from equity purchases by foreign investors, provide both liquidity and stability on the market which is positive for not only listed firms but the country at large, but now the market seems to be dominated by local investors, as foreigners lose appetite for local shares. A leading research firm and stockbroker, MMC Capital, in its latest economic report this week, expressed concern over capital flight , which has become a characteristic of the local bourse. "The difficulty in remitting sale proceeds, driven by Nostro pressures, resulted in some foreign investors opting to sell and reserve better positions in the remitting queue. The trend is worrying given that attracting foreign capital inflows has an overall positive impact on economic growth," MMC Capital said. MMC Capital said the current bull run on the ZSE is driven by local institutional investors who a opting to hold equities in order to hedge their investment portfolios from inflationary expectations. "Our view is that the surge in equities has largely been driven by local institutional investors seeking real growth component (inflation hedge) that is provided by equities. Monetary developments namely; increasing RTGs balances relative to USD cash and Nostro balances, which have pushed up premiums on USD notes, continue to drive inflationary expectations," MMC Capital added.

The research firm also said that equities are presenting attractive returns relative to other investment alternatives. "Given the minimal investment asset classes on the local market (equities, fixed income and real estate), equities remained the better asset class, given unattractive returns in the other asset classes," MMC Capital said. MMC Capital said according to their valuation metrics, the local bourse is currently overvalued and also prime for a reversal, but the growing premium between the greenback and the RTGs defies the odds. "Despite the overvaluation picture that is being postulated by the RSI and the P/E valuation metric, the growing premium between the USD notes and RTGs premium points to a persistent rise in equity prices," MMC Capital said. In a year to date, both the industrial index and the mining index advanced 42,05 percent and 24,99 percent to 205,3 points and 73,13 points respectively. The central bank is establishing a Zimbabwe Portfolio Investment Fund to the tune of $5 million , to facilitate the efficient repatriation of portfolio related funds to foreign investors invested specifically on the Zimbabwe Stock Exchange (ZSE). In his mid-term monetary policy last Wednesday, Reserve Bank of Zimbabwe (RBZ) governor John Mangudya said the central bank is very concerned over delays in repatriation of foreign exchange for securities related transactions processed by banks, despite such transactions being on the first category of the priority list for the allocation of foreign exchange.

As at June the country had a backlog of $75 million in dividends and proceeds from sales that are owed to foreign investors. "The Bank shall place an initial seed capital of $5 million in this Fund to kick-start the repatriation mechanism and improve investor confidence," Mangudya said. The fund will focus on the collection and repatriation of foreign funds related to portfolio equity purchases and sales, with the scope of the fund to include the repatriation of dividends at a later date, Mangudya said. The fund shall be put in place with effect from September 1, with the central bank having an oversight role for monitoring purposes and maintaining integrity and transparency in the functioning of the fund. Two commercial banks shall be used to ensure that all incoming and outgoing portfolio funds, shall be collected and pooled into the fund, with payments made on a first-in-first-out basis and, if required, on a pro rata basis in line with funds available in the fund post contribution. Excess funds raised will be allocated to clear the backlog with capital gains prioritised over dividends. *(The Source)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

The Zimbabwe Stock Exchange industrial index advanced 2,49 percent to close the week on 207,09 points, as local investor appetite for stocks continues to drive the market to new highs. The mining index also gained 12,94 percent to settle at 73,92 points after all mining companies recorded gains in the week. Market capitalisation increased by 2,67 percent to $5,87 billion from $5,72 billion recorded in the previous week, mirroring the gains recorded by both indices. Total market turnover, however, declined by 11,71 percent to $3,1 million this week from $3,5 million recorded in the previous week. Beverage maker Delta was largely quiet, making slight gains of 0,2 percent to close at 127,5 cents in the week. Simbisa and Econet gained 20 percent and 7,2 percent to close at 27 cents and 42 cents respectively. Hippo, Padenga and Old Mutual picked up 4,89 percent, 4,86 percent and 0,25 percent to close at 91,25 cents, 29,1 cents and 394 cents in that order. Other heavyweight counters BAT, Natfood and Innscor were unchanged at 1,805 cents, 380 cents and 72,75 cents in that order.

Leading the gainers pack was CFI whose share price rose 36,99 percent to close at 51,03 cents in the week under review. Nampak and Edgars also picked up 27,27 percent and 20 percent respectively. Masimba, StarAfrica and OK Zimbabwe gained 11,11 percent, 8,33 percent and 7,84 percent in that order. Additionally, Meikles and Dawn advanced 7,82 percent and 7,14 percent in the week under review, while Pearl and Axia added 5,88 percent and 5 percent respectively. Partially offsetting the gain recorded by the mainstream index, were ART, Barclays and ZB Financial whose share prices eased 18,18 percent, 16,9 percent and 15,15 percent respectively. On the mining space, all mining counters recorded gains, with Bindura and Riozim advancing 22,45 percent and 9,09 percent to close at 3 cents and 60 cents respectively. Hwange and Falcon also picked up 4 percent and 20 percent to settle at 2,6 cents and 1,2 cent in that order. Foreigners were net sellers in the week under review, disposing of shares worth $706,157 and purchased shares worth $316,309. *(The Source)*

WORLD Bank representative in Zimbabwe, Johannes Herdeschee has said while the country faced a myriad of problems, fiscal deficits, which have ballooned to 10% of gross domestic product, were the biggest threat to macro-economic stability. Herdeschee said this while presenting at a public seminar titled Breaking New Grounds in Agricultural Financing in Zimbabwe: The Use of Alternative Collateral and Risk Sharing Mechanisms in the capital on Friday. "It is fiscal policy that got us to where we are," he said. "The deficits are large and it is very important that each dollar be spent as efficiently and effectively as we can. "Policy advisers should be worried more about how we spend our money." The World Bank representative said Zimbabwe should bite the bullet and implement austerity measures to improve macro-economic conditions. "We should look closely at where the money goes. Fiscal adjustment is important and let's make it as less painful as we can," Herdeschee said. Zimbabwean authorities have relied heavily on the use of Treasury Bills to fund budget deficits and, by central bank's admission, they have issued more than $2 billion TBs since the beginning of the year. President Robert Mugabe, for political reasons, last year diverted more than $500 million to agriculture through syndicated debts from the private sector. "Fiscal deficit is more than 10% of GDP. It is the growth from 3% to 10% in 2015 that contributed massively to fiscal deficits," Herdeschee noted. Zimbabwe, since 2013, has been involved in discussions with multilateral financial institutions, particularly the World Bank and the International Monetary Fund. However, the discussions have borne little fruit, as the Mugabe government is reluctant to implement the suggested austerity measures now that his eyes are fixed on the 2018 elections. *(News Day)*

Finance Minister Patrick Chinamasa on Monday said government would allow local authorities with sound financial management systems in place to issue bonds and raise finance for infrastructural development. Zimbabwe has 92 local authorities, which Chinamasa said did not have capacity to prudently manage their finances. "Government will assist those local authorities whose finances are in order. We cannot continue to put money into a bottomless pit. We can only put money where finances are well managed," he said at a local authorities investment conference on Monday. "For those local authorities that are well managed I can sign off on that while I am blind folded and give authority for you to raise loans by way of infrastructure bonds but you would need to demonstrate how that bond will be retired." Chinamasa said a government-directed debt write off ahead of the 2013 elections had resulted in cumulative losses of $500 million noting that government would not consider a similar cancellation. The then local government minister, Ignatious Chombo, directed all municipalities to cancel domestic water bills and property taxes incurred by households between February 2009 and June 2013, citing a difficult economic environment that made it difficult for households to pay. Harare City Council lost $166 million following the government order. "That will never happen again. It should have never happened…where are going to get that money? It puts a big hole in (local authorities) finances," said Chinamasa. *(The Source)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe's cash-strapped government plans to build a $1 billion (770.18 million pounds) university named after 93-year-old President Robert Mugabe, the higher education minister said on Wednesday, a move that was quickly criticised by the opposition as a waste of resources. Jonathan Moyo, Higher and Tertiary Education Minister, said the Robert Gabriel Mugabe University would focus on science and technology and have an institute focusing on research and "transformative and revolutionary leadership." "Cabinet has approved a grant of $800 million towards the construction of the Robert Gabriel Mugabe University and a grant of $200 million towards the University Endowment Fund for research and innovation," Moyo said. Mugabe and his wife Grace are the founding trustees of the university that would be built outside the capital Harare. While Mugabe's rule was promising at independence in 1980, the ageing leader has been accused of wrecking the economy of the former breadbasket of the region through populist policies such as the seizure of white-owned farms. The main opposition Movement for Democratic Change (MDC), criticising the plan, said Mugabe's government should instead improve existing underfunded universities around the country. Students at state run universities and colleges struggle with lack of accommodation and crumbling infrastructure, while the government does not offer grants to help the universities. With formal unemployment above 90 percent, most graduates are forced to take informal jobs, mostly hawking goods on the streets or seeking employment in neighbouring countries, to pay for their studies. "This is populism that defies logic. It is meant to stroke Mugabe's ego because we know this government is broke," Obert Gutu, MDC spokesman said. Zimbabwe struggles to pay its workers and spends more than 90 percent of the national budget on salaries, leaving very little for roads, hospitals and education. *(Reuters)*

Zimbabwe should accelerate its plans to introduce fuel marking as the programme could save the country at least $240 million annually in revenue lost to smuggling and eventually lower fuel prices, an industry expert has said. The southern African nation's energy regulator plans to introduce a fuel marking programme from January next year and has requested for expressions of interest from companies that provide the technology. Marking involves testing the quality and quantity of fuel at source and at the distribution point to ensure compatibility. The programme would increase accountability in the fuel delivery chain and maintain quality from source. "The value of the programme is very much in terms of saving excise revenue for the government. From that investment government should be able to pass it through to the benefit of consumers either through lower pump prices or through more investment in other areas downstream of the distribution chain," Authentix vice president for Oil and gas Sten Bertelsen told The Source on Wednesday. "There is high return on investment these programmes pay for themselves within months and government can use those proceeds for their own benefits." Authentix managing director for Southern and East Africa, Johann van Niekerk told journalists that the estimate of $240 million were 'very conservative' after the Zimbabwe Revenue Authority suggested recently that the cost of smuggled fuel was costing the State over $1 billion in undeclared levies. Zimbabwe's fuel remains highly priced when compared to regional peers mainly because of poor infrastructure and the various taxes charged on imports.

Diesel and petrol are charged taxies and levies amounting to 0,50 cents and 0,63 cents respectively. These include duty, ZINARA road levy, carbon tax, debt redemption, strategic reserve levy and the NocZim debt levy. The later was introduced in 2003 to clear the now disbanded parastatal's accumulated debt to mostly foreign fuel suppliers and is charged at 6,7 cents for petrol and 1,3 cents for diesel per litre. According to the Zimbabwe National Statistics (Zimstat), the country imports 1,5 billion litres of fuel and lubricants at an estimated cost of $1,3 billion annually. A recent study by Authentix analysing fuel usage and consumption patterns in the country noted that Zimbabwe's vehicle to fuel ratio was nearly five-fold below that of neighbouring countries. The research shows that an individual vehicle in Zimbabwe uses an average of 801 litres per year while neighbouring countries like Namibia, Mozambique, Zambia, Tanzania and Botswana have consumptions levels of 4,660 litres, 4,832 litres , 3,537 litres, 3,519 litres and 3,537 litres per vehicle. This suggests that fuel imports into the country are massively under declared. *(The Source)*

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