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	12-Feb-16	19-Feb-16	Local	USD	31-Dec-15	Local	USD
Botswana	DCI	10314.07	10440.28	1.22%	1.58%	10602.32	-1.53%	-1.80%
Egypt	CASE 30	5813.72	5944.47	2.25%	2.27%	7006.01	-15.15%	-15.16%
Ghana	GSE Comp Index	2000.70	1992.63	-0.40%	-0.70%	1994.00	-0.07%	-3.94%
Ivory Coast	BRVM Composite	293.81	298.86	1.72%	-0.20%	303.93	-1.67%	0.05%
Kenya	NSE 20	3790.54	3843.57	1.40%	1.47%	4040.75	-4.88%	-4.38%
Malawi	Malawi All Share	14360.00	14360.00	0.00%	-2.24%	14562.53	-1.39%	-14.74%
Mauritius	SEMDEX	1853.38	1827.63	-1.39%	-1.53%	1,811.07	0.91%	1.95%
	SEM 10	355.64	349.76	-1.65%	-1.79%	346.35	0.98%	2.02%
Namibia	Overall Index	850.12	879.25	3.43%	6.44%	865.49	1.59%	1.46%
Nigeria	Nigeria All Share	24689.69	24432.51	-1.04%	-1.15%	28,642.25	-14.70%	-14.28%
Swaziland	All Share	335.09	335.09	0.00%	2.91%	327.25	2.40%	2.26%
Tanzania	TSI	4156.51	4152.76	-0.09%	-0.55%	4478.13	-7.27%	-8.51%
Zambia	LUSE All Share	5557.58	5548.53	-0.16%	-0.79%	5734.68	-3.25%	-6.57%
Zimbabwe	Industrial Index	100.84	98.92	-1.90%	-1.90%	114.85	-13.87%	-13.87%
	Mining Index	18.74	18.74	0.00%	0.00%	23.70	-20.93%	-20.93%

CURRENCIES

Cur-rency	12-Feb-16 Close	19-Feb-16 Close	WTD % Change	YTD % Change
BWP	11.11	11.07	-0.35	-0.27
EGP	7.81	7.81	-0.02	-0.01
GHS	3.95	3.96	0.30	-3.87
CFA	578.86	590.00	1.92	1.75
KES	100.06	99.99	-0.07	0.53
MWK	727.02	743.70	2.29	-13.54
MUR	34.29	34.34	0.14	1.03
NAD	15.87	15.42	-2.83	-0.13
NGN	196.11	196.32	0.11	0.49
SZL	15.87	15.42	-2.82	-0.13
TZS	2,134.73	2,144.64	0.46	-1.34
ZMW	11.26	11.34	0.63	-3.44

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's annual consumer inflation slowed to 2.7 percent in January from 3.1 percent in December, data from the statistics office showed on Monday. On a month-on-month basis, prices ticked up 0.4 percent in January after being flat in December, Statistics Botswana said. *(Reuters)*

Botswana's central bank left its benchmark lending rate unchanged at 6 percent on Wednesday, saying the current policy stance was achieving the bank's inflation and growth targets. "The inflation forecast suggest that the prevailing monetary policy stance is consistent with maintaining inflation within the Bank's medium-term objective range of 3 - 6 percent," the Bank of Botswana said in a statement. The bank said it expected GDP growth at 1.2 percent in the twelve months to September 2015 compared to 4.1 percent growth in the same period in 2014. *(Reuters)*

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt's central bank has injected over $14 billion dollars into local banks over the past three months to facilitate import activity and curb inflation on essential goods, a government statement said on Thursday. Egypt has been facing an acute dollar shortage that has hampered import activity and sapped industrial production ever since a 2011 uprising drove away foreign investors and tourists, key sources of dollars. The government has in recent months applied various measures, from import restrictions to higher tariffs, to conserve scarce dollars while the central bank has injected foreign currency into the banking system to free up essential imports. "The central bank and Egyptian banks have embarked on an urgent plan to facilitate foreign trade in order to provide for production and for essential consumer goods for Egyptian citizens," a central bank report cited in the statement said. "To this end the central bank has provided more than $14 billion over three months and this has had an immediate impact on foreign trade and industrial activity," it continued. The dollar injections have helped push down prices on essential food items by 25 to 35 percent, the statement added. Egypt's annual urban consumer inflation fell to 10.1 percent in January from 11.1 percent the previous month, the statistics agency CAMPAS said earlier in the week. The central bank report said the dollar injections did not affect its level of foreign reserves, which have remained steady around $16 billion dollars in recent months, or roughly enough for three months of imports.

"In the context of increasing confidence in the Egyptian economy, and the investment environment in Egypt, the central bank has been able to preserve the level of international reserves despite making the necessary monetary payments alluded to," the statement said, without further explanation. Egypt's central bank has been rationing dollars and keeping the pound artificially strong at 7.7301 per dollar through weekly dollar auctions. In a move seen by economists as a way to limit dollarization ahead of a potential currency devaluation, Egypt's state banks in November raised interest rates on certificates of deposit to 12.5 percent from about 10 percent. The CD rate hike "led to inflows of more than 120 billion Egyptian pounds ($15.33 billion) into these instruments," the statement said. *(Reuters)*

Egypt's central bank raised on Monday the cap on foreign currency deposits at banks to $1 million a month for exporting companies, easing restrictions that have led to manufacturing components pile up at ports. According to an as-yet unpublished central bank statement, the new rules require firms to earn within three months foreign revenues through their exports equivalent to the sum they deposit to finance imports of components. The statement was sent to Reuters by a market source and confirmed by a central bank official. Egypt has struggled to restore economic growth since an uprising in 2011 drove away tourists and foreign investors, two major sources of the hard currency the import-dependent country needs to finance its purchases of everything from wheat to cars. With forex reserves at half their pre-uprising level, the Egyptian pound has come under increasing pressure. The central bank, reluctant to devalue the currency, imposed rules a year ago limiting to $50,000 a month the amount of dollars any company is allowed to deposit in the bank. The aim was to stamp out a currency black market but the rules stifled trade as companies could no longer open letters of credit to finance imports. Though essential food, medicine and raw materials were prioritised, manufacturing components and a wide range of other food and consumer products were not.

The central bank last month raised the cap on forex deposits fivefold to $250,000 for essential food, medicine and raw materials, relieving some pressure. But manufacturers continued to feel the pinch, with General Motors joining in the last week a number of companies that have had to pause or slow production. The central bank says it wants to ensure precious dollars are put to the best use and to reduce dollar demand by cutting Egypt's import bill by a quarter. Businesses have urged the central bank to scrap dollar caps entirely, and economists

have long said the central bank will ultimately have to devalue. Last month's decision to raise the cap saw companies return to the black market to source dollars and channel them into the banking system. That has widened the gap between the official exchange rate of 7.7301 pounds to the dollar and the black market rate, which on Monday touched 9 for the first time. *(Reuters)*

Egypt's central bank began cracking down on exchange bureaus who have been selling currency at unofficial rates as a black market for dollars surged amid a currency crisis and speculation of a devaluation. Egypt, which relies heavily on imports, has been facing a foreign currency shortage since a 2011 uprising drove away tourists and investors - major sources of hard currency. The country's reserves tumbled from about $36 billion in 2011 to $16.48 billion in January as the central bank kept the exchange rate artificially strong at 7.7301 pounds per dollar. The black market rate hovered over 9 pounds per dollar this week, up from around 8.8 pounds last Thursday. Egypt's central bank closed down four exchange companies, with a total of 27 bureaus across Egypt, over the past two days for violations including selling foreign currency at unofficial rates, sources in exchange bureaus told Reuters on Wednesday. There are 111 exchange bureaus operating in Egypt according to central bank data. "The information we have is that there is a list of 10 companies that the central bank intends to close completely. Four of them were closed now due to violations in pricing of currencies, among other violations," one exchange bureau source said.

Late last month the central bank met with the biggest exchange bureaus in an effort to keep a lid on black market rates by allowing exchange bureaus to sell dollars within a specific range above official prices. The central bank does not have a spokesperson and officials were not immediately available for comment. Sources dealing with the black market told Reuters that, according to the agreement, the central bank would allow them to sell dollars up to 8.6 pounds per dollar but if they exceeded that amount they could be shut down and their license revoked. Former central bank governor Hisham Ramez, who stepped down late last year, had fought the black market head on, talking publicly about crushing it and shutting down dozens of exchange bureaus selling at unofficial rates. Tarek Amer, who took over from Ramez in November, was described by bankers and exchange traders as trying to work with exchange bureaus to control the market, but the recent closures could indicate a change in approach. "Many companies are now studying the temporary halting of operations for fear of being closed for good by the central bank as part of their campaign on exchange bureaus," another source at an exchange bureau said. Two sources in the black market said the rate for dollars had slipped slightly after the closures of the exchange bureaus to reach 9.05 pounds per dollar on Thursday compared with 9.10 pounds a day earlier. *(Reuters)*

Egypt's economic growth slowed to 3 percent in the three months ending 31 September last year, down from 5.6 percent in the same period a year earlier, the central bank's January bulletin showed. The total GDP for the first quarter of the current fiscal year, which ends in June 2016, was EGP 495.5 billion ($63.3 billion), according to the bulletin published on Wednesday. Egypt had revised its GDP growth forecast for fiscal year 2015/16 to 5.5 percent up from 5 percent, according to statements by the planning minister in December. Egypt suffered from an economic crisis following the 2011 revolution; that year growth slowed to 2.2 percent, although it had recovered to 4.2 percent in the last fiscal year. *(Egypt.com)*

Egypt's Central Bank (CBE) will now allow exporting companies to deposit one million US dollars, or equivalent of foreign currencies, monthly at local lenders, cancelling the daily cap, the bank said Monday on its website. The CBE's recent decision came three weeks after it raised the limit on dollar deposits for staple imports from $50,000 to $250,000 monthly in an attempt to eradicate the foreign currency black market that reportedly witnessed a hike in the exchange rate of greenback to register EGP 9 on Monday. The companies will be required within three months to generate export revenue at least equal to the sum they deposited. State news agency MENA cited an anonymous CBE official on Tuesday who denied any step being taken by the bank toward the devaluation of the local currency. This contradicts projections made by bankers and economists, surveyed by Ahram Online, that the Egyptian pound would be depreciated to 8 against the dollar. The CBE has already imposed strict regulations on financing imports to prioritise essential, non-luxury goods, aiming to reduce Egypt's import bill by $20 billion this year after reaching $80 billion in 2015, according to statements made by governor Tarek Amer in an interview with Reuters. In a report handed to the Egyptian Premier, CBE said it injected around $14 billion dollars into local banks over the past three months to facilitate import activity and curb inflation on essential goods.

Amer expected the country's foreign reserves to increase to $17.4 billion from the current $16.4 billion after the CBE received a $900 million loan from China earlier this month. *(Egypt.com)*

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Ghana

Corporate News

Anglogold Ashanti says it has no intention of moving out of Ghana despite the current challenges with illegal miners at its Obuasi concession. The illegal miners have been encroaching on the company's concessions. The firm has been forced to shut down part of its operations at the mine and has also asked some staff to go home after the death of the company's Communications Manager. Group Head of Investor Relations at Anglogold Ashanti, Stewart Bailey, says although the situation is unfortunate the firm has not thought about leaving the country. He says the firm is working to resolved the challenges. The mining firm says it has begun the search for a new partner to help re-redevelop the Obuasi mine after one of its partners, Randgold backed out of an agreement to re-develop the concession. *(Ghana Web)*

Ecobank bank Ghana's Managing Director Mr. Samuel Ashitey Adjei has stepped down. The move follows his appointment as the MD for the bank's recently combined region, Central, Eastern, and Southern African (CESA) Countries, consisting of 18 subsidiaries. Mr. Adjei's exit from Ecobank Ghana will be on the 30th March, 2016. Its unclear who will take up his position in Ghana following his exit. Mr. Sam Adjei, assumed the position of Managing Director for Ecobank Ghana in 2006 and is credited with the bank's outstanding performance in the last several years. He is credited with increasing the bank's branches from eight to 78 branches during his tenure. Mr. Adjei, who started his banking career over 25 years ago, has spent the significant part of his career with Ecobank. He joined Ecobank in 1990 and held several business leadership positions until his appointment as Managing Director. Prior to the MD role, He was Deputy Managing Director for a year, and following that, was an executive director, and head of Corporate Banking & Treasury. "I have spent the last 25 years of my life, contributing to and helping to build this great institution of ours – Ecobank. But the real credit goes to the many great men and women alongside whom I have worked in Ecobank Ghana, the West African Monetary Zone region, and Ecobank overall.

I have had the privilege of working with the best and brightest in the industry. Together, my leadership team, and the respective boards of directors, have been the pillar of success at Ecobank Ghana, and the West African Monetary Zone region. I leave my customers and my partners in the industry with a heavy heart, but I continue to believe that it is the overall franchise that has contributed to their respective journeys with Ecobank, and I wish them all well with continued success." Ecobank Group CEO Ade Ayeyemi praised Mr Adjei for his contribution to the bank "over the last several years, and more so in the last 10 years, as Managing Director, Sam has taken our Ghana Subsidiary to unprecedented leadership heights, and has given us a franchise that is well positioned for continued and sustainable success. The last 10 years have seen this subsidiary grow exponentially. It has become the most successful and profitable subsidiary, both internally within the Ecobank Group, and externally in the Ghana banking industry. We are confident that Sam will exemplify this success in his new role as Regional Executive for our newly created CESA Region." Meanwhile chairman of the Ecobank Ghana Board, Mr. Terence Darko, said: "Sam is a modest and assiduous gentleman. It has been a pleasure to work and learn from him the business of banking. This is a well-earned promotion. On behalf of the Ecobank Ghana Board, its Management team and staff, I would like to thank Sam for his commitment and outstanding leadership over the last ten years. We wish Sam continued success in his new and challenging assignment. There is no doubt that he will replicate this success in his new role." *(Ghana Web)*

Economic News

Ghana will issue a new five-year domestic bond to raise 500 million cedis ($125.62 million) on Feb. 25 to finance government programmes in the 2016 budget. Finance Minister Seth Terkper disclosed this last Thursday. The country is seeking cheaper ways to finance its debt and spending as it follows a three-year aid programme with the International Monetary Fund to remedy a high deficit, inflation above target and a widening public debt. February's bond, open to offshore investors, will mainly target institutional investors such as pension funds and unit trusts under a 'book-runners' system the government introduced last year. "It's a new issue we want to take from the market," Samuel Arkhurst, head of debt management at the Finance Ministry told Reuters, adding that the proceeds will be used to support

government's finances. Ghana paid a yield of 24 percent on the last five-year debt issued under the book-running system arranged jointly by Barclays Bank Ghana, Stanbic Bank Ghana and Strategic African Securities last November. Interest rates in Ghana are among the highest in the region, reflecting the fiscal challenges facing the economy. The yield on its weekly benchmark 91-day Treasury bill stood at 22.7521 percent on Feb. 5. Finance Minister Seth Terkper told reporters on Tuesday the government was pursuing a new management strategy to reduce its public debt, which currently stood around 70 percent of GDP in November. Consumer inflation stood at 19 per cent in January. *(Ghana Web)*

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TRADING

Kenya

Corporate News

UK explorer, Tullow Oil, estimates that Kenyan oil can be commercially extracted at a break-even cost of about $25 (Sh2,543) per barrel (bbl), lower than the current global price of $30. Tullow, which released its 2015 financial results on Wednesday, said studies indicate that the Kenyan oil had relatively low cost of development and production amounting to $25 per barrel. It means that Kenyan oil reserves, estimated at about one billion barrels, are commercially viable at the current international price of $30 a barrel. "Studies indicate low full cycle cost circa $25/bbl (capital expense, operating expense and tariff)," said Tullow when it released its full-year results. The true price will be known once the explorer completes a field development plan which will show if local production is viable, the amount of financing required and will pave the way for an investment decision to be made. A draft field development plan was submitted to the government in December and Tullow expects that a final plan will be completed by the end of this year. Tullow is working on a similar plan in neighbouring Uganda. The plan will also include the best route for a pipeline. The Kenyan and Uganda governments have already agreed to have it pass through northern Kenya though some oil firms have hinted that they prefer the Tanzanian route. Should the Kenyan resources prove commercially viable, Tullow said that it would take at least three-and-a-half years after the project has been sanctioned (extraction given a go-ahead) before Kenya can extract its first barrel of oil. However the date for the sanction is still unknown.

Analysts say if Kenya's reserves are commercially viable they will catalyse the various infrastructure projects such as ports, roads and railway lines that have been in the pipeline. "It means that infrastructure can actually be developed along the proposed northern Kenya pipeline route to the port city of Lamu. Kenya is one of the few low cost developments available in the world. Tullow states that Kenya's project will be sanctioned in the future when 'the conditions are right' but the advantage is that the country has viable low cost oil," said analysts at Nairobi-based Standard Investment Bank. The $30 per barrel level is a 12-year low and has discouraged investment in exploring new territories. The falling price of oil on the international market was the biggest contributor to Tullow's full-year loss. Tullow reported losses of Sh102 billion ($1 billion) after tax for 2015 which is an improvement from a loss of Sh158 billion ($1.55 billion) posted the year before. The oil explorer is still forging ahead with exploration plans in the region despite scaling back in other territories where it operates. Currently Tullow is drilling the Cheptuket-1 well in Kerio Valley which should be completed by end of February as it works on how best to utilise its other resources. Tullow's partner Canada's Africa Oil is also bullish that prices will recover and has been raising funds for local exploration.
Africa Oil received Sh44 billion ($427 million) from Maersk after selling its stakes on its northern Kenya and Ethiopia blocks. Maersk bought a 25-per cent stake in all of Africa Oil's Kenyan based-blocks and an equal stake in the Ethiopia Rift Basin block as well as a 15-per cent in the Ethiopia South Omo blocks. *(New Times)*

Listed investment firm TransCentury has moved to reassure investors of their ability to repay the Sh8 billion debt that falls due next month. The company whose chief executive left last month has said it is confident that the convertible bond issued by its wholly owned subsidiary, TC Mauritius Holdings Limited (TC Mauritius) will be settled on time. "The company is implementing a fund raising programme and the board is confident that an agreement will be made to settle the TC Mauritius debt," the company's board of directors said in a statement in a regulatory filling. The management did not however give details on how they will raise the money stating that formal announcements including all relevant information on the entire progress will be made at the appropriate time. Last week, the company was the biggest looser at the Nairobi bourse shedding 19 per cent of its share value to close trading at Sh5.7. Trans-Century was valued at Sh13.35 billion upon entering the stock market in July 2011, when it listed by introduction some 267 million shares at Sh50 each. The share price climbed to Sh57 before starting to roll back. Today, it is worth Sh2.4 billion. The company formed by a group wealthy Kenyans back in 1997 has investments in energy, engineering and logistics in a number of countries in Africa. *(Nation)*

Kenya Airways has selected U.S. investment banking firm PJT Partners to advise on long-term capital-raising and the restructuring of its balance sheet, as it seeks to secure its survival after a long period of losses. The airline has been making losses for the past three and a half years and last year needed a bridging loan to keep flying. The Kenyan government, which holds a 29.8 percent stake, has said the carrier

requires a capital injection of $500-$600 million to survive. "We are at a stage where our turnaround strategy is beginning to gain traction," Mbuvi Ngunze, the airline's chief executive said late on Monday. He said PJT Partners, which offers strategy, restructuring and fund-raising services, will work with the carrier over the next six to nine months. The airline, also 26.7 percent owned by Air France KLM, drew down half of its $200 million bridging loan with Cairo-based Afreximbank last year. It is also selling some of its Boeing-made, wide-body aircrafts as well as land to shore up its capital. A series of Islamist militant attacks in Kenya has hurt the country's tourism industry, cutting into the airline's revenue right after it bought expensive, modern airplanes. Its shares ended at 4.30 shillings on Monday, close to a record low of 4.05 shillings. The shares have lost 57 percent of their value in the past year. *(Reuters)*

Book publisher Longhorn Kenya Ltd said on Friday its first-half pretax profit nearly doubled, helped by higher book sales. The company that specialises in text books for schools said its pretax profit for the first-half ended December rose to 97.5 million shillings ($958,702) from 49.7 million shillings a year earlier. Revenue rose 57 percent to 831.4 million shillings, it said. *(Reuters)*

Kenya Electricity Generating Company (KenGen) has announced a plan to set up a geothermal board of consultants as it seeks to step up power production from the resources. The state owned company Thursday begun the recruitment exercise of the six consultants, four foreign and two local. The experts will advise KenGen's management on geothermal development activities and power plants operations annually, subject to yearly renewal for a period of four years. "Two of the six experts must be local experts. One local expert will be specialized in geothermal drilling while the other will be specialized in geothermal field exploration and development," reads an expression of interest notice published by KenGen. In the period to 2018, KenGen is seeking to increase its geothermal power production capacity to 1,260 megawatts, to support growing demand for electricity estimated to be 8 per cent annually.

In the plan by the government to increase power production capacity in the short term, generation from geothermal resources is expected to take the leading role. In October 2014, geothermal overtook hydro as the leading source of electricity in the country. It is estimated that the country has a potential of up to 10,000 megawatts of geothermal power. A study carried out by KenGen last year revealed that Kenya is among the top ten leading producers of geothermal power in the world with the installed capacity surpassing that of economic giants like Germany, Japan, Russia and China. READ: Sh20 billion power project back on track. Apart from KenGen, geothermal power is also produced by Ormat Technologies which increased its output to 139 megawatts early this month with the commissioning of plant 4 located within the Olkaria III complex. The experts will specifically advise KenGen on field exploration and development, drilling technology and management, geothermal power plant development and project management. *(Nation)*

Economic News

Kenya Ports Authority said on Monday it had replaced senior managers at Mombasa port in response to pressure to tackle drug and ivory smuggling at East Africa's main trade gateway. Masden Madoka, the port's chairman, said managing director Gichiri Ndua and five other senior managers had been sent into early retirement and several others were likely to follow. There are no suggestions any of the six were directly involved in smuggling, though Madoka said investigations into corruption were ongoing. "There have been complaints levelled against the KPA (Kenyan Ports Authority) and it was time such drastic action was taken," he told journalists. Ndua could not be reached for comment, despite several attempts to contact him by telephone. The Indian Ocean port is a vital artery for East African trade, handling fuel and other imports for landlocked neighbours including Uganda and South Sudan. The region's main exports, tea and coffee, are also shipped out of Mombasa. Western diplomats say it is also the main exit point for ivory poached in East Africa and smuggled to Asia, and has become a key entry point of Afghan heroin bound for Europe via East Africa. Officials of the port and other government agencies there have faced frequent and widespread accusations of colluding with rogue importers and exporters, depriving Kenya of tax revenues. While there have been no convictions, the port has become a focal point for a campaign by President Uhuru Kenyatta to boost economic growth by improving efficiency and fighting criminal cartels. Madoka said Catherine Muturi, who was the port's general manager for finance and administration, has been appointed acting managing director. In another effort to curb smuggling, Madoka also said all transit cargo coming through Mombasa would be cleared within the port.

At present, some containers bound for outside Kenya are cleared at privately run container freight stations located outside the port. The government shut down two such stations last month. *(Reuters)*

Kenya's central bank sought to mop up 15 billion shillings ($147.5 million) from the market on Tuesday, saying there was excess liquidity. The bank frequently uses repurchase agreements (repos) and term auction deposits to mop up excess liquidity in the banking sector to keep lending rates within its desired levels. *(Reuters)*

Kenya is reviewing all laws and regulations governing its nascent Islamic Finance industry to aid the issuance of a debut Islamic law-compliant bond known as a sukuk, its attorney general said on Wednesday. "We want to be able to facilitate the issuance of the bond," Githu Muigai told Reuters, adding the process will be completed in a maximum of nine months. *(Reuters)*

Kenya's shilling was steady on Wednesday but traders said it was likely to strengthen, helped by expected dollar inflows from non-governmental organisations and tea and flower exporters. At 0716 GMT, commercial banks quoted the shilling at 101.75/85 to the dollar, the same as Tuesday's close. "Outlook is for a stronger shilling until we see a pick-up in end-of-month demand if it comes in," said a senior trader at one commercial bank. The trader said the shilling was also benefiting from low oil prices, which had translated into a lower import bill. *(Reuters)*

The Central Bank of Kenya (CBK) will push to avail large depositors at the troubled Imperial Bank Limited with access to their funds by end of next month despite efforts by shareholders to stop it. CBK Governor Dr Patrick Njoroge told the National Assembly Committee on Finance that detailed examination of loans and deposits of more than Sh1 million will be completed by March 31 to allow genuine ones access their funds. “We are looking at the details whether Know Your Customer was done, whether the loans have security and not just on paper and hopefully we will complete by March,” he said. The regulator says they have paid out Sh6.4 billion to 16,955 small and huge depositors who came forward after CBK decided to pay Sh1 million or less through the Kenya Commercial Bank (KCB) and Diamond Trust Bank (DTB) in December last year. CBK has turned down 900 claims and returned 1,200 others to the depositors seeking further proof.
Earlier this month, shareholders of the troubled bank went to court seeking orders to stop further payouts to depositors in order to protect the lender's assets and facilitate recovery. The shareholders want to protect their key assets which they argue are the large deposits to keep the money in the bank for at least three years while it stabilizes. Dr Njoroge says he is not willing to re-open the bank just to end up closing it a few months down the line. “We are open to discussions with the shareholders but we will only re-open to stay open, we are not in the business of opening temporarily then closing,” he said.

The fate of over Sh80 billions in loans, deposits and assets hangs in the balance leaving several organisations exposed with their money stuck in the troubled bank for four months since Imperial Bank was put under receivership in October 13, last year. Fund managers and banks which had invested Sh2 billion in a bond when Imperial Bank was fundraising may only get 5per cent return on their five year investment.
One of the Kenya’s biggest bread maker Kenblest which owns 12.5 per cent of Imperial Securities has seen its fortunes tied to the troubled bank. The Kenya Tea Development Agency (KTDA) had Sh2.3 billion at the time of its closure, putting tea growers in the list of big losers with the bank’s collapse. The KTDA’s cash is expected to have been held in a fixed deposit account to earn the tea agency interest income, one of the revenue streams that complement its earnings from tea sales every year. Center for Justice and Environmental Action (CJEA), Mombasa as well as Sunrise of Africa School in Kitengela had money in Imperial Bank. The Insurance Regulatory Authority (IRA) has disclosed that insurance firms had a total of Sh1.5 billion in the ill-fated lender. Some of Kenya’s big banks say they had limited exposure to Imperial Bank with Equity and Diamond Trust stating that they had no money banked at the bank while CFC Stanbic has said it had no material exposure.
KCB said it had an immaterial exposure of less than Sh200m which was in the fallen financial institution. “Imperial's local interbank borrowings stood at Sh1.3 billion which equates to 2 per cent of system wide interbank assets while exposures through letters of credit, guarantees, totalled Sh7.4 billion or just 1 per cent of the total system's off-balance sheet commitments,” Standard Bank Group (SBG) analysts said in a note to investors. Some Catholic churches in Mombasa may have found themselves exposed to the bank, which had a strong presence in the coastal region. *(Nation)*

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TRADING

The Central Bank of Kenya wants Parliament to give it time to compel banks to lower their lending rates instead of imposing caps through the Central Bank of Kenya (Amendment) Bill 2015. The regulator last week published the lending rates of each commercial bank, which showed that lenders were charging up to three times the reference rate set by the CBK. CBK Governor Patrick Njoroge said that given time, the market will force banks to re-price their loans or lose their dominance. "Right now the banks are under a lot of pressure from the population, from you (MPs) and from us as the regulator. They have large margins but they will adjust or lose their positions," Dr Njoroge said on Tuesday. MPs, through a legislative proposal filed by Sirisia MP John Waluke, want to cap interest rates to five per cent above the Central Bank Rate, which was retained at 11.5 per cent in the January monetary policy meeting. The MPs say banks have been ignoring indications from CBK including the Kenya Bankers Reference Rate, the benchmark for pricing loans which was retained at 9.87 per cent. However, Dr Njoroge said interest rate controls would be "harmful and ineffective" and only promote the emergence of a parallel market.
"It will encourage an informal system where banks will abandon risky loans and loan sharks will emerge and prey on the weakest," the governor told the National Assembly committee on Finance on Tuesday. He said banks could start rationing credit, which will deny the small and medium enterprises crucial funds to spur economic growth.

Dr Njoroge said lenders will still be able to avoid the caps by hiding charges and fees, which will make their pricing even more opaque. "I strongly urge you to reconsider, we are just beginning to use soft power to tighten responsibility," he said. The regulator said capping interest rates will have a negative effect through the whole economy affecting non-bank sectors. Meanwhile, CBK will push to provide huge depositors at the troubled Imperial Bank Ltd with access to their funds by the end of next month, despite efforts by shareholders to stop it.
Dr Njoroge told the committee that detailed examination of loans and deposits of more than Sh1 million will be completed by March 31 to allow genuine ones access their funds. "We are looking at the details whether Know Your Customer was done, whether the loans have security and not just on paper and hopefully we will complete by March," he said. *(Nation)*

Kenya has signed a global tax deal that will help to crackdown on multinationals and individuals keen on evading taxes and curtail the use of tax havens. The law will make it harder for multinationals who concentrate their taxes in low-tax countries and tax havens thereby denying regular countries their share of tax revenues. Kenya's Ambassador to France Salma Ahmed, signed the Convention in the presence of the Organisation for Economic Cooperation and Development (OECD) Deputy Secretary General, Douglas Frantz committing to exchange of information that would help governments to collect revenue domestically. Kenya becomes the 12th African country to sign the Convention and the 94th jurisdiction to join it. "This is part of our commitment to reduce the scope of tax avoidance and evasion through up-scaling use of electronic data matching and third party information," Kenya Revenue Authority (KRA) Commissioner General John Njiraini wrote to the Nation. The convention will not only make it possible to reveal the names of tax evaders, but also make it easier for the government to pursue them within and outside the country. The agreement is the most comprehensive multilateral instrument available for all forms of co-operation to tackle tax evasion and avoidance. It provides for exchange of information on request, spontaneous exchange, automatic exchange, tax examinations abroad, simultaneous tax examinations and assistance in tax collection.

According to the report from the Independent Commission for the Reform of International Corporate Taxation (ICRICT), released late last year, tax abuses by global corporations are driving up local taxes and siphoning trillions from the developed world. "When corporations do not pay their fair share of tax in developed countries, essential public services and infrastructure spending are cut, and the tax burden is shifted onto ordinary citizens, usually in the form of regressive consumption taxes such as value-added taxes (VAT)," the report reads. Kenya has also enacted a Tax Procedures Act giving KRA powers to investigate pricing arrangements between local units of multinationals with their parent companies and overturn any that it deems to have been structured with the intention of avoiding tax. This comes as KRA was reported to have missed its half-year revenue-collection targets by Sh47.6 billion, according to a draft budget policy statement by the Treasury. The twin moves however leave Treasury in an awkward position over some bilateral agreements that are seen to promote tax avoidance. Treasury is fighting in court to keep a tax agreement out of parliament after a lobby group, Tax Justice Network-Africa, sued them over a pact it signed with Mauritius back in 2012.

The double taxation avoidance agreement allows firms registered in the two countries to pay taxes in only one country. However, the Indian Ocean country is regarded as a tax haven because income tax is at a maximum of 15 per cent while Kenya's is 30 per cent. KRA has been on record admitting that some of the DTA's have been abused by some of the companies to avoid the taxman. Due to the exploitation of the current transfer pricing regime (transaction between related firms located in different States), Kenya has been losing billions of shilling. Naivasha based Karuturi firm sold flowers directly to Europe although according to its records, it was selling them to a subsidiary in Dubai first at very low prices. The International Monetary Fund researchers suggest that poor countries are losing as much as Sh20.4 trillion (USD212 billion) a year to tax avoidance by multinationals. *(Nation)*

Kenya will cut its planned domestic borrowing for the 2015/16 (July-June) fiscal year by about a quarter to 168 billion shillings ($1.65 billion), on the back of expenditure cuts of 1 percent of GDP, its finance minister said on Thursday. The plan, contained in a supplementary budget that is yet to be approved by the cabinet and the national assembly, will reduce the budget deficit to just under 7 percent of the gross domestic product, from the initial target of 8.7 percent, Henry Rotich told Reuters. "It (deficit) is coming down from about 8.5 percent to about 6.9 percent," he said. The expenditure cuts, which amount to 50-60 billion shillings, had been considered carefully to ensure they do not hurt the country's economic prospects. "We have done very careful cuts so it doesn't impact on the growth," Rotich said. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's consumer inflation slowed to 23.5 percent year-on-year in January from 24.9 percent in December, data from the National Statistical Office showed on Tuesday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

Mauritian hotel group Lux Island Resorts' second-quarter pretax profit rose by nearly 23 percent year on year to 327.82 million rupees ($9.26 million) on higher tourist arrivals, it said on Friday. The company is benifiting from a growth in a tourism sector that is a key source of hard currency for the Indian Ocean island nation known for its spas and beaches and which is expected to attract up to 10 percent more visitors this year. The luxury hotel group, which also has properties in the Maldives and Reunion, said occupancy rates nudged up to 83 percent, lifting group earnings in the three months to Dec. 31. Revenue rose to 1.54 billion rupees from 1.36 billion, with earnings per share climbing to 2.11 rupees from 2.06 rupees. The company said that both occupancy and the average daily rate for the current quarter for its Mauritius properties are ahead of last year. Performance of its Reunion unit is expected to be similar to last year, while visitor numbers in the Maldives are also on the rise, the company added. *(Reuters)*

SBM Holdings Ltd., Mauritius's second-biggest company by market value, is completing a deal to acquire a Kenyan bank as part of a plan to expand outside its home market, Chairman Kee Chong Li Kwong Wing said. The lender, based in Port Louis, the capital of the Indian Ocean island nation, is also seeking a license in Seychelles, Li Kwong Wing said in a phone interview Sunday. SBM is implementing a strategic plan for the next five years with advice from McKinsey & Co., he said. "SBM is planning to obtain a bank license in the Seychelles in the first quarter of 2016 and is finalizing negotiations for a bank acquisition in Kenya," Li Kwong Wing said, without identifying the Kenyan lender. "Our immediate objective is to expand our footprint in the international banking business and non-banking activities like private-wealth management, bancassurance and asset management." SBM, which already has a presence in India and Madagascar, plans to double in assets and net income by 2020 under a plan initiated last year. The lender has total assets of 130.4 billion rupees ($3.66 billion) and is forecast to report full-year profit of 2.78 billion rupees, according to data compiled by Bloomberg. In addition to its international expansion, Li Kwong Wing said the lender expects to benefit from accelerating growth in Mauritius. The $10.8 billion economy, which relies on food and textile manufacturing to generate most of its output, is expected to grow faster in 2016 than the estimated 3.4 percent last year, he said. "The government is speeding up approvals of major construction projects and increasing capital expenditure in road infrastructure and other projects," Li Kwong Wing said. "Demand is likely to pick up and banks will have the opportunity to deploy their excess liquidity." Banks in Mauritius have excess liquidity totaling about 11 billion rupees, according to data published on the Bank of Maurtius's website. *(Bloomberg)*

Economic News

No Economic News this week

WEEKLY AFRICAN FOOTPRINT

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Nigeria

Corporate News

Nigeria's Sterling Bank is aiming to buy one or two mid-sized commercial lenders as sharp falls in the value of the naira and increased regulatory pressure are forcing banks to recapitalize, its chief financial officer said on Friday. Abubakar Suleiman also told Reuters the bank expected a further 20 percent devaluation in the naira, eroding capital ratios for several of Sterling's rivals exposed to foreign currency assets and potentially triggering mergers. *(Reuters)*

FCMB Group Plc, a Nigerian lender, plans to expand in at least two African countries as the plunge in oil prices reduces opportunities and income for banks operating in the continent's biggest producer of the commodity. "We have identified a key market in East Africa and another key market in West Africa," Chief Financial Officer Patrick Iyamabo said in an interview at the company's headquarters in Lagos, declining to identify the nations as the information is confidential. "While Nigeria is having trying times, the other markets can be doing great." The expansion, which is planned over the next three to five years, will enable FCMB to "smooth revenue and profit volatility," he said. With a return on equity that compares or exceeds what you have in Nigeria, "greater value can be created for shareholders," Iyamabo said. Africa's biggest economy is reeling from a slump to near 12-year lows in the price of oil, a source of about two-thirds of government revenue and 90 percent of foreign-currency earnings. The central bank's efforts to all but fix the naira against the dollar for the past year by restricting foreign-currency trading by banks has caused a shortage of greenbacks, hampering companies from expanding or accessing imports. "Because of the inability to access foreign exchange, the cash flow circle of businesses has been negatively impacted, which has implications on their abilities to pay their loans,'' or do more transactions from which banks can earn fees and commissions, he said. Shortcomings by the government to meet some of its obligations to contractors and the difficulties businesses have accessing dollars "means fewer transactions and increased risk for banks,'' Iyamabo said. FCMB said Feb. 1 that profit after tax for the nine months through September slumped to 1.87 billion naira ($9.4 million), compared with 14.2 billion naira a year earlier, mainly because of a spike in impairments from investments in the energy industry and a reduction in trade finance-related revenue because of a lack of liquidity with foreign exchange.

Earnings for 2015 were "subdued'' by a provision in the third quarter, while FCMB will limit loan growth this year to less than 10 percent, Iyamabo said, adding that the lender is expecting the naira to be devalued. FCMB will invest mainly in retail businesses, companies that are working on products that will substitute imports and industries focused on exports, he said. It will lessen focus on the upstream oil sector, construction and businesses that depend on government revenue owing to increased risk, Iyamabo said. FCMB shares declined 2.2 percent to 90 kobo, or 0.90 naira, at the close of trading in Lagos, valuing the lender at 18 billion naira. The shares are down 47 percent this year, the worst performer in the 179-member Nigeria Stock Exchange All Share Index, which is down 13 percent. *(Bloomberg)*

Diamond Bank Plc has disclosed plan to unveil 'Diamond eSUSU' scheme, a digitised version of Nigeria's traditional savings system. The eSUSU scheme is expected to revolutionise the saving habit of Nigerians by encouraging and helping participating accountholder groups to meet their savings target timely and efficiently. A statement from the bank described the Diamond eSUSU as a contributory saving scheme that offers a group of customers with common interest, an opportunity to collectively save toward targeted goals of each group member on a rotational basis. According to Diamond Bank's CEO, Uzoma Dozie, Diamond eSUSU is in line with the bank's strategic objective to grow a savings culture among Nigeria's banking public. "eSUSU brings bottom of the pyramid marketing to the mainstream of banking, this is a great feat to us," he stated. Also, the bank's Head, Transaction and Electronic banking, Rob Giles, stated that the interest of the customers led to the creation of this innovative product. "We listened to customer feedback and realised that the eSUSU system is not only widespread in all sections of society, but that it is also one of the preferred ways of mixing saving and borrowing. "By creating a digital platform, we remove the administration burden for the eSUSU organiser and also provide enhanced visibility of their programme online for the group, "he said. Diamond Bank Plc is one of Nigeria's fastest growing retail banks. Through innovation and technology, the bank enhances customer experiences and has continued to contribute to the growth of financial inclusion. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

South Africa's Truworths has pulled out of its Nigerian business due to high rentals and import restrictions, its chief executive said on Thursday. "We were unable to operate the stores properly any longer because we were unable to send merchandise to the stores because there's regulation preventing that," Michael Mark told Reuters in telephone interview. Truworths ran two stores in the oil-producing west African country. *(Reuters)*

Global rating agency, Fitch Ratings has upgraded Access Bank's long-term national ratings with a stable outlook. The global credit ratings and research firm also affirmed the Long-term IDRs of Access Bank and National Ratings. The National Rating of the bank was also upgraded to 'A(nga)'/'F1(nga)' from 'A-(nga)'/'F2(nga),' to reflect what it termed, the improvement in creditworthiness over time relative to peers in Nigeria. In Fitch's opinion, banks will continue to face multiple threats in the course of 2016, particularly from tight foreign currency liquidity, worsening asset quality and pressure on regulatory capital ratios. However, Access' Viability Rating (VR) was affirmed as these risks are to a large extent already captured in the ratings. The Long-term Issuer Default Ratings (IDR) of Access remained on Stable Outlook as the rating is driven by its VR and there was no expectation of any material change in the bank's intrinsic creditworthiness. "Access' Support Rating Floor (SRF) of "4" reflects the authorities' unchanged ability and willingness to provide extraordinary support.

The agency believes that while there is a limited probability of external support, the authorities have a stronger ability to support the bank's local currency obligations if required. The senior debt rating of Access (issued via Access Finance BV) is in line with its long-term IDR. The senior debt rating is affirmed due to the affirmation of the bank's long-term IDR. "Access Bank's major strengths, which underpin its long- and short-term ratings, include its size and franchise, its strong risk management and the group's solid capitalization. "The bank's improved rating further reinforces its resolve to deliver leading innovative and differentiated products and services to its customers in its quest to become the world's most respected African bank by 2017," a statement added on Thursday. Access Bank is one of the leading full service commercial bank with headquarters in Nigeria, and operations across major cities and commercial centres in Sub-Saharan Africa, the UK, China and the UAE. *(Reuters)*

Economic News

Investors in the Nigerian capital market are to get value for dividend paid within 24 hours through the electronic dividend payment platform. For now, it takes days and months for most investors to get value of the dividends after payment by companies. But the Director General of Securities and Exchange Commission (SEC) Mounir Gwarzo last week said late receipt of dividends value by investors would be a thing of the past following the introduction of the e-dividend. Gwarzo, who disclosed this at the e-Dividend Sensitisation Town Hall Meeting in Lagos, explained that e-dividend platform automatically allows dividends to be credited directly into shareholders' accounts within 24 hours of payment by the company. According to him, this is one of the initiatives being implemented by the commission as part of its 10 year Capital Market Master Plan to encourage retail investors to return to the market and thereby deepen the market. "One of our strategy is to target the retail investor, the only way we can deepen the market and ensure that the market is within our own grip is to ensure that the retail investor comes into the market.

It is only the domestic investor that no matter the condition of the market, will stay with us, what we have been experiencing in the market is the dominance of the foreign investor where anytime they want to move out of the market they get out and anything they want to come in they do so. Seeing what happens in the market, we decided that the best thing it to get the retail investor and our approach is not to go to them and be telling them to come back. But identify the issues why they are not in the market and deal with such issues," he said. He said it is because of the benefits Investors can obtain from e-dividend registration that is why the Commission decided to embark on the sensitisation campaign on the need for them to key into the e-dividend platform by visiting their banks and registrars to complete the process. The SEC boss assured stakeholders that once the e-dividend platform is fully operational the issue of stale warrant will be a thing of the past. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria is in talks with oil majors and banks to raise capital for new drilling and to repay up to $4 billion in debt that the state oil firm has accumulated over years of mismanagement, the firm's head told Reuters. Emmanuel Ibe Kachikwu, who is also the minister of state for petroleum, said he wanted to increase output to up to 2.5 million barrels per day by the end of 2016. Currently, the OPEC member pumps 2.3 million bpd. President Muhammadu Buhari has made reforming the oil sector a priority as a slump in oil prices hammers the economy. The former military ruler has fired the NNPC board and appointed Kachikwu to overhaul a company whose opaque structures have allowed corruption and oil theft to flourish. Nigeria's oil and gas output has been relatively stagnant as big offshore projects have been held up by much-delayed government funding and uncertainty over fiscal terms. Africa's biggest economy produces oil with foreign and local firms through production-sharing contracts and joint ventures (JVs) but investments have been held up because NNPC has been unable to pay its part: bills have been piling up since 2012. Kachikwu said debt as of November stood at $3.5-$4 billion, which NNPC wanted to cut through deals such as a $1.2 billion multi-year drilling financing signed with Chevron in September. "The target is that over 2017, we'll begin to look at zero," he said in an interview, referring to debt and the goal of ending the need for JVs to depend on NNPC cash. NNPC was in talks with oil majors such as Italy's Eni and oil traders Vitol and Gunvor, seeking partnerships to revamp assets such as refineries after decades of neglect.

Cash-strapped for years, it reported a loss of 267.14 billion naira ($1.3 billion) for 2015. "My ideal would be to bring in third party capital, do a joint investment and management of the refineries and work out a pay-out process over 5 to 6 years basically on lifting of some portion of the finished products," Kachikwu said. He added that the government would also advertise concessions for pipelines and depots next month. NNPC was also looking into revamping joint ventures with local firms to boost productivity but this would depend on the Petroleum Industry Bill (PIB), a project to revamp the sector held up in parliament for years. Kachikwu said NNPC was in talks with the Senate to speed up the process by splitting the PIB into three parts covering governance, taxation and business items such as oil block licensing. NNPC would also restructure strategic alliance agreements held by Atlantic Energy to raise funds for oil blocks sold by Royal Dutch Shell. The controversial deals were signed under the previous oil minister Diezani Alison-Madueke, who was briefly arrested in London last year on suspicion of corruption. Former central bank governor Lamido Sanusi alleged that Atlantic's deals were one route through which tens of billions of dollars in oil revenues were diverted from state finances. Kachikwu said NNPC expected to conclude a deal within two months for a new partner to pay up to $1.3 billion to take over the Atlantic agreements. The blocks were originally sold to indigenous oil companies by Shell. "I'm saying to Atlantic, sorry, you're out because there's been a breach," he said. "Whoever comes in has to give a sign-in fee almost equivalent to what I've lost ... we'll have a massive increase in volume out of those fields, we're going to have 150,000 to 200,000 bpd from the current 40,000 to 50,000 bpd."*(Reuters)*

Nigeria's naira weakened to a record 345 to the dollar on the parallel market on Monday, increasing pressure on the government to devalue the official exchange rate to narrow the gap and spare Nigerians from huge bills for imported goods. The local currency eased 1.47 percent from Friday's close of 340 to the dollar, while the official rate remained at 197.50 to the dollar at the close of trading on Monday. Traders said the black market rate had slipped as Nigerians with school and medical bills to pay abroad anticipated the central bank would stop allocating currency for such payments. The bank has not denied or confirmed any such plans. Tumbling global oil prices have battered Africa's top crude exporter, with foreign exchange reserves down to an 11-year low at $27.85 billion by Feb. 11. Nigeria's government is concerned that further depreciation will hurt poor Nigerians, but the bank's refusal to revise the pegged exchange rate has widened a chasm between official rates and the parallel market. "In my own view, the central bank should address the supply side of the market by allowing oil companies and banks to sell dollar to bureau de change operators as an immediate measure to reduce pressure on the naira," said Aminu Gwadabe, head of the Association of Bureau de Change Operators of Nigeria. Last month, Nigeria's central bank halted dollar sales to non-bank foreign exchange operators and allowed commercial banks to accept dollar deposits, in a failed effort to shore up dwindling foreign reserves. Nigeria earns around 90 percent of its foreign exchange earnings from crude oil exports, but mismanagement of its refineries means it must also import expensive refined fuel, eating deep into its reserves. *(Reuters)*

The projected net borrowings in the federal government's 2016 budget proposals will increase the government's debt stock by a further

1.8 per cent, taking Nigeria's total debt to 12.8 of gross domestic products (GDP), THISDAY checks have revealed. The latest report from the Debt Management Office (DMO) showed that the federal government's domestic debt at N8.84 trillion ($44.9 billion) at end-December 2015, equivalent to 8.9 per cent of estimated 2015 GDP. When we add the federal government's external debt (at $10.72 billion equivalent to 2.1 per cent of estimated 2015 GDP), we arrive at a burden representing 11.0 per cent of GDP, the DMO noted in the report. This is, however, excluding bank borrowings of the states, the obligations of the Nigerian National Petroleum Corporation (NNPC), the Asset Management Corporation of Nigeria (AMCON), other public agencies, the arrears due to contractors and contingent liabilities such as guarantees. Under an implausible worst case scenario, assuming for example that AMCON makes no further recoveries, experts said the burden could rise to 25 per cent of GDP. "An estimate of total public debt would have to include the naira bonds and residual bank borrowings of the states, the obligations of the NNPC, AMCON and other public agencies, the arrears due to contractors and contingent liabilities such as guarantees," said analysts at FBN Capital. These metrics, they added, underpin Nigeria's sovereign credit ratings (BB- from Fitch and the equivalent from Moody's), and B+ from S&P.

However, given that Nigeria is an emerging market, and particularly in the context of comparable oil producers, analysts argued that this indebtedness is modest. The preliminary conversations with the World Bank and the African Development Bank on budget support are therefore no cause for alarm. Meanwhile, the data from the DMO, which appeared to have been moved to a semi-annual reporting cycle, showed increases of N440 billion for the total burden over the six months (and of N510 billion for FGN bonds). This follows the FGN's rescue plan in which the bank borrowings of most state governments were converted into federal long bonds (the Jul '34s). "The oil price shock has closed pricing differentials for the FGN. Eurobond issuance in the middle of the curve would probably be priced at around 950bps based on current yields, and so more than 250 bps below FGN bonds of similar tenor. The differential has narrowed by about 200bps in the past year. Although the FGN is said to have put the Eurobond issuance on the back burner, we believe this is temporary. The FG is still likely to favour a new Eurobond issue, whatever the size, to flag a strong credit story under temporary fiscal pressure," said FBN Capital. *(Reuters)*

Nigeria's external reserves stood at $27.840 billion as at last Thursday. The latest position of the reserves showed that it has depreciated by $251 million this month, compared with the $28.091 billion it was at the beginning of this month. However, in terms of its year-to-date performance, the foreign exchange reserves, which are derived mainly from the proceeds of crude oil sales has decreased by $1.138 billion, compared with its value of $28.978 billion as at January 4, 2016. There are projections that the reserves may depreciate further considering international obligations and bilateral agreements that had been entered by the country whose payments are from the reserves as well as the settlement of large swap positions between the banks and the Central Bank of Nigeria (CBN). According to estimates, the overall swap books of some Nigerian banks stood at about $5 billion, with most of it to be paid back this year. Crude oil prices continued to march higher in choppy trade on Monday, gaining on hopes of production cuts **to help rebalance an oversupplied** market. On the New York Mercantile Exchange, light, sweet crude futures for delivery in March rose 39 cents, or 1.4 per cent, to $29.83 a barrel, while April Brent crude gained 31 cents to $33.67 a barrel. The gains came amid continued talk of a potential meeting between members of the Organisation of the Petroleum Exporting Countries. Such talk periodically buoys the market amid hope that OPEC will agree to cuts in supply.

Oversupply had been the biggest culprit in keeping oil prices in the doldrums for the past two years. However, prominent suppliers, such as Saudi Arabia, Iran, and Russia have been reluctant to scale back production, fearing the US shale producers would swoop in and expand their market share. To prevent that, OPEC had kept production high, with the aim that the persistently low prices will eventually drive away competitors, according to marketwatch.com. Speaking in a recent interview, the Chief Executive Officer, Heritage Bank Limited, Mr. Ifie Sekibo, stressed the need for Nigerians to begin looking inwards for the goods and services they consume. He explained: "As a country, today, we are nearly 80 per cent dependent on imports. But our purchasing power for those imports is affected by the price of the singular commodity that gives us majority of the funding that we need to do the import. Oil price had come down within the last six months, tending towards $20 per barrel. "From as high as $120, to around $60, it is presently around $28 per barrel. With this, a rational human being would want to cut down on importation. But as a country, we have not stopped importing. All of us the elites send our children out abroad and we pay school fees from the same money that we don't have. We travel for medicals and it is same money we are talking about. People carry their electronic cards, travel and buy gold, silver, grocery; tea; coffee and they are not taxed. These are items that are not necessary. So, can

we as a country resolve to begin to buy made-in-Nigeria goods or spend less of our money in frivolity? When we do that, then devaluation becomes a sensitive thing to do. We are mainly import dependent. Even the made-in-Nigeria goods we are to produce, we would need to import the raw materials for the plants and machinery." *(This Day)*

Nigerian stocks fell almost two percent on Wednesday, hit by a major decline in cement companies' shares, including Dangote Cement, which accounts for the third of local bourse capitalisation. The local bourse index dropped 1.81 percent to 24,070 points at 1221 GMT as investors took profits from previous gains on the stocks. "Due to the rapid decline of the naira's value, some offshore investors are booking profit and selling down their holdings," one stock broker said. Shares in Dangote Cement fell 4.11 percent, Ashaka cement was down 4 percent while Cement Company of Northern Nigeria dropped 8.89 percent to drag the index down. Currency and stock markets have been hit hard by the persistent fall in crude oil, Nigeria's main export, triggering a fall in government revenues and the exit of foreign investors from the local bourse. Nigerian currency was trading within a range of 352 and 360 a dollar on the parallel market on Wednesday, down to a new record low from a range 347 to 352 on Tuesday due to persistent dollar shortages amid control by the central bank. The stock index, which has the second-biggest weighting after Kuwait on the MSCI frontier market index, has declined by around 14.41 percent since January because of concerns over the naira's depreciation and the unwillingness of the West African country to adjust its exchange rate. *(Reuters)*

Nigeria has set up a government committee to advise on issuing the country's first sovereign sukuk, the Securities and Exchange Commission (SEC) said on Thursday, citing the need to explore alternative funding sources. Africa's biggest economy plans to borrow as much as $5 billion to help fund a budget deficit worsened by the slump in oil prices that has slashed revenues and weakened the naira. SEC spokesman Nalf Abdusalam said the new committee, including officials from the Debt Management Office (DMO), would advise on the amount to be raised, the timing and jurisdiction of the issue. "Any time from the first week of March, the committee is expected to submit its report," he said. Islamic banking assets globally now exceed $1 trillion and could reach $4 trillion by 2020, analysts say. Nigeria has asked the African Development Bank for a $1 billion budget support loan and has held "explanatory talks" with the World Bank. Issuance of a sovereign sukuk is part of a strategic plan developed by the DMO three years ago to develop alternative sources of funding and to establish a benchmark curve for corporates to follow. In 2013, Nigeria's Osun State issued 10 billion naira ($62 million) of sukuk, but no other sukuk transactions have followed. Nigeria is home to the largest Muslim population in sub-Saharan Africa, with about half of its 160 million people members of the Islamic faith. It is also home to one of Africa's fastest growing consumer and corporate banking sectors. In January, the DMO and SEC agreed to work on a debut issuance of sovereign Islamic bonds (sukuk) before the end of the year. *(Reuters)*

Tanzania

Corporate News

TANZANIA'S gold miner, Acacia Mining annual profit for 2015, fell by 31 per cent as gold prices continued their drop. The gold mining company, which operates three mines in Tanzania, said in a report that earnings before interest, tax, depreciation and amortisation for 2015 Total revenue for the year amounted to US$868 million which was seven per cent below 2014, as a result of the US$104 per ounce lower average realised gold price, despite the 2 per cent increase in sales. The UK-listed miner, previously known as African Barrick Gold, reported a net loss of $197 million for the last year December 31, 2015, compared with a net profit of $89 million the year before. Gold prices fell by about 10 per cent in 2015. Acacia declared a final dividend of $0.028 a share, bringing its total dividend for 2015 to $0.042 cents a share, in line with 2014. "We continue to have one of the strongest balance sheets in the sector and as a result of this and expected improvements in production, costs and cash flow generation in 2016, the Board have recommended maintaining the final dividend in line with 2014," said Brad Gordon, Chief Executive Officer (CEO), of Acacia Mining. The company had a net cash position of $233 million as of end -December. However, despite the profit decline, the mining company described 2015 as another year of continuing with cost cutting measures. "2015 was another year of transformation for Acacia as we continued to transition our company into a low cost producer," he said. "During the year we delivered gold production of 731,912 ounces, a third consecutive annual increase, with our continued investment into the turnaround of Bulyanhulu and the successful transition to underground operations at North Mara, leading to all-in sustaining costs (AISC), remaining flat year on year at US$1,112 per ounce. "

The CEO said the gold mining firm had successfully transitioned North Mara into a combined open pit and underground operation and as a result production increased for the third consecutive year to 731,912 ounces, 2 per cent higher than 2014, but marginally below the initial guidance range for the year. Production increased by 5 per cent at North Mara to 287,188 ounces driven by the contribution of the newly commissioned Gokona Underground and by 17 per cent at Bulyanhulu to 273,552 ounces, he said. At Buzwagi, production fell by 19 per cent as a result of operations being focused on low grade areas in the open pit. The mining company forecast higher gold output this year with an increase in production to 750,000-780,000 ounces, a 5 per cent increase over 2015 at the mid-point of the range. Gold exports, which dominate non-traditional exports in Tanzania, is a key source of foreign exchange in the East African country. Tanzania is Africa's fourth-biggest gold producer after South Africa, Ghana and Mali. *(Daily News)*

VODACOM, the leading telecom in Tanzania is finally joining three others -- Airtel, Tigo and Zantel -- for subscribers to transfer money across multiple networks enabling the country achieve full interoperability. The Bank of Tanzania (BoT) Governor, Prof. Benno Ndulu said in Dar es Salaam yesterday that Vodacom Tanzania was joining others in the networks interoperability agreement. He said the move was vital in expansion of financial services and promotion of financial inclusion. "I have just been informed that Vodacom has joined...this makes Tanzania the first country in the world to achieve full interoperability among its mobile network operators," he said in his opening remarks at a workshop on financial inclusion jointly organised by BoT and the World Bank. Tigo, Airtel and Zantel reached interoperability agreement in 2014 to allow their customers transfer money into each others electronic wallets. Following the agreement facilitated by World Bank's International Finance Corporation, Financial Sector Deepening Trust (FSDT) and BoT, bilateral pricing agreements were signed between Tigo,

Airtel and Zantel in accordance with the wallet to wallet interoperablity rules. All have implemented and launched the services with Tigo and Airtel wallet to wallet service starting in September 2014 and Tigo and Zantel service in December 2014. Vodacom, the biggest player in the industry concluded its bilateral negotiations with Tigo in February 2015 to allow their customers to send and receive money directly into each other's wallets. According to the Tanzania Communication Regulatory Authority (TCRA) there were over 34.1 million subscribers in the country as of June 2015. Industry sources say the firms are waiting for internal processes to be ready before customers are allowed to use money transfer service across different operators. Vodacom's Chief Officer for Mobile Commerce, Jacques Voogt confirmed to the `Daily News' yesterday that customers would be able to transfer money with others across multiple operators from today. "We switched on last night but got some technical problems. We are switching on again this evening to allow money transfer across multiple operators

tomorrow," he said. Earlier, Prof Ndulu said there was a challenge to achieving broader interoperability beyond mobile network operators to be applicable to banks and other service providers. He said that would enable the infrastructure to be optimally used for financial services thus enhancing convenient competition and plotting out new tools and products for consumers. Mobile telephone companies are credited for promoting financial inclusion through their provision of financial services to reach the unbankable majority. According to Finscope survey of 2013, financal services had reached to 76 per cent of the population by 2013 from 44 per cent in 2009. BoT has set new targets of achieving usage of formal financial services under the National Financial Inclusion Framework (NFIF 2014/17) of having 80 per cent of adult population using a financial access point. The Monetary Statement of the first half of the 2015/16 fiscal year also shows that BoT is targeting to have at least 70 per cent of the population living within five kilometres of a financial access point by 2017. *(Daily News)*

CRDB Bank yesterday launched a series of celebrations marking its 20 years since its privatisation, boasting of having grown to become the largest financial institution in the country. The four-month marathon of celebrations would involve offering donations to various institutions mainly, those involved in education and recognition of the firm's long serving staff and shareholders. The bank said it took off with a loss of 1.8bn/- in 1997 amid a number of challenges including obsolete technology that barred its 19 branches to communicate each other. However, 20 years later, CRDB has 198 branches full connected and made a profit of 130bn/- at end of 2015, thanks to innovation championed by local staff. CRDB Managing Director Dr Charles Kimei said before privatisation the bank offered hardly three normal banking services that limited its profitability and growth. "In 20 years all of us we have witnessed rapid growth in total assets, deposits, branch network and loan portfolio," Dr Kimei told journalists. The bank balance sheet in 1996 showed that it had customer deposits of 40bn/- and assets worth 54bn/- which represent merely 5.0 per cent of total market share of banking resources in the country. But at the end of last year, the bank total assets and deposits climbed 100 times each to reached5.3tri/- and 4.2tri/- respectively, roughly 40 per cent of market share.

While the bank customer base increased to 1.8 million from 120,000 of twenty years ago and workforce rose to 2,682 from 400, of whom 99.99 per cent a locals. "We were the first to integrate banks' branches that facilitating transaction transfers, introducing ATM cards, and children account in the country. "We have been the first to seize opportunity to enable Diasporas to open domestic accounts—under a banner of Tanzanite," Dr Kimei jovially said. The bank last year paid a total of 107bn/- in taxes including corporate tax of 55bn/-, pay as you earn (PAYE) and excise duty. The bank boast of its innovative alternative banking products including letting customers to access their accounts using mobile phones, internet banking and mobile branches— full equipped with ATMs. The Simbanking has client base of one million, but fully registered are 500,000 customers, while Fahari Huduma has 1769 agents. "By the end of this year the bank ATMs expected to reach 500 (from current 461)," Dr Kimei said. The bank during its 20 years has managed to introduce two subsidiaries—microfinance deals with lending micro economic groups and CRDB-Burundi— both have posted successful results. Over the year CRDB have won many awards from various local and foreign institutions including EuroMoney, Superbrand and Association of Tanzania Employers. *(Daily News)*

T**HE National Microfinance Bank has teamed up with the global humanitarian giant CARE International to develop unique financial inclusion model aimed at extending loans to thousands of groups.** The NMB Managing Director Ms Ineke Bussemaker said in Dar es Salaam yesterday that the partnership aims at providing financial solutions to over 10,000 financially-excluded groups which is equal to 25,000 people across the country. "Through the partnership with CARE, we take a significant step towards reducing Tanzania's dependence on cash and enhancing financial inclusion in the country," she said. She added, "Achieving the two goals would result in a more empowered, inclusive economy, where those who are already included in the financial mainstream are able to better live the lives they want and those excluded to participate in the formal economy to build self determined lives," She said the targeted groups mainly village saving and loans associations (VSLAs) will benefit from the new NMB Pamoja Account by linking with the bank having the widest network in the country. NMB Pamoja Account is designed to serve the needs of the VSLA's established to address issues of security and risks associated with keeping money in their homes.

The account will also incorporate NMB mobile to facilitate transactions between these groups with other accounts. During the product pilot, they linked a number of groups through opening of NMB Pamoja account and NMB ChapChap account. NMB and CARE have developed and

piloted the product with 300 VSLAs in Morogoro, Unguja and Pemba and are expanding collaboration to other regions. On his part, CARE Tanzania Country Director Mr. Paul Daniels said through the partnership they hope to provide access to more than 10,000 people targeted by reaching tens of thousands of similar groups. "The new product holds promise for reaching both NMB and government's goal of increasing financial inclusion among women in Tanzania. Nearly 80 per cent of all VSLA members are women," he said. On her part, CARE Tanzania Gender Coordinator said NMBCARE Tanzania collaboration breaks new ground pioneering a new financial inclusion model. The move is expected to pave way for more investment and participation of other players in the financial sector. "As a result of this effort, more women, their households and community will benefit through economic empowerment. It will also improve their voice and status in the community," she said.*(Daily News)*

CRDB Bank is in final preparations for forming a microfinance bank which is planned to start operations in July this year if everything goes on well. The bank said its subsidiary CRDB Microfinance Service would be turned into a full fledge microfinance bank after showing signs of becoming stand alone bank. The microfinance, which entered in a partnership with 482 SACCOs, has dished out 251bn/- loans to these groups by the end of last year. CRDB Managing Director, Dr Charles Kimei said the idea behind was to bring closer and better services to the micro-lenders. "Currently, the microfinance subsidiary has 75 service outlets across the country. The units are enough to act as branches," Dr Kimei said when launching events to mark the 20th Anniversary of the bank. The celebration dubbed 20 years of growth and transforming people lives will include the setting of CRDB Microfinance Bank in July. "The main goal was to build a strong and a leading bank in the country that will deliver banking services, of international standard, close to the 'wananchi'," Dr Kimei said. The microfinance bank will continue to serve its traditional clients such as SACCOS, VICOBA in agriculture and small scale businesspeople, while venturing out for new customers such as individual SMEs.

"The microfinance unit has already started to lend out to individual SMEs, but that will be the way forward," Dr Kimei said. Coming July, CRDB will be the first large commercial bank to establish a full-fledged microfinance bank. The banks boast for its innovative alternative banking products including letting customers to access their accounts using mobile phones, internet banking and mobile branches—full equipped with ATMs. The Simbanking has clients base of one million, but fully registered are 500,000 customers, while Fahari Huduma has 1,769 agents. "By the end of this year the bank ATM's are expected to reach 500 (from current 461)," Dr Kimei said. *(Daily News)*

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

KONKOLA Copper Mines (KCM) has earned US$195.5 million in revenue during the third quarter of 2015, following a slight increase in copper production. KCM also disclosed the company has recorded over US$1 million per month in operation costs since the placement of the Nchanga underground operations on care and maintenance due to reduction in electricity supply. The mining firm produced 32,000 tonnes of copper in the third quarter of last year but during the same period in 2014, KCM extracted 29,000 tonnes and earned US$294.3 million in revenue because average copper prices stood at US$6,624 per tonne, as compared to current prices of US$4,892 per tonne. According to production results and unaudited financial summary for subsidiaries of the Vedanta Resources Group, total copper production stood at 45, 000 tonnes, with mined metal being 32,000 tonnes.

It stated that production losses as a result of placing Nchanga underground operations on care and maintenance will be compensated by additional copper refractory ore feeds for the concentrators and purchased concentrates for smelting. "The company has since achieved a 12 percent reduction in power consumption during the quarter, following the placement of Nchanga underground under care and maintenance, refinery optimisation and measures to reduce power consumption at administrative units," the report read in part. It stated that KCM is exploring a range of possible solutions, with discussions with interested parties including Government being underway. "Power tariffs were increased by 25 percent from January 1, 2016, this will have a US$3million per month adverse impact on the cost of production," it stated. *(Daily Mail)*

ZAMBEEF Products' share price on the London Stock Exchange (LSE) last week doubled in a space of two months. According to a press statement, strong retailing of cold chain products helped Zambia's largest integrated agri-business firm to achieve 189 per cent operational profit increase. Zambeef joint chief executive officer Carl Irwin said the increasing share price on LSE's Alternative Investment Market (AIM) was a sign of confidence investors have in the multi-national company. "Zambeef's share price in London has performed particularly well and [that] is a measure of the confidence that investors place in Zambeef and Zambia as a whole," said Irwin. The statement added that the company started the year on a "positive note" with its share price closing at 11 pounds and 50 pence on January 11, a 100 per cent rise on the closing price of 5 pounds and 75 pence on November 11 last year. "As of last Monday, Zambeef was the highest performer in the food producers sector of the whole LSE (London Stock Exchange) market - both the main market and the Alternative Investment Market (AIM) - over the preceding three weeks, with its share price rising 51 per cent during the period," reads a press statement issued by Langmead and Baker. And according to Zambeef's London stockbrokers, FinnCap, the company's share performance was impressive given that during the four weeks between December 14 and January 9, the AIM market lost 1.25 per cent, while Zambeef gained 34.6 per cent. "This put Zambeef in the top 100 of nearly 1,000 companies on the AIM market. In addition to international investors, Zambeef has a substantial number of local Zambian shareholders..." read the statement.

Zambeef's upswing began last year as it announced an increase of 189 per cent in operating profits for the financial year, as at September 30, 2015. The company's operating profit last year increased by K106 million to K162 million, from K56.2 million in 2014. Zambeef slaughters around 55,000 beef cattle, 50,000 pigs and six million chickens and processes 10 million litres of milk annually. The Deloitte's annual Global Powers of Retailing report has listed Zambeef as the second fastest growing retailer in Africa. "Based on year-on-year revenue growth for the top 10 fastest growing retail companies, Zambeef's revenue increased by 23 per cent in 2013 with a composite annual growth rate (CAGR) of 27.4 per cent from 2011-2013, representing a retail revenue of US$171.8 million," the Deloitte report states. The report features 25 of Africa's listed retail companies based on revenue. Zambeef's revenue growth was only surpassed by Botswana's Choppies Enterprise. Deloitte added that among the top 25 African retail companies, Zambeef generated US$229.6 million, recording a seven per cent year-on-year growth bringing its year-on-year to 11.7 per cent. "Overall, Zambeef emerged as the 20th Top African retailer." Irwin attributed the growth to its major focus on building a strong retail and distribution network. "Zambeef's retail and distribution network has been structured to ensure customers have easy and convenient access to all our products.

The retail network is predominately focused on the group's cold chain food products division, which is at the heart of the company's operations. The division, which includes the production, distribution and retailing of beef, chicken, pork, fish, dairy products and eggs, is expected to drive the growth of Zambeef in 2016," said Irwin. *(Post Zambia)*

Economic News

BANK of Zambia (BoZ) has projected an inflation rate of between 10 and 15 percent by end of 2016 despite adverse weatherconditions that may result in poor rainfall and the continued power rationing that is expected to constrain economic growth. Other drivers of inflation are low commodity prices. Currently, inflation stands at 21.8 percent due to a sharp depreciation in the exchange rate, high food prices, increased cost of production induced by power rationing and the hike in electricity tariffs. BoZ governor Denny Kalyalya is, however, optimistic that drivers of inflation will minimise when additional power is brought on line from Maamba and Itezhi Tezhi plants and when the effects of El Nino recede. Responding to questions from journalists at a briefing last Friday, Dr Kalyalya said inflation is expected to remain high, particularly in the first half of 2016, but will decline sharply from the third quarter with single-digit levels to be attained by the end of 2017. "The risks to the inflation outlook are skewed to the upside, and include the following: low global demand for commodities, which will adversely affect copper export earnings with consequences for exchange rate stability, electricity rationing, which will keep the cost of production at elevated levels, and high food prices, which may be worsened by droughts in most agricultural productive parts of the country," he said.

Dr Kalyalya said BoZ is implementing various monetary policy measures to address rising inflationary pressures and stabilise the exchange rate currently hovering in the range of K11.20 to K11.45 per US dollar. He said BoZ has since restricted commercial banks' access to liquidity from the central bank through the overnight lending facility (OLF) to once a week to curb rising inflation and reduce exchange rate volatility, "We are mindful of the adverse effects so we try to maintain inflation at reasonable levels. We are also aware that if we put too much effort to bring inflation down, other things can be disrupted." "The outlook is still positive; the period we are in is a cycle that is bound to pass, so we shouldn't focus much on challenges because we may miss the opportunity to do something. It is true that growth is elusive, but we have to find drivers to push the economy forward," he said. *(Daily Mail)*

Zambian President Edgar Lungu ordered the police to bring an end to violence in the southern African nation after he accused opposition supporters of attacking people returning from a rally he addressed at the weekend. Members of the opposition United Party for National Development damaged three vehicles and injured law-enforcement reservists, police said on Sunday. The party, which lost a presidential election to Lungu's Patriotic Front by less than 28,000 votes last year, denied that its members carried out the attacks. "I have directed the police to stop this violence and ensure that citizens' rights and security are assured and restored," Lungu said in a statement posted to his Facebook account. Zambia will hold its second election in two years in August after Lungu won last year's polls to succeed Michael Sata, who died in office. The vote comes as Zambia's economy expands at the slowest pace since 1998, inflation surged to 21.8 percent and Africa's second-biggest copper producer struggles to save jobs and maintain revenue as prices for the metal plunge. A severe power crisis has further strained growth. "The lead-up to the 2016 elections will increasingly be marked by outbreaks of violence between partisan supporters and security forces,"

Robert Besseling, a Johannesburg-based executive director at business risk consultancy Exx Africa, said by e-mail. "The recent violent incidents in the Southern province are indicative of growing discontent within the ruling PF party." The weekend incident follows other clashes this year. Police are investigating people suspected to be ruling party supporters who stormed an international airport in the Copperbelt province on Jan. 23, Home Affairs Minister Davies Mwila told lawmakers last week. They had tried to prevent Miles Sampa, who quit the Patriotic Front to form his own party, from disembarking from the plane, Mwila said. He also detailed two other cases of political violence this year. U.S. Ambassador to Zambia Eric Schultz said the airport invasion represented a breakdown of law an order. "Zambia police would like to strongly warn all political parties to desist from being involved in violence," Inspector-General Kakoma Kanganja said in

an e-mailed statement. Hakainde Hichilema, the leader of the United Party for National Development, is the most likely to benefit from falling support for the PF when the elections are held, Besseling said. *(Bloomberg)*

Zambia still plans to raise power tariffs to levels that reflect the cost of supplies after calling off intentions to more than triple them this year, Energy Minister Dora Siliya said. State-owned electricity supplier Zesco Ltd. withdrew its application to increase charges for households, businesses and factories this month, after the regulator approved it in December. The move was meant to help the company pay for emergency imports as the southern African nation faces a supply deficit, as well as to attract private investment in generation. "We are trying to balance economic issues with social issues and clearly the political leadership feels if there are public complaints, we have to respond," Siliya said in an interview in Johannesburg. "Now, that does not in any way mean that we have shifted from the idea of moving the tariffs from cost-reflective levels -- no. We just said that maybe we need to do it in another way and move them progressively." The government would need to provide about $340 million in support to Zesco in 2016 without higher prices, according to the World Bank. That will further strain the budget of Africa's second-biggest copper producer, which is already struggling amid plunging metal prices and a power crisis that has slowed growth. The government is reluctant to cut subsidies too sharply ahead of elections set for August.

While low rainfall and Zesco's overuse of water in hydropower dams that account for almost all of Zambia's generation are the main contributors to the severe electricity deficit, low tariffs and a lack of investment in new plants have exacerbated the situation. The country remains committed that "to sustain the energy sector, we have to have cost-reflective tariffs," Siliya said. Pricing has been the main challenge in encouraging solar-power projects in the southern African nation, she said. Zesco had rejected the 12 cents to 15 cents per kilowatt-hour potential solar-energy providers were offering three months ago, Siliya said. The utility has indicated it would only be willing to start talks with solar companies if the price was less than 12 cents per kilowatt-hour, she said.

The government has made a down payment of about $22 million to Karadeniz Energy Group, the Turkish supplier of powerships, for a vessel that will dock off the coast of Mozambique and provide Zambia with 200 megawatts of emergency electricity, Siliya said. The ship is on its way and a transmission line is almost complete. These supplies will cost $18 million a month, she said. The barge will arrive at Nacala port Feb. 19 and be operational 10 days later, making it the first such vessel to supply power across national boundaries, Patrick O'Driscoll, sales director at Karadeniz Holdings, said in reply to e-mailed questions. Nacala is on Mozambique's north coast, about 1,330 kilometers (827 miles) east of Lusaka, Zambia's capital. The government subsidizes power for most users, who pay about 7 cents a kilowatt hour, according to Siliya. Zambia raised charges for mining companies that account for 55 percent of demand to 10.35 cents a kilowatt hour effective Jan. 1, an increase that wasn't factored into the World Bank's calculation of how much government support Zesco will require in 2016. *(Bloomberg)*

Zambia shut its sole 24,000 barrel per day Indeni refinery this week after finding the crude oil supplying the plant was too acidic to process, energy minister Dora Siliya said on Friday. Siliya said an alternative crude supplier had been found and the refinery would resume operations in around a month. Indeni supplies half of Zambia's refined products. *(Reuters)*

Zimbabwe

Corporate News

AFRICAN Distillers Limited profit after tax declined to $1,6 million compared to $1,9 million for the half-year-ended December 31 2015 due to a decline in revenue as consumers shifted to lower priced products. In a statement accompanying the group's financial results, Afdis board chairperson Pearson Gowero said the economy remained subdued, characterised by deflation and shrinking employment which resulted in diminishing consumer spending power. "This has impacted negatively on the business particularly in the second quarter. The spirit business recorded a decline in volumes against last year, however cider and wine volumes continued to grow registering an increase of 27% and 19% respectively," he said. Revenue for the group went down to $12,7 million from $13,7 million recorded in the same period in 2014 despite volumes growing by 2% to 3,9 million litres. He said the consumer spending patterns continue shifting towards the lower priced products and the growth in ciders was to lower the value per litre when compared to the previous period. Operating income was down by 19% to $2,1 million due to the decline in revenue and insignificant gains realised from asset disposals when compared to the previous period. Gowero said although the trading environment was expected to worsen the company, continues to identify revenue growth opportunities to improve profitability.

He said initiatives anchored on existing customer base, current distribution network and product innovation include planned new product launches, brand extensions and retail price strategies. He said the cost containment measures were expected to contribute to improve profitability. Afdis declared an interim dividend of 0,15 cents per share payable in respect of all qualifying ordinary shares of the company. The company recently said the depreciation of currencies in Malawi, Mozambique and Zambia has affected the company's export initiatives. The company said it would reduce its exports as the United States Dollar is strong against the regional currencies which means it becomes expensive for the company to export. Zimbabwe adopted the multicurrency system in 2009 and most transactions are conducted in United States Dollars which makes Zimbabwean products expensive and less competitive than regional products. *(News Day)*

FREDA Rebecca requires additional capital injection to stem technical issues and raise production, an official who would not be named said. The senior executive would, however, not say how much Zimbabwe's second biggest miner needs to address the technical issues. The major highlight of Freda's performance for the quarter to December 31 was the 1,78 percent improvement in grade to 2,19 grammes per tonne. The group executive said that Freda Rebecca, which struggles with disseminated ore body, needs fresh capital to deal with its technical issues. "Adversely, tonnes mined dropped 11 percent in December while tonnes milled remained flat, showing technical issues with the mills have not been overcome. "This may require additional capital expenditure in these harsh commodity price times with margins already thin," the official said. The official, however, said cost containment was the theme across the group in the quarter with Freda's cash cost down 5,6 percent to $820 per tonne. Gold sales at Freda Rebecca increased 2,4 percent to 18 506 tonnes with the growth attributed to improvements in feed grade and recoveries.

However, things were not too good for its sister company Trojan, operated by Bindura Nickel Corporation, where cost fell 28 percent to $933/t. All in sustaining costs were at $6 349 against sales of $6 121 with costs likely to increase should technical issues arise and output drops. The drop in mined tonnage and the marginal increase milled tonnes suggest that the nickel miner was sitting on stockpiles from last year. However, nickel in concentrate increased 10 percent 1 584 tonnes while nickel sales increased 5,5 percent to 1 577 tonnes at average price $6 121/t. "Notably, the increase in nickel sales is attributed to high grading the mine by the group, extracting the best grades, but lacking development to find new areas to replace these," the ASA official said. "This is a major concern should the miner run out of the good stuff where it is currently mining. BNC used this method as a temporary measure in 2013 when it reported funding requirement," the official said. BNC remains cash-flow negative, but has not mentioned its plans regarding the $20 million bond, which sees the first coupon fall due next month. Freda and BNC, which is listed on Zimbabwe Stock Exchange, are units of AIM listed group, ASA Resources Plc, formerly Mwana Africa. *(Herald)*

THE British American Tobacco Zimbabwe company profit after tax grew by 15% to $15,5 million for the full year ended December 31, 2015 compared to $13,4 million in 2014. Revenue for the group increased to $45,2 million in 2015 from $44,56 million the previous year due to marginal gains from pricing net of the impact of the excise duty increase in November 2014 despite a decline in volumes. BAT finance director, Lucas Francisco said administrative expenses grew by 28% due to higher service fees as a result of the implementation of the new group-wide management system, which will increase efficiency and savings opportunities and once off costs associated with a staff rationalisation exercise. Francisco said volumes declined across local brand portfolio of 10% compared to the same period last year. He said the company's market share grew despite the industry contraction. Earnings per share stood at 0,75 cents during the period under review from 0,65 cents. He said the company was fully compliant with the indigenisation policy, as certified by National Indigenisation and Economic Empowerment board.

BAT managing director, Clara Mlambo said the trading conditions for 2016 were expected to be challenging. She said the company does not need to increase prices, but to recover and grow. Mlambo said during the first half, business was depressed and in January volumes for this year did not deviate from the norm and sales were picking up in February. She said the company had witnessed suspiciously priced goods on the market and engaged in conversations with the authorities over the issue. "We have seen what we call suspicious products in the market particularly in quarter four in October last year. We have seen an increase in these products just looking at the last quarter. Government might have lost $2,3 million in excise duty because of suspicious products and for the full year it will come to about $18 million," she said. *(News Day)*

Bakers Inn has experienced a 20% uptick in sales since the launch of its Stock Up and Win and Buy and Win promotions. The bread company is seeking to reward its clientele for support given from traders and customers who helped increase its market share to 44% from June 2015. Speaking to NewsDay yesterday, Baker's Inn head of marketing, Douglas Magonya said the uptick was mainly attributed to the overwhelming response the company has received. "Since the launch of our Stock Up and Win and Buy and Win promotions, volumes are up by 20% as the response from customers has been overwhelming. This is just after three days of launching and we are very hopeful with these two promotions this will help us reach our target of 500 000 sales a day," he said.

"We have received tremendous support from our traders and consumers. We have the capacity to produce the bread and have the distribution capacity to take the bread to where our consumers are." Magonya said they are renewing their fleet of trucks to deliver their product to every corner of the country and that their sales teams are on the ground hoping to get new selling opportunities. The two promotions dovetail with the company's plan to grow sales to half a million per day on its way to attain a production target of 600 000 loaves. The two promotions were launched last week. Bakers Inn wants to expand its business into Nigeria, Zambia and Mozambique. Some of the prizes from the promotions will include nine Honda Fit vehicles, 19 2,5KVA generators, 19 laptops, 19 LED television sets, cash and monetary consolation prizes worth over $50 000. These prizes will be spread across the company's nine regions. "During the course of the promotions, we have a lot of consolation prizes that will be won during our in store and road show activations. So, with this promotion we are looking at rewarding our consumers nationwide, at least someone must get something out of this promotion," Magonya said. "As we speak our activations are already happening on the market so we call upon customers to buy more of our product." The Stock Up and Win promotion is for traders while Buy and Win is for consumers and are expected to run concurrently until April 2. *(News Day)*

Economic News

THE Turkish government has increased the number of memoranda of understanding (MoUs) with Zimbabwe to improve bilateral trade between the two countries. Currently, a draft MoU in the field of Tourism between Turkey and Zimbabwe is expected to bolster tourism in the country and is in its final stage. Turkish Ambassador to Zimbabwe Kadir Hidayet Eris told NewsDay in emailed responses that the Turkish government attached great importance to bilateral trade. Turkish Ambassador to Zimbabwe Kadir Hidayet Eris. "We attach great importance to increase the volume of our bilateral trade. Trade volume between our two countries which is very far from reflecting the real potential,

was only $14 million in 2014. We give priority to concluding all the necessary agreements to establish a solid legal framework to further our growing political, economic and trade relations," Eris said. "Our bilateral trade volume has reached to $23,4 billion in 2014 with the African continent out of which $8,4 billion is with sub-Saharan Africa. When we compare the figures in 2000 which was about only $750 million the increase is more than tenfold." Some of the MoUs recently signed and expected to be implemented include one that might see Turkish Airlines flying into Zimbabwe. "… within the framework of the existing civil aviation agreement between our two countries, there are strong signs that the Turkish Airlines inaugurating flights between Turkey and Zimbabwe may start before the end of this year," he said. Eris said a draft agreement on Trade and Economic Co-operation had been prepared to strengthen co-operation in various economic fields as well as to establish a Joint Economic Commission at ministerial level for promoting and facilitating trade and economic co-operation between the two countries.

Last year, a draft MoU was signed on co-operation in the field of agriculture between Turkey and Zimbabwe. "We believe that by signing these MoUs and agreements we will carry forward the existing bilateral relations. However, current reciprocal high level interaction has been increasing. Many high level expert visits from Zimbabwe to Turkey have taken place," Eris said. "Apart from these visits, the coordinating chairperson of the Turkish-African business councils in Turkey's Foreign Economic Relations Board (DEIK), Tamer Taskin, paid a visit to Zimbabwe." Taskin held meetings with the ministers of Industry and Commerce, Transport and Infrastructural Development and Finance and Economic Development and other high level officials in the economic area. Turkish contractors are among the major undertakers on the continent. Africa constitutes 19% of Turkish contractors' international business volume. Turkish contractors have undertaken projects amounting to $39 billion in Africa between 1972 and 2013. *(News Day)*

Zimbabwe's consumer prices fell by 2.19 percent year-on-year in January following a 2.47 percent decline in December, statistical agency Zimstats said on Monday. On a month-on-month basis, prices fell 0.05 percent compared with a 0.11 percent decline in the previous month. The World Bank said on Feb. 3. that Zimbabwe's year-on-year inflation was forecast to average -1.7 percent in 2016 compared to -2.2 percent last year. *(Reuters)*

The Zimbabwe Tourism Authority (ZTA) has called on the government to lower taxes levied on non-resident tourists' accommodation to 10 percent or less to allow the industry to recover. Zimbabwe's cash-strapped government last year unilaterally imposed a 15 percent Value Added Tax (VAT) on foreign tourists' accommodation to enhance its depleting coffers. ZTA chief executive officer Karikoga Kaseke told The Source that industry understood that government was unlikely to abolish the tax and were now advocating for its reduction. "I think from the look of things, the industry must accept that it has happened and there is no way the government can reverse that decision. The government (is) already taking the VAT. How can they reverse that decision?" Kaseke queried. Last year, finance minister Patrick Chinamasa told Parliament that Treasury had collected $1,6 million under the levy in the four months to April, despite industry protests that the levy has made the country an expensive destination and is slowing the sector's recovery. Kaseke said this made it difficult for government to stop collecting the VAT. "From my own point of view, I have never seen the government reverse such a decision. We campaigned against the introduction of the tax and expounded on the likely consequences for industry but the ministry of finance decided to introduce the VAT despite all that so we cannot be able to reverse it. I don't think that will happen, it can only reduce it and we are asking (the government) to do that," said Kaseke. "We want them to reduce it to at least 10 percent or less that 10 percent." *(Source)*

A TEAM from the International Monetary Fund (IMF) will be in the country next week for the annual Article IV consultations and the final review of the economic supervised plan on Zimbabwe —the Staff Monitored Programme (SMP). The team will be in the country from February 24 to March 11, IMF resident representative Christian Beddies said on Tuesday. The review comes after Zimbabwe has met the quantitative targets set in the first and second reviews under the 15 months SMP programme. Some of the benchmarks under the third review include submitting to Cabinet amendments to the Public Finance Management Act to strengthen Treasury's financial oversight of State-owned enterprises and local authorities and amendments to the Procurement Act to tighten the public procurement framework and make it more efficient and transparent. Zimbabwe also promised to produce a guide on the Indigenisation and Economic Empowerment legislation on the Zimbabwe Investment Authority website.

Zimbabwe had by last year met some of the benchmarks for the third review such as developing draft principles of the ZAMCO Bill for submission to Cabinet and amendments to the Labour Relations Act. In a letter of intent to IMF managing director Christine Lagarde, Zimbabwe said it remained committed to ensuring that the programme remains on track, given its importance as one of the key steps toward a Fund-supported financial programme and hence the importance of establishing a good track record of implementing sound macro-economic policies. "To this end, we will continue to monitor the programme at both the technical and political levels. At the political level, the monitoring is coordinated by the Office of the President and Cabinet through monthly meetings," Zimbabwe said in a letter signed by Finance minister Patrick Chinamasa and central bank governor John Mangudya. The review comes as Zimbabwe is working round-the-clock to clear its $1,8 billion arrears to IMF, the World Bank and African Development Bank (AfDB). The arrears have to be cleared by June 30. Zimbabwe owes World Bank $1,1 billion, IMF ($110 million) and $601 million to AfDB. Zimbabwe will secure a medium to long term loan to clear the World Bank arrears. It would use its special drawing rights to clear the IMF debt and use a bridge loan facility arranged by its debt advisors, the African Export-Import Bank, to clear its outstanding arrears to AfDB. The clearance plan is also anchored on accelerated public enterprises reform and improving public finance management, modernisation of the labour laws and aligning of laws to the Constitution and adhering to the rule of law and the pursuit of an anti-corruption thrust among others. *(News Day)*

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