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

Country	Index	12-May-17	19-May-17	WTD % Change Local	WTD % Change USD	31-Dec-16	YTD % Change Local	YTD % Change USD
Botswana	DCI	9377,01	9351,25	-0,27%	-0,27%	9700,71	-3,60%	-0,88%
Egypt	CASE 30	12906,98	12952,38	0,35%	0,35%	12344,00	4,93%	5,40%
Ghana	GSE Comp Index	1899,68	1915,90	0,85%	0,85%	1689,09	13,43%	11,64%
Ivory Coast	BRVM Composite	270,95	265,02	-2,19%	-2,19%	292,17	-9,29%	-4,27%
Kenya	NSE 20	3244,72	3285,49	1,26%	1,26%	3186,21	3,12%	3,17%
Malawi	Malawi All Share	15606,11	15610,11	0,03%	0,03%	13320,51	17,19%	15,96%
Mauritius	SEMDEX	2058,16	2070,94	0,62%	0,62%	1 808,37	14,52%	18,78%
	SEM 10	400,08	403,49	0,85%	0,85%	345,04	16,94%	21,29%
Namibia	Overall Index	1058,01	1059,63	0,15%	0,15%	1068,59	-0,84%	1,32%
Nigeria	Nigeria All Share	28192,46	28113,44	-0,28%	-0,28%	26 874,62	4,61%	1,14%
Swaziland	All Share	385,83	386,10	0,07%	0,07%	380,34	1,51%	3,72%
Tanzania	TSI	3430,75	3430,52	-0,01%	-0,01%	3677,82	-6,72%	-10,37%
Zambia	LUSE All Share	4667,19	4717,52	1,08%	1,08%	4158,51	13,44%	20,60%
Zimbabwe	Industrial Index	146,80	153,33	4,45%	4,45%	145,60	5,31%	5,31%
	Mining Index	70,22	70,98	1,08%	1,08%	58,51	21,31%	21,31%

CURRENCIES

Cur-rency	12-May-17 Close	19-May-17 Close	WTD % Change	YTD % Change
BWP	10,24	10,24	-	2,82
EGP	18,08	18,08	-	0,45
GHS	4,30	4,30	-	-1,58
CFA	589,08	589,08	-	5,54
KES	101,54	101,54	-	0,05
MWK	718,56	718,56	-	-1,05
MUR	33,36	33,36	-	3,72
NAD	13,36	13,36	-	2,17
NGN	313,43	313,43	-	-3,31
SZL	13,36	13,36	-	2,17
TZS	2 208,08	2 208,08	-	-3,91
ZMW	9,23	9,23	-	6,31

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's government has offered its state-owned BCL Mine Ltd to the Emirates Investment House (EIH) for a token price of $1 in a deal that will result in the Emirati firm taking over the mine's debts, minerals minister Sadique Kebonang said. Botswana's government has offered its state-owned BCL Mine Ltd to the Emirates Investment House (EIH) for a token price of $1 in a deal that will result in the Emirati firm taking over the mine's debts, minerals minister Sadique Kebonang said. Since being placed under provisional liquidation in October for an initial period of four months, the High Court has granted two extensions to BCL as the government negotiated with potential buyers. BCL Mine (BCL) was placed under provisional liquidation after its creditors demanded close to 1 billion pulas ($96 million). "We have signed a Memorandum of Understanding (MOU) with EIH. The proposal is for them to take up all of BCL debts including Nkomati for a token fee," Kebonang said. BCL employed more than 5,000 people directly before it was placed under provisional liquidation in October and it was once the lifeblood of the Selebi Phikwe mining town of more than 50,000 residents. After BCL was placed under provisional liquidation, Russia's Norilsk Nickel took legal action against the mining group to recover $271.3 million it says it is owed for the sale of a 50 percent stake in the Nkomati JV in South Africa.*(Reuters)*

Botswana's consumer inflation slowed to 3.4 percent year-on-year in April from 3.5 percent in March, data from the statistics office showed on Monday. Prices rose 0.7 percent month-on-month compared to 0.5 percent previously. *(Reuters)*

Egypt

Corporate News

No Corporate News This Week

Economic News

The International Monetary Fund said on Friday it had reached a staff-level agreement with Egypt on a second loan instalment that would make available about $1.25 billion. In a statement at the conclusion of an IMF mission to Egypt, team leader Chris Jarvis said: "The IMF staff team and the Egyptian authorities have reached a staff-level agreement on the first review of Egypt's economic reform programme supported by the IMF's $12 billion arrangement. The staff level agreement is subject to approval by the IMF's Executive Board." Jarvis said in a statement that completion of the review would make available about $1.25 billion, bringing total disbursements under the programme to about $4 billion. *(Reuters)*

Egypt should make it easier to do business and try harder to attract direct investment if it is to make progress towards economic recovery after passing its first review from the International Monetary Fund, economists say. An IMF delegation was in Cairo last week to assess reform efforts. In a largely encouraging statement on Friday, it said the programme was "off to a good start" and agreed on a second loan instalment of $1.25 billion, part of a $12 billion arrangement to support economic reforms. Egypt floated its currency last November and hiked interest rates in an effort to attract foreign currency back into the banking system. The move attracted at least $8 billion in remittances that once found their way to the black market. The government also introduced a value-added tax and subsidy cuts to curb the budget deficit, moves the IMF said would boost Egypt's fiscal position. Cairo is trying to cut the deficit to 9.1 percent next year from an expected 10.9 percent this year. "We are seeing aggressive reforms from the government to bring the deficit down and we're seeing numbers improving beyond expectations when it comes to foreign liquidity in the banking sector," said Hany Farahat, economist at Cairo-based CI Capital. Egypt is struggling to revive its economy since the Arab Spring uprising of 2011 drove away tourists and foreign investors, important sources of hard currency.

Egypt's Finance Ministry said the IMF review was "a new certificate of confidence for the strength of the Egyptian economic reform programme". Since the float, foreign investment in Egyptian government securities has reached $5.7 billion, against pre-float levels of $100 million. "Egypt has succeeded in attracting large amounts of portfolio investment. The next big step is attracting direct investment, whether local or foreign, and for that to happen a regulatory environment for investment needs to be cleared," said Reham El-Desouki, economist at Arqaam Capital. Egypt is passing laws aimed at attracting investment but economists say it must expedite matters to reassure investors. "The biggest risk now is execution risk and a lot of investors will be waiting to see how this will be implemented through the executive regulations. So there will be a pause in significant direct investment until a regulatory environment is clear," El-Desouki said. Parliament has approved a long-delayed investment law that aims to cut bureaucracy and incentivise investors but it has yet to announce the regulations that will underpin the law. "If the executive regulations don't come out then there is no law ... This is causing us not to tap into the potential that we would be capitalising on today if the whole legislative reforms had been completed," Farahat said. *(Reuters)*

Average yields on Egypt's six-month and one-year treasury bills rose at auction on Thursday, data from the central bank showed. The average yield on the 182-day bills rose to 19.814 percent from 19.417 percent at the previous auction. The yield on the 357-day bills increased to 19.698 percent from 19.307 percent previously. *(Reuters)*

Egypt has procured two million tonnes of wheat from local farmers since its harvest began in mid-April, the Minister of Supply Ali Moselhy said on Thursday. Egypt consumes 9.5 million tonnes of wheat to make its subsidised bread, 4 million tonnes from the local harvest and 5.5 million tonnes from imported wheat, Moselhy said, adding that the rate of local wheat procurement is 120,000 tonnes per day. "The import plan has to continue throughout the year and should not halt just because we are procuring local wheat. We continue to import," Moselhy said. Egypt's state grain buyer, the General Authority for Supply Commodities (GASC), said on Wednesday it had bought 295,000 tonnes of wheat in a tender. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Fitch ratings agency upgraded Ghana's outlook to stable on Friday and said the government was making progress in stabilizing the economy after a period of crisis. The agency kept its 'B' rating on the gold, oil and cocoa producer, but said it expected a revival of GDP growth and a decline in inflation and the budget deficit. Ghana was seen as having one of Africa's most dynamic economies until it was hit by fall in oil prices and a fiscal crisis caused by government spending on civil service wages in 2014. It is now following a $918-million International Monetary Fund programme to restore fiscal balance. The government of President Nana Akufo-Addo, which took power in January promising to rebuild finances, called the rating a vote of confidence in its turnaround strategy. "We have sought to bring clarity into what we are doing and we have taken steps with more transparency. This has been the anchor of our policy," a senior government official told Reuters. The government had said it found a hole in the budget and a bigger-than-expected deficit when it took over after winning elections in January. *(Reuters)*

The Ghana Cocoa Board said the purchase of the 2016/2017 Main Crop Cocoa Season will end at the close of business on Thursday, May 18, 2017. This was in a statement issued by the Chief Executive Officer of COCOBD and copied to the Ghana News Agency on Sunday. It said in order to assist the Licensed Buying Companies to obtain the final returns from up-country stations, the Board had decided that returns on the declared purchase will be accepted up to 1600 hours on Thursday, May 25, 2017. *(Ghana Web)*

Ghana's Cocobod raised $200 million in a bond issued via the central bank to cover its operations for the remainder of the cocoa season after its annual syndicated loan ran out early, the industry regulator's chief executive Joseph Aidoo said on Tuesday. The regulator initially needed $400 million but it is not now seeking additional funds because the bond will be "recycled" among buying companies until the end of the 2016/17 crop year when a fresh annual loan will be contracted, Aidoo told Reuters. *(Reuters)*

Ghana's new central bank governor, Ernest Addison, is likely to cut interest rates to an almost two-year low in his debut decision. The former African Development Bank economist, in office since the end of March, has room to act on Monday after the inflation rate fell from a record and the currency stabilized. That would extend an easing cycle started by former Governor Abdul Nashiru Issahaku, who cut borrowing costs at two of the six monetary policy committee meetings that he led. Addison may be more aggressive than his predecessor as the new administration of President Nana Akufo-Addo seeks to boost economic growth, which slowed to the most sluggish pace in 26 years in 2016. His appointment completed an overhaul of the top fiscal and monetary policy makers in West Africa's second-largest economy. "The governor was appointed by this government and shares the same ideology of private sector-led growth," Eliezer Fummey, a research analyst at NDK Capital Ltd. in Accra, said by phone. "He will focus more on strong growth leading to rate cuts to encourage lending."Addison was head of research at the central bank from 2003 to 2011, a period during which the regulator more than halved its key policy rate. Five of the eight economists surveyed by Bloomberg forecast a reduction of 50 to 200 basis points. The others predict the key rate will stay unchanged at 23.5 percent. Issahaku reduced borrowing costs by 50 basis points in November and a further 200 in March. Inflation was 13 percent in April, near the lowest rate since 2013, compared with a peak of 19.2 percent last March when the cedi was weakening.

While the rate still exceeds the central bank's target of 6 percent to 10 percent, Addison said last month it's on track to meet a shorter-term goal of 11.2 percent by the end of the year. Still, some economists think he will proceed at a slower pace. "I will expect that we proceed with caution given that a sharper-than-expected reduction was done only two months ago," Courage Martey, an Accra-based economist at Databank Group, said by phone. "It is important for policy makers to play it safe." While the cedi has recovered from a record low in March, when markets were startled by the discovery of previously unknown government spending, the currency is still 5.2 percent weaker against the dollar since the start of the year. Finance Minister Ken Ofori-Atta announced tax breaks and increased state spending in his budget as part of plans to support private sector-led growth and create jobs. "Governor Addison and MPC members are concerned about growth, especially since inflation is not under significant pressure any more," Celeste Fauconnier, an analyst at FirstRand Ltd.'s Johannesburg-based Rand Merchant Bank unit, said in an emailed response to questions. "Therefore, more aggressive cuts can be expected from the new governor compared to Issahaku." *(Bloomberg)*

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TRADING

Kenya

Corporate News

South Africa's Vodacom said on Monday it will buy a 35 percent stake in Safaricom from its parent company Vodafone for 34.6 billion rand ($2.59 billion), expanding its reach into Kenya. Safaricom, which is 40 percent owned by Britain's Vodafone and 35 percent by Kenya's government, has the largest subscriber base in its home market and dominates the thriving mobile financial services sector through its M-Pesa platform. "The proposed transaction will expose Vodacom Group to the attractive high growth Kenyan market, being one of the largest and most advanced economies in east and central Africa that has made significant strides in technological innovation," Vodacom said in a statement. Vodafone will retain a 12.5 percent interest in Vodafone Kenya, equivalent to 5 percent interest in Safaricom, after completion of the proposed transaction, the company said. *(Reuters)*

Mumias Sugar's share sunk to an all-time low of 70 cents before crawing back five cents last week on the back of continuing investor concerns over the health of the miller. Mumias has been unable to return to profitability even after receiving government bailouts worth nearly Sh3 billion in the past two years. A week ago, the firm said its chief executive Errol Johnston will not be renewing his contract, which runs out in August. The firm's current share price of 75 cents is now the lowest at the NSE — alongside that of Home Afrika — with the miller having traded below the Sh1 level since mid-March. "The miller last made a profit in 2012, with full year losses widening each year since.
"The miller's CEO did not seek renewal for his term. This indicates a struggling business in many fronts — company specific and industry-wide," said Genghis Capital. The change at the top could disrupt the miller's hopes of overcoming its financial troubles, given that Mr Johnston will have led the firm for just two years by the time he leaves. The share has shed 42.3 per cent in the year to date, making it the worst performing at the bourse. The miller's market valuation has as a result dipped to Sh1.08 billion, from Sh1.99 billion at the beginning of this year. Mumias reported a half-year net loss of Sh2.92 billion in the period to December 2016, with its liabilities standing at Sh21 billion.
The firm is now seeking a further Sh3.1 billion in government bailout, even as the shareholders wait to see whether the funds would turn around its fortunes. *(Reuters)*

Standard Group's increased returns in 2016 and relaunch of the newspaper in March this year have pushed its share to Sh30, making it the best stock on the Nairobi bourse year to date. Having closed last year with the share valued at Sh16.50, the stock of the country's second-largest media house climbed to a 19-month high, offering investors positive returns. Historical data on the Nairobi Securities Exchange (NSE) shows that the rally of 81.8 per cent by Standard Group makes it the highest gainer since January. At the current price, it is only closer to a level last seen in November 2015. Nation Media Group, another listed media firm, has gained 10.7 per cent since the year began, trailing Kenya Airways with a gain of 16.2 per cent in the commercial and services sector. In March, Standard Group announced a 169 per cent growth in earnings to bounce back to profit and consolidated the good performance by relaunching its flagship product, The Standard, in the same month. From a low of Sh17.17 in mid-March, the share has been on a steady climb to yesterday's price. Battery maker Eveready came second with a gain of 46.8 per cent, followed by Sasini Tea, which rose 41.9 per cent. The biggest losers have been Express Kenya (-50.4 per cent), Mumias Sugar (-42.3 per cent), Home Afrika (-37.5 per cent) and Uchumi, which has shed 36.7 per cent of its value since January. *(Standard Media)*

Africa-focused oil company Tullow Oil Plc said it encountered 75 metres of net oil pay in two zones at an exploration well in Northern Kenya. The Emekuya-1 well, located in the South Lokichar basin in North-Western Kenya, would eventually be developed to full field development, the company said on Wednesday. The well has proven oil charge across a significant part of the Greater Etom structure, Tullow said. "The discovery not only adds more recoverable resources to the current portfolio, but, along with Etom-2 and Erut-1 (wells), establishes the 'northern triangle' part of the South Lokichar Basin as an independent production hub," Morgan Stanley analyst Sasikanth Chilukuru said. Tullow operates Blocks 13T and 10BB with 50 percent equity and is partnered by Africa Oil Corp and Maersk Oil with 25 percent each. The Emekuya-1 well is located in Block 13T. Earlier this year, the company said its Erut-1 well, located in the same block, discovered oil with 25 metres of net oil pay. According to Davy Research, Tullow's latest guidance for discovered resources in the South Lokichar Basin was 750 million barrels. Shares of the company were up 2.9 percent at 207 pence by 0810 GMT on the London Stock Exchange. *(Reuters)*

Co-operative Bank has recorded a six per cent drop in 2017 quarter one net profit, joining lenders that are counting the cost of reduced interest income on customer loans following rate caps. The bank's net profit for the quarter stood at Sh3.2 billion, compared to Sh3.4 billion in the first quarter of last year. Co-op Bank's net interest income from customer loans shrunk by 7.2 per cent to Sh7.7 billion, while interest earnings from government securities also fell by 17.8 per cent to Sh1.76 billion. The lender attributed the fall in profit to a tough operating environment, citing the rate caps on customer loans and problems in the South Sudan market. "It is a commendable performance against the backdrop of a tighter operating environment especially with the capping of interest rates and currency devaluation and hyperinflation on our operations in South Sudan," said Cooperative Bank chief executive Gideon Muriuki in a statement. "Co-operative Bank of South Sudan…made a loss of Sh34.7 million in the period under review owing to hyperinflation occasioned by devaluation of the South Sudanese currency."

Total non-interest income also retreated in the period under review, to Sh3.39 billion compared to Sh3.46 billion in quarter one 2016. The lender was, however, able to cut its interest expenses by 28 per cent to Sh2.8 billion, cushioning itself against fall in income. The top tier lender recorded a 15 per cent or Sh32 billion growth in its loan book to Sh245.9 billion during the quarter. Its non-performing loan portfolio, however, rose at a faster pace than that of the loan book, rising by 30.9 per cent to Sh11.23 billion. Fellow top-tier lender KCB, which released its results last week, also blamed the rate cap and operating environment in South Sudan for its lower quarter one profit. KCB's profit fell by 1.9 per cent to Sh4.54 billion during the period. The lender earlier this month announced it would temporarily close some of its South Sudan branches, terming them unsustainable. Inflation in South Sudan hit 830 per cent in late 2016, while the South Sudanese pound is exchanging at about 108 units to the US dollar compared to 2.95 units at the beginning of last year. Other lenders with operations in South Sudan are Equity Bank and Stanbic. Equity will release results next week. *(Daily Nation)*

Diamond Trust Bank (DTB) Group has announced an 8.8 per cent growth in net profit in the first three months of the year to March boosted by increased income from investment in government securities that cushion it from the effects of interest rates capping. The lender reported an after-tax profit of Sh1.75 billion up from Sh1.61 billion during the first quarter last year. While interest income from loans and advances fell 11.69 per cent, return on government securities rose 40 per cent to Sh2.6 billion from Sh1.86 billion in the first quarter of 2016. "We were able to absorb the effects [of the interest rates cap] and it has been made possible by the growth in customer deposits and in government securities," said DTB head of finance and planning Alkarim Jiwa. Banks have been increasing their lending to government as they respond to a rule that caps interest on customer loans at four percentage points above the Central Bank Rate. DTB's customer deposits grew 22 per cent to Sh251.43 billion. Mr. Jiwa attributed this to an ongoing campaign by the bank to deepen its presence in the country, especially through digital channels. Analysts have also noted that top tier banks like DTB have been the beneficiaries of a trend in which customers are seeking to put their money with institutions that are considered stable. "We attribute the relatively modest impact of the rate cut (especially to historical levels) to banks offsetting the decline in loan yields by earning higher returns on government T-bills and reducing their cost of deposits (due to a flight to quality of deposits from weaker Tier 2 banks)," said Exotix partners in a research note on Thursday.

The lender's gross non-performing loans grew to Sh8.44 billion from Sh7.2 billion, a reflection of the tough economic times that have left businesses and individuals unable to service their debt. Nevertheless, DTB cut its loan loss provision to Sh634.97 million from Sh886.4 million. *(Daily Nation)*

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TRADING

Economic News

Kenya borrowed $1 billion via a syndicated loan from commercial banks, $200 million more than anticipated, Thomson Reuters publication IFR reported on Friday. The East African nation said in March it was raising a total of $1.55 billion in syndicated loans, with $800 million coming from commercial banks and the rest from development finance banks. The $1 billion loan was split into a two-year tranche and a three-year tranche, IFR cited bankers as saying. The loan was arranged by Citigroup, Rand Merchant Bank, Standard Bank and Standard Chartered Bank. Kenyan government officials did not respond immediately to a request for comment from Reuters. *(Reuters)*

The Kenyan shilling was stable against the dollar on Monday and was seen playing in a narrow range amid increased demand from the manufacturing and energy sectors, traders said. At 0734 GMT, commercial banks quoted the shilling at 103.00/20, unchanged from Friday's close. *(Reuters).*

The 91-day and 182-day Treasury bills were oversubscribed by 198.5 per cent and 96 per cent respectively underscoring the ample liquidity in the market. The Central Bank of Kenya (CBK) had offered Sh4 billion and Sh10 billion for the 91-day and 182-day papers, respectively. The 91-day paper received bids worth Sh11.94 billion while the 182-day paper attracted Sh19.6 billion. The Treasury only accepted Sh6.7 billion from the 91-day bids, and Sh12.5 billion from the 182-day offer. During the previous week auction, the 182-day paper, which had just resumed sale after being out of the market for eight weeks, attracted bids worth Sh25.37 billion with the Treasury only accepting bids of Sh20.4 billion at a weighted average rate of 10.475 per cent from the paper. The weighted average rate of accepted bids last week was 8.726 per cent (91-day) and 10.407 per cent (182-day). Market analyst at Genghis Capital said they expect demand to remain high on the shorter dated paper, with demand on the longer paper expected to slow down due to the upcoming 7-year tenor bond. "The 182-day Treasury bill saw the heaviest interest receiving Sh19.6 billion in bids. We expect this to be the trend in the short term as investors seek to balance their exposure which had been skewed towards the 91-day and 364-day Treasury bill due to the suspension of the 182-day Treasury bill for a period," said Genghis. They said the auction saw little movement in the rates with conservative bidding across the board.
CBK overall received Sh42.3 billion in bids accepting only Sh29.76 billion. The 364-day paper attracted Sh10.75 billion out of the targeted Sh10 billion. CBK in its weekly statistical bulletin said the money market was relatively liquid during the week. *(Nation)*

The Capital Markets Authority (CMA) and the Nairobi Securities Exchange (NSE) have issued a joint circular cautioning issuers of public securities against sub-standard and late financial reporting. The circular by CMA and NSE comes against the background of delayed financial results by a number of listed firms such as TransCentury , Crown Paints and Uchumi . There have also been queries over the quality of books of a number of firms which have run into financial headwinds even though their books indicate a clean bill of health. "It has been observed that although most of the issuers comply with the requirement to prepare and publish financial statements within the stipulated timelines, the information published does not meet the minimum required level of disclosure envisaged by the regulation," reads the circular dated April 26. "In this regard, kindly note that all issuers of securities to the public, whether listed or not, are required to prepare and publish their annual and interim financial statements in at least two newspapers of national circulation within four and two months of the close of the financial year respectively." In addition to complete balance sheet, cash flow, income and change-in-equity statements, firms are required to publish notes showing the audit opinion and a summary of key audit matters raised by their auditors. Failure to observe prudential guidelines often leads to investors putting money in dead counters. *(Business Daily)*

An increase in imports meant to tame the high cost of sugar has led to a decline in wholesale prices by 21 per cent. Retail charges have, however, fallen only marginally. A 50-kilogramme bag of the sweetener now retails at Sh7,000 in Nairobi and Mombasa from a high of Sh8,900 last week according to statistics provided by the sugar directorate. Shelf prices have, however, declined only slightly, with a two kilogramme packet in some of supermarkets now retailing at Sh375 from Sh390 last week. The Sugar Directorate says 9,000 tonnes of sugar have landed since last week, as it moves to plug the deficit, following a huge decline in local production. "Distributors received 3,000 tonnes on Saturday and an additional 6,000 tonnes has been cleared at the Port of Mombasa," said head of the directorate Solomon Odera. Mr Odera said the directorate expects 100,000 tonnes of sugar between now and end of July and that this would drastically drive down what consumers pay. "These imports are meant to push down the price of sugar to much lower cost as opposed to what it is selling currently," he said. Sugar production at the local mills has dropped to less than 3,000 tonnes in the past one month contributing to the current prices. Last week, supermarkets were hit by a severe shortage that left only one of the Tuskys outlets with the commodity. The directorate blamed traders for hoarding the commodity in anticipation of selling at exorbitant prices.

Kenya produces 600,000 tonnes of sugar every year and relies on Comesa imports to meet the growing demand, currently standing at 900,000. The country is, however, allowed to bring in 300,000 tonnes duty-free sugar every year from the trade bloc. The directorate is projecting a shortage of 1.9 million tonnes of sugarcane by the end of this financial year, which will further put pressure on the supply of the sweetener in the market. The regulator has blamed low production on a prolonged drought, which affected sugar growing zones. Sugar production dropped by 16 per cent in February this year compared with the same period last year as raw material shortage took a toll on the quantities produced. Output declined from 126,362 tonnes registered in February last year to 104,907 tonnes in a corresponding period in 2017. *(Nation)*

Investor wealth at the Nairobi Securities Exchange (NSE) has crossed the Sh2 trillion mark for the first time in six months, driven by gains in large bank stocks and Safaricom in the past week. The NSE opened the week with a valuation of Sh2 trillion — though it retreated slightly to Sh1.99 trillion yesterday — having gone up by Sh40 billion in a week. This is the highest market cap level since the end of November 2016. Cooperative Bank, Safaricom and KCB Group have accounted for the bulk of the gains made in the past week, during which their share prices have risen by 17.8, 1.3 and 10.6 per cent respectively. The recent uptick in the market has also meant that the two main indices are now in the black year-to-date. "During the week, the equities market was on an upward trend, taking the year-to-date performances for the NSE 20 and NASI to 1.8 per cent and 3.3 per cent respectively. "This performance was driven by gains in large cap stocks such as Co-operative Bank, KCB Group, Safaricom and Standard Chartered Bank," said Cytonn Investments in the latest NSE weekly analysis.

Co-operative Bank's gain has seen its own market capitalisation go up by Sh12.5 billion to Sh82.4 billion in the space of a week, while Safaricom has added Sh10 billion to hit Sh801.3 billion. KCB market value is up by Sh10.7 billion to Sh112 billion. Seven out of the 11 listed bank banks saw their share prices gain last week, indicating that investors still see an upside in the stocks in spite of the rate cap on customer loans. Safaricom was on the up after it announced a 27.1 per cent increase to Sh48 billion in its net profit in the year ending March 2017. The telco's shareholders are due to receive a dividend of 97 cents a share, from a total pay-out of Sh38 billion. Dividends have become a major attraction for investors in the market, with the lower prices having raised the dividend yields across the bourse. Banks such as Barclays (12.7 per cent) and Standard Chartered (10.2 per cent) are offering double digit yields that are competing with returns on short-term government paper. *(Daily Nation)*

Swedish truck maker AB Volvo is to start assembling vehicles in Kenya, part of a series of investments aimed at boosting the company's presence in the region, the company said on Thursday. The East African nation undermined what was a thriving local assembly industry in the 1990s with policies that encouraged cheap secondhand imports. It is now seeking to attract manufacturers back to help create jobs and support growth. Volvo is only the latest vehicle maker to announce plans in recent months to start assembling locally, following moves by Volkswagen, PSA Peugeot and CNH Industrial's Iveco. Volvo will also open an office in Kenya to serve East Africa, open 20 workshops around the region and a parts warehouse, it said in a statement. The company said it was partnering with local firm NECST in the plan, which will create about 300 direct jobs. "There is a significant potential for the premium truck business as regional economies grow, infrastructure investments expand and the business environment remains investment friendly," Claes Nilsson, president of Volvo Trucks, said in the statement. *(Reuters)*

Malawi

Corporate News

Telekom Networks Malawi (TNM), the country's second-largest mobile network operator, said on Tuesday it is to spend an additional $30 million on improving its 4G broadband service. TNM, whose main rival is the local unit of India's Bharti Airtel, said it aimed to give better 4G coverage in Malawi's four main cities. "The upgrade aims to improve the agility, speed and stability of our mobile internet services," it said in a statement. The additional spending follows an initial 9.17 billion kwacha ($12.78 million) investment which TNM made in 2016 in 4G LTE technology, coverage expansion, fixed and mobile broadband technology and various other technical improvements, it said. TNM, majority-owned by Malawian conglomerate Press Corporation, has more than 3.3 million subscribers, which compares with a national population of about 17 million people. It posted a 52 percent jump in net profit to 8.2 billion kwacha in 2016. *(Reuters)*

Economic News

Malawi's economic growth is forecast at 7 percent this year from 5.1 percent in 2016, helped by a recovery in the agriculture sector, Finance Minister Goodall Gondwe said on Thursday. Gondwe told Reuters that good rains have led to an improvement in maize output, after a drought last year weighed on production. *(Reuters)*

Mauritius

Corporate News

Mauritius Commercial Bank Group's (MCB) pretax profit rose 4 percent year-on-year to 2.17 billion rupees ($61.88 million) in the third quarter to March 31, helped by higher net interest income, the bank said on Friday. MCB, which also operates in Madagascar, the Maldives, the Seychelles, Mayotte, Mozambique and Reunion, saw its net interest income increase by 5 percent to 2.35 billion rupees during the quarter, the bank said in a statement. It attributed the growth in net interest income mainly to higher investment in government securities amid persisting excess liquidity. On a nine-month basis, the bank's pretax profit rose to 6.44 billion rupees, from 5.98 billion rupees a year ago. "Group results for the year to June 2017 are expected to grow satisfactorily, albeit at a slower pace than the growth registered during the first nine months of the year given the significant non-recurrent gains recorded in the last quarter of the previous financial year," the bank said. It said third-quarter earnings per share rose to 7.65 rupees from 6.54 rupees in the same quarter in 2016. *(Reuters)*

Mauritian sugar producer Alteo's full-year results will be significantly better than last year, helped by a strong performance by its farming business, the company said on Friday after posting a 55 percent third-quarter profit leap. Pretax profit rose 55 percent year on year to 583.88 million rupees ($16.66 million) in the three months to March 31, driven by higher sales and favourable prices. Group revenue was up 21 percent at 2.34 billion rupees. "Group results for the year are expected to be significantly better than last year's," the company said, citing strength in agribusiness and sugar, as well as a growing contribution from the group's East African operations. Alteo is the largest sugar miller on the Indian Ocean island of Mauritius and also has interests in property development and hotels. *(Reuters)*

Economic News

Mauritius' unemployment rate fell to 7.3 percent in 2016 from 7.9 percent in the previous year, the country's statistics office said on Thursday. Statistics Mauritius said in a statement this was the lowest level since 2008 when unemployment rate was at 7.2 percent. "The population of working age ... numbered 975,500, of whom 581,000 consisted of the labour force (or were economically active) resulting in an activity rate of 59.6 percent. The number employed totalled 538,600 whilst the number unemployed stood at 42,400," the agency said in a statement. Mauritius counts people 16 years and older as part of its workforce. Mauritius' economy is likely to grow by 3.8 percent this year after growing 3.5 percent in 2016, Statistics Mauritius said in March. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Nigerian oil firm Oando said on Monday it was in talks to work with Italian energy company Eni to rehabilitate one of the West African nation's four refineries. Nigeria, an OPEC oil producer with refining capacity on paper of 445,000 barrels per day (bpd), imports most of its gasoline needs because its refineries have been shut or running at reduced capacity for years due to neglect and vandalism. Nigeria's oil minister, Emmanuel Ibe Kachikwu, said last week Eni would build a new refinery with capacity of 150,000 bpd, using its Agip subsidiary. The agreement with Eni also included a repair, operate and maintenance (ROM) agreement for the Port Harcout plant. Oando said in a public notice on Monday it was in talks to partner with Agip in rehabilitating the Port Harcourt plant, returning its capacity to the original design level of 210,000 bpd from just 30 percent of that now. Oando said talks were expected to lead to a final agreement by the end of July. *(Reuters)*

Economic News

Nigerian workers from an oil labour union have extended a strike to oil majors Chevron, Shell and Eni subsidiary Agip in protest over the sacking of members from Exxon Mobil Corp, the union's general secretary said on Tuesday. Lumumba Okugbara, of the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN), said union representatives would meet Exxon Mobil management on Tuesday for talks. Members of the union began a strike at Exxon Mobil last week. *(Reuters)*

Nigeria's central bank plans to sell $100 million on Monday at a special wholesale spot and forwards auction in its bid to improve dollar liquidity in the foreign exchange market and narrow the spread between official and black market rates. Traders, citing a notice from the regulator, said the dollar auction would be both for spot and forward settlements and have to be backed by customer demand. Nigerian - an OPEC member with Africa's largest economy - is grappling with a currency crisis brought on by low oil prices which has hammered its foreign reserves and created chronic dollar shortages, frustrating businesses and individuals. The central bank has been intervening on the official market to try to narrow the spread between the two markets. It has sold around $4 billion since interventions began in February, say analysts who mostly doubt that this pace can be sustained. The local currency was quoted at 382.94 per dollar at the investor window on Monday, according to the market regulator FMDQ OTC Securities Exchange. It was quoted at 386 a dollar on the black market, while commercial lenders are yet to put up a quote on the interbank market. *(Reuters)*

Annual inflation in Nigeria eased for the third straight month in April, inching down to 17.24 percent from 17.26 percent in March, the National Bureau of Statistics said in a report. A separate food price index, however, showed inflation there rose to 19.30 percent from 18.44 percent in March. "This is the third consecutive month of a decline in the headline CPI rate, exhibiting effects of some easing in already high food and non-food prices, as well as favourable base effects over 2016 prices," the report stated. Annual inflation fell in March and the month prior to that. The fall in February was the first drop in inflation in 15 months. Nigeria, which has Africa's largest economy, is in its second year of recession and is contending with a currency crisis and dollar shortages brought on by low oil prices, which is the OPEC member's mainstay. *(Reuters)*

Nigeria's gross federally-collected revenue rose by 20.4 per cent in February 2017 to N545.05 billion, as against the N433.86 billion recorded in January 2017, the Central Bank of Nigeria's (CBN) economic report for February 2017 has shown. The increase relative to the preceding month level was attributed to the rise in receipts from both oil and non-oil components. But, the revenue receipt recorded in February, fell short of the 2017 provisional monthly budget estimate of N792.71 billion by 31.2 per cent, according to the report. Gross oil receipts, at N292.82 billion or 53.7 per cent of total revenue, fell below the provisional monthly budget estimate by 0.6, but was 37.9 per cent higher than the receipts in January 2017. The increase in oil revenue relative to the preceding month reflected the significant rise in receipts from domestic crude oil/gas sales and PPT/Royalties. According to the report, at N252.24 billion or 46.3 per cent of the total revenue, gross non-oil revenue was below the 2017 provisional monthly budget estimate of N498.14 billion by 49.4 per cent. It, however, exceeded the receipts in January 2017 by 4.9 per cent. The poor performance relative to the provisional budget reflected the shortfall in most of the components due to the low economic activities in the country during the review period. The estimated federal government retained revenue for the month of February 2017, at N194.38 billion, was below the 2017 provisional monthly budget estimate of N337.48 billion and the receipts in January 2017 by 42.4 per cent and 5.9 per cent, respectively. Of the total receipt, federation account accounted for 68.5 per cent, while Exchange Gain, FGN Independent Revenue, VAT, Excess Crude, and NNPC refund accounted for 11.6, 6.5, 5.4, 4.7, and 3.3 per cent, respectively.

Similarly, the estimated total expenditure of the federal government, at N599.30 billion, exceeded both the 2017 provisional monthly budget estimate of N522.64 billion and January 2017 level of N552.74 billion by 14.7 and 8.4 per cent, respectively. Recurrent and capital expenditure, accounted for 64.9, and 30.5 per cent, respectively, while transfers accounted for the balance of 4.6 per cent of the total expenditure. A breakdown of the recurrent expenditure showed that non- debt obligation was 79.3 per cent of the total, while debt service payments accounted for the balance of 20.7 per cent. "Increased domestic crude oil production recorded in the last two months continued in the review month as government and other stakeholders sustained effort at curtailing vandalism in the Niger-Delta region. Consequently, Nigeria's crude oil production, including condensates and natural gas liquids stood at an average of 1.65 mbd or 46.2 million barrels in February 2017. "This represented an increase of 0.08 mbd or 5.10 per cent over the average of 1.57 mbd or 48.67 million barrels (mb) recorded in January 2017. Crude oil export was estimated at 1.20 mbd or 33.60 mb, representing an increase of 7.14 per cent, compared with 1.12 mbd or 34.72 mb recorded in the preceding month. Allocation of crude oil for domestic consumption remained at 0.45 mbdor 12.60 mb during the review period," it added. Furthermore, the report showed that the external sector marginally strengthened in February 2017 following the increase in domestic oil production and international crude oil prices as well as improved inflow through autonomous sources.

Increase in crude oil prices followed the deal reached by the Organisation of Petroleum Exporting Countries (OPEC) members to cut production. However, foreign exchange supply shortages continued to constrain import of raw materials which suppressed domestic production. Consequently, non-oil export receipts declined in the review period. Also, Foreign exchange inflow through the CBN, at US$2.37 billion, fell by 8.9 per cent, relative to the level in the preceding month, but was 94.4 per cent above the level in the corresponding period of 2016. The development reflected the significant decline in non-oil receipts due to lack of interbank swap transactions and fall in Treasury Single Account and third party receipts during the review month. On the other hand, aggregate outflow through the CBN, at US$0.98 billion, declined by 7.3 per cent and 4.6 per cent below the levels in the preceding month and the corresponding period of 2016, respectively. The development was attributed to the decline in drawings on Letters of Credits (L/Cs), external debt service, foreign exchange special payment (NSA), other official payments and 3rd party MDA transfers. Overall, a net inflow of US$1.40 billion was recorded, compared with US$1.55 and US$0.20 in January 2017 and the corresponding period of 2016, respectively. "Total non-oil export earnings, at US$0.31 billion, fell by 7.0 per cent, below the level in January 2017. This resulted from the 50.0 per cent, 41.6 per cent, 36.4 per cent and 32.3 per cent decline in receipts from transport, food products, agricultural and industrial subsectors, respectively. The manufactured product and minerals sub-sector, however, grew by 209.8 per cent and 5.0 per cent, respectively, above the levels in the preceding month to US$60.28 million and US$135.13 million," it added. *(This Day)*

The net asset value (NAV) of mutual funds in the Nigerian capital market grew by 159 per cent from N102 billion in December 2012 to N264billion in April 2017, according to data from the Securities and Exchange Commission (SEC). Mutual funds are pools of funds that a professional Fund Manager brings together from various individual investors to invest in selected underlying securities for the benefit of the investors. The underlying securities can be one or a combination of stocks (shares), money market instruments, fixed income securities, real estate, and commodities. Data from SEC indicated that the NAV of the funds have grown by N162 billion in almost five years. However, despite the 159 per cent growth, the relative size of the NAV to gross domestic product (GDP) remains low and relatively unchanged over the period at 0.2 per cent in 2012 and 0.3 per cent in 2016. Compared to other countries, the NAV ratio to GDP is very low, hence analysts at FSDH Research said there is need to put more efforts and introduce more incentives to develop the mutual fund segment of the Nigerian financial market. According to FSDH, available data from DataMarket on the ratio of mutual fund assets to GDP for some selected countries between 2012 and 2014 shows that Nigeria recorded the lowest figures. For instance, the ratio of mutual fund assets to GDP in United States in 2014 was almost 90 per cent, while that of South Africa was about 40 per cent. India and China was about nine per cent, while that of Nigeria is about 0.3 per cent. "This shows that more efforts and incentives are required to develop the mutual fund segment of the Nigerian financial market," the analysts said. They advised investors to patronise mutual funds because of the numerous benefits. "The main benefits relate to the fact that the pooling of a large number of relatively small investment sums enables small investors to gain access to all the benefits of a professional investment adviser.

Aside from the choice of the underlying investment being made by an experienced investment the benefit of portfolio diversification which (s) he would not have been able to achieve otherwise. The pooling of the funds also permits the Fund Manager to achieve lower transaction costs than would be possible for individual investors," the experts said. They explained that these benefits translate to the achievement of superior returns, adding that the existence of a trustee and custodian ensures the safety of the investments as the assets of the mutual fund are held by a custodian and are in no way co-mingled with the assets of the Fund Manager." "All these ensure that even small investors have access to wealth creation opportunities that were previously considered to be the preserve of the wealthy. For all investors (large and small), investments in mutual funds ensures that a professional is constantly assessing the fund, making decisions to exit certain investments that may have peaked in value in order to enter new ones where the opportunity for superior returns has been identified," they said. *(This Day)*

Following the significant improvement in foreign exchange(FX) liquidity in the economy, operators of commercial banks in the country believe the economy has past the worst of what was described as "the most severe downturn in 25 years." Renaissance Capital, a financial advisory firm stated this in a report, at the end of its 8th Annual Pan-Africa 1:1 Investor Conference in Lagos recently. According to the firm, one of the big theme at the meeting with investors was the year-to-date (YTD) improvement in FX liquidity, which allowed for the unwinding of some outstanding obligations. Trade facilities and velocity increased as a result, it cited one bank to have disclosed. During the height of the FX shortages, trade cycles lengthened to 12 months, from a typical four-to-six months. "The trade cycle is now contracting. Banks are cautiously optimistic about the Investors and Exporters (I&E) FX window. One bank thinks it is a tacit devaluation and precursor to a more liberal FX policy. Another sees the FX rate settling at N370-400/$1," it stated. In addition, the report revealed that banks see little incentive to lend with Treasury yields, while non-performing loans (NPLs) tend to lag the economy. It also quoted another bank to have estimated that there was 18 months to go of high NPLs and downside surprises. "Retail transactions fell, when households cut spending, have yet to pick up. That said, banks believe things are getting better. In the short term, they see opportunities in manufacturing, agriculture and infrastructure.

They are steering clear of the oil & gas, and haulage sectors. One bank thinks the nascent recovery is led by an improvement in the oil sector, and fears that if it is not sustained by structural reform, it will be fragile. The banks' biggest concern is regulatory changes," it added. On the other hand, it stated that consumer companies held the opinion that the fundamentals of the microeconomy – consumers and businesses – have not changed. "They think the consumer is still stressed; unemployment high and inflation elevated. Consumers have reduced the frequency of purchases, found substitutes and traded down. One consumer company shared with us the example of a middle-income mother buying smaller sachets of a product, when she can afford a larger pack. Her argument was that in these challenging times, she can control consumption more easily in her household with sachets. "Lower income mobile subscribers are reacting to high inflation by dropping from two SIM cards to one, according to a telcos company. Tight FX liquidity led to some companies delaying capex. Some consumer companies cannot pass on the cost of FX to the end consumer. Even those with a relatively larger share of locally sourced raw materials told us that its pricing is still impacted by FX. The companies see stability returning," it added. *(This Day)*

The Minister of Industry, Trade and Investment, Mr. Okechukwu Enelamah, says the Federal Government is planning to enhance

economic growth by granting tax breaks and export incentives. According to him, a key Trade Facilitation Agreement signed by Nigeria and over 100 other countries with the World Trade Organisation is expected to provide the nation's manufacturing industry with a major boost. Enelamah spoke in an interview with Oxford Business Group, a research and consultancy firm. While describing the TFA as a milestone, the minister said the agreement should ease the overall cost of doing business in Nigeria. He described issues around ease of doing business as one of the three main obstacles facing manufacturers in the country. He said, "The biggest challenge is definitely infrastructure, in one form or another. In addition, manufacturers need more access to sustainable, affordable and reliable power – that's our first priority as a government and as a ministry. "Each of these areas represents an opportunity to take the country higher and to fulfill our potential." According to a statement by the OBG, the full interview with the minister will appear in a document tagged, 'The Report: Nigeria 2017' Enelamah said that creating an attractive environment for manufacturers through measures such as tax breaks, export incentives and finance was high on the government's agenda in line with its broader aim of increasing local production. He said, "Producers need assurance that if they produce locally, their products will enter the local value chain, and we have created the conditions for that. " We are also working to avoid dumping, as entrepreneurs that are producing high-quality products cannot compete with imports that are cheaper and of lower quality." The minister added, "We want to improve the supply of foreign currency through funding programmes that will bring billions of dollars into the economy. *(Punch)*

Nigeria's state oil company is in the final stage of signing $6 billion worth of deals to exchange more than 300,000 barrels per day (bpd) of crude oil for imported gasoline and diesel, sources with direct knowledge of the process told Reuters. The contracts, which come three months later than expected, include three more pairs of companies than last year, reflecting Nigeria's increased reliance on NNPC for fuel imports. A lack of local refining capacity means Nigeria is reliant on imported gasoline, kerosene and other petroleum products, and the oil price crash and militant attacks on Nigeria's oil industry have starved independents of dollars for fuel imports. At least four of the 10 groups have signed contracts, set to begin from July 1, with the rest expected to do so by Friday, the sources said. The NNPC, which is due to approve them by the end of the week, did not immediately respond to a request for comment. The fuel quality in the final agreements was not immediately clear, but July 1 is the same deadline the country set for switching over to higher quality, lower-sulphur fuels that create less toxic fumes. Sulphur levels were a major sticking point in the negotiations. The Ministry of Environment and the Standards Organization of Nigeria, the body responsible for setting requirements for imported goods, promised a switch to 150 ppm gasoline and 50 ppm diesel. Some sources said the new standards would be applied. Others reported that three different gasoline specifications - 1,500 ppm, 500 ppm and 150 ppm - would all be included in the contracts, giving NNPC options on which to import.

This year's deal includes international trading houses, not just oil refineries. The 2016 contracts included only companies with refineries in an effort to cut out middlemen. The latest list contains several companies from 2016, including Varo Energy, Societe Ivorienne de Raffinage (SIR), Total and Cepsa. Italy's ENI and India's Essar, which won 2016 contracts, are absent from this year's list, while Socar and Mercuria are new additions. The contracts were initially planned to begin in April but last year's swap deals were extended at least twice in order to give NNPC more time to negotiate. NNPC had previously said this year's contracts would exchange up to 800,000 bpd of crude oil, though at some 40 percent of peak exports that target was seen by markets as unlikely. NNPC has been forced to ramp up its own fuel imports to around 80 percent of Nigeria's consumption, according to figures from the company and oil traders. Nigeria has substantially increased its refining output this year but the first quarter average was still only about 25 percent of its 445,000 bpd capacity. It has struggled to run them at higher rates due to years of neglect and consistent theft and sabotage of the pipelines feeding the refineries. *(Reuters)*

Development Bank of Nigeria, a new state-backed lender, aims to make up to 20,000 new loans to small firms within its first year of operation as part of efforts to help unlock credit to the recession-hit economy, its chief executive Tony Okpanachi said. Africa's biggest economy is in its second year of a downturn brought on by low prices for oil, the country's main export, which has slashed government revenues and hammered the naira currency. Many businesses have had to shut down or lay off workers to survive. The new development bank -- modelled on Germany's KfW -- will lend to local commercial banks and microfinance institutions that will then make loans to small firms, helping boost economic growth and jobs. Small scale enterprises make up 60 percent of Nigeria's economy. Okpanachi said the bank will grant loans of up to 12 years' maturity, longer than usual for the West African country, to enable the financing of new projects that would not be viable with short-term funds and in dollars. The newly licensed bank has the Nigerian government, African Development Bank, European Investment Bank, the World Bank and KfW as initial investors, with start-up capital of $1.3 billion. It aims to start lending in August. "The focus is on new loans," Okpanachi, an ex-Ecobank executive, told Reuters in an interview. "We know agriculture is a focus area, we will encourage that. We know other small industries. We would also try to encourage those sectors that will give maximum impact to the economy."

President Muhammadu Buhari has pledged to strengthen the agricultural sector, to reduce Nigeria's costly food imports and diversify the economy away from over reliance on oil. But access to long-term funds in local currency has been a major hurdle. Long-term naira financing is scarce in Nigeria. In 2013, when the country was seen as an attractive investment prospect several firms took out dollar loans to expand. Then, the economy was growing, oil prices were rising and the currency was stable. Now, lower crude prices and revenues mean dollars are running short, making it tough for local companies to repay foreign currency loans from earnings in the devalued naira. Okpanachi said the development bank aims to secure a credit rating from an international agency and to raise fresh capital within three to five years of operation. The bank's board is made up largely of non-executive directors appointed through a competitive process to ensure proper corporate governance, he said. *(Reuters)*

Tanzania

Corporate News

VODACOM Tanzania net profit has increased by two thirds to 47.6bn/- thanks to M-Pesa revenue growth and data business in a year ending March. The firm, leading telecom in the country, projected during IPO prospectus that its profit for this year will be 47.38bn/- up from 29.1bn/- or a change of 62.5 per cent, instead went up 63.4 per cent. The firm handsome profit came at time of concluding its 476bn/- initial public offer (IPO) the biggest in the history of Dar es Salaam bourse. Vodacom Managing Director Ian Ferrao said that M-Pesa revenue grew 11 per cent to 249.6bn/- pinned by an increase of 936,000 active customers. "In particular our continued investment in data, M-Pesa and enterprise paid dividends…." Mr. Ferrao said yesterday in a statement. The MD said despite negative impact on excise duty imposed last July, M-Pesa delivered strong growth throughout the year. "Looking ahead, we aim to maintain the encouraging momentum of the second half of the past year by continuing focus investments across our key strategic drivers—data, M-Pesa, and enterprise…," Mr. Ferrao said. The telecom expansion of its mobile money ecosystem has invoked an 18 per cent rise in the number of transaction to reach over 8.0 million customers who make up 63 per cent of Vodacom active customer base. The results enabled earnings per share to grow 63 per cent to 28.3bn/- for the year ending March. Vodacom share price at IPO was at 850/-. Vodacom projects its net profit in 2018 will reach 95.86bn/- a change increase of 102.8 per cent. The growth in 2018, according to prospectus, will be fuelled by data demand as smart devices become more accessible while 3G and 4G networks reach more customers. Currently high speed 4G covers Dar es Salaam but plans are afoot to explore opportunities for spectrum acquisition which will enable the roll-out of the 4G into other regions. *(Daily News)*

Economic News

INVESTORS raised 2.36tri/- to invest in treasury bonds and bills in the first quarter of this year as banks are shunning lending to borrowers and turn to risk-free government securities. The government debt securities were oversubscribed in the first three months to signal growing investors' thirst as they set aside about 2.36tri/- compared to 833.7bn/- offered by the Bank of Tanzania (BoT). The Bank of Tanzania (BoT) failed to quench their thirst as it accepted 1.48tri/- which is 177 per cent of the amount offered to the market. Banks and pension funds are the main investors for the government securities. According to the National Microfinance Bank (NMB) market digest, investors' appetite rose significantly due to improved liquidity condition in the quarter under review compared to fourth quarter 2016 whereby bids worth 1.36tri/- were tendered and 962.6bn/- were successful. The outstanding performance of the treasury bills and bonds is attributed to the commercial banks move to investing on risk free government securities after cutting lending due to high non performing loans. The amount tendered in the primary market of treasury bonds auctions was 2 per cent more than the amount offered.

The total amount offered in the quarter for all auctions stood at 802.5bn/- and 821.6bn/- was tendered and only 604.5bn/-was successful. Demand for Treasury bonds in the first quarter this year increased but not as much as treasury bills indicating that investors preferred short term securities. Investors' appetite was high for yields in the lower tenor leading to high yield bids, making it favorable for the government to raise funds through short term papers. The quarter under review saw a quarter on quarter increase in turnover in the secondary bond market of about 62.67 per cent compared to the fourth quarter last year. A total of 229bn/- worth of treasury bonds changed hands in the first quarter rising from 141bn/-recorded in the fourth quarter last year and 113bn/- in the same quarter in 2016. Contrary to the primary market, most of the institutional investors in the secondary market preferred long term tenors including seven, 10 and 15 years bonds to short term tenors. This is to match their long term maturing obligations such as pension benefits. *(Daily News)*

THE European Union (EU) will continue to offer its assistance, to the best of its abilities, to the East African Community (EAC). The Head of the EU Delegation to Tanzania and the EAC, Amb Roeland Van de Geer, said that over the seven year period from 2014 to 2020, the EU and the EAC were addressing key challenges in East Africa by jointly implementing an ambitious development programme through the 85 million Euro 11th European Development Fund. Amb. Van de Geer further said that, in addition, EU Member states were also making available considerable amounts in development support to the EAC. "However important aid may be, trade and investment are crucial for a better future for all East Africans," said the envoy. Amb. Van de Geer said the EU would continue to partner with the EAC in development cooperation and the promotion of peace, security and democracy in the East African region. He noted that the two blocs had witnessed increased cooperation over the past two decades, adding that the wide ranging cooperation would continue in the political, economic and developmental fields. Amb. Van de Geer was addressing guests during a cocktail event to mark the Europe Day 2017 at the EAC Headquarters in Arusha, Tanzania. He acknowledged that despite many years of unprecedented economic growth, Europe today suffers from serious economic difficulties. "Difficult as the times may be, our Union, built on solidarity and on the strong commitment to peace and development, see these tough times as an opportunity for change, improvement and reform. Our collective European response is a new level of joint economic governance intended to speed up economic recovery, thus contributing to global improvement," he said, adding that there was a silver lining to these challenges. "Europe is not turning inwards; on the contrary, the current situation calls for well-coordinated and determined international action and narrow cooperation with our partners worldwide, in Asia, the Americas, Oceania and certainly also in Africa, the continent to which Europe feels so closely connected," said Amb. Van de Geer. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia's central bank is unlikely to loosen monetary policy further when it meets on Wednesday as a steep hike in electricity prices for retail consumers starting this month risks stoking inflation, analysts said. The cost of electricity for retail customers is set to rise by 75 percent in 2017 under a plan approved by the Energy Regulation Board last week and intended to match prices to production costs after Zambia scrapped electricity subsidies. A first 50 percent increase became effective on Monday, with the remainder due to be implemented on Sept. 1. Economists say that although higher electricity tariffs could in the long term help attract investment into the energy sector, they might also feed through into other price increases. "The government, Bank of Zambia in particular, should adequately prepare for anticipated inflationary pressures that will be experienced as a result," said Chibamba Kanyama, an analyst at the Economics Association of Zambia. "It is those instruments they employ to contain inflation that may have a negative impact in the short term on performance of industry and 2017 projected economic growth." Zambia's annual consumer inflation has drastically eased from highs of over 20 percent last year, and was 6.7 percent in April. The central bank is scheduled to announce its rate decision on Wednesday, when it is also expected to give its inflation forecast for the rest of the year.

Lower inflation has allowed the central bank to cut its benchmark lending rate from a record high of 15.5 percent to 14 percent. Isaac Mwaipopo, a development policy analyst with the Centre for Trade Policy and Development, a local think-tank, said retailers were likely to hike prices of goods and services in response to the electricity tariff increase. "The central bank may be forced to tighten monetary policy to slow down inflation under this scenario," Mwaipopo said. But other analysts said the central bank was unlikely to reverse course on easing in order to boost economic growth. "We still see more easing ahead, given current economic conditions and ongoing kwacha (currency) stability," said Standard Chartered Bank's Chief Africa Economist Razia Khan. "It's a necessary reform for putting the fiscal path back on track." Zambia's economy is expected to grow by 3.9 percent this year and 4.6 percent next year, higher than earlier projected by the government, the central bank said in February. The country is Africa's second-largest copper producer. *(Reuters)*

Zambia's economy will grow by 4 percent this year from around 3.2 percent last year supported by better agricultural output, improved electricity generation and higher mining production, a senior government official said on Thursday. In the annual national budget for this year, the government had targeted a real GDP growth of at least 3.4 percent. "For 2017, what we are seeing is a recovery in terms of growth from 3.2 percent that we had last year, to about 4 percent. Next year growth will be 5.2 percent," Finance permanent secretary Mukuli Chikuba said during a meeting with business leaders. Chikuba said the economy would grow by 6 percent in 2019. (Reuters)

Zimbabwe

Corporate News

ZB Financial Holdings Limited is working on a diaspora business strategy after its removal from the sanctions list by the Office of Foreign Assets Control (Ofac) in the United States Department of the Treasury. Ofac administers and enforces economic and trade sanctions based on US foreign policy and national security goals against targeted foreign countries and regimes. ZB Financial Holdings chief executive officer, Ron Mutandagayi told shareholders last week that a strategy has been prepared to target Zimbabweans living outside the country. "A diaspora business strategy has been prepared and will be rolled out in the near future targeting markets in Australia, the United Kingdom, Canada and the United States," he said. Mutandagayi said the group has been re-engaging its foreign correspondent banking network following its removal from the Ofac listing on October 4, last year. The group was placed on the specially designated nationals by Ofac in 2008. "To date, the group has been able to resuscitate its euro, British pound, South African rand and US dollar correspondent banking accounts. A number of payments have been effected using all the accounts in question," Mutandagayi said. The group's total assets as at April 30 2017 amounted to $406,8 million, showing a reduction of 7% from $ 439,3 million reported as at December 31 2016. This, Mutandagayi said, was attributed to a 15% reduction in deposits as a result of a decline in wholesale funding. Resultantly cash resources declined by 31% to $56,9 million during the period from $82,2 million as at December 31. Profit before tax was $6,88 million, up 195% from the one realised in the same period last year. Loans and advances were down 4% to $92,9 million from the December 31 figures. Mutandagayi said loan facilities that have been approved by the group but not yet disbursed were $50 million as at April 30. "Draw-downs are being affected by external factors which include the liquidity crunch and the shortage of foreign currency," he said. *(News Day)*

FERROCHROME producer ZimAlloys surrendered 35% of its claims to government, as it moves to comply with a directive compelling chrome miners to cede half of their claims for onward distribution to small-scale miners and smelters. In 2015, government directed two chrome giants, Zimasco and Zimalloys to cede 50% of their claims and Zimasco has since fully complied with the directive. Mines and Mining Development deputy minister Fred Moyo yesterday told NewsDay that ZimAlloys has so far ceded 35%, adding that government was negotiating with the company to fully comply with the directive. "They have ceded 35%. So we will accept that for now. But we are still negotiating with them because government position is they must cede 50%. So the permanent secretary will go ahead in distributing what they gave to us because people want to mine," Moyo said.

According to a mining markets and investment website, InvestmentMine, ferrochrome prices grew by 27% to $2, 29 per kg as at the end of March, from $1, 80 per kg in April 2016. The boom in the international price of chrome has seen foreign companies scrambling for chrome claims in the country. Last month, Moyo told our sister paper The Standard it was critical for Zimbabwe to take advantage of the prices of ferrochrome and avoid bureaucratic processes and move with the times in order to accommodate chrome investors. Zimbabwe holds the second largest chrome ore reserves after South Africa. In April 2011, Zimbabwe banned the export of raw chrome, urging companies to beneficiate the mineral into ferrochrome. The move failed as companies struggled due to lack of smelting capacity, high production costs and power shortages. The ban was lifted in June 2015. The freeze led to the country accumulating 77 000 tonnes of chrome ore. *(News Day)*

Cable manufacturer CAFCA has reported a 41 percent increase in profit before tax to $327,000 for the six months to March, largely as a result of reducing costs and savings on interest from borrowings. Revenue remained flat at $9,3 million, but export earnings grew by 68 percent to $705,000 as competition dropped due to lack of foreign currency. Total assets stood at $16,7 million from $18 million.
The company did not declare dividend. *(The Source)*

Padenga Holdings shareholders on Thursday approved a plan to set up a share option scheme for its employees and grant options to its management, which will give the two groups an equivalent of 15 percent of the company's issued share capital. The plan would also allow the company to meet Zimbabwe's empowerment law requirements. Speaking to shareholders at the company's extraordinary general meeting (EGM), chief executive, Gary Sharp said the options will be awarded to selected employees based on their performance. "Awarding of options shall be based on the performance of an employee and contribution to the success of the company," said Sharp. The company said the share option scheme will enable it to comply with the requirements of the approved indigenisation implementation plan, while enhancing the capital base of the business. Zimbabwe's Indigenisation and Empowerment Act of 2008 requires foreign owned companies valued at over $500,000 to cede 51 percent to black locals. However, President Robert Mugabe last year indicated that compliance to the policy could take several forms with emphasis being placed on local procurement and retaining earnings in Zimbabwe. According to the agreements, Padenga Management Share Ownership Trust will be granted 54,159,344 ordinary shares which represents 10 percent of the company's current issued share capital while Padenga Employee Share Ownership Trust will be granted 27,079,672 ordinary shares, representing 5 percent of the company's current issued share capital. Padenga has 541,59 million shares in issue and is currently trading at 21,1 cents on the local bourse.

The company amended the share option price to the volume weighted average price (VWAP) of Padenga shares over the previous 60 trading days. In a trading update after the company's annual general meeting, Sharp said that total expenses for the four months to April 2017, are in line with budget and the company is confident that it will achieve its operational and financial targets for the year and returning another positive set of financial results. Sharp said a total of 4,502 crocodiles have been culled as of May 17, 2017, adding that the size and quality of the cull crop in the pens gives the company confidence that it will attain its target cull of 46,000 crocodiles. The company said 2,471 skins have been graded and achieved 97 percent first grade ratio from the first sales grading conducted early this month. Sharp said the company's United States operation, Lone Star Alligator Farms in Texas, currently has 22,830 alligators on the ground and about 16,182 of these is expected to be harvested between July and December. He also told shareholders that an EU audit of export approved crocodile facilities occurred this week with Padenga being one of only two abattoirs that holds this status. Demand for crocodiles meat in Europe remains steady and prices have firmed over last year . However, Sharp said there is no current interest from the Asian market for crocodile meat, compelling the company to increase local sales. "We will maintain sales promotions of low value cuts into the local market to preserve our market share as an alternative to sales into Asia," Sharp said.

Currently, the company has 46,235 B15 and 51,460 B16 crocodiles on the ground in Zimbabwe and this is in line with its objective of maintaining annual production at the same volumes in 2018. Sharp said capital expenditure in FY 2017 will focus on additional infrastructure that will improve skin quality, increase growth rates and improve production efficiencies. "To this end, new 80 pens are under construction. Also at the beginning of the year a solar power plant was commissioned at UME that is providing the bulk of the farms energy needs during daylight hours," Sharp added. Top shareholders of Padenga include ZMD Investments (Pvt) Ltd, HM Barbour (Pvt) Ltd and Stanbic nominees with 20 percent, 19,5 percent and 12,13 percent respectively. *(The Source)*

Economic News

ZIMBABWE has not exported sweet potatoes in the European Union (EU) since 2012, despite vast opportunities the bloc presents, latest information from ZimTrade have shown. Information gathered from ZimTrade, the country's export promotion body revealed the huge demand for sweet potatoes in the EU market, which increased by 177,6% to $297 million in 2016 from $107 million in 2012, presents an opportunity for Zimbabwean companies in the horticulture sector. The EU market, says ZimTrade, accounted for 63% of global imports of sweet potatoes in 2015. Currently, United States of America is the major exporter of sweet potatoes to Europe, accounting for 44,8% of total imports. In 2016, Egypt, Senegal and South Africa exported sweet potatoes to Europe worth $9 million, $4 million and $3 million respectively. According to TradeMap, Zimbabwe has not recorded any export of sweet potatoes since 2012. "The demand for sweet potatoes, particularly purple potatoes, is driven largely by the medicinal qualities of the crop," said ZimTrade. According to Fresh Plaza publication of April 19 2017, sweet potatoes are rich in nutrients and anti-oxidants, which are used in the prevention and treatment of more than 100 diseases. "The versatility of the tubers also appeals to a wider market in Europe. Sweet potatoes can be roasted, pureed, steamed, baked, grilled or added to soups and stews," it said. "Zimbabwean farmers should consider growing sweet potatoes. The product must meet the minimum EU technical requirements to qualify for export into the EU. These requirements are classified according to product safety and technical." *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

South Africa's Standard Bank said on Monday it had finalised a $120 million debt package with the Zimbabwe Power Company (ZPC), which has been grappling with power and liquidity shortages. The funds will be used for the rehabilitation of existing power infrastructure at Kariba South Hydro Power Station and Hwange Thermal Power Station, Standard Bank, which was the lead arranger, said in a statement. *(Reuters)*

Zimbabwe's cash shortages could worsen and inflation may be triggered if President Robert Mugabe's government doesn't temper excessive state spending, the International Monetary Fund said on Monday. The southern African nation has been grappling with cash shortages since last year and the introduction of a "bond note" currency in November has failed to meet demand. Without balance of payment support from international financial institutions, President Robert Mugabe's government has relied on taxes and the domestic market for borrowing, sending the budget deficit spiralling in 2016. "Excessive government spending, if continued, could exacerbate the cash scarcity, further jeopardize the health of the external and financial sectors, and, ultimately, fuel inflation," the IMF said after a country visit. Official data on Monday showed inflation rising to 0.48 percent in April, the second month consumer prices have increased following more than two years of deflation. *(Reuters)*

Zimbabwe's year on year inflation rate for the month of April gained 0.27 percentage points to 0.48 percent, the statistics agency reported on Monday. Month on month the inflation rate was up 0.02 percentage points on the March 2017 rate of 0.03 percent to 0.05 percent, Zimstat said. Inflation in the southern African nation is this year expected to average 1.1 percent. *(The Source)*

Air Zimbabwe has been added to a list of airlines barred from entering Europe after failing to address safety deficiencies picked up during European Aviation Safety Agency (EASA) operator audits, the European Commission announced on Tuesday. The European Commission's decision to bar Air Zimbabwe is a major setback as the perennial loss-maker was considering resuming flights on the lucrative Harare-London route, which it stopped servicing in 2012 after one of its planes was temporarily impounded in the United Kingdom over a debt owed to a parts and maintenance supplier. Air Zimbabwe was also thrown out of the International Aviation Transport Association (IATA) clearing house after accumulating fee arrears. That debt now stands at $3.5 million. IATA facilitates payments between airlines and other businesses in air travel. "The EU Safety List is a list of airlines which the European Commission…on the basis of the advice of the EU Air Safety Committee, decided to subject to either a complete or a partial operating ban within the European Union, for failure to adhere to the applicable international safety standards," the Commission said in a notice published on its website on Tuesday. The Commission, which updates and publishes the list regularly, said it would consider safety audit requests from any airline seeking removal from the blacklist. "Where an airline included in the community list deems itself to be in conformity with the necessary technical elements and requirements prescribed by the applicable international safety standards, it may request the Commission to commence the procedure for its removal from the list," the Commission said.

The European Union (EU) Air Safety List is divided into two, the first includes airlines completely banned from operating in Europe while the second has restricted carriers which can, however, operate under certain conditions. Banned airlines, like Air Zimbabwe, could still operate in Europe on wet leases — leasing aircraft as well as crew, maintenance and insurance. On February 20, Air Zimbabwe chief executive Ripton Muzenda told a parliamentary committee that the airline's target to increase revenue to $47 million this year from $36 million in 2016, depended on the resumption of long-haul flights, particularly the Harare-London route, which would serve the considerable UK-based Zimbabwean population. At the time, Muzenda said the airline had given itself a May target to pay up its debt and get the mandatory certification required to operate the London route. Air Zimbabwe, burdened by a $330 million debt, narrowed its full-year losses by 42 percent to $15 million in 2016 from $26 million the previous year, largely as a result of cost cutting. The airline has found the going tough on the busy Harare-Johannesburg route, dominated by South African Airways, with law-cost carrier Fast Jet also staking a claim for market share. *(Source)*

The International Monetary Fund (IMF) says Zimbabwe must cut back on excessive spending, and warned that further non-priority

expenditure would amplify cash shortages and fuel inflation. Zimbabwe is facing a worsening cash crunch while its public sector wage bill consumes 97 percent of government expenditure at a time revenue inflows have remained subdued. Last year the country's budget deficit amounted to $1,1 billion as government expenditure — at $4,3 billion exceeded revenue of $3,1 billion. With a budget envelope of $4,1 million this year, government expects to run a deficit of $400 million. Employment costs will take up $3 billion from $3,14 billion last year. After two years in deflation, inflation moved into positive territory in February this year and edged up to 0,48 percent in April. Ana Lucía Coronel, who led the IMF team that visited Zimbabwe for Article IV consultations from May 2 to 13, said reducing the wage bill could involve reviewing allowances and benefits and evaluating the size of the civil service with a view to eliminating non-essential posts. "Spending pressures stem from high employment costs, government transfers to support specific economic sectors, and elevated discretionary expenditure. Action on these three fronts, while safeguarding social outlays, is therefore crucial," said Coronel in a statement. She urged the central bank to refrain from financing the government deficit and contain the issuance of debt and quasi-currency instruments. "Furthermore, the financial sector should restore its role of intermediating resources in the economy by channelling deposits to productive credit rather than financing fiscal operations," she said.

The economy is expected to rebound this year driven by a recovery in agriculture and mining but to maintain the growth momentum the IMF says government would need to speed up plans to reduce the deficit to a sustainable level. "Government interventions to support agriculture, while understandable, could be redesigned with the aim of maximizing the benefits on production while minimizing the risks to the public-sector balance sheet," she said. Coronel added that restoration of confidence by tackling corruption and promoting private sector investment was essential for attracting the necessary dollar inflows to the economy. "The team recommends taking action to unleash the potential of the private sector and ensure that growth benefits the most vulnerable segments of the population. Building on the progress already achieved, the government is encouraged to demonstrate that Zimbabwe is open for business," said Coronel. "Moreover, there is room for enhancing domestic revenue mobilization, boosting transparency in the mining sector, and improving governance in public enterprises to strengthen the country's fiscal position." *(Source)*

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