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:

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	6-Feb-15	13-Feb-15	Local	USD	Local	USD
Botswana	DCI	9457.70	9520.43	0.66%	-0.45%	0.20%	-1.25%
Egypt	CASE 30	9965.43	9747.36	-2.19%	-2.19%	9.00%	2.17%
Ghana	GSE Comp Index	2149.80	2149.11	-0.03%	-0.39%	-6.04%	-11.60%
Ivory Coast	BRVM Composite	254.33	265.88	4.54%	4.16%	3.02%	-3.93%
Kenya	NSE 20	5217.88	5340.08	2.34%	2.26%	4.45%	3.54%
Malawi	Malawi All Share	14942.70	14961.90	0.13%	1.84%	0.51%	5.68%
Mauritius	SEMDEX	1994.83	1988.44	-0.32%	-1.59%	-4.11%	-8.75%
	SEM 10	370.94	371.87	0.25%	-1.02%	-3.61%	-8.27%
Namibia	Overall Index	1132.60	1176.31	3.86%	0.39%	7.13%	5.41%
Nigeria	Nigeria All Share	29985.08	27585.26	-8.00%	-12.84%	-20.41%	-28.82%
Swaziland	All Share	299.10	284.32	-4.94%	-8.11%	-4.62%	-6.16%
Tanzania	TSI	5028.96	5019.34	-0.19%	0.32%	10.86%	5.92%
Tunisia	TunIndex	5280.43	5333.27	1.00%	1.08%	4.78%	1.45%
Zambia	LUSE All Share	6182.56	6168.50	-0.23%	-0.68%	0.13%	-3.79%
Zimbabwe	Industrial Index	169.37	168.36	-0.60%	-0.60%	3.42%	3.42%
	Mining Index	59.03	58.13	-1.52%	-1.52%	-18.94%	-18.94%

CURRENCIES

Cur-rency	6-Feb-15 Close	13-Feb-15 Close	WTD % Change	YTD % Change
BWP	9.45	9.56	1.12	1.46
EGP	7.61	7.61-	0.00	6.68
GHS	1.87	3.38	0.36	6.29
CFA	576.54	578.67	0.37	7.24
KES	89.76	89.83	0.08	0.88
MWK	447.95	440.41-	1.68-	4.89
MUR	31.57	31.97	1.29	5.08
NAD	11.40	11.79	3.45	1.63
NGN	191.74	202.39	5.55	11.83
SZL	11.40	202.39	3.45	1.63
TZS	1,789.46	1,780.33-	0.51	4.67
TND	1.92	1.92-	0.08	3.29
ZMW	6.58	6.61	0.46	4.07

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

SODIC, Egypt's third-largest listed property group, plans about 2.3 billion Egyptian pounds ($301.64 million) in new investments in 2015, it said in a statement on Monday. It said it would deliver 684 new property units this year. Egypt's once-booming construction sector was hit hard by the 2011 revolt that ended Hosni Mubarak's 30-year rule. Many large real estate contracts were cancelled in the wake of the revolt and investment dried up. *(Reuters)*

Vodafone Egypt plans to spend around 9.5 billion Egyptian pounds ($1.25 billion) on upgrading its network over the next three years to keep pace with demand for data services, its CEO said. Vodafone Egypt, majority owned by British mobile operator Vodafone, is the leading communications player by customer numbers in the country of 90 million. "Annual investments will represent more than 30 percent of annual revenues," Chief Executive Officer Ahmed Essam told Reuters in an interview. "By end of this fiscal year in March, we would have spent more than 3 billion (Egyptian) pounds which equals one third of the allocated investments and also more than 30 percent of our yearly revenues in Egypt." Financing the planned investments will come from internal resources, Essam added. He did not give precise revenue figures for a company which has around 39 million subscribers. Investments would cover purchasing equipment, modernising base stations and creating new coverage areas in Egypt, the most populous Arab country. "This is a huge investment in comparison to what we used to spend," said Essam, adding the emphasis would be on "capturing the data growth". Vodafone Egypt is also 45-percent owned by fixed-line telecoms firm Telecom Egypt. Egypt is finalising the details of a long-awaited unified licence which will allow firms to offer both mobile and landline telecommunications.

Vodafone's rival mobile phone service providers are Mobinil and Etisalat Egypt. With Egyptians increasingly using mobile phones and the Internet instead of making fixed line phone calls Telecom Egypt has been relying on its data traffic for revenue growth. Essam said Vodafone Egypt is interested in getting the Internet service offered under the unified licence but has not decided yet if it needs the fixed line part. He seemed upbeat on the Egyptian economy, which has just started to recover from nearly four years of political upheaval, street protests and militant violence triggered by the 2011 uprising which toppled autocrat Hosni Mubarak. "I believe we are as a country on the front foot at the moment for encouraging investments coming in and encouraging trade," he said. "GDP growth quarter over quarter is starting to tick. The confidence is starting to be there and it is reflected in the GDP" Egypt can expect economic growth "easily north of 4 percent" in fiscal year 2014-15, which ends in June, boosted by rising confidence and a windfall from lower oil prices, its finance minister said in January. *(Reuters)*

Emaar Misr, the Egyptian arm of Dubai's largest listed real estate developer Emaar Properties, filed a formal request to list its shares on the stock market, Egypt's bourse said in a statement on Wednesday. The statement did not say how much the initial public offering would be worth, though two sources told Reuters in January that Emaar Misr would issue more than 2 billion Egyptian pounds ($262.30 million) worth of shares. Emaar Misr, which the bourse statement said has capital of 878 million Egyptian pounds, is a significant foreign investor in Egypt's real estate sector. The last initial public offering on the Egyptian stock exchange was Arabian Cement in May 2014. Emaar Misr is being advised by EFG Hermes and JP Morgan. *(Reuters)*

Economic News

French Defence Minister Jean-Yves le Drian said on Sunday that "advanced" talks with Egypt were being conducted over a potential sale of Dassault Aviation Rafale fighter jets. "There are actually pretty advanced discussions with Egypt, but they're not over," Le Drian told television station iTele. Le Drian's comments confirmed what was told to Reuters by two sources close to the matter on Saturday -- that Egypt was discussing the purchase of 24 Rafale jets and a Fremme frigate from the French defence company, in a deal estimated at 5 billion euros (3.71 billion pounds). Also on Saturday, Dassault's CEO, Eric Trappier, told Le Figaro daily the company was close to signing its first Rafale export contract, without specifying a country. There were "still several steps to cross" regarding a sale to Egypt, Trappier said separately. *(Reuters)*

Egypt's urban consumer inflation fell to an annual 9.7 percent in January from 10.1 percent in the previous month, the official statistics agency CAPMAS said on Tuesday. Inflation spiked in Egypt after the government slashed energy subsidies in July of 2014 but fell in November from a peak of 11.8 percent in October. *(Reuters)*
Egypt's core annual inflation rate declined to 7.06 percent in January from 7.69 percent the previous month, the central bank said on Tuesday. The bank cut its benchmark interest rates by 50 basis points last month, citing an easing inflation outlook. Inflation spiked in Egypt after the government slashed subsidies in July, lifting fuel prices by up to 78 percent. *(Reuters)*

The International Monetary Fund said on Wednesday that Egypt's structural and monetary reforms were starting to produce a turnaround in the economy, which has been hit by persistent turmoil since 2011. The uprising that toppled Hosni Mubarak four years ago hit the country's economy hard, discouraging investors and tourists and slashing growth to below 2 percent in 2010/2011. Egypt's current government has since embarked on a series of reforms, and asked the IMF to assess its financial and economic condition in the hope that a positive report would boost its image ahead of an international investors conference in March. "The measures implemented so far, along with some recovery in confidence, are starting to produce a turnaround," said the IMF in a press release at the conclusion of its consultations. Egypt's finance minister described the report as "very balanced", adding that it was not currently planning to discuss a new loan deal with the IMF. The IMF Mission Chief to Egypt, Chris Jarvis, stressed that Egypt needed to create jobs, in a country where the unemployment rate is 13 percent. "The most important economic priority for Egypt is jobs. Egypt needs to find a way of creating good jobs for its people while at the same time reducing its budget deficit and maintaining foreign exchange reserves," he told reporters.

The Arab world's most populous country has received billions of dollars in aid from Gulf states since ex-army chief Abdel Fattah al-Sisi ousted President Mohamed Mursi of the Muslim Brotherhood in July 2013. The aid has kept the economy afloat as the government introduces reforms, seeking to restore growth while controlling inflation and curbing its budget deficit. The IMF projected growth to reach 3.8 percent in 2014/15 and to rise to 5 percent over the medium term. Although an improvement from the lows hit after the turmoil began, at these growth rates the country will still struggle to create enough jobs for its rapidly growing population. The lender said it expected fiscal consolidation to bring the budget deficit below 8 percent of GDP by 2018/19. Lower fiscal deficits will also "support the targeted reduction in inflation to 7 percent over the medium term". Egypt's gross domestic product is expected to grow 4 percent in the current financial year to the end of June, up from 2.2 percent last year, Prime Minister Ibrahim Mehleb said on Wednesday.

The IMF said there was a need to broaden tax revenues, including by enacting value-added tax (VAT), while the decline in oil prices reflected an opportunity to accelerate energy subsidy reforms. In July, Egypt slashed subsidies that have long weighed on state finances, causing energy prices to rise but signalling the government was ready to take tough decisions. The IMF and Egypt have sporadically discussed a loan worth up to $4.8 billion to help the economy since the 2011 uprising dried up its two main foreign currency sources -- tourism and foreign investment. Finance Minister Hani Kadry Dimian said on Wednesday however, that this was not priority. "We're open to all types of collaboration with all institutions, with all sources of financing as needed. But there are no concrete plans for the time being to talk about, or to consider, an IMF financing package," he said. Jarvis said the IMF stood willing to help Egypt. "If Egypt asks for financial support, we can offer that, together with the credibility that comes with having an IMF programme, but I should stress that this is a choice for Egypt." In its release, the IMF welcomed recent movements in the exchange rates "as an important step in the right direction". The Egyptian central bank has taken several measures to curb the black market. It has allowed the pound to depreciate after six months of stability, giving banks a wider band around the official rate in which to trade dollars and limiting the amount of dollars that banks can deposit. Nevertheless, the IMF said Egypt's exchange rate appeared overvalued and "there is considerable scope for macroeconomic policies and structural reforms to improve competitiveness" *(Reuters)*

Egyptian Steel expects to open two new factories by the middle of 2016, raising capacity to 3.5 million tonnes per year and boosting its

market share, chairman Ahmed Abou Hashima said. In addition to its plants in Alexandria and Port Said, it aims to launch a 3.5 billion Egyptian pound ($460 million) facility in the Nile city of Beni Suef this July or August with an annual capacity of 1.36 million tonnes. It also hopes to start a factory in Ain Sukhna on the Red Sea by mid-2016, said Abou Hashima. "We are seeking to acquire 20-25 percent of market share after production starts in all of these factories," he said. Egyptian Steel currently claims 10 percent of the market. "There is strong demand in the market and we expect that there will be growth. Many projects. Housing. Construction. Infrastructure." The expansion plans reflect growing optimism that the economy can recover after years of turmoil triggered by the uprising that toppled autocrat Hosni Mubarak in 2011. Egyptian Steel currently produces 800,000 tonnes of steel per year and aims to raise capacity to 3.5 million tonnes annually once its new projects are completed. Abou Hashima said it was looking at a feasibility study for a fifth factory that would be powered by coal. He also said he was involved in organising an investment conference in the Red Sea resort of Sharm el-Sheikh in March that the government hopes will attract billions of dollars of cash. "We will have real investment," he said, praising President Abdel Fattah al-Sisi's efforts to improve government finances and cut bureaucracy. Egyptian Steel was established in 2010 as a joint venture between Egyptian and Qatari interests that brought together three existing firms. Egyptian Steel now has capital of about 2.2 billion Egyptian pounds ($290 million) and plans to raise a further 350-400 million. Abou Hashima reiterated it is preparing for an initial public offering, but added: "We must finish the factories first." *(Reuters)*

Egypt's gross domestic product is expected to grow 4 percent in the current financial year to the end of June, up from 2.2 percent last year, Prime Minister Ibrahim Mehleb said on Wednesday. Mehleb, speaking to an international conference of government officials and executives in Dubai, also said he believed his government's budget deficit would come in below 10 percent of GDP this year, against 14 percent last year. *(Reuters)*

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Ghana

Corporate News

Officials of Ecobank Transnational Incorporated (ETI) have stated that the concerns raised by the International Monetary Fund (IMF) on governance issues at the bank have been conclusively tackled. The pan-African bank maintains it has tackled the issues raised by the IMF and instituted some corporate governance structures and reforms which had culminated in the dismissal of the then Group CEO, Mr Thierry Tanoh, and his replacement by Mr Albert Essien in March last year. Earlier this month, IMF released a report titled: 'Pan-African Banks – Opportunities and Challenges for Cross-Border Oversight.' The report made references to governance issues at Ecobank, which some readers may perceive as being current. But ETI, (in an email), in response to enquiries by the Daily Graphic, said the information used by IMF with regards to internal governance at the bank dates back 18 months ago to the period between the mid-2013 and early 2014. IMF today issued a media statement acknowledging that references to governance at Ecobank in the report were from the 2013/2014 period and not references to governance at Ecobank today. The statement noted that IMF was aware of the steps Ecobank had taken to strengthen governance and avoid risks to financial stability. It acknowledged recent news that Ecobank had raised equity capital for the group and announced an equity capital increase to meet regulatory capital requirements in Nigeria. The IMF welcomed these developments as steps in the right direction. The Ecobank Group reaffirms its financial strength and strong governance as a systemically important banking group in Africa. ETI has total assets of over US$23 billion. As the IMF statement alluded to, in the last six months, Ecobank has raised approximately US$1 billion in combined equity and debt capital for its parent company and its business in Nigeria, the largest of the group's affiliates. *(Ghana Web)*

Economic News

The domestic economy was under strain the better part of last year as the sliding local currency, recurring energy challenges, high government expenditure, rising fuel and utility costs and other factors combined to create nervy times for Ghanaians. With the eight months election petition holding back economic activities in 2013 most people were looking forward to a rebound in 2014. That was not the case as those political risks in 2013 impacted negatively on external inflows and hence domestic reserves. The development was also not helped by the U.S. Federal Reserve's announcement of the winding down of its bond purchases leading to capital flight early in the year. Furthermore, with demand by corporates, importers and individuals high at the beginning of the year, there was a supply crunch during the first six months of 2014 sending the cedi into a free fall. The cedi was down 19.3 per cent against the dollar at the end of first quarter (Q1) and 28 per cent at the end of June 2014. The rate of the cedi's fall against the major trading currencies necessitated the introduction of some measures by the Bank of Ghana (BoG) in February but these failed to yield the desired results as the local currency closed the year down by a cumulative 32.5 per cent against the dollar. Moreover, with Ghana heavily import dependent, the foregoing developments impacted on the domestic prices of petroleum products, and hence goods and services. With the exchange rate a key determinant of fuel prices, petrol and diesel prices jumped by about 50 per cent over the course of the year. Between December 2013 and December 2014 a litre of petrol rose from GH¢2.19 to GH¢3.39; diesel increased from GH¢2.26 a litre to GH¢3.30. The rise in fuel costs weighed on utility prices as the country derives about 48 per cent of electricity from thermal plants (crude oil and natural gas sources).

The preceding developments led to inflation breaking new ceilings in 2014. Year-on-year prices of goods and services as measured by the consumer price index (CPI) rose from 13.8 per cent in December 2013 to a four-year high of 17.0 per cent at the end of December 2014. In a bid to contain inflationary pressures, the Bank of Ghana's (BoG's) Monetary Policy Committee (MPC) reviewed its policy rate cumulatively by 500 basis points during its quarterly meetings of the year; from 16 per cent at the end of December 2013 to 18 per cent in February 2014 and again by 21 per cent in November 2014. The high levels of inflation, which led to higher borrowing costs, proved challenging for domestic economic participants. Businesses and consumers also had to grapple with irregular power supply, while those who depended on generating units saw costs rise. Treasury rates rallied during the first half of the year as worsening economic conditions which saw the local currency lose grounds and inflation pressures reach heightened levels, led dealers and investors to demand higher risk premiums on their investments. Though the local currency registered some gains during the latter part of the year, price levels continued to edge upwards on account of higher utility rates and fuel costs. The rally in rates was also aided by the Central Bank's move to make domestic investments attractive and reduce speculative activities on the forex front. In view of the foregoing, rates edged up to the highest levels since 2009. The 91-Day bill rose from 19.22 per cent at the end of 2013 to close 2014 at 25.81 per cent. Over the same period, the 182-day bill also climbed from 18.66 per cent to 26.41 per cent, while the one-year and two-year notes also closed 2014 at 22.50 per cent and 23 per cent from 17 per cent and 16.80 per cent respectively.

On the currency front, the cedi registered its worst performance in the last five years as external and endemic factors combined to haunt the local currency. A decision by the U.S. Federal Reserve to trim its bond purchases in early 2014 saw inflows into the country taking a hit. This move led to a number of investors exiting some domestic investments and repatriating the funds. Since demand by corporates, importers and other economic actors for forex usually outstrips supply during the first three months of the year, the Fed's decision put further strain on the local currency during the first half of the year. Additionally, improvements in the economies of a number of advanced countries early in the year, which gave a boost to their currencies, made the cedi struggle for stability, while deterioration in economic fundamentals also eroded confidence in the local currency. The BoG introduced some measures to stem the tide but these failed to yield the expected results as the cedi closed the year down by 32 per cent against the dollar. Interbank mid rates for the cedi versus the dollar rose from GH¢2.16 at the end of 2013 to GH¢3.20 at the end of 2014. Funds from the Eurobond and the cocoa syndicated loan gave a boost to the cedi during the last three months of the year but the local currency still shaved 23 per cent and 28 per cent against the Euro and the Pound Sterling to close the year at GH¢3.90 and GH¢4.98 respectively. *(Ghana Web)*

Cocoa purchases declared to Ghana's industry regulator reached 494,960 tonnes by Jan. 29 since the start of the main crop, down 23.9 percent from Jan. 30 last year, industry regulator Cocobod said on Tuesday. Cocobod is conducting a field trip to assess the crop and will decide in coming weeks whether to lower its annual output target, spokesman Noah Amenyah said. The purchases, which covered 17 weeks of the main crop season, were lower than the 650,852 tonnes recorded for a period that ended Jan. 30 last year. That period represents the first 15 weeks of last season, Amenyah said. Total purchases for the 17th week were 7,637.38 tonnes, he said. Ghana, the world's second-largest cocoa producer after Ivory Coast, aims to buy at least 850,000 tonnes of cocoa in the 2014/15 crop year which is expected to end in September. "We have had a strange season this year and we are still working to understand the phenomenon," Amenyah said, adding that besides dry Harmattan winds hitting the crop this year, there could be other factors responsible for the low yield. *(Reuters)*

Ghana's annual consumer inflation slowed to 16.4 percent in January, from 17.0 percent the month before due to stable food prices and a fall in oil prices, the statistics office said on Wednesday. The figure is higher than average inflation in the region, a sign of fiscal problems facing the West African state, whose economy for years was seen as one of the continent's brightest due to its rapid growth based on gold, oil and cocoa exports. The government expects to secure a deal with the International Monetary Fund by the end of March for around $1 billion in financial assistance aimed at stabilising inflation, reducing the deficit and restoring economic stability. The government decreased oil prices by 10 percent in January to reflect a global slump in fuel prices. "The source of the easing is largely the stability in food prices that we have seen in recent months, supported by the decrease in oil prices," deputy government statistician Baah Wadieh told a news conference. January food inflation rose slightly to 6.9 percent from 6.8 percent the previous month, while non-food inflation stood at 23 percent compared to 23.9 percent in December, he said. Mineral water, soft drinks and fruit recorded the highest inflation in the food group at 16.7 percent. Housing, water, electricity, gas and other fuels saw inflation of 32.3 percent, Wadieh said. *(Reuters)*

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Kenya

Corporate News

Centum has entered Kenya's beer market with the signing of a local distributorship contract with Danish brewer Carlsberg. The deal marks yet another milestone for the Nairobi Securities Exchange-listed investment company, which has lately announced multi-billion shilling projects in real estate and energy. Centum says the distributorship of the premium beer, which is targets middle class consumers, is a strategy to diversify revenue streams and gulp a piece of the alcohol market dominated by the East African Breweries. "We are targeting the premium beer market segment. There is space for growth given that Kenya's per capita consumption of beer remains very low," Centum chief executive James Mworia told the Business Daily on Monday. Centum signed the deal with Carlsberg Group mid last year to exclusively sell its beer brands in Kenya. It has plans to set up a beer bottling plant by the end of this year, depending on sales volumes. Centum said acquisition of the Carlsberg franchise is part of plans to solidify its presence in the fast-moving consumer goods category and exploit the rising demand for premium beer brands. "The product is doing very well and we plan to begin local production. There is a team working on the plan and we will make a decision within three months," said Mr. Mworia. Carlsberg Group — ranked the world's fourth largest brewer — was founded in the Danish capital of Copenhagen in 1847 and raked in net sales of Sh697.78 billion (DKK50.2 billion) in nine months to September 2014 from its portfolio of 500 brands.

Centum imported the first consignment of Carlsberg beer in September, and has quietly established a countrywide distribution network at bars, restaurants and supermarkets. Mr. Mworia did not disclose the planned investment in a beer bottling plant saying that would depend on capacity of the factory and number of brands to be produced, details of which were being worked on. It has incorporated a subsidiary, King Beverage, which is the franchise holder of Carlsberg in Kenya importing the beers from the parent firm based in Copenhagen, Denmark. Centum has tapped Nicholas Macharia, formerly the marketing manager of Nairobi Bottlers, as the general manager of Carlsberg Kenya. *(Business Daily)*

NSE-listed agricultural firm Kakuzi's market valuation has shot up by more than Sh500 million in two trading days, hitting a one-year high of Sh4.5 billion. The firm's stock has gained a cumulative 13.7 per cent equivalent to Sh549 million since last Thursday to Monday's close of Sh231 per share. Billionaire investor John Kibunga Kimani's has announced an intention of buying an extra four per cent stake in Kakuzi. Mr. Kimani has steadily accumulated his Kakuzi shareholding to the current 25 per cent stake from a low of two per cent in 2005, buying an average of 2.5 per cent equity per year. "I am not planning a takeover of Kakuzi. I however plan to raise my stake gradually to 29 per cent," he said last week. Similar share purchase announcements in the past have attracted speculators seeking short term gains, leading to major price rallies, including that of Centum when Mr. Chris Kirubi announced an intention to buy an extra five per cent stake. Mr. Kimani has, however, applied to the Capital Markets Authority seeking exemption from rules that require an investor to make a takeover bid for listed firms once their cumulative shareholding crosses the 25 per cent threshold. *(Business Daily)*

Co-operative Bank has for the first time disclosed it spent Sh1.2 billion on the staff restructuring last year that saw it lay off 160 employees in December. In a presentation to investors, the lender said it will save Sh500 million annually beginning this year in staff costs following the layoffs. "The Sh1.2 billion is the one-off cost of retrenchment, that is, severance pay and related costs for the 160 staff who were released," said Gideon Muriuki, the managing director of Co-operative Bank in an e-mail response to Business Daily. He noted the cost was booked last year, indicating the current financial year performance is expected to rebound by at least Sh1.7 billion. The disclosures made in a briefing to investors and analysts over a week ago has seen the bank's counter at the Nairobi Securities Exchange attract heavy demand that observers attributed to improved information flow. "We have seen quite a lot of investor engagement from the bank in regard to strategy of the business," said Francis Mwangi, the head of research at Standard Investment Bank. Last week the counter moved 20,766,100 shares, five times more than 4,107,500 shares traded a week earlier. The share price remained flat last week at Sh19.95 a unit. Co-op Bank said it aims to cut its cost-to-income ratio to below 53 per cent this year from the present 58 per cent, partly by introducing a freeze on staff recruitment. The bank engaged consultancy Mckinsey to spearhead the restructuring that has seen it adopt a new business model that is 'customer-centric'.

Under the scheme, the bank is targeting to increase the product uptake by each of its customers. "Over 70 per cent of their customers use one product, so if they are able to reduce that by increasing product uptake it will have a good impact on both interest and transactional income," said Mr. Mwangi. The lender's non-interest income constitutes 36 per cent of its total income compared to industry average of 41 per cent. It also intends to increase its participation in the foreign exchange market. Foreign currency operations currently contribute 13 per cent of the non-funded income. The bank is banking on more of its outlets contributing to its bottom-line after breaking even. "Out of 23 loss-making branches opened recently, 20 are expected to break even and contribute to profitability," reads part of the presentation to investors. Co-op expects its subsidiary in South Sudan that started operating last year to break even during the year. South Sudan has proved to be a good hunting ground for Kenyan lenders, accounting for 52.4 per cent of total regional profit made by Kenyan banks. The lender said it plans to cut its interest expenses by 30 per cent, a decision that is likely to see it shed expensive deposits following in the path of peer lenders. It recently improved its mobile banking platform as it seeks to increase customer transactions. The bank has also contracted more than 8,000 agents to offer some of its banking services such as cash deposit, withdrawal. *(Business Daily)*

The East African Breweries Ltd (EABL) has been identified as a promising manufacturer of alcoholic drinks on the continent in a new report. The African beer market report by Citi says the listed alcoholic drinks firm is the best bet in a list of large breweries that includes Nigerian Breweries, Guinness Nigeria and Delta Corp of Zimbabwe. Analysts at Citi said the high rating is based on expected growth in sales over the next two years as the company begins to recover from the effects of adverse tax policy that has reduced consumption of its cash-rich Senator Keg brand. "Senator volumes have fallen to such low levels that they are unlikely to be a drag on revenue growth moving forward. Moreover, the possible reversal of the excise tax on sorghum beer suggests that there is some potential here for this to turn into a positive driver again," said the report. The Treasury imposed a 50 per cent tax on the low-cost beer brewed using sorghum in October 2013. This has resulted in sales dropping by 85 per cent. The beer previously enjoyed 100 per cent tax remission. Research by the Tegemeo Institute, the Egerton University agriculture think tank, showed farmers, transporters and other players in the sorghum value chain have subsequently lost Sh258 million in foregone revenues.

Keg was introduced in 2004 to tap into the low end of the market currently largely served by spirits. EABL has since said it would rely on Jebel Gold spirit to grow its sales from the market segment. Diageo, EABL parent company, said the move is paying off and expects full year sales to improve due to the uptake of Jebel Gold."The success of local spirits, such as Jebel in Kenya and Orijin spirit in Nigeria, which provide a value offering for consumers, also contributed to this growth," said Diageo chief financial officer Deirdre Mahlan. EABL is expected to officially announce its half-year results this month that according to Diageo would also show strong performance by the flagship Tusker brand. Analysts at Citi, however, say the biggest threat for EABL's future growth is increasing competition from local and international brewers. "Either an entry into Kenya of SAB, which has a strong presence in neighbouring Tanzania, or progress by Keroche in taking share from EABL could curb the company's prospects." Keroche Breweries and London Distillers are amongst its strongest rivals in the spirits market. The report does not see major growth in Nigeria and Zimbabwe though. *(Business Daily)*

Mobile service provider Safaricom experienced a major network outage in parts of Nairobi on Wednesday morning. Thousands of Safaricom subscribers were unable to make calls, use Short Message Service (SMS) and mobile data for hours. The company's Corporate Affairs Director Mr Nzioka Waita said the outage affected Karen, Langata, Westlands, Kinoo and parts of the Central Business District. He said the network outage started from about 4.25am Wednesday morning. In a statement to newsrooms, Mr Waita said the outage affected 2G, 3G and WiMax services in Nairobi. "As a result of the outage, some customers have been unable to make or receive calls, use SMS, mobile data or reach our Contact Centre for assistance," said Mr Waita. "Safaricom engineers and technicians are busy addressing the problem, with a view to restoring all affected services within the shortest possible time, we sincerely apologise for any inconvenience caused by this outage," he added. *(Daily Nation)*

East African Cables', which makes cables for the utility and telecoms industries, said on Wednesday it would open its upgraded plant in Kenya's capital this year after reporting a 13 percent fall in pretax profit. The firm, which has a footprint in the East African region, said it would commission the modernised and expanded production plant in Nairobi in the first half of this year. "This provides additional capacity and flexibility to offer a wider product range and to cover the wider eastern and central Africa region," the company said in a statement. Pretax profit fell to 507.5 million shillings ($5.5 million), East African Cables said, adding that lower margins in some of its markets had offset revenue growth. Revenue rose 13 percent on the back of higher volumes in new markets without giving details. The company said it would pay a final dividend of 0.50 shillings per share, bringing the total dividend for the year to 1.00 shillings, unchanged from 2013. Earnings per share edged down to 1.16 shillings in the period from 1.37 shillings previously. Shares in the company rose nearly 1 percent to 16.00 shillings each, buoyed by revenue growth, the unchanged dividend and the imminent opening of the expanded plant. *(Reuters)*

Kenya's state-run National Oil Corporation will raise $2 billion to take stakes in oil blocks on behalf of the government once they near commercial production, it said on Wednesday. Kenya estimates its crude oil reserves to be about 1 billion barrels and the government can legally take a stake in oil blocks under commercial production through National Oil. The oil firm would raise the money through internal sources, external debt and other equity partners, Joram Temesi, the firm's spokesman told Reuters. It was not immediately clear how much of the oil block National Oil would be buying, and whether the amount it plans to raise would be sufficient for the stakes that it requires. National Oil would buy stakes in blocks 10 BB and 13 T, owned by Tullow Oil and its partner Africa Oil. The oil firms are expected to submit plans to the government for the commercial development of their discoveries on the oil blocks located in northwest Kenya by late 2015. Africa Oil, which has a 50 percent stake in both Block 13T and Block 10 BB, said late last year it wanted to reduce its holding to about 25 percent by 2016 by selling to a new partner and raise cash to pay for oil production. *(Reuters)*

Rising beer and spirit sales in Tanzania and Uganda helped East African Breweries (EABL) post a 12 percent rise in first-half pretax profit, the brewer said on Thursday. Profit for the firm, controlled by Britain's Diageo, grew to 6.8 billion shillings ($74 million) in the six months through December 2014, the brewer said, adding profits were helped by lower fuel costs and improved production efficiency. Revenue was up 9 percent to 34.77 billion shillings, driven by a 17 percent growth in net sales in Tanzania and a 7 percent rise in sales in Uganda. Sales in Kenya were up 3 percent. The company said its business in South Sudan, the world's newest nation which has experienced unrest since its formation, also contributed to improved performance. â€œDespite currency challenges, our export markets, supported by the establishment of the local depot in Juba, delivered over 100 percent growth,â€ Group Managing Director Charles Ireland said in a statement on the company's website. EABL's basic earnings per share rose to 5.24 shillings from 4.99 shillings a year ago, the brewer said. Its shares are up 5.8 percent so far this year, in line with a move higher by the broader market, and closed at 326 shillings on Thursday. *(Reuters)*

Economic News

Kenya's shilling weakened against a globally stronger dollar on Monday, and traders expected further losses for the local currency after some relief came from inflows last week. By 0745 GMT, the shilling was trading at 91.35/45 to the dollar, after closing at 91.25/35 on Friday - the shilling's strongest levels in more than two weeks. Traders had said on Friday that the release of the U.S. jobs data would determine the shilling's next move. The data - released after Kenyan markets were closed - beat market expectations and strengthened the dollar globally, putting pressure on frontier currencies such as the shilling. "The dollar is still globally strong," said Martin Runo, a senior trader at Chase Bank. "Last week it (the shilling) was supported by some tight liquidity and some inflows which came into the market. But now the liquidity is starting to look better," he said. Hard currency inflows came into the market last week from coffee and tea earnings, transfers by non-governmental organisations and foreign direct investment into real estate. Prior to last week's strong gains, the shilling has been losing ground steadily in the past 12 months or so, partly driven down by a spate of militant attacks that hit the tourism industry, a vital source of dollar revenues. Traders say the dollar's strength has added pressure. Runo forecast the shilling to start weakening, and could move into 92 levels against the dollar by the end of the week. *(Reuters)*

The maximum price of the top grade Kenyan tea, Best Broken Pekoe Ones (BP1s), rose at this week's sale, Africa Tea Brokers said on Tuesday. Kenya is the world's top exporter of black tea and the commodity is a major foreign exchange earner for the economy. Below are tea prices from the Mombasa auction, in which tea from other producers in the region is also sold: *(Reuters)*

Kenya's shilling eased slightly on Thursday but traders said the currency would be supported through early next week by hard currency inflows as investors prepare to buy bonds. By 0835 GMT, the shilling was trading at 91.50/91.60 to the dollar, compared with 91.45/55 at Wednesday's close. Kenya's central bank will auction a new two-year and a re-opened 10-year Treasury bonds worth up to 25 billion shillings ($273 million) on Feb. 18. "I don't think it's going to slide further until at least the bond auction is over. That should hold the shilling," said a trader at a major commercial bank in Kenya. "We've already seen the deepening flows, at least from the offshores. They have already started positioning themselves in anticipation of the auction." Traders are also keeping an eye out for the central bank to come into the market to mop up excess liquidity. The central bank has mopped up a total of 31 billion shillings ($338.58 million) in excess liquidity from the money markets on Monday and Tuesday - the first mop ups since Jan. 21. The action came after the shilling was buoyed late last week by hard currency inflows from coffee and tea exports and a large influx of foreign direct investment. The central bank did not conduct a mop up on Wednesday. "Liquidity seems to be quite a lot so we expect to see them (central bank) coming in to mop up liquidity in the money markets," said Martin Runo, a senior trader at Chase Bank. The shilling has lost 1.3 percent to the dollar so far this year, after losing ground steadily over the past year. The decline has been due largely to the strength of the dollar as well as a stark drop in tourism following a spate of militant attacks near Kenya's Indian Ocean coastline. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' year-on-year inflation rate rose to 0.7 percent in January from 0.2 percent a month earlier, official data showed on Monday. *(Reuters)*

Mauritius estimated sugar production for 2014 fell 4 percent compared to forecasts, the Chamber of Agriculture said on Monday, blaming a workers strike and heavy rains for disrupting the harvest. Sugar, a centuries-old pillar of the economy, accounts for roughly 1.2 percent of the Indian Ocean state's $10 billion gross domestic product. The Indian Ocean island's 2014 sugar output was estimated to come in at 400,000 tonnes last year from a previous forecast of 415,000 tonnes, the chamber said. The harvest season, which typically extends from June to December, was affected when around 4,000 sugar workers stopped work last November demanding more pay and then further disrupted by heavy rains in the first weeks of January, the chamber said. Mauritius sugar producers also saw profits fall last year after global prices for the sweetener dipped due to a huge overhang of stocks after four straight years of surpluses. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

The International Monetary Fund (IMF) has said that rushed growth and poor governance at pan-African lender, Ecobank, pose serious concerns. According to Reuters, the multilateral institution stated this in a report about banks operating across African borders. But a spokesman of the bank said much of what the report said about Ecobank appeared to refer to events of last year, when the bank fired its chief executive, Thierry Tanoh after months of turmoil over corporate governance. The Fund said Ecobank Nigeria's "relatively weak capital position remains a concern" adding that rapid loan growth at the bank, which is a subsidiary of Ecobank Transnational Incorporated, raises suspicion of reckless lending. "Ecobank has put in place robust structures to ensure its corporate governance," the bank's spokesman, Richard Uku said. Also, Ecobank in reaction to the IMF report, reaffirmed its financial strength and strong governance as a systemically important banking group in Africa. "Ecobank Transnational Incorporated (ETI), parent company of the Ecobank Group, wishes to correct misperceptions conveyed by an International Monetary Fund (IMF) report released on 4 February 2015. The report suggests that ETI's rapid expansion, lack of regulation and poor governance pose a wider threat to financial stability in Africa. "The report, which contains some inaccuracies, is roughly 18 months out of date as regards some of its references to the Ecobank Group. The internal governance issues that it refers to at Ecobank date back to a period of several months between mid-2013 and early 2014. The Ecobank Group dealt conclusively with those internal governance issues at the time. The matter culminated in the dismissal of its then Group CEO, Mr. Thierry Tanoh, who was replaced by Mr Albert Essien in March 2014," the bank explained in a statement made available to THISDAY yesterday.

Continuing, it pointed out that it has since reconstituted a new Ecobank Group board and senior management team, which it stressed has been able to restore stability to the bank and regain the confidence of stakeholders, regulators, shareholders, customers and staff members. Ecobank is one of the largest financial institutions in sub-Saharan Africa and has a presence in 36 countries on the continent. Its assets in 2013 stood at $22.5 billion, according to the company's website. The bank is appealing a court decision last month in Ivory Coast to award Tanoh $15 million for defamation over a letter written prior to his dismissal. It is also appealing a Togolese court's award of $11.6 million to Tanoh for unfair dismissal. *(This Day)*

Nigerian Breweries Plc has assured its shareholders of greater returns on their investments, following the merger of the company and Consolidated Breweries Plc. According to the Chairman, Nigerian Breweries, Chief Kola Jamodu, the enlarged company will enhance its operational efficiencies, thereby maximising value for shareholders. Jamodu spoke in Lagos on Monday when he led the management of the company to the Nigerian Stock Exchange, for the first time following the merger. He explained that the company would create more value for investors, among other things, "through major cost savings in the areas of interest expenses, distribution/administrative cost among other operating activities where duplication will be eliminated. Expenses such as annual general meetings, board of directors' fees and communication expenses to shareholders will be reduced." Jamodu, who said the merger would improve the liquidity of the stocks and increase market capitalisation of the Exchange, explained that the company's performance would also be enhanced as the new Nigerian Breweries has 11 breweries strategically spread across the nation as against five breweries the company had before the merger. Other benefits of the merger, according to him, include cost saving from the consolidation of supply and distribution networks of both companies as a result of improved operational efficiencies arising from integrated operations.

He added, "Significant cost saving is targeted by distributing products and selling the enlarged product portfolio of the new company across the entire combined sales and distribution network of the enlarged company. "The enlarged company is expected to extend market leadership, accelerate revenue growth and expand profit capacity." The merger of Nigerian Breweries and Consolidated Breweries had been completed on December 31, 2014, following the receipt of approval of the Securities and Exchange Commission and the sanction by the Federal High Court. The shareholders of both companies had on December 4, 2014 approved the merger at separate court-ordered meetings in Lagos. According to a statement announcing the completion of the merger, the enlarged Nigerian Breweries is now enabled to fully capitalise on the opportunities of the Nigerian beer and malt drinks market and create significant value through delivery of broader product offering, operational efficiencies and access to new markets. "The merger is also expected to deliver a number of benefits for its stakeholders including shareholders, employees, consumers, trading partners, suppliers and the Nigerian economy as a whole," it had added.*(Punch)*

Dangote Group has said that its current focus is to increase the pace of the development of its multi-billion dollar new businesses to meet completion timelines. The group in a statement added that efforts were being made to put in place, infrastructure for business projects including refinery, gas, fertilizer and rice production. The Group's Executive Director for Strategy, Portfolio Development and Special Project, Mr. Devakumar Edwin, was quoted to have told international business cable television channel, CNBC over the weekend in Lagos that the company was out to ensure the businesses came on stream as planned. According to Edwin, a few of the new businesses has been redesigned for increased capacity, adding that inflation, exchange rate and increased bank interest rate notwithstanding, the management plans to bring all the businesses on stream as earlier planned. Edwin said the Dangote Group business models were developed to be one of the biggest if not the biggest in the world and that new technologies employed by the company gave it advantage over others. He said, "We are building 650,000 barrels per day oil refinery which will be the largest in the world, and our planned rice production would also be the largest in the world. "We do all these because we believe in Nigeria, we believe in her potential and we believe in her economy. We draw our business model with exportation in mind. We believe Nigeria can be self-sufficient and even produce for foreign market." He said that with the country's large population and the population of many other African countries, the group's target was exportation. "That is why we build all our business models with exportation in mind. We had to review the capacity of our planned refinery and increase it. We have never hesitated to have big plants and that is why we deploy latest technologies in their set-up," he said. *(Punch)*

Lafarge Africa Plc and Shelter Afrique, a Pan-African housing and development institution, on Monday signed a Memorandum of Understanding to facilitate housing development on a large scale for low income earners in the country. The agreement, whose implementation will commence with the development of identified sites in Abuja, is for an initial period of four years. The terms of the MoU indicated that the areas of cooperation between the two organisations would include the provision of assistance to define the best construction technologies for use in affordable housing and microfinance projects as well as supply of cement and concrete products for projects. According to the Group Chief Executive Officer, Lafarge Africa Plc, Mr. Guillaume Roux, 20 acres of land acquired by the group will be used for the project. "The vision of Lafarge is to help about two million people around the world to have access to housing. We want to fill the gap of housing deficit in Nigeria," he said. He noted that the group started its affordable housing programme tagged: "Ile Irorun," in October 2013. "So far, over 6,000 people have been impacted by the scheme through more than 1,000 constructions, with each beneficiary having an average of six members in their families," Roux said. The Managing Director, Shelter Afrique, Mr. James Mugerwa, said the organisation, owned by 44 African countries, wished to participate in the affordable housing programme of Nigeria as a key member state. "We are happy with the agreement. We have done affordable housing in other African countries and will leverage our experience to provide affordable housing here in Nigeria," he said. According to Mugerwa, the concept of affordable housing has been used vaguely but under the arrangement, three categories, social, low income and middle income housing will be considered. "We once again show that we are always keen on building strong partnerships and finding efficient ways to deliver affordable housing, which is a shared vision we have with Lafarge. It also shows our joint commitment to Nigeria, a very important market for affordable housing and a key player in the region," he said. Roux said the partnership would drive down the cost of housing for the populace and that the number of housing units to be provided would be decided after due consultation. "We need to drive cost down; that is why it is important for us to work with key stakeholders that are experienced, hence, our partnership with Shelter Afrique. The idea is to also look for ways to expand the market," he said. *(Punch)*

Nigerian Breweries Plc on Thursday declared a final dividend of N3.50 kobo per share for the year ended December 31, 2014. According to the results made available by the Nigerian Stock Exchange (NSE), the leading brewing firm ended the year with a revenue of N266.37 billion, down marginally by 0.8 per cent from N268.6 billion posted in 2013. Cost of sales fell from N132.13 billion to N130.8 billion, while distribution and other administrative expenses rose from N69.38billion to N70 billion. Other income reduced y 17 per cent from N2.1 billion to N1.7 billion. Similarly finance charges fell by 22 per cent from N6.9 billion to N5.4 billion. Profit before tax fell marginally to N61.46 billion, as against N62.2 billion in 2013, while profit after tax fell from N43.1 billion toN42.52 billion. Earnings per share declined from 570 kobo to

562 kobo. Consequently, the directors recommended a final dividend N3.50 kobo, which translated into a pay ratio of 84.52 per cent and dividend yield of 3.68 per cent. Meanwhile, the NSE All-Share Index dipped by 2.73 per cent to extend the losses for the sixth day. The decline brought the ASI close to two-year low at 27,935.77. Year to date decline has hit while YTD 19.4 per cent. However, trading activities measured by volume and value traded were mixed as volume advanced by 21.2 per cent while value waned by 26.6 per cent to 411.5 million shares and N4.5 billion respectively. On sectoral performance basis, the Industrial Goods Index led losses with 4.2 per cent. Similarly, the Banking Index shed 2.5 per cent, while on the Consumer Goods, Insurance and Oil & Gas indices shed 2.30.8 per cent and 0.6 per cent piece. *(This Day)*

Economic News

As part of efforts to strengthen regulation of the Nigerian capital market and restore investors' confidence, the Securities and Exchange Commission (SEC) has declared zero tolerance to indiscipline and violation of laws, rules and regulations by operators and self-regulatory organisations in the market. Gross violation of market rules, infractions and lack of enforcement are some of the factors that led to the downturn witnessed in the market in 2008 and 2009. Although efforts were made in the past by the commission to ensure adherence to rules and laws guiding operations in the market, such efforts were not sustained. However, market sources said that the Acting Director General of SEC, MounirGwarzo, had restated the commission's renewed determination to stamp out acts of indiscipline and rule violation of rules as part of efforts to make the market more attractive to investors and issuers. Gwarzo, who was appointed acting DG about a month ago, has met with the leadership of many trade groups in the market and the management of SROs. Sources in some of the trade groups told THISDAY at the weekend that the management of the Commission has vowed to have zero tolerance for any act of indiscipline or infractions in the market. "Going by the utterances of the acting DG and actions we have seen in the three weeks since he took over, I strongly believe that operators should prepare for more compliance with rules in the market. Gwarzo has stressed the resolve of SEC to ensure that rules are obeyed and that there is discipline in the market," a senior broker and member of one the trade groups said.

Another operator, who has also met with the management of SEC last week noted that given the renewed determination of the commission to protect investors, ensure discipline and enforcement of rules, the market will soon witness improvement going forward. Citing an assistance of renewed efforts of the commission to ensure compliance with market rules, the operator pointed out the directive given to the Nigerian Stock Exchange (NSE) and Central Securities Clearing System (CSCS)Plc to comply with the an early directive given to both institutions to remit 10 per cent of their secondary market income to the Investments and Securities Tribunal (IST). Although the Commission was said to have written several letters to NSE and CSCS to comply with this provision over five months ago, the two institutions have refused to obey. However, SEC last week gave NSE and CSCS five days to comply, saying that failure to do so will attract enforcement action. The IST was established by Section 274 of the Investments and Securities Act (IST) 2007 and has jurisdiction to hear and determine any question of law or dispute involving capital market participants. Some of the roles it plays in resolving disputes include dispute between capital market operators and securities exchanges or capital trade point, dispute between capital market operators and dispute between capital market operators and their clients. *(This Day)*

The Nigerian equities market extended its losses for the second day this week as investors continued to adopt cautions trading following the shift of general elections by six weeks. The market had dipped the previous day after the shift in the elections, thereby extending anxiety among investors. At the close trading yesterday, the market recorded another decline with the Nigerian Stock Exchange (NSE) All-Share Index, shedding 0.80 per cent to close at 29,125.69, while market capitalisation shed N78.4 billion to close at N9.718 trillion. As a result, the year-to-date decline in the ASI closed at 16 per cent. Only nine stocks appreciated compared to 25 stocks that depreciated. Apart from the ASI, all other sectoral indicators shed closed lower. For instance, the NSE Oil & Gas Index went down by 1.9 per cent driven by Forte Oil and Oando Plc which fell by 5.0 per cent and 4.0 per cent respectively. Similarly, the Banking Index lost 1.4 per cent due to a loss of 5.0 per cent suffered by Guaranty Trust Bank Plc among others. The losses sustained in Nigerian Breweries (2.0 per cent) also led to the decline in the market. The NSE Consumer Goods Index shed 1.0 per cent, while the NSE Insurance Index and NSE Industrial Index went down by 0.3 per cent and 0.1 per cent in that order.

According analysts at Meristem Securities Limited, "The negative sentiment ravaging the equities market may be as a result of the recent shift in general elections, as investors' perception towards the stock market further deteriorates." Also, analysts at WSTC Financial Services Limited, said the rescheduling of the elections was deferring both socio-political stability and reprieve for the financial markets. "Summarily, we believe that the rescheduling of the general elections is tantamount to deferring both socio-political stability, and consequently, reprieve for the financial markets. We believe this does not in any way bode well for ailing investors' confidence and already lean capital inflows," they said. They added that the lull in the equities market will remain, at least, in the pre-election period, given a strong positive correlation between the performance of the Nigerian equities market and investors' perception of domestic risks. *(This Day)*

Nigerians are dumping the naira currency as it skids lower by the day, driven by fear of the unknown after authorities pushed back the date of a presidential election. Already mauled by a halving of oil prices since last June, the naira this week fell through the key level of 200 to the dollar, forcing people like Boyin Akinteye to seek ways of protecting their savings. In the up-market Dunes shopping mall in the capital Abuja, the freelance gift designer and mother of two young children was buying dollars and moving them into her Bank of America account in the United States. "The naira's way down," she said. "We're uncertain when or where it's going to end so my husband and I, we took action." When electoral commission chairman Attahiru Jega revealed on Saturday that national security chiefs had urged him to delay the poll by six weeks to March 28, it reminded many of the cancellation of a 1993 election by the military government then in power. Some wonder if the vote will take place at all. Nigerian author Chimamanda Ngozi Adichie wrote in an editorial that "it has cast, at least for the next six weeks, the darkest possible shroud over our democracy: uncertainty." That uncertainty has already sent foreign portfolio investors scurrying for the exit. But for Nigerians that exit is not always easy to find. Wiring money abroad is difficult as the central bank caps transfers at $10,000 a day and other countries often ask for proof of how the money was earned and taxed, said a wealthy Lagos-based businessman who asked not to be named. Since a lot of the big bucks in Nigeria are earned in shady or corrupt business deals, using shell companies to avoid tax, such proof can be hard to produce. Spot checks on Nigerians at airports mean smuggling cash out in a suitcase is not an option, the businessman added. While some middle-class Nigerians keep dollars in onshore accounts, he said he and his friends were worried about the risk of capital controls that could limit withdrawals later. Some, he said, were taking their dollars out now and stuffing them under the mattress.

Despite a call for calm by Central Bank Governor Godwin Emefiele, the markets are jittery: foreign exchange dealers suspended electronic trading in two consecutive sessions on Wednesday and Thursday because of the pace of the naira's fall. The currency is already over 20 percent weaker than the central bank's target rate of 168 to the dollar, and black market traders are selling for around 210. Rates on derivatives contracts suggest the naira could fall another 30 percent in the next 12 months. One well-connected member of the elite, who declined to be named, said friends were looking at property in London, Dubai and the United States. Dubai is favoured since authorities ask fewer questions about where the money came from, he said. Nasser Mohammed, the chief executive of a small oil and gas firm, is holding much of his savings in dollars and pounds, while opting not to repatriate cash from operations in London. "The only way to save your money right now is to keep it in dollars or pounds. Otherwise, it's going to vanish," he said, tucking into a roast chicken lunch at an Abuja restaurant. The head of strategy at one bank said he was approached by a customer with 3 billion naira ($14.7 million) who wanted to hold some of it in dollars. He advised her against it in case the naira stabilises and she loses out, especially with a wide spread and high bank charges. The central bank last devalued the currency in November but a further devaluation has already been priced in, he said. On Thursday the bank said it had burned through $1 billion in nine trading sessions in its efforts to defend the naira. Foreign companies with earnings in local currency are likely to take a hit, although most try to hedge against currency declines by recycling naira locally. Soap maker PZ Cussons told Reuters: "While there is uncertainty surrounding the election, PZ Cussons remains confident about the medium- and long-term opportunities." Diageo, for whom Nigeria is the biggest market for Guinness stout, declined to comment. Many Nigerians are greeting uncertainty, as they often do, with a fatalistic shrug of the shoulders. "The rich guys are moving money out but I earn in naira, so I'm keeping it in naira," said construction engineer Michael Akinyemi. "What's the point unless you're fleeing the country?" *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Small oil-producing companies in Nigeria, facing slumping prices and rising debt, may need to combine to survive, the chief executive officer of one of the companies said. "We don't have that much leverage, the rapid drop is unprecedented for the country's small producers," Kola Karim, the Chief Executive of Officer of Shoreline Natural Resources Limited, said in a phone interview with Bloomberg yesterday from London. "The reality is there have to be mergers in the industry because it is difficult in a down market when you're a small producer trying to weather the storm alone." Karim's Shoreline Natural Resources, with output of about 60,000 barrels per day, is one of more than a dozen independent oil firms owned by Nigerians, pumping between 5,000 and 100,000 barrels daily and accounting for about 20 per cent of Nigeria's production. Others include Seplat Petroleum Development Co., Neconde Energy Limited, Conoil Producing Limited and First Hydrocarbon Limited, among many others. Nigeria produced an average of 2.04 million barrels per day in January, according to data compiled by Bloomberg. Royal Dutch Shell Plc, ExxonMobil Corp., Chevron Corp., Total SA and Eni SpA run joint ventures with state-owned Nigerian National Petroleum Corporation (NNPC) that pump the rest of the country's crude. Most of the smaller companies obtained financing based on a price of $70 a barrel, compounding difficulties from the fall in the price of crude while they struggle to keep production steady in the face of pipeline attacks and oil theft, according to Karim. "Already at $50 a barrel, we are under water," Karim said. The financial pressure is compounded by the security threat, he said. "You face the devil on all sides." Armed groups led by the Movement for the Emancipation of the Niger Delta (MEND) are fighting for control control of the region's oil resources.

Attacks cut Nigeria's oil output by 28 per cent, mainly from the delta's swamps and shallow waters, from 2006 to 2009, according to figures compiled by Bloomberg. Though the violence subsided after thousands of fighters accepted a government amnesty offer in 2009 to disarm, a surge in oil theft in recent years by gangs tapping crude from pipelines has left output hovering close to four-year lows. Oil prices of less than $50 per barrel makes production unprofitable for independents that pump at a cost of $30 per barrel. Taxes and extra security costs to protect installations cut into profits, according to analysts including Pabina Yinkere of Vetiva Capital Management Limited. Oil majors, such as Shell and Exxon Mobil, with larger economies of scale, pump at lower costs of about $15 for a barrel, Yinkere said. Brent crude, which compares with West African crude grades, rose 2.3 per cent to $55.95 per barrel as of 8.43 am yesterday in London, down 53 per cent from last year's highest point on June 19. As Shell, Chevron, Total and Eni sold some of their onshore assets in Nigeria over the last four years, they were acquired by smaller Nigerian-owned companies that funded their acquisitions with debt, banking on high crude prices to repay the loans, Yinkere said in a phone interview from Lagos. Falling oil prices have also had an impact on the country's banking sector, where about 25 per cent of loans are made to oil companies. At First Bank of Nigeria Limited. loans to these firms account for about 40 per cent of its loan porfolio and at Access Bank Plc the figure is 35 per cent, according to data compiled by Bloomberg. The two banks are the most reliant on lending to the oil industry, the data show.

The lenders are also hurting from the 27 per cent plunge of the naira this year under pressure from declining crude prices, the source of 90 per cent of the country's export income. Adding to Nigeria's currency woes is uncertainty about the general election initially scheduled to hold this month and now postponed by six weeks. Some of the banks have started negotiations on how to reorganise the debts, Dolapo Oni, energy analyst at Lagos-based Ecobank Research, said in a phone interview. "The banks are already starting to see that their revenues are now so low that they can no longer meet their payments," he said. Seplat, the leading Nigerian producer, pumping about 70,000 barrels daily, is in talks to take over London-based Afren Plc, which operates fields in Nigeria. "I foresee a huge combination of mergers in the local market, we're also looking for opportunities," said Karim. "You're better being part of a bigger player, so you can save on your cost and make good margins." Companies including Shoreline are now looking to boost gas output after the government raised prices to $2.50 per thousand cubic meters, with demand to Nigerian power plants set to more than double to 5 billion cubic feet a day from the current 2 billion cubic feet, according to NNPC estimates. Nigeria holds Africa's largest gas reserves of more than 180 trillion cubic feet. Shoreline is in talks with companies including a subsidiary of NNPC, Nigerian Gas Company (NGC), and Ughelli Power Plc ahead of plans to increase production from its 3.5 trillion cubic feet reserves, Karim said. His company's focus would be on the domestic gas market as the higher prices makes it more attractive, he said. *(This Day)*

Tanzania

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Zambia

Corporate News

Konkola Copper Mines Plc (KCM), a unit of London-listed mining company Vendanta Resources, urgently needs tax refunds from the government to swing back into profit, a company executive said. David Paterson, Vice President of local economic development at KCM, said Konkola was owed about $200 million in value added tax (VAT) by the government. Although Zambia's finance minister had resolved to pay back future VAT returns, there had been no commitments on past payments, he said. "From our perspective that situation is unresolved," Paterson told Reuters on Wednesday at the Mining Indaba conference in Cape Town. Peterson said the company was in talks with banks about repayment of debts. KCM is one of Zambia's high cost producers and has said it would have to its restructure operations after the government hiked mining royalties in January. Zambia has been withholding the VAT payments from mining companies and other exporters it says have not produced import certificates from destination countries - a step the government says is needed for greater transparency. The industry says that it is almost impossible to produce such documentation because it sells to multi-national trading houses, and has for months been saying it is owed $600 million. Newly-elected Zambian President Edgar Lungu the row over new royalties and VAT refunds to be resolved soon. Royalties are at 20 percent from 6 percent on open pit mines and 8 percent from 6 percent on underground mines. Peterson said the government's decision to repay future VAT returns was crucial to helping it move into cash generation, as the company made nil core earning in the last quarter. Vedanta said in January that it would look at deep restructuring at the mine as it contends with operational issues and falling copper prices. Zambia's Chamber of Mines said in December the new royalties would result in mining shaft closures and 12,000 job losses. *(Reuters)*

Economic News

Plans by Zambia's new president to reverse a hike in mining royalties may come too late to revive investment in the sector, with confidence among foreign mining companies shaken and neighbouring Democratic Republic of Congo looking a potential better bet. Eager to fill a hole in its finances, the government said last year it would scrap a corporate income tax of 30 percent while hiking mining royalties for companies operating in Africa's second-largest producer of the metal. That policy, developed under populist former President Michael Sata, was inherited by newly-elected President Edgar Lungu of Sata's Patriotic Front Party. Lungu pledged to fight poverty and maintain the late Sataâ€™s legacy but has since signaled an intention to scale back the royalties, which came into effect in January, after mining companies threatened to cut production and jobs in a sector that is the life blood of the country. The government is also ready to negotiate another sticking point: the payment of $600 million in Value Added Tax (VAT) refunds, which the industry says it is withholding. But with no clear plan in place yet to reverse at least some of the royalty hikes of 20 percent from 6 percent on open pit mines and of 8 percent from 6 percent on underground mines mining companies are unimpressed. "In hindsight Zambia might regret implementing this tax change at the low point of the mining cycle," said Ã…sa BorssÃ©n, resources policy analyst SNL Metals and Mining. "There are benefits to implementing a royalty system in this kind of governance environment in developing countries but it has to be reasonable in comparison to other tax environments, otherwise they will lose out on revenue as companies will move their investments elsewhere." Already contending with a plunge in copper prices to 5-1/2 year lows that have slashed their profits, mining companies are unnerved by the swift policy change and are unlikely to invest more in projects in the country whatever the outcome. "Mining companies are not going to put another dollar in there, whatever their final decision is, because the government has proved unreliable," said a mining industry source. This will hurt Zambia, where mining accounts for 12 percent of its gross domestic product and 10 percent of its formal employment.

Taxing revenue rather than profit can work better in emerging countries with limited resources to check on collection and high tax evasion. It should also bring more money for copper producers at a time of thinning profits, but it's more punitive in a low price environment and it hits the highest-cost producers most. Among the companies that would be worst hit are Glencore and Vedanta, with production costs for underground mines Nkana, Mufulira and Konkola at almost $6,000 a tonne and Barrick, with open pit Lumwuana's costs at around $5,000, according to data from SNL. Copper prices are currently around $5,700 per tonne. Canadian company Barrick has announced that it will shut down its costly Lumwana mine. Vedanta, which employs about 8,000 staff in Zambia has said the new tax regime would cost it $15 million in core earnings in the first quarter this year and has started a "deep review" of its mining operations Zambia. "Our priority is to make sure that the business is viable, sustainable and generates positive cash flowâ€¦ Weâ€™ll look at all options,â€ Vedanta Chief Executive Tom Albanese said when asked whether job cuts were a possibility. The uncertainty in Zambia could even drive mining companies to look at opportunities in neighbouring Democratic Republic of Congo, which became Africa's largest copper producer in 2013. "If companies start to see other countries as a better match for their investments then those will be moved to where the rate of return is the most favorable," BorssÃ©n said. "And in the case of DRC it is just across the border." *(Reuters)*

Zambia's commerce minister said on Tuesday that payment of mining royalties, which Zambia recently increased, can be deferred until companies have sufficient cashflow if they are not in a position to pay immediately. Zambia's government said last year that it would scrap a corporate income tax of 30 percent while increasing mining royalties for companies operating in Africa's second-largest producer of copper. Since the tax came into effect this year, however, Zambia's new president Edgar Lungu has signalled that the country might revise the increase. "If your company is unable to pay the tax for any reason, we are ready, willing and able to defer your liability. We won't put away the liability, but we are happy to defer until a point in the future when your cashflows allow you to pay your tax," Margaret Mwanakatwe told delegates at the Mining Indaba conference. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

The company's chairman Honour Mkushi said local sales will continue to be subdued as capital projects in utilities, mining, industry and construction were curtailed due to the liquidity crunch. He said the liquidity crunch continued to deteriorate as more companies were under stress due to bank's non-performing loans. "The deterioration reduces the number of customers who are able to purchase and pay for cable resulting in lower local sales. Lower local sales volumes lead to lower throughput and diseconomies of scale which could result in uncompetitive pricing versus imports and thus even less local market share," said Mkushi in the company's annual report. He added that due to mastering the process of recycling copper there has been an increase in exports to South Africa from additional copper coming through the furnace Cafca is a cable manufacturer and listed under the Zimbabwe, Johannesburg and London Stock Exchanges. Cafca is part of CBi Electric African Cables (RSA), which in turn is owned by Reunert Limited (RSA). Company's managing director Robert Webster said during the period under review volumes increased by 5% to 2110 tonnes of products. Exports predominantly channelled to South Africa increased from 313 tonnes to 363 tonnes. He said the recycling project with Zimbabwe Electricity Distribution Company (ZETDC) was enabling the company to meet its 100 tonnes monthly target for the past four months. "It is now 15 months since we last imported copper as a raw material relying solely on copper procured locally," said Webster. He said the company was focusing on getting 180 tonnes of copper per month so as to export 100 tonnes products. The Aluminium plant according to Webster was currently capacitated to produce 125 tonnes per month. He added that to shore up output there was need to increase monthly expenditure on spares and maintenance from 20% to between 25 % and 30%. Cafca's profit for the year ending September increases marginally from to $2 million from $1, 4 million due to lower finance costs. *(News Day)*

Mwana Africa's gold mine in Zimbabwe, Freda Rebecca, has asked the government to cut its electricity tariff by up to 28 percent because it says current rates are punitive, a company official said on Saturday. Toendepi Muganyi, the general manager of Freda Rebecca, said power charges of 14 cents per kilowatt-hour levied on gold mines were too high. "Currently the 14 cents is punitive for the gold mining industry," Muganyi told Reuters during a visit to the mine in the town of Bindura, 88 kilometres north of the capital Harare. "We have aired our grievance ... and request that there be a review to close to 10 cents per kilowatt-hour," Muganyi said, adding that electricity accounts for 14 percent of total gold production cost. Freda Rebecca is the single largest gold mine in Zimbabwe and plans to increase gold output to about 70,000 ounces this year from 60,000 ounces previously, Muganyi said. Mwana Africa also owns the Trojan nickel mine through locally listed Bindura Nickel Corporation (BNC) in Bindura and is raising money to modify and upgrade a smelter at the mine. BNC managing director Batirai Manhando said once the funds are available, the project would be finished within 12 months. On completion of the smelter upgrade, BNC, which has an off-take agreement with Glencore, would be able to export nickel alloy, compared to nickel concentrates currently. The smelter and the mine shut in 2008, at the height of Zimbabwe's economic crisis, due to low nickel prices. The mine restarted production in Feb. 2013 and is producing 7,000 tonnes of nickel concentrate, however the smelter is still out of production. *(Reuters)*

Zimbabwe's new 15 percent export tax on raw platinum, which was introduced earlier than expected in January, will cost Anglo American Platinum (Amplats) about $10 million a year, Chief Executive Chris Griffith said. We are talking very, very strongly with the government at the moment and we have explained the impact on the company,â€ Griffith said in an interview on the sidelines of the Mining Indaba conference in Cape Town. The impact is about $10 million (in lost earnings) but in a mine that has just been investing and putting capital in and that needs to start making money back because we have been investing very heavily in building houses too. Those things will stop, many of the programmes (will stop)." Zimbabwe€™s government first proposed the tax on unrefined platinum in 2013, in an effort to push mining companies to process the metal domestically. Late last year however it said it would postpone it until January 2017 to give miners time to build the smelting and refining plants. But the government's finance bill, which was published on Jan. 9, proposed its introduction from Jan. 1, causing concern among Amplats, the world's largest platinum producer, and others that operate in the country. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

Zimbabwe's economy will probably expand 3.2 percent this year, little changed from 2014, with deflation persisting, central bank Governor John Mangudya said. Gross domestic product rose an estimated 3.1 percent last year, Mangudya said in an e-mailed monetary policy statement on Wednesday. Inflation will remain in negative territory for most of 2015, he said. Zimbabwe's economy is struggling to gain traction more than a year after President Robert Mugabe, who turns 91 this month, won a disputed election in July 2013. Foreign-exchange inflows declined last year and consumer spending remained weak, threating production in the southern African nation. While agriculture output grew 23 percent in 2014, "challenges in manufacturing, mining and other sectors, however, continue to weigh down the economy's growth potential," Mangudya said. Factory output contracted 4.9 percent last year, while mining declined 2.1 percent, he said. The economy shrank by about 40 percent between 2000 and 2009 after Mugabe's government evicted most of the country's 3,500 white commercial farmers as part of a program to distribute land to black Zimbabweans. Mining is the biggest source of foreign exchange, with platinum group metals and gold leading tobacco as the nation's largest exports. Zimbabwe posted a trade deficit of $3.3 billion in 2014, down from $3.9 billion in the previous year, while foreign inflows declined 16 percent to $6.5 billion. That contributed to a shortfall on the current account, the broadest measure of trade in goods and services, of 25 percent of GDP last year.

"In the absence of foreign reserve buffers, the current account has largely been financed by inflows from the diaspora, and debt creating short-term and long-term offshore lines of credit to the private sector," the governor said. Falling commodity prices cut government revenue in a country where minerals made up 53 percent of total exports in 2014, he said. The Reserve Bank is focusing on boosting gold output by "mobilizing" $50 million in a fund that will be managed by Fidelity Printers and Refiners to support gold projects. Zimbabwe has the world's largest platinum reserves after South Africa and also has chrome, gold, diamonds and iron ore. Anglo American Platinum Ltd., Impala Platinum Holdings Ltd. and Rio Tinto Group are among companies mining in the country. Credit risk remains the most significant challenge facing the country's banking sector and non-performing loans made up 16 percent of total outstanding debt on Dec. 31, Mangudya said. The country abandoned its local currency in 2009 in favor of multiple foreign currencies, including the dollar and South African rand, to help contain hyper-inflation. The central bank remains committed to the multi-currency system because economic fundamentals are too weak to consider returning to the Zimbabwean dollar, Mangudya said. *(Bloomberg)*

Zimbabwe's central bank has through its asset management company taken over $65 million in non-performing loans from banks to help restore viability in the sector, central bank governor John Mangudya said in a monetary policy statement on Wednesday. Mangudya said the central bank had also set aside $50 million to invest in gold production. *(Reuters)*

TWO Reserve Bank of Zimbabwe (RBZ) subsidiaries, Export Credit Guarantee Corporation's (ECGC) and Aurex Private Limited, will resume operations soon, central bank governor John Mangudya has said. In his Monetary Policy statement released on Wednesday, Mangudya said ECGC's primary objective was to promote growth and diversification of Zimbabwe's export trade through the provision of financial services that address the needs of exporters. "I am happy to advise that ECGC has been fully capitalised and will resume its operations in March 2015. ECGC is an important player in the export sector and will play a critical part in the growth of the Small and Medium-Scale Enterprises," Mangudya said. ECGC offers various products including credit insurance and guarantee services which enable exporters to compete more effectively in export markets, export payments insurance policy, export Finance Guarantee, general insurance, invoice discounting for exporters, lines of credit cover, suppliers and buyers credit insurance cover, domestic credit insurance and Zimra bonds. Aurex Private is involved in diamond cutting and polishing over and above manufacturing of jewellery. According to the central bank chief, the resuscitated two entities will join other serving affiliates Fidelity Printers and Refiners (FPR), Homelink which is made up of four business units, namely Proplink, Easylink Money Transfer Pvt Ltd, Investlink and Masterlink Capital Services Pvt Ltd to serve the economy.

Mangudya said Homelink was on a growth path and was targeting to grow its balance sheet to $100 million by December 2017 from $20 million as of now. "Homelink's role is to harness foreign currency from non-residents and other holders of free funds by providing products and services that meet investment and consumption needs of the Diasporans. The actions of the company are driven by the vision to be the

Leading Global Partner in Financial and Investment Solutions for Diasporans," he said. Homelink was structured into four business units, namely Proplink, Easylink Money Transfer Pvt Ltd, Investlink and Masterlink Capital Services Pvt Ltd. Proplink is dedicated to housing and stands development. Easylink Money Transfer Pvt Ltd is an agent of Western Union International responsible for money transfer services while Masterlink Capital Services (Pvt) Ltd addresses short term financing needs of customers within and outside of Zimbabwe and Investlink promotes the investment needs of the Diasporans. The unit scans for investment opportunities in the country; He added that on the other subsidiary FPR the central bank was targeting to increase gold deliveries by 7,1% in 2015 to 15 tonnes. *(News Day)*

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