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		31-Dec-14	YTD % Change	
Country	**Index**	**11-Sep-15**	**18-Sep-15**	**Local**	**USD**	**31-Dec-14**	**Local**	**USD**
Botswana	DCI	10786.93	10791.24	0.04%	1.61%	9,501.60	13.57%	5.20%
Egypt	CASE 30	7039.33	7267.52	3.24%	3.25%	8,942.65	-18.73%	-25.78%
Ghana	GSE Comp Index	2088.39	2049.18	-1.88%	-4.86%	2,287.32	-10.41%	-28.55%
Ivory Coast	BRVM Composite	293.74	293.97	0.08%	0.95%	258.08	13.91%	5.92%
Kenya	NSE 20	4210.02	4236.26	0.62%	0.33%	5,112.65	-17.14%	-29.07%
Malawi	Malawi All Share	15908.82	15830.97	-0.49%	-0.53%	14,886.12	6.35%	-11.44%
Mauritius	SEMDEX	1929.11	1917.14	-0.62%	-0.64%	2,073.72	-7.55%	-17.60%
	SEM 10	367.30	365.14	-0.59%	-0.60%	385.80	-5.36%	-15.64%
Namibia	Overall Index	1011.12	1029.91	1.86%	5.51%	1,098.03	-6.20%	-18.25%
Nigeria	Nigeria All Share	29689.08	30332.68	2.17%	2.14%	34,657.15	-12.48%	-19.22%
Swaziland	All Share	307.41	307.41	0.00%	3.59%	298.10	3.12%	-10.13%
Tanzania	TSI	4649.20	4605.83	-0.93%	-1.61%	4,527.61	1.73%	-18.75%
Tunisia	TunIndex	5334.98	5330.22	-0.09%	0.40%	5,089.77	4.72%	0.04%
Zambia	LUSE All Share	5821.57	5803.21	-0.32%	-0.95%	6,160.66	-5.80%	-39.69%
Zimbabwe	Industrial Index	134.11	133.83	-0.21%	-0.21%	162.79	-17.79%	-17.79%
	Mining Index	29.10	25.94	-10.86%	-10.86%	71.71	-63.83%	-63.83%

CURRENCIES

	11-Sep-15	18-Sep-15	WTD %	YTD %
Cur-rency	**Close**	**Close**	**Change**	**Change**
BWP	10.33	10.17	-1.54	9.65
EGP	7.81	7.81	-0.01	9.51
GHS	3.87	3.99	3.13	21.58
CFA	585.39	580.33	-0.86	8.48
KES	103.71	104.02	0.29	16.47
MWK	555.84	556.09	0.04	20.03
MUR	34.13	34.14	0.02	12.17
NAD	13.79	13.31	-3.46	18.86
NGN	196.04	196.09	0.02	8.32
SZL	13.79	13.31	-3.46	18.86
TZS	2,115.06	2,129.68	0.69	24.34
TND	1.95	1.95	-0.48	5.19
ZMW	9.85	9.91	0.64	55.20

Botswana

Corporate News

No Corporate News This Week

Economic News

Australian firm A-Cap Resources has applied for a licence to open what would be Botswana's first uranium mine with a capital expenditure of $351 million, the firm said on Friday. Botswana is estimated to hold around 1.04 billion tonnes in uranium reserves, in the central part of the country, and the government has issued prospecting licenses in the last decade although no production has taken place. The exploration firm said results of technical studies showed the project would produce up to 3.75 million pounds of the ore in the first five years of its projected 18-year life. The project was ideally located near roads, a railway network and power supply, the company said a statement, and was also on the site of one of the largest uranium deposits in the Africa, with estimated deposits of 261 million pounds. A resurgent uranium price meant the project, where explorations started in 2006, was viable, the firm said. Global uranium production had stalled recently due to depressed prices, curtailing exploration activities and the opening of new mines. Spot uranium prices slumped over 12 percent in the past three quarters before bouncing back to a 5 month-high of $37.25 per pound in September. *(Reuters)*

Botswana's consumer inflation inched slower to 3.0 percent year-on-year in August from 3.1 percent in the previous month, data from the statistics office showed on Tuesday. On a month-on-month basis, prices also grew at a slower rate, by 0.2 percent in August after quickening by 0.1 percent previously. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

No Corporate News This Week

Economic News

A delegation from the International Monetary Fund (IMF) concluded its visit to Egypt on Thursday, recommending the country adopt flexible a exchange rate, implement the value-added tax and further cut energy subsidies. The IMF also approved of measures taken by the government to reduce the deficit and by the Central Bank of Egypt to curb the currency parallel market, according to a press release issued on Thursday. Egypt's Central Bank has devalued the pound to reach LE7.73 to the dollar while widening the range through which banks are allowed to trade to LE0.1 for banks and LE0.15 for currency exchange bureaus. A currency black market flourished in Egypt following the 2011 uprising as capital outflows and the faded tourist interest in the country cut vital sources of foreign currency, adding pressure to the Egyptian pound. "We consider that a gradual move toward a more flexible exchange rate policy focused on achieving a market-clearing rate would serve Egypt's interests," read the statement. The IMF also recommended that the government take further steps in the fiscal reform and structural reform programme. "Lower fuel and electricity subsidies, combined with the implementation of the VAT, would go a long way toward improving the strength of the budget," read the statement.

Hany Kadry Dimian, Egypt's finance minister, announced last month that the government would implement the value-added tax soon, which would be a flat tax rate on consumption distributed among the different production stages. The fund has been in talks with the Egyptian government over recent years to negotiate a loan conditional upon the implementation of a structural adjustment programme, but rising political tension following the 2011 uprising combined with a weakened economy have stalled the talks. However, as the political environment stabilised compared to the years following the uprising, the government was able to return to the fiscal reforms programme, taking politically sensitive measures such as raising fuel and electricity prices. Talks on a new loan remain officially paused with the government seeking foreign currency through dollar bonds in the international markets,with the latest issued in June at a value of $1.5 billion with maturity of 10 years and at an interest rate of 6 percent. Egypt's growth reached 4.2 percent in the fiscal year 2014/15 and the inflation rate has slowed to 7.88 percent in August after a hike in fuel prices in July 2014 pushed it to exceed 11 percent. Egypt targets a growth rate of 5 percent by the end of the current fiscal year.*(Ahram)*

Egypt's central bank kept its benchmark interest rates unchanged at a monetary policy committee meeting on Thursday, citing the need to balance inflation risks with economic growth. The overnight deposit rate stayed at 8.75 percent and the overnight lending rate was held at 9.75 percent, the bank said in a statement. "...while investments in domestic mega projects are expected to contribute to economic growth, the downside risks and uncertainty that surround the global economy ... could pose downside risks to domestic GDP," the central bank said. Three of five economists surveyed by Reuters said they had expected the central bank' monetary policy committee (MPC) to keep rates on hold as part of its effort to keep inflation under control. "...we suspect that policymakers were swayed from cutting rates as they, along with many other emerging market] central banks, await greater clarity on the next move from the U.S. Federal Reserve," Capital Economics said in a research note on Thursday. At its last meeting on July 30, the central bank held deposit rates steady at 8.75 percent and its lending rate at 9.75 percent for the fourth consecutive meeting after a surprise 50 basis-point cut in January. Egypt's economy has been struggling with sluggish growth after more than four year of political instability. The government projects growth of about 5 percent this fiscal year, compared with estimated growth of 4.2 percent in 2014/15. Annual inflation accelerated after the government slashed subsidies last year but has since been slowing. It dropped for the third consecutive month in August to its lowest level in more than two years, with urban consumer inflation dropping to 7.9 percent in August. *(Reuters)*

Ghana

Corporate News

Africa's biggest gold producer AngloGold Ashanti said on Wednesday it has signed a deal with Randgold Resources to jointly redevelop its aging Obuasi mine in Ghana. Randgold said the joint venture would not spend more than $1 billion on the redevelopment. AngloGold stopped production in November and cut jobs at Obuasi, which holds about 5 million ounces of gold reserves but has not made a profit in a decade. AngloGold's Chief Executive, Srinivasan Venkatakrishnan, said on a conference call that it was difficult for a single company to bear the cost of redeveloping a mine in a low price environment. The price of spot gold has fallen almost 20 percent from its 2014 peaks, to just above $1,000 an ounce, forcing companies to sell mines, cut spending and shed jobs. "When capital is constrained for mining, sharing the cost of capital is perhaps the most prudent way to go," Venkat said. AngloGold jointly owns two mines with Randgold in Mali and Democratic Republic of Congo (DRC). Randgold's Chief Executive, Mark Bristow, said a team from their Kibali mine in DRC would arrive in Ghana on Thursday to begin work on Obuasi. *(Reuters)*

Economic News

The Bank of Ghana on Monday unexpectedly raised its main policy rate by 100 basis points to 25 percent, the highest rate in over a decade, to offset the risk of inflation, its governor Henry Kofi Wampah said. The government says it is making strides to contain a fiscal crisis that drove the West African country to start a three-year aid program worth $918 million with the International Monetary Fund in April. The budget deficit, which spiked in the election year of 2012, has fallen faster than expected and the government expects medium-term growth to pick up. But inflation stood at 17.3 percent in August, down from 17.9 percent in July, and Wampah said the Bank tightened its rate in order to reach the full-year target of 13.7 percent. "It (the decision) is based on what we expect within the next few months or quarters," Wampah told a news conference. "We have noted that in the next quarter we are going to have a lot of liquidity .... That can have an inflationary impact." Ghana is seeking a Eurobond of up to $1.5 billion on Sept. 22 and part of the proceeds will refinance debt, he said. The government is also due to sign a $1.8 billion loan on Thursday to finance its cocoa sector ahead of the 2015-2016 crop. It is also expecting to raise utility prices and all these factors could lead to a rise in inflation expectations, he said.

For years, Ghana's economy was one of the strongest in sub-Saharan Africa as the country benefited from high global prices for its exports of gold, oil and cocoa. But a fall in commodity prices as well as fiscal problems that emerged after 2012 have led to a slowdown in gross domestic product growth, which is expected to stand at 3.5 percent this year, below the continent's average. Other signs of the imbalances are a decline in the cedi currency that is around 50 percent since the start of 2014 and the debt-to-GDP ratio, which grew to 71 percent in June from 67 percent in May. Wampah said the debt-to-GDP level is not "very dangerous" because the increase since May is mainly due to an exchange rate differential. Razia Khan, head of Africa research for Standard Chartered, said the tightening demonstrated the seriousness with which authorities were taking the requirements of the IMF program. "It should therefore be seen as a positive," she said. "It also highlights Ghana's ongoing vulnerability, with the cost of servicing domestic debt raised further in nominal terms .... The belief is that a successful Eurobond issuance will lessen dependence on domestic financing of the deficit." *(Reuters)*

The Monetary Policy Committee of the Bank of Ghana is expected to wind up its meetings today, Friday on the health of the economy for a likely upward review of the policy rate next week. The committee held its first meeting on Monday to assess figures from certain sectors of the economy. The central bank's move is influenced by recommendations from the IMF for some detailed scrutiny of economic data and some transparency in the workings of the monetary policy committee. Already there are predictions that the policy rate, which currently stands at 24 percent, could notch up significantly after the Bank of Ghana review. The IMF is also pushing for further increases in the policy rate to check inflation.

However, should the central bow to pressure and increase the rate again, it could worsen current credit squeeze on the market. Economist Dr. Joe Abbey for instance says it will not be in the interest of the economy for the policy rate to be increased from the current 24 percent. Analysts would also be anticipating new figures for Ghana's public debt, which stood at 90 billion Ghana cedis as at June this year. *(Ghana Web)*

Ghana's total public debt rose to 94.5 billion cedis ($23.7 billion) by end-June, equivalent to 71 percent of gross domestic product (GDP), up sharply from 67 percent the previous month due to currency depreciation, the central bank said on Friday. Ghana signed a three-year aid deal with the International Monetary Fund in April in a bid to stem a slide in the cedi currency, curb inflation, and tackle its growing debt. The government has launched a debt restructuring strategy which focuses on the issuance of more long-term securities, mostly of five- and seven-year maturities. It plans to issue a fourth Eurobond of up to $1.5 billion this month to fund spending and refinance part of the debt. External borrowing amounted to 58.6 billion cedis, representing 44 percent of GDP at the end of June, the bank said in a data on its website. In addition to low commodities prices, expectations of a rate rise by the U.S. Federal Reserve have kept the dollar strong and added to pressure on emerging currencies like Ghana's cedi. The currency has weakened 13.8 percent since January, according to the central bank. Gross foreign assets dipped to 2.8 months of import-cover at the end of July, from 2.9 months at the end of June. The Bank of Ghana's Monetary Policy Committee is set to announce a rate decision on Monday and analysts expect bank to keep the rate steady at 24 percent in a continued support for the cedi ahead of the U.S. rate decision next week, a Reuters poll showed on Thursday. The rate rose to 24 percent from 22 percent after the bank merged the policy rate with its reverse repo rate last in July. *(Reuters)*

More investors are increasingly looking to short-term securities as they seek to ramp up value on their investments following years of sporadic inflation, InvestCorp — an investment advisory firm — has revealed. Despite the Statistical Service last week revealing August's inflation had dropped to 17.3 percent from the previous month's figure of 17.9 percent, the investment advisory firm said inflation over the past five years has been largely erratic. According to InvestCorp's last month's economic report, "Essentially, by accepting a relatively long period of erratic inflation in recent times, the market is revealing a new enhanced bias toward short-term securities — including foreign portfolio investors. "Our concern is that this renewed short-term bias is not healthy for financial stability and private sector growth. For example, investor preference for short-term securities will continue to starve the private sector of access to medium- to long-term funds," the report said. Data from the central bank shows that out of the total outstanding securities of GH¢28.2billion issued as at end of the second quarter foreign investors holds about GH¢6.7billion, which forms about 23.82 percent of the total holding. The report was authored by InvestCorp's Managing Director Sampson Akligoh, and said: "In this regard, we believe that despite the inflation fears it is important investors and issuers focus attention on inflation-adjustable debt instruments, floating interest rate securities, and standardisation to enhance liquidity. "Overall, this will reduce the apparent asymmetry in investor/issuer duration — and thus help avoid market brittleness which has the potential to cause illiquidity and instability in the financial system."

Commenting on the country's consumer price index, the investment advisory firm said, traditionally, inflation is seen as accompanying strong growth and credit expansion for Ghana. "But in recent times inflation has remained relatively high in the midst of slower growth, weak commodity prices and slack demand. Noticeably, recent inflation cycles have been erratic, with a 5-year low and high of 8.4 percent and 20.7 percent respectively; which has helped to shape market inflationary expectations to the upside, and introduce a degree of uncertainty in medium-to-long-term macroeconomic expectations." While the central bank stated in its July Monetary Policy Committee meeting that its medium-term inflation target of 8±2 percent has shifted from the third quarter of 2017 to the fourth quarter of 2016, the InvestCorp report forecasts a much higher consumer price index. "Our expectation is that inflation will remain within the region of 12-14 percent over the medium term. Observably, while economic growth has slowed and consumer demand is relatively weak, the pass-through effects of the cedi's depreciation have kept inflation relatively high," the report said. Inflation in Ghana has averaged 12.2 percent in the past five years. The path for inflation during the period was influenced by strong consumer demand in line with robust economic growth, adjustments in utility and domestic petroleum prices, as well as seasonal food price dynamics. *(Ghana Web)*

Ghana's Cocobod regulator signed a $1.8 billion loan with international banks on Thursday to finance purchases for the 2015/16 season, its spokesman said. Ghana is the world's second-biggest producer of cocoa and this year's syndicated loan, signed in Paris by some 23 lenders, will be used to purchase around 850,000 tonnes, Noah Amenyah said. Amenyah said the loan was oversubscribed by over 40 percent to $2.6 billion but Cocobod took only $1.8 billion as originally planned. Cocobod raised $1.7 billion from a similar syndication a year ago. "Once again, the syndication was oversubscribed and it shows the increasing confidence of the lenders in Cocobod's management and its operations," he said. Ghana is experiencing a poor cocoa harvest this year with output down 23 percent over last year due to harsh weather and poor farming practices. Purchases hit the 700,000 tonne-mark in late August and it appears the country will miss its revised 750,000 tonne-target as the crop year draws to a close this month. Cocobod is expected to open the new season early next month. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Kenya's ARM Cement expects profitability to improve now it produces its own clinker for its east African cement plants, its managing director said on Friday. ARM Cement, east Africa's second biggest producer behind Bamburi cement, posted a pretax loss of 473.5 million shillings ($4.5 million) in the first six months, which the firm blamed on unrealised foreign exchange losses associated with borrowing for its new clinker plant, a vital raw material for cement. Currencies in east Africa, where infrastructure and other construction projects are pushing up demand for cement, have been weakening this year, partly as a result of a global shift away from emerging markets and into the U.S. dollar. Managing Director Pradeep Paunrana told Reuters a new plant to produce clinker had capacity of 1.2 million tonnes a year and was operating at about 75 percent capacity since production began in April. "What this essentially means is that our production cost has come down drastically because imported clinker is much more expensive -- at least 70 or 80 percent more expensive than what we are producing locally," he said in an interview. "So we expect improvement in our margins both in Kenya and in Tanzania with the production of our own clinker," he said, adding that ARM was also selling clinker to other companies in Tanzania, Democratic Republic of Congo, Rwanda and Burundi. ARM's operating margin was 13.4 percent in 2014 according to Thomson Reuters data, compared with an industry median of 15.5 percent.

ARM's Tanzania plant has annual capacity to produce 1.5 million tonnes of cement, while its Kenya plant can produce 1 million tonnes and its Rwanda plant can make 100,000 tonnes. Paunrana said he expected an improved financial performance in the second half of the year, citing the 9 percent rise in earnings before interest, tax, depreciation and amortisation (EBITDA) in the first half to 1.94 billion shillings.
"The company is still very profitable, especially now that we have more clinker production and more volume growth," he said, adding that earnings in foreign exchange were rising. He said ARM now had an advantage over some rivals. "We are keeping our margins steady and are now becoming a lot more competitive against those who import either clinker or finished cement," he said. ARM would approach the capital markets to borrow the equivalent of between $50 million and $75 million in local currency to replace some short-term debt in the future, Paunrana said, without giving details on exact timings. *(Reuters)*

Kenya's Uchumi Supermarkets, which fired its top managers in June, will shift to renting outlets instead of owning them and expects to return to profit growth within the next year, its chief executive said. Uchumi, which operates 37 stores in Kenya, Uganda and Tanzania, slumped to a pretax loss of 262 million shillings for the half year to Dec. 31 and said in late August its full-year earnings were expected to fall by at least 25 percent from the previous year. Julius Kipng'etich, a former chief operating officer of Equity Bank, was appointed in August to help revive the chain after it fired its previous head. Speaking to reporters on Wednesday, Kipng'etich said Uchumi will focus on reorganising the management of underperforming branches, or would in extreme circumstances close or relocate those branches. He forecast the company would be stabilised in his first 100 days in office and would return to profit growth between the next six months and a year. To help cut expenses, Kipng'etich said the company will move to renting space when it opens new outlets. "We will try to avoid fixed costs like a plague," he said. Turning to the company's upheavals earlier this year, when former CEO Jonathan Ciano was ousted along with the chief finance officer after the group fell behind on supplier payments, he said the matter was in the past, without making further comment. The company, which said in June when it announced Ciano had been fired that it was conducting an audit to see how cash from a rights issues was spent, is still awaiting the outcome of that audit. *(Reuters)*

Equity Bank Wednesday announced the completion of its acquisition of ProCredit Bank of the Democratic Republic of Congo (DRC). Equity Group had earlier in May this year entered into an agreement with ProCredit Holding to acquire 79 per cent of the issued share capital of ProCredit Bank Congo S.A an SME focused bank in the DRC. Equity Group CEO James Mwangi said at an investor briefing in Nairobi that the transaction was complete following regulatory approval in Kenya and the DRC. "We are excited about our entry into Sub-Saharan Africa's third most populous country through the investment in a fast growing, well established and highly regarded bank," he said.

Mr Phillip Sigwart formerly chairman of ProCredit's board of directors and who now assumes the position of chief executive of the group's new subsidiary in DRC exuded optimism about completion of the merger. "This exciting news will pave way for ProCredit to leverage on the expertise of Equity Group in enhancing financial inclusion in the largely unbanked DRC population," Sigwart said. The ank is the 7th largest bank by assets in the DRC market with total assets exceeding Sh21 billion (US$ 200million), net assets of Sh2.6 billion (US$ 25 million) and a customer base of over 170,000. ProCredit has amongst its shareholders the German Development Bank KfW (KfW) and the International Finance Corporation (IFC) who currently hold 12 per cent and 9 per cent of the bank's issued share capital respectively. Mwangi said the acquisition of ProCredit, provides Equity Group with a great platform to further the group's growth objectives while extending its mission of financial inclusion across Africa. "Already we are set to sign a deal with the Government of DRC to process the salaries of all civil servants and the possibilities look exciting," he said. adding that the Group would launch an aggressive drive to develop the largely underserved retail market segment in DRC drawing on Equity Group's experience in Agency and other technology led innovative banking services. Upto 96 percent of the citizens are unbanked in the vast and resource rich DRC with a population of over 85 million population. *(Daily Nation)*

Economic News

The tracks for a new, faster railway linking the Indian Ocean port of Mombasa to Kenya's capital will be laid by the end of 2016 and will open for commercial traffic on target in June 2017, the chairman of Kenya Railways said on Friday. The Chinese-financed project is the first stage in a scheme that aims to extend to Uganda and other land-locked states. The goal is to cut the cost of transport and boost trade, by replacing a narrow-gauge line that has slower top speeds. "We're ahead of schedule," Kenya Railways managing director Atanas Maina said in Nairobi. "There's government commitment, there's been a lot of push for land acquisition, there's been very heavy mobilization, and the funding has gone very well." Kenya had aimed to complete 40 percent of civil works, ranging from laying track to fixing bridges, by the end of 2015. It is now on track to complete half the by year end. Maina said he hoped to have a private management company in place by mid-2016. A transaction adviser will be in place by the end of September to help select a private management firm for the line, Maina said, adding selection would be done by mid-2016. "The intention is that operations will be taken over by a seasoned, third-party private operator," he said. When the project was initially envisaged, the opening date was expected to be in 2018, but since then the government has given the plan a higher priority.

Maina also said he hoped to begin secure financing during 2016 for the project's next phase, connecting Nairobi to Uganda's capital Kampala. In addition to speeding the flow of cargo, Kenya hopes to transform its passenger service, now plagued by delays. The new line will cut the journey time between Nairobi and Mombasa to four and a half hours from more than 13 hours now. Delays often make it longer. The new line will have stops in Tsavo national park, one of Kenya's many reserves popular for safaris. Maina said exclusive tourist trips could also be arranged in future on the new line. When the narrow-gauge line was built in the 19th century, it was dubbed the "Lunatic Express", as critics decried the rising expense and cost in lives as many workers were killed by lions. East Africa now boasts some of Africa's fastest growing economies, with inefficient transport often seen as one of the major obstacles to expanding businesses. *(Reuters)*

The Kenyan currency is trading at about the right level and its volatility should settle once the U.S. decides whether to raise interest rates on Thursday, Treasury Secretary Henry Rotich said. The shilling has fallen 14 percent this year to 106 per dollar on Wednesday, near a record low, as investors moved money to safer assets in anticipation of higher U.S. interest rates. Slowing revenue from the country's top foreign-exchange earners, agricultural exports and tourism, has also contributed to weakness in the currency. "It should be around that level if you look at what's happening in terms of how we are looking at our current account deficit," Rotich said in an interview in the capital, Nairobi. The currency, which traded as low as 88.60 per dollar a year ago, may have overshot its true value, he said. The central bank has intervened and sold dollars intermittently to smoothen volatility in Kenya's foreign exchange market. Those actions have been done prudently and effectively, Armando Morales, the International Monetary Fund's representative in Nairobi, said in a Sept. 10 interview. Kenya may have to raise money from external sources as domestic interest rates rise, Rotich said. The central bank increased its key rate by a total of 3 percentage points in June and July as the shilling plummeted.

The Treasury, which had budgeted to borrow 219 billion shilling ($2 billion) from its home market, may not manage to raise the whole amount domestically, he said. "What we were supposed to borrow in Kenya shilling terms, we may choose to borrow in other currencies," he said, adding that the government would consider syndicated loans and bilateral credit. Last year, Kenya sold a debut Eurobond for a total $2.75 billion. The IMF estimates that government debt in Kenya reached 49 percent of gross domestic product last year, up from 41 percent in 2009.*(Bloomberg)*

Kenya's central bank has acted appropriately by tightening interest rates and its economy remains on track despite headwinds from rising global market volatility and local security challenges, the International Monetary Fund said on Wednesday. Policymakers have raised the rate by a total of 300 basis points since June after the shilling weakened sharply against the dollar mainly due to expectations of a U.S. rate hike, lower export earnings and a surge in imports. Recent decisive steps by the central bank to tighten monetary policy are appropriate," IMF Deputy Managing Director Min Zhu said after the Fund's executive board completed its first review of Kenya's $688 million precautionary IMF credit arrangement. "These steps will help contain the impact of the recent shilling depreciation on domestic prices and anchor inflationary expectations. The central bank remains committed to refraining from intervening in the foreign exchange market except for smoothing excessive exchange rate volatility." *(Reuters)*

Consumer goods manufacturer Unilever has opened a new Sh155 million state-of-the-art facility in Nairobi aimed at increasing the production of Vaseline petroleum jelly. The company said the new production line comes with the latest technology available from Unilever globally. "It shows how world class manufacturing processes, assets and skills can be deployed in Kenya as part of a site that is already zero non-hazardous waste to landfill and within Unilever efforts to drive up industry benchmarks," Unilever CEO for East Africa Marc Engel said during the launch. The production line was officially opened by the Head of Unilever Africa Bruno Witvoet and Simon Smith, Head of Supply Chain at Unilever Africa. The Nairobi factory will serve the East African market and some countries in the COMESA region such as Zambia and Zimbabwe. "This is a milestone for Unilever as we expand the reach of all our brands in Kenya and across East Africa," Engel said. Vaseline is Unilever's flagship personal care brand and its growth reflects consumer confidence in the company's commitment to produce products that meet every day needs while creating a brighter future for all East Africans. Unilever portfolio includes brands like OMO, Sunlight, Blue Band, Royco, Geisha and Vaseline, as well as key world's renowned brands, like Knorr, Dove, Lux, Axe, among many others. *(Capital FM)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's consumer inflation rose to 23.0 percent year-on-year in August from 22.2 in July, data from the National Statistical Office showed on Tuesday. *(Reuters)*

Mauritius

Corporate News

Mauritius-based conglomerate Rogers said pretax profit rose 43.4 percent in the year to June 30, driven by better performances from its hospitality, real estate and agribusiness operations. Rogers, which has interests in the Indian Ocean island nation's financial, property and aviation sectors, said it expected improved operational performance in most sectors in the coming year. Improved revenue was "led by the logistics and real estate and agribusiness sectors", the company said in a statement as it announced revenues had increased 16 percent to 7.15 billion rupees ($203 million). It said the hospitality sector was boosted by better performance from one of its units, the Heritage Resorts, a reduction in finance charges and a higher contribution from New Mauritius Hotels, its associated company. Earnings per share rose to 2.16 rupees from 1.85 rupees a year earlier. Rogers' shares opened at 30 rupees on Friday, about 0.85 percent higher than the previous day. *(Reuters)*

Economic News

No Economic News This Week

Nigeria

Corporate News

Shareholders of Flour Mills of Nigeria Plc (FMN) have endorsed the company's bid to merge five of its subsidiaries with its holding company. The company had obtained the approval-in-principle of the Securities and Exchange Commission (SEC) to merge five of its wholly owned subsidiaries - Golden Noodles Nigeria Limited, Golden Transport Company Limited, FMN Cement Industries (Nigeria) Limited, New Horizon Flour Mills Limited and Quilvest Properties Limited with Flour Mills of Nigeria Plc. It management explained that the restructuring resulted from the need to streamline operations, reduce administrative costs, improve operating efficiency and derive full benefits of synergy in line with the company's long term strategic thrust. Speaking at its 55th annual general meeting held in Lagos recently, the Chairman of Flour Mills, John Coumantaros, assured shareholders of improved benefits from the merger. The company's results showed a profit after tax of N8.5 billion in its 2015 results, compared with N5.4 billion in 2014. The performance was achieved against the background of five per cent drop in revenue, which was down from N325.8 billion to N308.8 billion. Flour Mills' board recommended a total dividend pay -out of N5.5 billion in the year under review.

Coumantaros, however, pointed out that the later stage of the company's strategic expansion unfortunately coincided with the sudden slump in global crude oil prices. This, he stated resulted in major devaluation of the naira leading to increases in import costs and financial charges. As a result, the company sought and obtained shareholders' approval to raise its authorised share capital from its current N2 billion to N2.5billion and to thereafter, subject to regulatory approvals, issue additional shares by way of rights to existing shareholders on the basis of five new ordinary shares for every 12 ordinary shares held at N27.50 per share. The chairman added: "We shall strive to strengthen our core food business and, in tandem with our strategic business thrust and in alignment with government's vision of developing the Agricultural sector, we are determined to ensure the success of our agro-allied investments; and in doing so, maximise local content in our final products and derive group synergies." *(This Day)*

A leading major oil marketing company, Forte Oil Plc, has commenced the sale of kerosene for N50 per litre in line with the aspiration of the federal government for the product to be available at subsidised price. The company commenced the sale of the product, which it officially called "Buhari Kerosene" in its retail outlets in Lagos on Tuesday and has promised to extend it to other retail outlets across the country in the coming days. THISDAY which monitored the sale across Lagos, observed a huge turn-out of people mostly women in Forte Oil filling Stations Ikoyi, Victoria Island (Oniru), Aja road, Oba Akran, Agindigbi, Airport road and other parts of Ikeja. An official of the Forte Oil filling Station in Oba Akran told THISDAY on condition of anonymity that the directive to sell kerosene for N50 came from the Chairman of the company, Mr. Femi Otedola. "Chairman directed us to crash the price. This is Buhari Kerosene and you know that President Buhari wants kerosene to be affordable to the common people. We have no choice than to obey the last order. We have discharged one truck and we are expecting another truck this evening," he said. At Forte Oil filling station in Awolowo Road, Ikoyi, one truck of kerosene, which was yet to be discharged into the underground tanks, was seen parked at the station.

Though a good number of customers had gathered with containers, waiting to buy the product but no sale was going on. An official of the station, who did not want his name in print also told THISDAY that the product would be discharged as soon as they finished repair works on the underground tanks. "We have not discharged because we are working on the underground tanks. As soon as we finish the work, we will discharge this evening and start selling for N50 because that is the directive given to us," he said. At all the retail stations visited, long queues of end users were seen making their way to purchase gallons of kerosene. A top official of the company, who spoke to THISDAY on the new initiative, reaffirmed the commitment of the company to best service delivery by being in the forefront of the pump price of N50 per litre for kerosene across its retail outlets. "With this, Forte Oil has taken the bold step by making kerosene readily available at the official rate which is geared to impact positively on the lives of the citizenry as the average user now has the opportunity to buy directly from dispensing pumps at all Forte Oil retail outlets nationwide," he added. The NNPC imports and sells kerosene to marketers at the ex-depot price of N40.90 to enable them sell at N50 at the pumps, but the marketers sell at N120 – N140 at the pumps. *(This Day)*

The Board Listings and Quotations Committee of FMDQ OTC Plc has approved the quotation of Wema Bank Plc's N8.154bn Series 1 commercial paper notes under a N20bn commercial paper insurance programme on FMDQ. Wema Bank's commercial paper is the second commercial paper to be quoted on the FMDQ over-the-counter securities exchange, after the pioneer quotation of the Stanbic IBTC Bank Plc's commercial paper. A commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities, according to Investopedia. On Wednesday, at a ceremony to mark the quotation of the Wema Bank CP, the Managing Director/Chief Executive Officer, FMDQ, Mr. Bola Onadele, said that as a securities exchange, FMDQ "promotes credibility for quoted CPs, through a highly efficient registration process." According to him, CP issuers quoting their securities on FMDQ gain access to a wide range of knowledgeable and capitalised investors through FMDQ members, while investors, on their part, enjoy improved liquidity which serves to ensure ease of entry and exit from the CP market.

Onadele, who congratulated Wema Bank on the achievement, explained that commercial papers quoted on FMDQ OTC also gain access to the full complement of an FMDQ quotations service; which includes but is not limited to the global visibility through its inclusion to the FMDQ Bloomberg E-Bond trading system and on the quotations page of the FMDQ website, among others. The MD/CEO Wema Bank Plc, Mr. Segun Oloketuyi, said ahead of the sigining of the FMDQ quotations register and the presentation of the CP quotation certificate that Wema Bank had taken a decision to refocus its operations and build a sustainable institution six years ago. He explained that the bank's transformation was implemented in three phases; firstly to stabilise it, secondly to prepare the building blocks for growth and, thirdly, to go for growth. "We are now within the third phase of the transformation project and the official listing of the Wema Bank commercial paper is a testament of the success of the ongoing transformation project," he said. "As the Bank continues to build on the success recorded in the various initiatives embarked upon, there has been an increase in patronage, clientele and transaction dynamics. Similarly, commercial customer transactions have increased, hence, the need to meet the short cycle financing needs of these customers." *(Punch)*

Nigeria sold 45 billion naira worth of naira-denominated bonds maturing in 2020 and 2034 at an auction on Wednesday, paying higher yields than at its previous auction in August, the Debt Management Office said on Thursday. The amount raised at the auction was short of the 70 billion naira initially proposed by the debt office. Traders said the debt office was constrained by the higher yields that investors demanded and reduced the amount of debt sold. Investors had asked for yields ranging from 13.5 to 20 percent for the 2020 bond and 14.5 to 20 percent for the 2034 debt, but the debt office decided to cut off the sale at 15.95 and 15.97 percent respectively. The debt office sold 20 billion naira worth of 2020 debt at 15.95 percent yields, 57 basis points more than 15.38 percent at the last auction in Aug. A total of 25 billion naira worth of the 2034 bond was sold at 15.97 percent against 15.19 percent last month. Investors submitted bids worth 121.20 billion naira, lower than the 153 billion naira at the last auction. Traders said the auction showed the government was no longer willing to borrow at higher yields, especially in the near term. "The central bank and DMO have decided to cap interest rates on borrowing at below 16 percent in the near term, and this should signal an end to volatility in the debt market," one dealer said. U.S. investment bank JP Morgan said last week it would remove Nigeria from its Government Bond Index (GBI-EM) by the end of October, after warning the government that currency controls were making transactions too complicated. But traders said the market has already overcome the effects of that move, and most offshore investors had exited the market prior to the JP Morgan announcement. *(Reuters)*

Economic News

Nigeria's consumer inflation was at 9.3 percent year-on-year in August, up 0.1 percent from July, and staying above the central bank's target upper limit, the national bureau of statistics (NBS) said on Sunday. Food inflationÂ rose marginally to 10.1 percent year-on-year in August versus 10.0 percent in July. "The marginal increase was as a result of slower increases in alcoholic beverages, tobacco and kola, health, transport and recreation and culture divisions," the NBS said. "On a month-on-month basis, the pace of increases of food prices ... has slowed, contributing to the relatively slower (overall)pace of increases." Nigeria's inflation rate rose above the central bank's upper limit of 9 percent in June and is at the highest level since February 2013. Africa's biggest oil producer has been hit hard by the slump in global crude prices, which has sent its currency, the naira, spiralling.

The central bank has imposed increasingly stringent foreign exchange measures to prop up the naira but investors are losing confidence. National GDP more than halved in the second quarter year-on-year and JP Morgan said it would drop Nigeria from its influential emerging market bonds index last week due to foreign exchange controls. *(Reuters)*

With 17 days left for capital market operators to comply with the new minimum capital base set by the Securities and Exchange Commission (SEC) in 2013, 47 operators have applied to either merge or reclassify their businesses, THISDAY checks have revealed. SEC had in December 2013 announced an increase in minimum capital requirements for capital market functions under a new capital structure and gave them December 31, 2014 as deadline. However, the date was extended to September 30, 2015. The capital market regulator had also allowed operators with multiple functions to step some of them down for lower requirements while encouraging consolidation amongst smaller players by offering to waive merger/acquisition fees. THISDAY checks at the weekend showed that 47 operators have embraced the options of stepping down some of their functions and consolidation. Specifically, while 36 operators applied to SEC to step down some of their functions, 11 applied for merger and acquisition. Some of the operators that are stepping down their functions include: Arian Capital Market Limited, Associated Asset Management Limited, Camry Securities Limited, Cashcraft Asset Management Limited, Cashville Investment & Securities Limited, Chartwell Securities Limited, Clearview Investments Company Limited, DBSL Securities Limited, Dependable Securities Limited. Others are: Fidelity Securities Limited, Investment Centre Limited, FIS Securities Limited, LB Securities Limited, Mission Securities Limited, Molten Trust Limited, Pivot Trust & Investment Company Limited,

Support Services Limited, Tower Assets Management, Topmost Securities Limited, Transafrica Financial Services Limited. On the other hand, the 11 operators that have opted for merger include: Alangrange Securities Limited; Crown Capital Limited; DS Brokerage Services Limited; Enterprise Stockbrokers Plc; Excel Securities Limited; First Stockbrokers Limited; LMB Stockbrokers Limited; Summa Guaranty & Trust Company Limited; Vision Trust & Investment Limited and Woodland Capital Market Plc. Forte Financial Limited, which is broker/dealer and issuing house has proposed to merge with Alangrange Securities Limited, Crown Capital Limited and Express Portfolio Services Limited. Director General of SEC, Mounir Gwarzo had said the September 30 deadline remained sacrosanct, emphasing, however, that the commission was ready to support the operators in their efforts to comply with the new capital requirements. “That was why we came with a directive that anyone who wants to step down any of their functions, say if you are a broker dealer, you want to step down to focus only on being a broker or dealer with a lower minimum requirement, we are ready to accept that. And we told them to quickly file their applications so that they will be able to step down to a lower capital base. "We equally said that we are ready to support them with any merger and acquisition that they want to go into even to the point of looking at some of the fees and charges that are supposed to be paid for merger and acquisition. We have gone this extra mile so that we can be able to provide them with the necessary incentives. But the issue of the deadline, September 30, is sacrosanct. We are not going to move away from it. The market has to comply with that," Gwarzo said. *(This Day)*

French President François Hollande Monday disclosed that his government has concluded arrangements to invest a total of €130 million in the development of infrastructure in Nigeria for rebuilding of roads, provision of electricity and water supply. According to him, despite the fall in the price of crude oil in the international market which has affected Nigerian expected revenue, the country's economy still remained strong. “The Nigerian economy remains strong so, France wants to be doing business in the country” he said at a joint press conference at the Elsee Palace in Paris, after a closed door bilateral meeting with President Muhammadu Buhari who is on a three-day working visit to France. He said France intends to increase the visibility of its investors more in Nigeria adding that his country will assist the Multinational Joint Task Force (MJTF) with intelligence gathering and equipment in fighting terrorism in Nigeria and the African sub region. “We provide all of the support to the countries in the region which are affected by this cult and in Nigeria, we want to provide support and solidarity,” he noted thanking the President for relocating the military command center to Maiduguri. In his remarks, President Buhari thanked the French government for his government's interest in assisting Nigeria and expressed the readiness of his administration to partner with France to development of the country. President Buhari noted that with commitment from France, Nigeria's next shopping list regarding support will move to other members of the G7. “We have to depend on France and the other G7 countries for support to fight piracy” the President said adding “Our next shopping list is going to G7in terms of intelligence and training.

Another problem is the problem in the Gulf of Guinea, from Senegal to Angola, that area is endowed with resources like petroleum and other minerals but surrounded by piracy and theft. "We are going to depend on France and G7 countries to flush these criminals out of the region." Adding that they had discussed the Memorandum of Understanding to build a €30M project solar power plant in a rural local government of Osun State capacity of the solar power plant is 10 to 14 megawatts. Speaking further President Buhari said that "On Nigeria's problems, more than 67 percent of our youths and most of them under their youthful age are unemployed. We are finding best way in Agriculture and mining to address this before sophisticated infrastructure and security are provided. President Buhari and Hollande also discussed on issued of climate change which Nigeria is expected to contribute to at a global level. Both Nigeria and France last year signed last year bilateral agreements which enables the Frech government provide 1.170 Million dollars soft loan through the french development agency AFD for the construction of high voltage power lines and substations that will connect Abuja with electrical distribution network. *(Business Day)*

Nigerian banks made no bids on the interbank money market on Tuesday as they awaited instructions on how to comply with a directive to transfer government revenues into a single account with the central bank, dealers said. President Muhammadu Buhari has ordered that all revenues be paid into the "Treasury Single Account" (TSA) from Tuesday, as part of a drive to fight corruption and aid transparency. "No trading is currently going on because no bank was willing to put out quotes until there is a clearer direction with the implementation of the Treasury Single Account," one dealer said. "The market is right now frozen, as no trading going on," another trader said. Analysts have predicted that implementation of the government policy will drain naira liquidity from the banking system, potentially putting some banks in a dire situation. The overnight lending rate closed at 5 percent on Monday, but dealers said the rate was initially quoted at 200 percent on Tuesday. No deals were done using that rate. About 1.2 trillion naira, or 10 percent of banking sector deposits, is expected to be transferred to the government account with the central bank in the course of implementing the TSA policy, Bismarck Rewane, chief executive at Financial Derivative company said. "We expect an initial paralysis in the market and a disruption of operations of some of the banks, but they would overcome that," Rewane said. He said the central bank could reduce the size of the cash reserve requirement (CRR) commercial lenders are expected to keep with it and inject some liquidity into the banking system to minimise the impact of the new account policy. The CRR, which is the amount the central bank requires banks to set aside, is currently 31 percent for both public and private sector deposits. *(Reuters)*

Nigerian President Muhammadu Buhari said he opposed a weakening of the currency of Africa's biggest oil producer and endorsed the central bank's policy of restricting foreign-exchange trading. "I don't think it is healthy for us to get the naira devalued," Buhari said in an interview in Paris with France 24 broadcast on Wednesday. The central bank is providing ample foreign exchange to "essential services, industries," he said. After a halving of oil prices in the past year, Central Bank of Nigeria Governor Godwin Emefiele reacted to the naira's drop to a record low in February by extending trading curbs and introducing bans on purchases of dollars by certain importers.

While the currency has since stabilized, foreign investors, local businesses and even some of Emefiele's fellow Monetary Policy Committee members have complained that it is overvalued. Currency controls have left Nigerian companies unable to source the dollars they need to pay foreign suppliers, according to Atedo Peterside, chairman of Stanbic IBTC Holdings Plc, the local unit of Africa's largest lender, Standard Bank Group Ltd. "People underestimate the problems that exchange rate systems can pose to businesses," Peterside said in an interview on Wednesday in Lagos, the commercial capital. "Instead of doing business, they're devoting 40 percent of their time to scouting around for dollars, pulling crumbs together." Nigeria's economic growth slowed to 2.35 percent on an annualized basis in the second quarter, down from 6.54 percent a year earlier.

The central bank's policies are partly to blame and have hurt manufacturers, according to Renaissance Capital. Doyin Salami, an MPC member who criticized the regulator's decision in June to stop importers of about 40 items from accessing foreign exchange markets, said Nigeria would soon have to change its stance on the naira. It could not carry on trying to maintain a fixed exchange rate, independent monetary policy and free movement of capital, he said. "You're allowed to choose two out of the three," he said in a speech in Lagos on Wednesday. "The key question is which two will Nigeria choose. That will have to be answered in the coming months.

I would rather Nigeria maintain independent monetary policy and have a market-determined exchange rate." Buhari, who has yet to name a cabinet since he took office at the end of May, also said markets weren't being harmed by the delay in ministerial appointments, which he says will happen by the end of the month. Civil servants are running the government of Africa's largest economy competently, he said. "Work is being done by technocrats, they are there and they provide the continuity," he said. Last week, JPMorgan Chase & Co. excluded Nigeria from its local-currency emerging-market bond indexes, tracked by more than $200 billion of funds, after the central bank's restrictions prompted investor concerns about a shortage of liquidity. The naira remained little changed at 199.05 per dollar on the interbank market at 3:05 p.m. in Lagos.*(Bloomberg)*

The Central Securities Clearing System has said it is ready to handle securities lending and borrowing for custodians. In line with its preparedness, the CSCS said it had on Tuesday presented securities lending and borrowing and post-trade allocation process flows to capital market operators with the view to enhancing market liquidity. A statement by the CSCS on Wednesday quoted its General Manager, Operations, Mr. Joseph Mekiliuwa, as saying that the SLB arrangement would enable market participants to lend securities from a registered securities lending agent. Mekiliuwa, who said the arrangement was open to the custodian banks and their brokers, explained that it would aid market participants to go short by selling securities that they did not have and lending from the SLA to cover their short position before settlement date. He added that the post-trade allocation arrangement would enable stockbroking firms to buy securities en-bloc into a pool account on behalf of a custodian firm and on the same day re-allocate the same securities to the beneficial owner's accounts domiciled with the custodian firms according to the beneficial owner's mandate. He said, "Foreign institutions that are willing to participate in the SLB are required to appoint a local SLA in Nigeria, who will act on their behalf. It is the responsibilities of concerned parties to ensure that the securities lending contracts agreements are in compliance with the best practice and applicable laws accordingly. "However, this document covers the account holding structure, securities transfers or detachments and other related processes to facilitate timely delivery of securities." The CSCS, however, stressed that it would not allow lenders such as custodians or dealing firms lend shares on behalf of the owner of the shares either from a segregated or omnibus account without the securities lending authorisation agreement. *(Punch)*

The cash shortage occasioned by the commencement of the Treasury Single Account policy will make banks' profits to decline, it has been learnt. Top bank executives told our correspondents on condition of anonymity on Wednesday that the lenders had moved substantial part of their funds to the Central Bank of Nigeria in compliance with the TSA policy. As such, they said most of the banks' treasuries had been depleted, leaving them with lower amounts of cash to engage in trading and other transactions that would have yielded higher profits. One of the bankers said, "There is lesser amounts of cash in the banks' treasuries to buy Treasury Bills, bonds and other assets. This will lead to lower profits for the banks at the end of the day. "However, the impact of the implementation of the TSA as directed by the Federal Government, which has led to the withdrawal of up to N1.2tn from the banks, can be minimised by a reduction in the Cash Reserve Ratio." Analysts at Renaissance Capital said on Wednesday, "Considering that federal deposits, which left the banking system, were estimated at N1.2tn, we compute the CRR release at N202bn, which implies a net system debit of N1tn post TSA implementation. "This is still significant, partly due to the fact that FX federal deposits on which there was no CRR also left the system. On our estimates, system naira deposits should be lower by five per cent, FX deposits by 12 per cent, total deposits by seven per cent and CRR at CBN (post release) down by five per cent."

The analysts said for a reduction in the CRR to have the desired impact, it had to be moved down to 23 per cent. On the back of comments by CBN officials that they would do what they could to minimise the impact of the TSA on the banks, including reducing the CRR, the Renaissance Capital analysts said, "We run some numbers to deduce what the CRR number would release sufficient cash back into the system to offset the net liquidity debit from the system of N1tn post TSA. Ceteris paribus, we deduce this figure at 23 per cent CRR. "Essentially, we deduce that if CRR is maintained at 31 per cent at next week's MPC meeting; the banking system will remain under liquidity pressure, significantly hurting banks' funding costs and earnings. Reuters today (Wednesday) indicates that the interbank market remains shut from yesterday (Tuesday), with no trading going on, though some banks are quoting indicative rates as high as 50 per cent." The Managing Director, Cowry Asset Management Limited, Mr. Johnson Chukwu, explained that the implementation of the TSA would "further tighten the available liquidity in the system and that will lead to uptick in lending rates. In fact, the banks are actually refusing to lend.

What that means is that you will have very little credit flowing to the real sector and economic activities will further slow down. "It simply means that despite the fact that stocks have very low prices now, we are not going to see additional liquidity because if interest rates are going up, the pension fund managers will put their money into fixed income instruments instead of equities, because return on fixed income will be better than equities' returns." A financial expert at WSTC Financial Services Limited, Mr. Tola Oni, said, "Banks will have lesser amount to push into the real sector and it means that the cost of credit will be higher. Now, for the money market, because they will be lower level of liquidity, it is going to increase the money market rates. "For the equities market, the banks constitute conveniently a third of the market; so, whatever affects them will affect the market. Businesses thrive on credit. So, if the cost of credit is higher, it is going to affect costs generally. I don't know if the Monetary Policy Committee of the CBN will compensate them by reducing the CRR." *(Punch)*

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WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

TANGA Cement Company has registered a net loss of 6.94bn/- for the six months to June 2015, compared to a profit of 8.60bn/- posted on the corresponding period last year. The firm's officials attributed the trend partly to devaluation of the shilling during most of the period. "The devaluation of the shilling resulted in a 7.9bn/- unrealised foreign exchange loss...The devaluation made the loan more expensive than when it was incurred," said the Chairman of the Company's Board of Director, Mr Lawrence Masha, in a statement. The firm which trades as Simba yesterday traded at weighted average price of 3,800/- and on Monday the counter had 120 shares traded at the same weighted average price of 3,800/- per share in 1 deal. Gross profit declined to 21.02bn/- in the period under review compared to 29.62 posted in the six months to June 2014. According to the financial results for the six months to June, Tanga Cement Company Limited that trade at the DSE as Simba, the weak performance is attributed to firm's decision to cut price in response to increased competition. "Although sales volumes have been achieved and customers retained, the price reduction resulted in a 2.5 per cent decline in revenue compared to the same period in 2014," stated the financial report.

Apart from the implementation of price cut, also unplanned production stoppage that necessitated import of more expensive clinker contributed to 38 per cent decrease in operating profit compared to the corresponding period ended June 2014. Furthermore, the devaluation of the shilling resulted in a 7.9bn/- unrealized foreign exchange loss and 8.2bn/- realised foreign exchange loss. The shilling devaluation made Tanga Kiln two loan balances of 84 million US dollars as of June 2015 to be more expensive to repay when compared to when the liability was incurred. Also, higher energy and labour expenses impacted negatively on the firm's financial performance. To avert the situation, from July this year the cement firm has implemented price increases to recover the lost margin and special task team has put plans in place to improve operational efficiency and avoid unplanned breakdown. Nonetheless all the challenges, the report said Tanzania cement was focused on achieving operational efficiency and overall business effectiveness, enabling the company to limit the increase in production related costs in order to remain competitive in challenging market conditions. Similarly, shareholders have reason to smile after the board recommended an interim dividend of 55/- per share amounting to a total interim dividend of 3.5bn/-. *(Daily News)*

THE African Export-Import Bank (Afreximbank) held a forum in Dar es Salaam last week to promote its longterm financing programmes aimed at boosting export growth, diversification and competitiveness in East Africa. The forum organised by the Pan-African multilateral organisation in collaboration with the Central Bank sought also to create critical business and trade-related networks to support development and growth of trade in the country. Participants in the forum included financial institutions, corporate executives, import and export agencies, trade and project finance developers and government officials. The forum featured presentations and case studies focusing on the gamut of trade finance products and specialised offerings it had designed to meet the unique needs of African and Tanzanian business operators and on how they could be accessed. It also provided opportunities for oneon- one meetings between participants and Afreximbank officials for discussions on available financing and business opportunities. The deputy Governor of the Central Bank, Mr Lila Mkila, called on the members of the business community to explore options for long-term financing provided by the bank to develop their businesses and pledged the bank would support them to access the facilities. He said despite its significant growth, the financial sector in Tanzania was still too shallow and constrained to meet financing requirement of the rapidly growing public and private sector."The Bank of Tanzania will facilitate and provide every necessary support to ensure every businesses in Tanzania can benefit from financing opportunities available from Afreximbank." he said.

"For over a decade now, the banking sector in Tanzania has grown significantly, but it remains relatively shallow and constrained. On this account, access to financial services and credit remain low," he said. Mr Mkila said the manufacturing sector that has lately emerged as a key driver of the economy, was dominated by micro, small and medium enterprises whose access to financing remains limited as they are perceived as too risky. He said he understood there was a need to improve capacity of the local businesses to access the available financing opportunities.

The Afreximbank Director for Project & Export Development Finance, John Kofi Adomakoh said Tanzania was among Africa's top performers with impressive economic growth rates and significant achievements in transformation and diversification of the economy. He said the macroeconomic achievements had created fertile ground for growth of the private sector to drive further the economy and had as a result increased the financing requirements for businesses. With the natural gas discovery in Lindi and Mtwara regions, Tanzania was set to become net producer and exporter of natural gas which will underpin efforts to develop an industrial economy. However the challenge remains in access to long-term financing in strategic investments, he said. There is still a lot to be done to make this journey faster and smoother," he said. *(Daily News)*

Economic News

INCREASED pressure due to corporate demand has continued to weaken the shilling and on Monday it depreciated against the US dollar to close at levels of 2145/2185. "We anticipate high demands from the energy, manufacturing and retail sectors, this might possibly be the continued short term trend," stated the CRDB Financial and Market Highlights report. The local currency ended last week with small gains against the dollar on Friday, closing 5 shillings stronger at the levels of 2140/2180 against the Dollar. But on Monday it lost the trend after closing 5 shilling weaker due to increased pressure from corporate demand. According to the NMB e-market report, the shilling weakened on Monday, with large USD demand seen across various sectors in the economy. The report said further that the shilling will likely weaken further as demand persists, before the market sees a reversal as demand dwindles at higher levels of the USD/TZS pair. On Monday, the interbank money market volume was recorded at 31.5bn/-with the shilling exchanged at the levels of between 7.5 per cent and 3.0 per cent. In the local money markets, liquidity remains tight as demand for short-term funds is seen trending higher, with interest rates trading upwards of 6 per cent. Similarly the Kenya's shilling weakened slightly in early business on Tuesday, under pressure due to some corporate demand for dollars and continuing jitters in emerging markets, traders said. By 0723 GMT, the shilling was quoted at 105.50/60 to the dollar, compared with Monday's close of 105.40/50. The Ugandan shilling was flat on Monday but market players were on alert for any signs of depreciation pressure after the central bank resumed its dollar purchasing programme. At 0914 GMT, commercial banks quoted the shilling at 3,660/3,670 to the US dollar, unchanged from Friday's close. *(Daily News)*

THE government has promised to continue with its effort to create an environment that is conducive to speedy investment and economic growth. In so doing, people's incomes and the economy in general will grow, says the Permanent Secretary in the Prime Minister's Office, Dr Florence Turuka. Dr Turuka made the remarks at a news conference in Dar es Salaam on Tuesday, where he outlined several government programmes on economic and social development. "People's incomes and the country's economy will improve with the strengthening of business environment," he said, adding that the government has tasked, among other institutions, the National Economic Empowerment Council (NEEC) to support the people. He noted that the government has assigned NEEC as well as Tanzania National Business Council (TNBC) to make sure that all the people were empowerment and business environment strengthening programmes and projects were going well as planned. Explaining further, he said, the government has already prepared a people's empowerment write up set to be launched in December. The write up clearly elaborates sectors to start up with in a program to be carried out in phases. Dr Turuka explained that through the government's Property and Business Formalisation Programme, Tanzanians will be able to own surveyed land throughout the country. He named some of focus areas when dealing with improving business environment as laws, policies, taxes and employment matters.

He also emphasised a government's zeal to fight corruption which he said hampers development efforts. "As part of ongoing efforts, plans are afoot to teach students in schools and colleges to hate corruption," he noted. Dr Turuka commended tourism sector as one of those that makes a meaningful contribution to the nation's economic development contributing 13 per cent of the nation's income in 2012. "It is projected to contribute more come 2025...we want to make sure that the sector grows by 6 per cent each year," he said. He said Tanzania stands between number four and six for having natural fauna and flora that attracts tourists in the world and that more can come if improvement will be taken in the sector.

He named areas that need improvement as constructing more hotels, roads, air strips, strong national airline, building human resource capacity for workers in the sector and more promotion. Some few weeks ago, members from the public and private sectors met during the 8th TNBC meeting to discuss how to improve the country's business environment and tourism sector. The implementation of the deliberations will be known in a council's 9th meeting expected to take place early next month. ***(Daily News)***

Tanzania's government is considering selling a stake in the national carrier in a turnaround strategy that may be implemented after a new president is elected next month, said acting Chief Executive Officer Johnson Mfinanga. State-owned Air Tanzania Corp. is currently restricted to flying a limited number of domestic routes because of inadequate funding to acquire more planes, Mfinanga said in an interview in the commercial capital of Dar es Salaam on Wednesday. "At the moment we don't have enough aircraft to compete in the business," he said. "We are just maintaining our presence while awaiting a final move by government." Any decisions on proposals to seek private investment for expansion following a study conducted by the World Bank this year have been delayed until after the national elections set for Oct. 25, Mfinanga said. President Jakaya Kikwete, who leads the Chama Cha Mapinduzi party, which has been the dominant political force for more than 50 years since independence, is stepping down after his second term. The opposition Chama Cha Demokrasia na Maendeleo has criticized the government's failure to boost the airline's operations.

The party's presidential candidate, Edward Lowassa, promised at a campaign launch last month that he would invest to make the carrier more competitive if he's put in office. "Unfortunately it's an election year so things are not moving as they should, after the election we shall get the bigger picture," said Mfinanga. "The level of investment will depend on which partner we get." The company in 2011 canceled a plan to buy 10 aircraft from Airbus SAS. The carrier's fleet currently consists of Bombardier Inc. Dash 8 Q300 and CRJ 200 aircraft, according to Air Tanzania's website. The airline has opened itself up to private investment before. In 2006, South African Airways sold back to Tanzania's government the 49 percent stake it bought in Air Tanzania in 2002, after recording losses. The carrier said in 2010 it was in partnership talks with China Sonangol International Ltd. and other international companies. *(Bloomberg)*

Tanzania's current account deficit narrowed 16 percent in the year to July, helped by more tourism income and a decline in oil imports, its central bank said on Thursday. The gap narrowed to $4.44 billion in the 12 months to July from $5.29 billion in the same period last year, the central bank said. "This development came from both an increase in the export of goods and services and a decrease in goods import," the Bank of Tanzania said in its latest monthly economic report. Earnings from tourism, the east African country's main foreign exchange source, rose to $2.21 billion from $1.94 billion previously due to more visitors. Gold exports, the other main generator of foreign income, fell to $1.27 billion from $1.45 billion a year ago, reflecting lower export volumes and global prices. Tanzania, with a population of over 45 million, is Africa's fourth-largest gold producer after South Africa, Ghana and Mali. Export earnings from manufactured goods rose to $1.28 billion in the year to July from $1.13 billion previously.

Imports of goods and services fell 2.6 percent to $13.56 billion, while exports rose by 9.6 percent to $9.34 billion. The bank noted a fall in both the volume and value of oil imports, helped by lower global crude prices. Oil imports fell to $3.11 billion in the year to July from $4.16 billion previously. The value of traditional exports led by tobacco, cashew nuts and coffee rose to $899.6 million from $841 million a year ago. Gross official foreign exchange reserves held by the central bank in the year to July amounted to $4.22 billion, or about four months of import cover, the central bank said. *(Reuters)*

Zambia

Corporate News

LAFARGE Zambia plc has posted a four percent profit after tax from K180.7 million in the first half of 2014 to K187.1 million in the same period of 2015 despite economic challenges in Zambia, and political uncertainties in Democratic Republic of Congo (DRC), which constitutes the company's major export market. The company that recently merged with the Holcim Construction Group also recorded a 14 percent turnover of K699.1 million in 2015 from K614.3 million in 2014. According to financial results for the half year ended June 30, 2015, Lafarge is determined to keep its market leadership and continue to offer customers the best quality products and services. It stated that electricity supply disruptions adversely impacted cement production. Company chief executive officer Emmanuel Rigaux said domestic demand in the second half is expected to continue to slow down until Eurobond proceeds are directed towards infrastructure and construction activity. "Strong focus in the second half will be placed on adjusting our cost base wherever necessary. Market activity was subdued in the first half of the year in the Zambian market, and negatively impacted by political uncertainties in the DRC, which constitutes our major export market. The successful issuance of the US$1.25 billion by the Zambian government is expected to generate increased construction activity," Mr Rigaux said. *(Daily Mail)*

Glencore's Zambian unit Mopani Copper Mines (MCM) is planning to cut 4,300 jobs due to lower metal prices and high production costs, a move likely to cut growth in Africa's No.2 copper producer, a union and company sources said on Monday. "We are not agreeable to the job cuts. We are therefore requesting for continued dialogue," James Chansa, president of Zambia's National Union for Miners and Allied Workers, told Reuters. MCM will give Zambia's government 60 days notice before implementing any job cuts, Chansa said. MCM officials were not immediately available to comment. A source at MCM said management proposed to cut 4,300 of the estimated 10,000 direct jobs and reduce production by 50 percent instead of suspending all output for 18 months. "It is inevitable that jobs have to be lost. However, the unions opposed the proposal so we asked them to tell us what to do to keep all the jobs," the source told Reuters. A second source said more than 4,300 jobs would have been lost under Glencore's plan to suspend production for 18 months. "We had to plead with Glencore to come up with this," he said. The suspension of production at Mopani and at the Chinese-operated CNMC Luanshya Copper Mines will depress Zambia's growth and reduce proceeds from exports and royalties, rating agency Moody's said on Monday. Zambia's gross domestic product growth is projected at 5.0 percent in 2015, down from an earlier target of 7.0 percent, according to ministry of finance data. The Ministry of Finance in August revised Zambia's projected overall budget deficit for 2015 to 6.7 percent of GDP, compared with the budget target of 4.6 percent. *(Reuters)*

Zambia's environmental management authority on Monday ordered Konkola Copper Mines (KCM) owned by Vedanta Resources to dispose of copper concentrates it imported from Chile because they had high levels of arsenic, a toxic substance. Zambia's environmental authority said KCM must submit a full programme for sending the material back to Chile or to other smelting facilities outside Zambia by Friday. "KCM has been directed to immediately stop any plans to process the copper concentrates containing high levels of arsenic," the Zambia Environmental Management Agency (ZEMA) said. KCM said in a statement it would "fully comply" with the ZEMA directive and that it was working on logistics to take the copper concentrate out of Zambia. KCM had to import its first semi-processed copper from Chile to ensure its Nchanga smelter operates at full capacity. On June 25 Zambia asked KCM to delay the processing of copper concentrate it imported from Chile until it puts in place safety measures to avoid pollution. The ministry of mines said that the level of arsenic in copper concentrates mined in Zambia was 1 percent but that the material imported from Chile had a level of around 4 percent. *(Reuters)*

Economic News

THE Kwacha is expected to hold firm against the United States (US) dollar in the near-term due to greenback inflows, financial players say. Zanaco Bank says the currency on Friday was anticipated to trade in the range of K9.85 and K9.95.

"The Kwacha is likely to hold firm against the dollar in the near-term. The Kwacha gained against the greenback on Thursday for a consecutive day as central bank actions in the currency markets continued to support the local currency," the bank says in its daily treasury newsletter. On Thursday, the Kwacha opened trading at K9.92 and K9.94 per dollar, unchanged from Wednesday's close, and touched an intraday high of K9.84 and K9.86 due to an interbank sell-off and continuous support from the central bank. The bank, however, says the Kwacha failed to hold on to all its gains and closed the day one ngwee down. In its daily market report Citi Bank says dollar inflows between Wednesday and Thursday provided some support for the Kwacha.

On Thursday the Kwacha opened trading at K9.92 and closed at K9.855 supported by inflows from the Bank of Zambia (BoZ) , as well as exporter conversion for tax obligation due today. It says the Kwacha was expected to trade in the range of K9.69 and K9.90. First National Bank (FNB) also says the BoZ's presence in the market last week provided much-needed support not just by selling dollars, but by giving players the confidence that they are willing to act. In its market update, FNB says the presence of BoZ in the market resulted in the Kwacha trading below the K10 mark and touching a low of K9.60. "The panic-buying that was witnessed when the [Kwacha] unit hit the K10 level has subsided," the statement reads. On the regional front, the Kenyan shilling depreciated to 105.255 on Thursday, from 105.655 on Friday, while the Botswana pula and South African rand appreciated to 10.436 from 10.544 and 13.551from 13.629, respectively. Other currencies which appreciated were Nigerian naira to 198.95 from 199.05, according to usd.fxexchangerate.com. *(Daily Mail)*

PRESIDENT Edgar Lungu says Zambia will export most of its maize to needy neighbouring countries so as to earn enough foreign exchange to offset the tumbling kwacha. And chief Chabula of Luwingu district has told President Lung to always visit traditional leaders, not only during campaigns. Speaking during a rally to campaign for George Mwamba, the PF candidate in the September 24 Lubansenshi parliamentary by-elections at President Park on Saturday, President Lungu explained that he had ordered the central bank, Food Reserve Agency (FRA) and the Ministry of Finance to work together to see how the country could bring in more dollars by exporting maize. He also took a swipe at UPND leader Hakainde Hichilema, asking him where he would sell copper if elected Republican President, going by the commodity's falling prices on the international market. "Ba [Samuel] Mukupa, you may interpret because what I want to say to the Zambian people is a serious statement from the Head of State. I want to explain that the opposition has been peddling lies in the last few months that we are not interested in the economy of this country. Let me say that I know what is going on in this country. On a daily basis - Zambia's economy is dependent on copper production, and the price of copper has been declining daily," President Lungu said. "Mining companies are laying off our people and here is an opposition party leader who says 'When you elect me as president in 2016, I will open many mines!' UPND president HH is telling people that 'Vote for me in 2016 and I will increase employment [opportunities] by opening new mines in Solwezi'. The question is where will he sell his copper?"

He observed that due to the drought experienced by Zambia's neighbours, some countries would record poor yields, thereby providing an opportunity for the FRA to explore the market. "We need the dollar in Zambia for us to import what we need and simple common sense demands that we bring in dollars for us to pick up our economy. It is for this reason that I have ordered the central bank, the Ministry of Finance, to work together to see how we can bring in more dollars by exporting that which we produce," he said. "We have agreed that because there is a drought in the region, and most countries don't have their own stocks of maize... we are talking about Zimbabwe, Botswana, Namibia, Angola, DRC, Malawi - they don't have maize! So, we have a market in the region and so we are going to buy all the maize in Zambia and export so that we bring in the dollars that we need. So, why should somebody come and tell you that your maize will not be bought? Isn't it true that FRA is in the area buying maize? Haven't you been paid [or] are you not being paid? So, we promise [that] we are going to look after Zambians but don't listen to politicians bangobwetuka bwetuka (they are just yapping)" And President Lungu said people who 'mocked' the PF on road construction are now using the roads. "When we started working on the infrastructure development countrywide, we were being called names and they were saying 'Are Zambians going to eat roads?' [But] they are finding it easier to come here and mislead you using our roads which they were saying 'Are Zambians going to eat roads?'" President Lungu noted. Meanwhile, during a meeting at the district administration offices with six chiefs in the district, chief Chabula said: "Our President, I thank you for this step of coming here. But this step is because of you coming to campaign. We are proposing that you should visit us after this... we are still part of the PF government." *(Post)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia's largest mining union said on Saturday it would challenge a decision by China's CNMC Luanshya Copper Mines to send over 1,600 workers on forced leave, saying it was illegal. CNMC Luanshya Copper Mines said on Monday it would suspend operations and cut jobs at its Baluba mine due to plunging copper prices and power shortages. Mine Workers Union of Zambia president Nkole Chishimba told Reuters the union had written to the company's management demanding that it immediately re-instate all the employees. It said the move was made without consultation with labour unions. "When there is a situation of that nature the company is supposed to communicate with the union, but they made a unilateral decision, which is illegal," Chishimba said. "We are saying they (workers) should all return to work." *(Reuters)*

THE Kwacha is expected to remain on the defensive in the near-term as United States (US) dollar demand is anticipated to hold, while supply may be weak, financial market players have observed. Zanaco Bank says the Kwacha yesterday was anticipated to trade in the range of K9.80 and K9.95. "We expect the local unit to remain on the defensive in the near-term as dollar demand is expected to hold, while supply is likely to be weak," the bank says in its daily treasury newsletter. On Monday, the Kwacha slipped lower against the dollar undermined by thin dollar supply, breaking a three day strong run. Zanaco says the local currency opened trading at K9.79 and K9.81, but fell in early trade as the market bought the dollar, but closed at K9.83 and K9.85. It says supply was thin with many exporters sitting with sufficient Kwacha liquidity to meet their pay as you earn obligations which fell due on Monday. Similarly, Cavmont Bank in its market report says the Kwacha is expected to remain range bound in the interim. The bank, however, says the US Federal Reserve interest rate decision this week on Thursday is likely to affect the performance of the Kwacha together with other emerging market currencies. It says the Kwacha closed trading at K9.83 and K9.85, which was K0.035 weaker than Friday's closing levels. Meanwhile, Finance Bank Zambia says at the start of the week, the Kwacha traded flat against the dollar, while interbank flows were tame, and only a few pockets of demand was witnessed on the corporate front. On the regional front, South Africa's rand and the Botswanan pula depreciated on Tuesday to trade at 13.545 from 13.486 on Monday, and 10.420 from 10.415, respectively. Others currencies are the Kenyan shilling which also depreciated to 105.509 from 105.45, while the Nigerian naira remained unchanged at 199.25. *(Daily Mail)*

Zambia expects to triple power output to 6,000 megawatts (MW) in 2 years through expansion of solar energy by foreign investors, the head of its investment agency said. Erratic electricity supplies have hit mining in the continent's second biggest copper producer, where the bulk of its generation capacity of 2,200 MW of power is water-powered. The power problems and copper price slide have driven the kwacha currency to record lows amid a selloff in commodity-linked currencies as top copper consumer China's economy has slowed. Zambia Development Agency (ZDA) Director General Patrick Chisanga said he had held "very positive" talks with an unnamed German company aiming to invest $500 million in a solar power plant but did not disclose its planned location. "It is planned that they could produce about 400 megawatts of power in two steps," Chisanga told Reuters. "This is still at discussion stage but the investor is very keen and we envisage that early in the first quarter of next year we should see some serious development on the ground." Another group of investors from Italy were looking to set up a solar plant in the Lusaka South multi-facility economic zone and two others in the Western and Northwestern provinces. "The proposals they put on the table suggest to me that these are very serious investors and they have the capability as well as the financial capacity to invest," he said, without giving details.

Added to that, power generation from Zambia's Kariba power stations has dropped due to low rainfall in the previous season, forcing Zambia to implement power blackouts. "This has been a wake up call for us. It has taught us that we need to diversify our sources of energy instead of relying on hydro which in turn relies on a good rainfall every year," he said. A number of new investments, including that by Africa's richest man, Nigeria's Aliko Dangote, whose firm has opened a cement plant, were setting up their own power plants and aiming to feed any surplus into the national grid. The ZDA had also issued an investment licence to Sunbird Investments Ltd which was looking to put up a $150 million biofuel plant using cassava, Chisanga said. "The totality of all this should help us to ramp up our production of power to the levels that we need to get to which is ultimately about 6,000 megawatts," Chisanga said. *(Reuters)*

Zambia's economy is likely to grow by less than 5 percent in 2015 due to a power crunch that has hit output from mining companies already grappling with a slide in global copper prices, Finance Minister Alexander Chikwanda said.

In an interview with Reuters, Chikwanda also said the government was reluctant to acquire more debt due to rising servicing costs, but if necessary would prefer longer-term loans as opposed to short-term IMF money. Africa's second biggest copper producer has suffered power shortages due to low water levels at its main Kariba hydro plant and also faces reduced exports due to lower metal prices. "The state of the economy is challenging," said Chikwanda, whose budget a year ago projected growth of 6 percent. "Now GDP by year end could have reduced to something around 5 percent. It might even be slightly below 5 percent." While mineral output only contributes 15 percent to Zambia's budget and less than 10 percent to GDP, it accounts for a lofty 70 percent of export earnings. Mining only employs 60,000 people directly but many more work for firms supplying goods and services, increasing the industry's importance. "This state of affairs is not very satisfactory. We have to move fast to try and diversify our sources of export earning," he said, identifying agriculture as the greatest potential.

The cash-strapped administration would clamp down on spending to cut the 2016 budget deficit and limit borrowing as external debt servicing costs had risen to 10 percent of the budget. "Beyond that will mean that Zambia does not have the means to service the external debt, which is an obligation you cannot side-step," Chikwanda said. "It means that you service the external loan but the other domestic programmes will suffer." Zambia issued a $1.25 billion 10-year Eurobond in July at a hefty 9.375 percent interest rate to finance a budget deficit expected to swell to 20 billion kwacha by the end of 2015 from an initial forecast of 8.5 billion. If forced to borrow more, the government would still prefer to borrow internationally rather than in the domestic market where rates are between 19 and 24 percent, Chikwanda said. Loans from the International Monetary Fund were cheaper, but short repayment periods were not ideal, he added. "If there are lenders who will talk in terms of a repayment period of 20 years, those are the kind of borrowings we will patronise," Chikwanda said. He also urged mining companies that have signalled job cuts to be responsible, but ruled out punitive government measures. Glencore's Zambian unit, Mopani Copper Mines (MCM), is planning to cut 4,300 jobs while China's CNMC Luanshya Copper Mines wants to send 1,600 workers at its Baluba operation on forced leave. Government spokesman Chishimba Kambwili threatened on Sunday to revoke CNMC's licence if it did not rescind its decision. However, Chikwanda cautioned against "draconian measures". "We hope that the mines have a sufficient sense of responsibility to the country in which they have operated and made some money," he said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

ZIMRE Holdings Limited has recorded a profit fof $1,1 million for the half year ended June 30, 2015 attributed to a decline in net claims. The profit was achieved after a loss of $50 000 during the same period last year. In a statement accompanying the group's interim results for the period ending June 30, board chairman Benjamin Kumalo said gross premiums were at $42 million, which was in line with what was recorded during the same period last year. Kumalo said the contribution of the domestic insurance and reinsurance operations to gross premium written was maintained at 53%. Operating profit was maintained at $1,6 million. Total comprehensive income was a positive $1,2 million in 2015 compared to a negative $700 000 in 2014. During the period under review, shareholders' funds increased by 38% to $63 million in 2015 from $46 million in 2014 due to the additional capital injected into the business in February 2015. Total assets increased by 16% to $178 million in 2015 from $154 million in 2014. Commenting on group's segment performance, Kumalo said, gross premium written for the reinsurance sector declined by 5% to $16,7 million from $17,5 million in 2014. Life reassurance gross premium written increased by 7% to $3 million in 2015 from $2,8 million in 2014. General insurance gross premium written recorded a growth of 6% in 2015 to 23,6 million compared to $22,2 million in 2014. Property total revenue achieved a decline of 16% to $2,1 million compared to $2,5 million in 2014.

Kumalo said in line with the minimum capitalisation levels for reinsurance companies from $1,5 million to $5 million, the group domestic insurance and reinsurance operations adequately capitalised beyond the new proposed thresholds. Kumalo was optimistic on the outlook. "The local insurance industry has, in the past, shown resilience and is expected to register growth in 2015. The group expects to remain profitable and grow market share in all its sectors in the short to medium term underpinned by improved liquidity in the operations, increased confidence and the cost cutting measures being implemented. The ongoing restructuring of the agro-industrial operation, is expected to unlock value for shareholders." Kumalo said. (News Day)

The Zimbabwe Asset Management Corporation (Zamco) is at advanced stages of concluding the restructuring of transactions of four distressed companies amounting to $68 million, an executive said last week. Zamco was set up last year as a special purpose vehicle to buy secured non-performing loans (NPLs) on banks' balance sheets to create room for them to lend again. Speaking at the KPMG IFRS Business seminar 2015 last week, Zamco acting chief executive officer Cosmas Kanhai said these transactions are expected to be concluded by September 30. "Zamco is at advanced stages of concluding restructuring transactions for four companies, with a combined value of $68 million," he said. "We are currently focusing on acquisition of eligible loans offered by banks that are in the top 100 across the banking sector." The high default rate has been haunting banks amid fears they would cut back on lending, which is critically needed to reboot the economy. The ratio of NPLs peaked to 20,45% in June last before decelerating to 14,52% a year later. But a recent Zamco study showed that the NPL ratio has grown to 14,64% by July 15. The total NPLs as at June 30 stood at $577 million, with Zamco assuming $158 million. Kanhai said going forward, Zamco is set to fund its operational expenditure through revenue generated from its activities.

"The acquisition of NPLs will be funded by government through Treasury Bills. Treasury bills are for a tenure of 12 years and have a coupon rate of 5%. Banks will be given Treasury Bills in lieu of the acquired NPLs," Kanhai said. The Reserve Bank of Zimbabwe established Zamco as part of holistic measures to resolve the problem of rising NPLs. The corporation is modelled along similar lines as companies formed in other countries such as in South Korea (Korea Asset Management Corporation), Nigeria (Asset Management Corporation of Nigeria), Indonesia (Indonesian Bank Restructuring Agency) and Malaysia (Danaharta). Zamco has a 10 member board and received technical assistance from IMF in December 2014 and February 2015. The purpose of the technical assistance is to ensure that Zamco processes and procedures are in line with international best practice. "The overall goal is to reduce the level of NPLs to below the international benchmark of 5%. Zamco is only one of the measures being pursued to deal with high NPLs in the banking sector," Kanhai said. Zamco's strategy for purchasing NPLs will be selective and based on certain eligibility criteria. These include loans classified as substandard, doubtful and loss in terms of, loans secured by mortgage with legally transferrable and executable security rights and which are not insiders, purchase of NPLs, whose removal are considered critical to the rehabilitation of the sector and such other NPLs, which Zamco can deem fit from time to time.

"The NPLs acquisition approach is meant to avoid creating moral hazard in the banking sector. This will avoid Zamco being seen as pardoning past bad lending decisions. There is no law that compels banks to sell NPLs. Sale will be on the basis of 'willing-buyer-willing-seller basis,' " Kanhai said. *(News Day)*

Zimbabwe's clothing retailer, Edgars, on Tuesday reported a 13 percent growth in after-tax profit to $1,2 million from $1 million for the 26 weeks to July 11 boosted by its budget retailer Jet, which has started offering credit facilities. Revenue grew marginally to $30 million from to $29,4 million in the prior period but sales were lower at $29,3 million from $29,5 million. Edgars operates two retail chains, Edgars and Jet Stores and the manufacturing arm, Carousel. Chairman Themba Sibanda said the flagship Edgars chain lost ground to Jet when it started offering credit facilities. "As expected from the test carried out in 2014, there was some loss of market share to Jet, as some cash-strapped customers favoured the value offerings of the discount chain. Sales decreased by 11,2 percent from 2014 while profitability decreased to eight percent of sales," he said. Jet's contribution to the group turnover increased to 27,1 percent from 18,8 percent with an increase of 43 percent over 2014. Edgars – a subsidiary of South Africa's Edcon – is caught up in the pricing competition posed by the informal sector, which sources most of its used apparel from South Africa, China, Botswana and Tanzania. The liquidity crunch in the country also increased the amount of bad debts, Sibanda added. "While an increase in bad debt was anticipated, the quality of the book remains excellent with an average gross handovers at 0,5 percent (from 0,4 percent in 2014) of lagged debtors and 2,7 percent of lagged sales," said Sibanda. "Bad debt recoveries averaged 2,8 percent of handovers leaving net bad debt at 0,4 percent of lagged credit sales." Gross borrowings however grew on the expanded debtors book and were $23,2 million at the half year, as the group anticipated that gearing will be maintained at 1:1 throughout the year. *(Source)*

Agro-industrial group, CFI Holdings, on Wednesday said it had reached an agreement to sell most of its Langford Estates in Harare South for $18 million, which will go towards paying off its debt to local banks. The group owes FBC Bank, Agribank, CBZ, the Infrastructure Development Bank of Zimbabwe, NMB and Standard Chartered a combined $18 million. CFI is the holding company of several agro-industrial concerns including Agrifoods, Crest Breeders, Victoria Foods as well as retail chain Farm and City Centre. It also has interests in real estate and retail in consumer goods and hardware. It said deal was a "sale and purchase agreement as well as a debt assumption and compromise agreement to dispose of 81 percent of Langford Estates (Private) Limited, a property investment company, for a total consideration of $18 million through a debt for land swap arrangement." Langford Estates' sole asset is 834 hectares of undeveloped urban land located in Harare South. "The pricing of the transaction was based on an independent professional property valuation," said CFI's Panganayi Hare in an announcement to the Zimbabwe Stock Exchange. "If concluded successfully, the transaction will result in CFI settling all its interest-bearing debt owed to local financial institutions, with the only remaining interest-bearing debt being a long-term facility of $2,3 million owed to PTA Bank." Shareholders of the group will consider the transaction at a general meeting at a date yet to be determined. It was not immediately clear if the sold land was the same the company had earmarked to develop 12,400 high density residential stands. Harare City Council last November granted the company permission to subdivide Langford and to develop the housing stands. Hare said the board was also in talks with potential investors and the company's major shareholders to raise fresh capital. CFI has struggled in recent times, reporting a $3,8 million loss in the half-year to March from $5,5 million in the prior period. Its last full year financials to September last year showed an $8,8 million loss with key divisions underperforming due to lack of working capital. *(The Source)*

Zimbabwe's largest telecommunications firm, Econet, is set to launch its Ecocash remittance service from South Africa early October after receiving approvals from that country's authorities, the firm announced on Thursday. South Africa is home to at least one million Zimbabweans and presents a potentially lucrative market for the mobile money transfer business. Launched in 2011, Ecocash has been a huge success, processing transactions worth $11 billion in the four years and boasting 4,5 million registered users as of June 2015, making it Zimbabwe's biggest virtual bank. Econet, in a statement said it is now primed to roll out its Ecocash South Africa service after conducting a trial run with 200 customers since August this year. "Econet has partnered its massively popular EcoCash service with a South African company called Flash Mobile Vending, a subsidiary of retail giant Pepkor, whose mobile vending solution is used by more than 60,000 informal sector small business shop owners throughout South Africa," Econet said.

"In much the same way that EcoCash has enabled agents in the most far flung corners of Zimbabwe, Flash shop owners are spread throughout the territory of South Africa; operating from locations convenient to the vast majority of the Zimbabwean Diaspora who are the source of vital remittances supporting loved ones here in Zimbabwe." Plans are underway to mobilize all PEP and PEPcell stores across South Africa to perform registrations and accept remittance "cash-in." "We are entering a very exciting countdown to the commercial launch of EcoCash Remittance South Africa. In less than three weeks, Zimbabweans right across South Africa will finally be able to send money home to loved ones securely, cheaply, and in a matter of seconds," said Econet Wireless Zimbabwe chief executive, Douglas Mboweni. "This has taken a long time to put in place but we are almost there. It will be the biggest thing that has happened to EcoCash since it was first launched." Mboweni said the service will only be available to Zimbabweans who have an Econet Wireless South Africa SIM card, known as "Call Home," which is powered by Cell C. Econet said almost a million Zimbabweans currently use Call Home which has been designed to satisfy the telecommunications and mobile financial service needs of African immigrants in South Africa. Over the last 12 months, Ecocash has forged partnerships with international money transfer agencies such as MoneyGram, Western Union, WorldRemit, and Chitoro. *(The Source)*

Insurance group First Mutual Holdings Gross Premium Written (GPW) grew by a marginal two percent to $60,2 million for the six months to June 2015 on the back of improved performance from its health insurance unit, the company said on Thursday. In the prior year, the group achieved GPW of $59.2 million. The group achieved a profit after tax of $400,000 from a loss of $4,1 million in the previous year. It narrowed its operating loss to $68,000 from $4,4 million last year. It suffered investment losses of $2,1 million in the first half compared to losses of $1,7 million last year as the stock market performed poorly. Rental income fell two percent to $3,7 million as the group lowered charges to retain clients. "The average rental per square metre decreased from $7.86 in 2014 to $7.58 in 2015. The occupancy rate for the period was lower than the comparative prior period," the company said in a statement. Total expenses declined to $57 million from $60,3 million in the prior year mainly due to non-recurring staff rationalisation expenses incurred in 2014 and resultant savings in the current year. The health unit saw its gross premium written grow by seven percent to $25,8 million from $24,2 million previously on the back of increased membership and higher monthly premiums. As at June 30, the company had 114,729 subscribers compared to 111,538 members in the prior period. Its life assurance arm's GPW fell four percent to $15,6 million while its asset management business recorded gross income of $600,000. Its Botswana unit saw GPW for the period at $2 million, 10 percent higher than last year due to new business acquired by the company during the period in spite of the depreciation of the Pula against the USD. Listed subsidiary, Pearl Properties reported a four percent fall in revenue to $4,3 million as rental income declined similarly to $4,2 million. The company did not declare a dividend. *(The Source)*

Crocodile breeder Padenga Holdings on Thursday reported an operating loss of $2,5 million in the six months to June citing disruptions in its operations over animal cruelty claims. The company, which provides French based luxury bag maker Hermes with alligator and crocodile skins, earlier this year came under the spotlight with animal rights activists claiming the animals were not always treated or slaughtered humanely. In a statement accompanying company results on Thursday Kenneth Calder said operations were seriously disrupted by unexpected and intense inspections by the statutory authorities. The charge was subsequently dismissed. "For the alligator business, there were disturbances to production which will impact on the value of skins sold in 2015. We therefore anticipate this operation will only break even in the current year, but expect to return to normal high quality skins production in 2016," Calder said. Revenue in the half was down to $4,3 million from $4,7 million last year. After a fair value adjustment on biological assets which valued them at $6,9 million, the group made a gross profit of $3,1 million and a net profit of $2,3 million. During the period 9,144 skins were sold compared to 9,299 last year. The Zimbabwe crocodile operation achieved an operating loss of $2,3 million compared to $2,4 million last year although revenue increased by three percent to $4,2 million. The number of skins sold was higher at 8,895 from 7,467. Padenga's alligator operation in Texas, United States, recorded revenue of $79,789 compared to $646,550 with no sales. *(The Source)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

THE European Investment Bank (EIB) is set to visit Zimbabwe before the end of the year to meet some local financial institutions and strike partnership deals, an official said. The visit by EIB comes after the bank had said it will give lines of credit to the financial sector early next year. EU head of delegation to Zimbabwe, Phillippe Van Damme said EIB held discussions with the Reserve Bank of Zimbabwe to offer long-term credit lines to performing local banks for on lending to various sectors of the economy. "EIB is planning to visit Zimbabwe before the end of the year to continue working on the formulation of a possible programme and among other things to get an update on the financial sector assessment and the identification of possible partnering banks," he said. Van Damme said EIB will make credit agreements with local banks on a business to business basis. This will be the first time the EIB would be engaging with the private sector after the removal of the Article 96 on restrictive measures. Article 96 of the ACP-EC Partnership Agreement and the restrictive measures included the suspension of financing of budgetary support and support for projects, as well as the suspension of the signature of the ninth European Development Fund National Indicative Programme, but did not affect the contributions to operations of a humanitarian nature and projects in direct support to the population, in particular those in social sectors, democratisation, respect for human rights and the rule of law.

The move will help the financial services sector and the economy at large as government is not accessing credit lines due to arrears. The extension of long-term lines of credit will increase liquidity constraints and increase long term funding, which is scarce in this economy. Currently, the financial services sector is providing loans on short term basis. As at June 30, 2015 total banking deposits increased by 14,2% to $5,6 billion from $4,9 billion for the same period last year while loans and advances were $4 billion. Bank deposits were demand deposits and constituted 55,49% of total deposits. EIB has in the past worked with Zimbabwe in 30 different operations that included power and water. Zimbabwe owes EIB $300 million. It also owes other multilateral financial institutions such as the International Monetary Fund, World Bank and the African Development Bank. An EIB delegation came to Zimbabwe last year, where it discussed the arrears with the government. EIB is headquartered in Luxembourg and funds its operations by borrowing on the capital markets rather than drawing on the EU budget. It is owned by the 28 member states of the EU.*(News Day)*

Zimbabwe's consumer prices fell by 2.77 percent in August, unchanged from the same rate in July, statistical agency Zimstats said on Wednesday. On a month-on-month basis, prices declined 0.31 percent in August after rising 0.06 percent in July. *(Reuters)*

The African Development Bank's (AfDB) has agreed to cancel Zimbabwe's $601 million arrears with the bank, a senior official announced on Tuesday, as the southern African country intensifies efforts to deal with its debt to foreign lenders. "The total amount of Zimbabwe's arrears to the African Development Bank is $601 million. The resources that we are putting aside will clear the African Development Bank arrears," AfDB executive director Tapsoba Sibry, who is in Zimbabwe to discuss the country's debt resolution strategy, told reporters. Zimbabwe owes foreign creditors $9 billion and is currently seeking approval from creditors for its strategy to resolve its external arrears to international financial institutions. The proposal will be discussed at a stakeholders meeting on the sidelines of this year's Annual Meetings of the IMF and the World Bank to be held in Lima, Peru in October. The cancellation of the AfDB arrears amounts to half the total overdue payments owed to AfDB, the IMF and World Bank. "We want to reassure Zimbabwe of the commitment of the African Development Bank to continue assisting the country in clearing its arrears. The level of resources that will be put in this operation will be decided when we return to (AfDB headquarters) Abidjan. At this point we have just reassured the minister that we have the resources to do so," Sibry said. Zimbabwe has not received loans from the IMF, World Bank and African Development Bank since 1999 and its economy is slowing down due to lack of foreign investment, weak commodity prices and the underperformance of key sectors such as agriculture.

A team from the International Monetary Fund (IMF) which was in the country early this month to review Zimbabwe's progress under the fund's Staff Monitored Programme (SMP) — an informal agreement between a government and IMF staff to monitor the implementation of its economic reforms — gave the government a thumbs-up on its implementation of targets set under the SMP. *(Source)*

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