SECURITIES AFRICA

For week ending 05 October 2012

Weekly African Footprint

We have included summaries for the countries listed below, please click on the country name should you wish to navigate to it directly:

Currencies:

	5-Oct-12	WTD %	YTD %
Currency	Close	Change	Change
AOA	95.18	0.00	0.26
DZD	79.19	-0.39	5.25
BWP	7.63	1.68	3.52
CFA	507.29	1.55	2.54
EGP	6.07	0.00	1.04
GHS	1.88	-0.33	15.90
KES	83.50	-0.24	-0.08
MWK	292.73	0.24	80.25
MUR	29.43	0.42	4.59
MAD	8.55	-0.49	-0.32
MZN	28.50	0.00	6.74
NAD	8.33	2.93	2.32
NGN	155.95	0.13	-2.40
ZAR	8.46	3.08	3.51
SZL	8.35	2.98	2.49
TND	1.56	-0.34	4.84
TZS	1,551.45	0.13	-0.57
UGX	2,523.29	0.85	3.11
ZMK	4,990.45	-0.30	-0.54

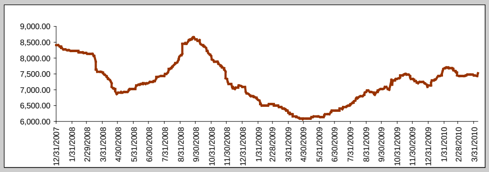
Source:oanda.com

African Stock Exchange Performance:

Country	Index	28-Sep-12	05 October 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,389.28	7,410.12	0.28%	-0.32%	6.30%	3.79%
Egypt	CASE 30	5,887.04	5,726.12	-2.73%	-2.33%	58.08%	57.09%
Ghana	GSE All Share	1,044.27	1,034.63	-0.92%	-3.80%	6.77%	-10.85%
Ivory Coast	BRVM Composite	148.27	148.53	0.18%	-5.88%	6.95%	-0.49%
Kenya	NSE 20	3972.03	3975.79	0.09%	1.52%	24.05%	25.62%
Malawi	Malawi All Share	5,926.44	5,907.42	-0.32%	8.75%	10.02%	-33.24%
Mauritius	SEMDEX	1,703.16	1,697.71	-0.32%	-4.23%	-10.10%	-17.07%
	SEM 7	328.92	327.51	-0.43%	-4.33%	-6.51%	-13.76%
Namibia	Overall Index	890.70	908.00	1.94%	0.34%	8.35%	7.29%
Nigeria	Nigeria All Share	26,011.63	2,644.89	-89.83%	-89.87%	-87.24%	-86.96%
Swaziland	All Share	284.32	284.32	0.00%	-0.88%	5.92%	5.49%
Tanzania	DSEI	1,457.61	1,457.61	0.00%	0.29%	11.85%	12.96%
Tunisia	TunIndex	4,961.42	4,871.96	-1.80%	-4.34%	3.17%	-2.67%
Zambia	LUSE All Share	3,708.09	3,725.91	0.48%	2.95%	-10.65%	-7.96%
Zimbabwe	Industrial Index	146.00	151.75	3.94%	3.94%	4.04%	4.04%
	Mining Index	96.00	87.30	-9.06%	-9.06%	-13.31%	-13.31%

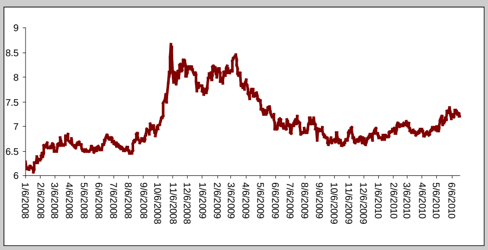
Botswana

Botswana Stock Exchange



Source: Reuters

BWP/USD



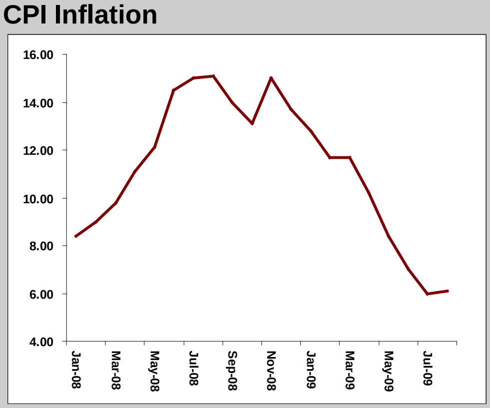
Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-7.631	-16.259	-10.748
Current account balance (USD bn)	-0.825	-1.873	-1.304
GDP based on PPP per capita GDP	13,416.66	14,020.58	15,258.17
GDP based on PPP share of world total (%)	0.039	0.04	0.04
GDP based on PPP valuation of country GDP(USD bn)	24.186	25.568	28.149
GDP (current prices)	79.44	86.58	97.92
GDP (Annual % Change)	-10.347	4.124	8.542
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave onsumer Prices(Annual % Change)	8.35	6.39	5.95
Inflation-End of Period Consumer Prices (Annual %)	6.65	6.21	5.73
Population(m)	1.80	1.82	1.85

Source: World Development Indicators

CPI Inflation



Source: SA

Stock Exchange News

The DCI closed the week 0.28% higher at 7410,12pts and the FCI closed at 1661.92 point. Choppies traded at BWP 1.84. FNBB closed at BWP3. Letshego was at BWP 1.45 while Turnstar ended the week at BWP 1.45.

Corporate News

Security giant, G4S is working on getting diamond transportation contracts from the Diamond Trading Company (DTC) which is relocating from London to Botswana. Speaking to the media at the company's interim results release, Managing Director, Moraki Mokgosana said they have had a lot of enquiries and they are currently in talks with some of the sight holders to do more than just provide security guarding services but also transportation of the rough stone. "We are having conversations around it and we have engaged our international peers to assist on how we can transport the diamonds safely," he said. He revealed that G4S recently purchased five fully armoured vehicles to boast their fleet. Mokgosana said the company is also engaged in talks for possible transportation of the Antiretroviral Drugs (ARVs) across the country. He said the drugs have proved to be of high value thus the need for a safe and secure transportation.

The company had a marginal year. The acquisition of Facilities Management Group (FMG) was completed on 1st June this year at a cost of just over P12m. The acquisition was controversial on the basis that G4S was accused of wanting to stifle competition by buying out FMG which also owned one of the former's largest competitors, Shield Security. Mokgosana however, denied this was the intention. "The acquisition was not a ploy to get rid of Shield Security or increase our foot print in the industry; rather, we wanted to reposition ourselves by strengthening our goal to be a leader in provision of outsourced solutions," he explained. The move was then settled by excluding Shield from the deal. Fuel costs are hurting the security company. "We are fighting very hard to make sure that we do not pass on the rise in fuel prices to our customers," he pointed out, further saying as a managing mechanism, they bought small vehicles and motorcycles to mitigate the situation. G4S displayed sound financial results with revenue up by 18.9%, to P90.8m from P76.4m. Expenses were up 25.7% to P76.5m from P60.8m, most part of it having been caused by the purchasing of FMG. *(Gazette)*

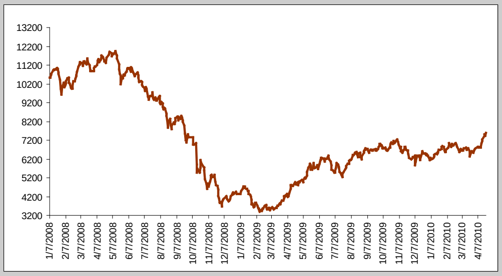
Economic News

The Ministry of Minerals, Energy and Water Resources (MMEWR) has said that local oil companies and the Government have enough petrol and diesel to supply the economy. This follows reports of the industrial strike action by road freight employees in South Africa, which includes the petroleum transporting industry. A statement from the Permanent Secretary in the Ministry, Boikobo Paya, indicated that oil companies in Botswana import almost all of their fuel from South Africa, with a few amounts from Mozambique and Namibia. “Of this, 60% is transported by road tankers and the remaining 40% by rail tankers,” it read. It further said the strike has partially affected some of the oil companies’ ability to import fuel from South Africa but has not affected the current availability of fuel in the filling stations. “It is important to note that the fuel supply is normal as the depots in South Africa where local oil companies pick up fuel are operating normally,” the statement further read.

To ensure availability of fuel at all times, the Ministry has indicated that the Government in conjunction with the Oil Industry has put plans in place to increase the use of alternative routes. The oil companies have also increased the use of rail to import fuel into the country and they also have adequate stock of up to about seven days of supply. The ministry informs the public that the Government and the local oil companies will continue to closely monitor the situation and take appropriate action to ensure availability of fuel at all times. *(Gazette)*

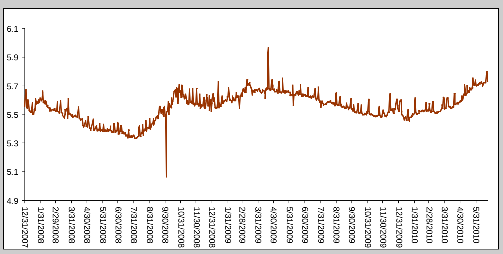
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-2.354	-2.836	-2.72
Current account balance (USD bn)	-4.424	-5.912	-6.227
GDP based on PPP per capita GDP	6,147.12	6,393.94	6,676.47
GDP based on PPP share of world total (%)	0.658	0.666	0.681
GDP based on PPP valuation of country GDP(USD bn)	471.509	500.25	532.801
GDP (current prices)	2,450.41	2,664.41	2,868.74
GDP (Annual % Change)	4.7	4.498	5.008
GDP (US Dollars bn)	187.956	208.458	228.934
Inflation- Ave onsumer Prices(Annual % Change)	16.24	8.45	8.00
Inflation-End of Period Consumer Prices (Annual %)	9.96	8.00	8.00
Population(m)	76.70	78.24	79.80

Source: World Development Indicators

Corporate News

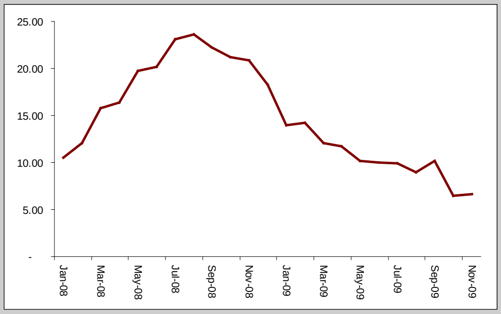
***E*gypt's Citadel Capital could be an investor in Uganda's proposed USD 2.5bn oil refinery project, the Egyptian private equity firm's managing director said.** Uganda, east Africa's third-largest economy, has said it intends to build a refinery once it starts producing crude oil, and it recently raised its estimated oil reserves to 3.5bn barrels from 2.5bn barrels. Citadel secured USD 3.7bn in financing for an Egyptian petroleum refinery project in June, and the firm's managing director Karim Sadek said the company is now looking at refining potential deals in sub-Saharan Africa, including Uganda. "Yes, we would be interested," Sadek told Reuters in Nairobi, where he addressed a business club. "We know very well what's happening on the Ugandan oil side and we've had discussions before." He said Citadel never invests in projects without a local partner, and he would not be drawn on the size of the investment the private equity group might make since the refinery plans are still in their infancy.

Uganda has outlined plans to build a refinery in Hoima, about 220 km west of its capital Kampala, and in July the government said it was aiming to take up to a 40%stake in the plant with a private investor acquiring the remaining 60 percent. Uganda says it wants a facility with a maximum output of 120,000 barrels per day before production can commence, and that it intends to develop the project in phases, starting with a refining capacity of 20,000 barrels. However, UK oil and gas explorer Tullow Oil, which operates in Uganda and would have its own output refined there, sees a plant with capacity of 60,000 as more viable to attract investors. Sadek, who is confident the two sides will reach a compromise, said a major impetus behind Uganda's desire to develop its own refining capabilities is an inadequate transport infrastructure. Uganda currently imports all its fuel, and its policy to become self sufficient was given added urgency by extreme shortages suffered when transport routes from the Indian Ocean were blocked during post-election violence in Kenya in 2008.

Citadel, which has USD 9.5bn in investments across Middle East and Africa, is already present in Uganda as the majority owner of Rift Valley Railways (RVR), the track operator of the Kenya-Uganda railway line, which stretches 930km from the Indian Ocean port of Mombasa to Kampala. Sadek said RVR hopes to start refurbishing a northern branch of Uganda's railways which has been derelict for more than 25 years and passes around 90km from the South Sudanese border, compared with currently useable lines nearly 500km from the main crossing into South Sudan. "(The refurbishment is) a game changer for transport efficiencies for South Sudan because today South Sudan either trucks all the way from Mombasa or from the end of the rail, wherever that is," he said. "It will have a huge impact on costs of everything." *(Reuters)*

Egyptian private equity firm Citadel Capital said on Wednesday its consolidated second-quarter net loss narrowed to 124.2m Egyptian

CPI Inflation



Source: SAR

pounds from a previously stated 180.5m pounds a year earlier. The firm, which focuses on the Middle East and Africa, said revenue during the quarter was a negative 63.8m pounds compared to a previously stated 117.9m pounds in the second quarter of 2011. Assets under management increased by USD 228.8m to USD 3.6bn. *(Reuters)*

Foreign direct investment (FDI) in Egypt jumped in the final quarter of 2011/12, but the business climate is still in a period of recovery, a financial expert has told Ahram Online. FDI grew 66% in the fourth quarter of the 2011/12 fiscal year compared to the previous quarter, mainly driven by a surge in European investment, according to latest bulletin of Central Bank of Egypt (CBE). FDI reached USD 1.9bn in the quarter ending June 2012, up from USD 635m in the quarter ending in March. This is the highest level of FDI in Egypt since a popular uprising toppled Hosni Mubarak in early 2011. However, according to one expert the quarterly improvement should not be seen as a full rebound of investment flow to Egypt. "What we are seeing this quarter and the one before is a release of 'pent up demand' which usually follows periods of decreased spending," Hany Genena, head of research at Cairo-based investment house Pharaohs Holding, said.

Before the uprising Egypt saw an unprecedented influx of FDI, reaching a peak of USD 13.2bn net flow in 2007/2008. "We have not reached the pre-uprising momentum, because there are still some serious risks that worry investors," Genena explained. The first of these risks, he stressed, relates to the exchange rate of the Egyptian Pound and the possibility of its depreciation. The second is the political and economic environment. "Investors worry about any sudden change in policy that would shatter their feasibly studies, like a hike in taxes for example."So investors now are really selective, while some choose to take the risk others prefer to refrain from entering Egypt until such risks are weathered," he said. Such a hypothesis is seen in the improved level of FDI over the past two quarters, with flows of investment either through large transactions, such as the Mobinil deal, or a recycling of current investments.

The European Union topped the list of investors in Q4, pumping USD 4.2bn into Egypt, up from USD 2.4bn in Q3. The United Kingdom contributed USD 2.2bn, followed by Belgium at USD 1.5bn and the Netherlands at USD 309m. "The main UK investments in Egypt are in the oil and gas sectors via British Gas and British Petroleum," Genena added. "This increase is not from fresh investment, but reinvested earnings in existing projects that are counted as FDI," he asserted. US direct investment in Egypt shrunk in Q4 to USD 148.7m from USD 208m in Q3. Arab countries have also reduced their investment in Egypt from USD 355.8m in Q3 to USD 153.8m in Q4 of the last fiscal year. CBE reported that the total inflow in Q4 was USD 4.6bn against an outflow of USD 2.7bn, netting USD 1.9bn. *(Ahram)*

Economic News

Egypt's M2 money supply rose 8.9% in the year to the end of August, the central bank said on Sunday. Money supply was 1,115.3bn Egyptian pounds at the end of August, up from 1,101.9bn pounds at the end of July and 1,024.4bn pounds at the end of August 2011. Following is a table of the latest Egyptian M2 money supply figures in billions of Egyptian pounds, according to the central bank's website. Aug 2012 July 2012 Aug 2011- Domestic liquidity (M2) 1,115.3 1,101.9 1,024.4. (USD 1 = 6.0967 Egyptian pounds). *(Reuters)*

Egypt signed a deal on Sunday to loan USD 1bn from Turkey, half of the aid package Ankara promised Cairo earlier this month, Egypt's state news agency reported. President Mohamed Mursi signed the loan agreement with Turkish Prime Minister Recep Tayyip Erdogan after giving a speech at Turkey's ruling AK Party conference. "President Mohamed Mursi and Prime Minister Recep Tayyip Erdogan agreed on signing a loan worth USD 1bn dollars from Turkey," MENA state news agency said, quoting Egypt's finance minister. It did not give further details of the agreement. In his conference speech, Mursi spoke of strong regional policy ties with Turkey and praised it for being the first country to back the Egyptian revolution which toppled Hosni Mubarak and led to the Muslim Brotherhood winning power.

Officials of Mursi's Freedom and Justice Party have said they do not look to Turkey and its AK Party as a political model. However, analysts say Egypt's new Islamist rulers are taking notes from Turkish party's success in building a regional economic powerhouse which has delivered strong growth. Battered by months of political turmoil, Egypt has been seeking to boost investor confidence in its economy. Donations and loans from the International Monetary Fund, Gulf states and other countries have played a role in raising confidence. *(Reuters)*

Average yields on 91-day and 266-day treasury bills sold at auction on Sunday edged higher, interrupting a downward trend of recent weeks, and the Finance Ministry sold fewer 266-day bills than it had offered, central bank data showed. One analyst said the relatively swift fall in yields since the middle of the year made a small correction on the upside unsurprising but said it was too early to talk about a reversal in the broader trend of falling yields. Egypt, battered by months of political turmoil, has been seeking to lift investor confidence in its economy. Investors have been encouraged by the start of talks for a USD 4.8bn International Monetary Fund loan, aid from Gulf states and a campaign by the new government to outline a reform programme. The ministry sold 1bn Egyptian pounds of 91-day bills at an average yield of 12.941%, compared to a yield of 12.396% on 91-day bills issued on September 25.

The ministry sold 266-day bills worth 2bn pounds with an average yield of 13.547%, compared to 13.354% on 266-bills issued on September 25. The ministry had offered bills worth 3.5bn pounds. The average yield on 91-day bills have been falling from levels of more than 14.5% in the middle of year, while average yields at auctions of 266-day bills had risen to almost 16% in June before they began to slide. "I think next week's auction may provide some insight as to where we may be headed," said one fixed-income analyst. "The pace of the drop in yields was quite fast, so I wouldn't rule out any corrections - but I don't expect a reversal in the trend at this point." *(Reuters)*

Egypt's state petroleum authority is set to receive a USD 235m loan from the Saudi Arabia-based International Islamic Trade Finance Corporation (ITFC), the Egyptian finance ministry said on Sunday. The Egyptian ministers of finance, international cooperation and petroleum will jointly sign the lending agreement on Monday with a representative of the Islamic Development Bank Group, to which ITFC belongs. The Egyptian Petroleum

Corporation will be in charge of repaying the loan, with the Ministry of Finance acting as guarantor in cause of default. No details of the loan's repayment period have been revealed. The loan is part of a total USD 1bn loan agreement signed by Egypt with the IDB in July and aimed at funding food and energy imports. *(Ahram)*

The European Bank for Reconstruction and Development may start investing in Egypt in November, following a delay due to a lack of clear political structure in the country, the bank's officials said on Monday. "We are working on Egypt...we would expect that to be completed and us to be able to invest in Egypt by November," Hans Peter Lankes, acting vice president for operational policies at the EBRD, told a news conference. The EBRD was set up in 1991 to help post-communist countries in Russia and eastern Europe develop market economies. It extended its mandate last year to invest in Egypt, Jordan, Morocco and Tunisia following the Arab Spring uprisings in the Middle East and North Africa region. The bank, which invests mainly in the private sector, announced its first investments in Jordan, Morocco and Tunisia last month. Egypt's first parliament, formed after the state's uprising which ousted former president Hosni Mubarak last year, was dissolved in June after a court ruled that the laws upon which the parliamentary election was based were unconstitutional.

"The reason why Egypt is now a few weeks behind is simply because of the political situation in June, July, and August," EBRD president Suma Chakrabarti told the news conference. "We didn't really have anyone to talk to at the time." The EBRD did not say how much it plans to invest, but last month it said it was preparing to invest up to 200m euros by the end of the year in North Africa, and will increase its investments to 2.5bn euros a year by 2015. Investors have become more enthusiastic about Egypt in recent months after it restarted talks with the International Monetary Fund and was promised debt relief from the United States. The IMF has delayed sending a team to Cairo to negotiate a USD 4.8bn loan while the Egyptian government works to complete its economic reform programme, a newspaper quoted the country's finance minister as saying on Monday. The EBRD cut its growth forecasts for emerging Europe and North Africa in July, reducing them to 2.7%in 2012 and 3.2%in 2013. The bank will publish new forecasts in mid-November. The outlook for emerging Europe was worrying, Chakrabarti said, although deleveraging by western European banks from the region had become less severe. "Growth and credit inflows are all slowing down into our eastern European region." *(Ahram)*

Egypt's negotiations for a USD 4.8bn loan from the IMF have been delayed to give the government more time to draw up its economic reform programme, the two sides said on Monday. Egypt was due to receive a team from the International Monetary Fund at the end of September to discuss the terms of the loan. It urgently needs financial support to prop up state coffers weakened by economic turmoil since the popular uprising last year that ousted President Hosni Mubarak. "The authorities are working on their economic programme and have indicated that they need some additional time to advance their preparations and be ready to receive a mission," IMF spokeswoman Wafa Amr said in emailed statement on Monday. "We are ready to send a technical team to Cairo to discuss possible financial support for a homegrown programme as soon as this process is completed." Al-Borsa financial daily quoted Egyptian Finance Minister Momtaz El-Said on Monday as saying the government needed to complete the economic programme before the loan talks to demonstrate to the IMF that it is serious.

The programme's two main axes are a restructuring of subsidies and taxes, he said. The government is working diligently on studies of these and the reform programme should be finished soon, Saeed added. Optimism that a new, Islamist-led administration was moving fast to secure the long-delayed loan and avoid a fiscal crunch has sent the country's stock market soaring in recent months, and yields on government debt have tumbled. Economists and stock market traders said they were concerned the postponement meant Egypt's fiscal crisis could drag on for months. The benchmark share index tumbled 3%on Monday partly on news of the delayed visit. "I think delaying it creates more uncertainty, and uncertainty is bad," said David Cowan, an economist with Citi. The IMF is demanding Egypt put a programme in place that will narrow a budget deficit that has mushroomed to 11%of gross domestic product since the uprising ousted Mubarak in February 2011.

President Mohamed Morsi's government says it wants to limit energy subsidies, which eat up about a quarter of all state spending, by targeting them more towards those who need them most. Yet the government, facing parliamentary elections sometime in the coming months, is anxious about pushing through austerity measures that could trigger voter anger, analysts say. Prime Minister Hisham Kandil said last month that the government planned to introduce a coupon or smart card system in October to ensure that the poor, rather than everyone, got subsidised butane cooking gas. The government sells canisters of butane for 5 Egyptian pounds (USD 0.82) each, while their actual production cost is more than 65 pounds. Kandil said the government would tackle other subsidised petroleum products such as petrol and diesel within the coming months. Al-Borsa quoted Said as saying the IMF team would not return until well after the IMF's annual meeting in Tokyo. That meeting takes place on 9-14 October. The government is also lobbying hard to kick-start inward investment that has stagnated since the uprising. The finance minister was not immediately available for comment. *(Ahram)*

Finance Minister Momtaz al-Saeed said Wednesday that the budget deficit is currently LE170bn, which is higher than the LE135bn predicted when the budget was introduced.

The minister told the state owned magazine Al-Mosawar that the government will seek to offset the deficit by applying progressive taxes on revenues and cutting down fuel subsidies. Allocations for fuel subsidies in the 2012/13 budget are estimated to be nearly LE70bn. Prime Minister Hesham Qandil said that subsidies increased in last year's budget to LE115bn, up from a planned LE95bn, which, he said, increased the budget deficit from a planned LE150bn to LE175bn. The privately-owned daily Al-Shorouk quoted an official source at the Finance Ministry on Tuesday as saying that the government had provided nearly LE30bn in fuel subsidies during the first quarter of 2012. Saeed told Al-Mosawar that the current government's policies favor the poor, adding that the government intends to employ 500,000 people within one year for a minimum monthly salary of LE800. He noted however that the maximum payments would not be applied, due to the dissolution of the People's Assembly, which had proposed it.

Salaries make up more than LE136bn, 25% of this year's budget. The budget in total is nearly LE533bn. Saeed added that ministers' salaries were increased to LE30,000 in September. He said that President Mohamed Morsy has refused payment since his election in June. The minister said Egypt is continuing its negotiations with the International Monetary Fund for the USD 4.8bn loan it had requested. Saeed added that Egypt will receive USD 500m from Qatar in October, the second batch of a promised USD 2bn Qatari loan. Egypt received the first portion of the Qatari loan in August, and awaits another USD 1bn in November and December, according to the minister. Saeed also noted that Egypt received a grant of USD 500m from Saudi Arabia, as well as a deposit of USD 1bn. He added that the kingdom had bought Egyptian bonds worth USD 500m, in addition to another grant of USD 250m for fuel subsidies. *(Independent)*

A delegation from the International Monetary Fund will visit Egypt at the end of this month to resume talks over a USD 4.8bn loan Egypt requested from the international organization, Prime Minister Hesham Qandil said Wednesday. During his weekly press conference in Cairo, which was aired on state TV, Qandil said an Egyptian delegation will attend a joint meeting in Tokyo by the IMF and the World Bank, where it will prepare for the October talks in Cairo. On Monday, the Egyptian government and the IMF announced that negotiations over the loan were called off to give the government more time to form a plan for economic reform. Egypt was expected to host an IMF delegation late September to discuss conditions for the loan. Egypt has sought financial support for its flailing economy since a popular uprising ousted former President Hosni Mubarak. *(Independent)*

Nomani Nasr Nomani is arguably the most powerful figure on the global wheat market; he is also the man who ensured Egypt's revolution for freedom didn't turn into "a revolution of hunger". A short walk from Tahrir Square, cauldron of last year's uprising, Nomani works in a run-down Cairo building as chief grains buyer for Egypt, the world's biggest importer of wheat. Beyond a tarnished entrance plaque reading General Authority for Supply Commodities (GASC) and up a scruffy staircase next to a pile of broken shelves, the unassuming 58-year-old sits in his office, watching grains prices flashing over his trading screen. However out-of-date GASC's Cairo headquarters look, when Nomani announces a tender to import wheat or declares he has made a purchase, the impact is felt across the globe: prices can swing on futures markets in Chicago, Paris or Sydney. For Nomani, though, the test of his skill is not how far futures shift but whether he keeps 83m Egyptians fed. After all, the uprising which toppled President Hosni Mubarak was as much about poverty as political reform, and began with chants of "Bread, freedom, social justice!". Aware that any disruption to subsidised bread supplies could provoke unrest - as it has over the years - he describes his role without understatement as ensuring "the revolution for freedom would not turn into a revolution of hunger".

"We protect the covenant of keeping Egypt intact," Nomani told Reuters, speaking from behind his large wooden desk at GASC where he is vice chairman. Once the granary of the Roman Empire, Egypt can no longer feed its modern population which is mostly crammed into the fertile Nile valley and delta, a narrow strip hemmed in by huge expanses of arid land. Egypt therefore has to buy abroad about half the 18.8m tonnes of wheat it consumes a year. The U.S. Department of Agriculture estimates it will import 9m tonnes in the year 2012/13, ahead of Brazil on 7m tonnes. To the relief of many traders, there is no sign for now that Nomani, a civil servant at GASC for almost all his career, will be moved from his post despite profound changes since the end of Mubarak's 30-year-rule.No Egyptian leader, including the new Islamist President Mohamed Mursi, can afford to disrupt the nation's bakeries. These churn out the subsidised saucer-sized flat loaves selling for just 5 piastres (less than 1 U.S. cent), a staple for many Egyptian families struggling to make ends meet. Mursi has, like rulers before him, promised to keep bread subsidies for all even though he is reviewing ways to target fuel and other price support to the most needy. Nomani - who has served under Mubarak, the military and now Mursi - stresses his role as the veteran civil servant. "GASC is responsible for food security in the country," he said. "Therefore I have no political affiliation to a particular faction, my affiliation is to Egypt." Even when tear gas canisters and rubber bullets flew through the streets around the GASC headquarters, Nomani and his team maintained wheat stocks throughout the uprising.

Each Egyptian tender, under which GASC invites offers from traders to supply wheat, has an effect far beyond the country's borders. On Sept. 6, Chicago wheat futures jumped more than 2% after GASC bought almost half a million tonnes. The government spends more than USD 5.5bn a year on food subsidies, which also cover items such as rice, oil and sugar. Despite the heavy cost, food subsidies have been a pillar of Egyptian economic policy since socialist President Gamal Abdel Nasser began them in the 1950s. Later, riots broke out when his successor President Anwar Sadat tried to raise bread prices, forcing a U-turn. As recently as 2008, Mubarak also faced protests over bread shortages. Yet subsidised supplies were not disrupted even during the most tumultuous days during and after the 2011 uprising. Traders say that is in large part thanks to Nomani. "He knows what he's doing and I would say that the work done by GASC so far has been impressive. They know when to enter the market and they give themselves a lot of flexibility," said a Cairo-based trader, who has known Nomani for over a decade. Nomani, once a keen soccer player who now prefers reading and playing chess, has worked at GASC for more than 30 years. As vice chairman since 2009 he leads a dealing room where specialist staff cover every region from which Egypt buys wheat, working around the clock.

"They live according to the timings of the countries they cover. Some come very early, some later, some stay at night till the exchange in question closes," he said. "I stay in front of the screens all day and the team brings their analyses to me." GASC announces it is seeking wheat late at night in Egypt, and decides about its purchases the following afternoon. Once Nomani has reviewed the bids GASC announces its purchases, making a burst of headlines on the terminals of Reuters and other news agencies. Some people criticise this system, saying that Japan for example has a better model in holding tenders on a set day each week. Nomani defends GASC's method, explaining that Japan buys smaller quantities than Egypt and seeks a different quality. Some traders worry that the vastly experienced Nomani could be swept away in Egypt's revolutionary fervour, although there is no imminent sign of that. "I would hate to see him go or be replaced by someone who doesn't have his background in dealing with the organisation and what it involves," said another Cairo-based trader said. "After they appointed the new supply minister though, we were reassured that the GASC team, at least Nomani, were here to stay," said the trader, who like others did not want to comment openly on a man they do business with regularly.

President Mursi appointed Abu Zeid Mohamed Abu Zeid as supply minister in August, a veteran of another government food purchasing agency, the Food Industries Holding Company. Abu Zeid also sat on the committee that decides Egypt's wheat purchases with Nomani. This put the minds of many traders at ease and dampened speculation about Nomani's future. Nomani himself is sanguine, saying even if he were to go GASC's work would not be disrupted. "I am an entity that deals with the outside world," he said. "So I believe in change, even at the level of my own entity." "Even if change arrives to my own position, there are fixed files I would give to the next person, as well as all my experiences and all the market directions because Egypt is going through change," he said. However, Nomani seems well-suited to navigate difficult waters, with his inside knowledge of GASC accumulated since he joined in 1979 as the head of a research unit. Nomani and his team at GASC have snapped up almost seven months' wheat stocks for Egypt, buying more than 1m tonnes in September alone, mostly from that region. He seems unflappable even as global markets grapple with worries about exports from Black Sea nations suffering drought such as Ukraine and Russia, Egypt's top supplier. "A commodity like wheat transcends all political and ideological differences," he said. "Dealings here are at the human level." *(Reuters)*

Fund spokesman says the country's much-anticipated economic programme should take account of 'social dimensions' and have broad popular support in order to meet approval for USD 4.8bn loan. Egypt's long-awaited economic reform programme should take the protection of the country's economically "vulnerable groups" as one of its central planks, the International Monetary Fund said on Thursday. The reforms, currently being drafted by the Egyptian government to qualify for a USD 4.8bn-plus IMF loan, should "take account of social dimensions and in particular the protection of vulnerable groups," said the fund's spokesman Gerry Rice. The "broadly important elements [of the programme] are the objective of macro-economic stability and that it be home-grown and have broad popular support," Rice added, confirming that Egypt had asked for more time to "advance those preparations." Rice's comments seemed a nod to a frequent criticism made in Egypt about IMF funding. Opponents of the fund say the fiscal conditions placed on Egypt by lenders have historically exacerbated social inequalities and hit the poor the hardest.

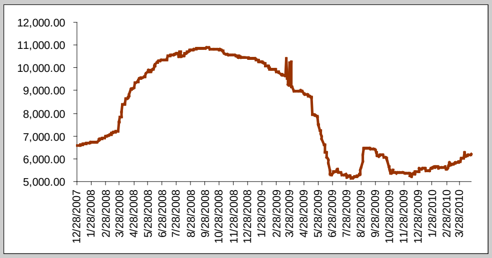
Egypt's prime minister said on Wednesday that an International Monetary Fund team will visit Cairo in the last week of October to resume negotiations. An Egyptian delegation will also hold talks with the fund during the annual IMF and World Bank conference in Tokyo on 9-14 October in preparation for the Cairo visit. Rice, responding to questions from Ahram Online during a web-streamed press briefing, confirmed that the IMF was "looking forward" to discussing ways to support Egypt. A recent opinion poll shows Egyptians divided over the prospect of further IMF borrowing. Just one third of Egyptians actively approve of the potential loan while a third know nothing about it. Of the remainder, 23% oppose borrowing and 8% are undecided. *(Ahram)*

Yields on Egyptian 182-day treasury bills edged up and held steady on 364-day bills at an auction on Thursday, suggesting a recent slide in rates may have run its course for now until Egypt agrees an IMF loan to shore up its finances. Egyptian borrowing costs had fallen sharply in recent weeks as a new government stepped up efforts to secure USD 4.8bn from the International Monetary Fund. Talks have begun but a visit to Cairo by an IMF team that was supposed to happen in late September was delayed this week until late October as Egypt finalises its economic reform plans. The average yield on 182-day bills worth 1bn Egyptian pounds (USD 164m) for issue on Oct. 9 was 13.221%, up from 13.059% for bills issued on Oct. 2, according to the central bank, which sells them for the Finance Ministry. The average yield on 3bn pounds worth of 364-day bills was 13.757%, little changed from the 13.803% on bills issued on Sept. 25.

In both cases, the central bank sold the same amount of bills it had offered on behalf of the Ministry of Finance. The ministry cancelled a T-bill auction on Wednesday in a move traders said was intended to show the government was intent on holding rates down. "I think we will pause at these levels for a while. We dropped by as much as 2.5 percentage points in just a few weeks," said a fixed-income trader, adding that current levels were still attractive to banks and acceptable to the ministry. He said foreigners would remain cautious until Egypt secured the IMF loan. "I don't see us going below 13% until there is some major change such as an IMF loan or some large external sums being finalised," the trader added. *(Reuters)*

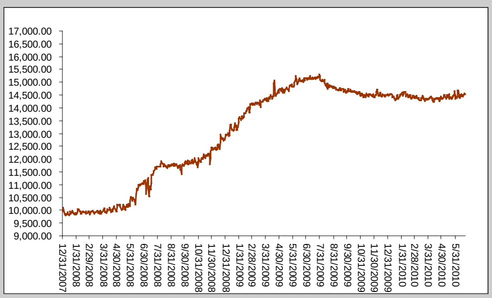
Ghana

Ghana Stock Exchange



Source: Reuters

GHC/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-12.662	-15.439	-9.157
Current account balance (USD bn)	-1.869	-2.362	-1.732
GDP based on PPP per capita GDP	1,571.83	1,633.76	1,979.53
GDP based on PPP share of world total (%)	0.051	0.052	0.052
GDP based on PPP valuation of country GDP(USD bn)	36.322	38.718	48.111
GDP (current prices)	638.80	645.71	778.16
GDP (Annual % Change)	14.761	15.302	18.913
GDP (US Dollars bn)	10.808	11.519	12.129
Inflation- Ave Consumer Prices(Annual % Change)	18.46	10.15	8.43
Inflation-End of Period Consumer Prices (Annual %)	14.56	9.21	8.00
Population(m)	23.11	23.70	24.30

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The Composite Index (CI) closed the week lower 1.25% at 1,034.63pts. FML gained 3.1% to close the week at GH¢2.95**.** UTB (-6.1%) and EBG (-0.3%) closed the week lower at GH¢0.31 and GH¢3.08 respectively. BOPP lost 2.0% to GH¢1.46

Corporate News

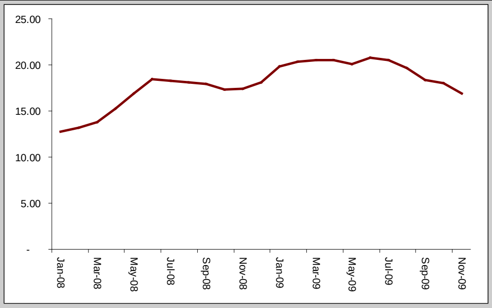
No Corporate News this week

Economic News

The Bank of Ghana (BoG) says the yield on its 91-day Bill has risen to 23.09% from 23.08% at the last auction. According to Reuters, the Central Bank said 172.39m cedis (USD 91m) worth of bids for the 91-day paper were accepted at the auction out of a total 176.29m cedis of bids tendered. Some financial analysts argued that the rise might be attributed to cost of funds inching higher while others said it is possible the cost of borrowing has gone up. Increasing interest rate means it is more attractive for people to save in the current climate of a depreciating cedi. The cedi has been under strain since the beginning of the year as mining and other corporations in the country – a large gold producer and recent oil exporter – increased demand for dollar denominated imported goods. Other experts have blamed the currency weakness on trade with China, as many traders are accumulating actual paper cash in dollars due to the lack of effective transfer channels for the Yuan in Ghana.

Statistics show that the cedi has lost over a third of its value since Ghana began producing oil in November 2010, trading currently at around 1.9115 per dollar. Renaissance Capital has even predicted depreciation of between 5 to 10% by the end of 2012. The increase in Treasury Bill rate also means that the Central Bank would be able to mop-up excess liquidity from the market. However, businesses cannot borrow, as it's too expensive to borrow due to the decline in economic activities. Generally, some analysts believe that the current situation would negatively affect the country's economy. *(Ghana Web)*

Ghana's domestic air carriers have come under a heightened rivalry with discounted fares among the key players, raising fears of a challenging future for the industry. Suleiman Mustapha reports. A looming price war between Ghana's domestic airline operators has raised fears it will spell doom for struggling local airliners, as the sector gets clogged with new entrants. At the moment, CityLink, which is among the maiden domestic carriers, has for the past few months not operated and industry watchers are worried about the airline's inability to stake a claim in the local aviation industry. The increase in the number of players has resulted in drastic reduction of air fares to as low as GH¢50 currently by one of them, Antrak Air. The Chief Executive Officer of



Source: SAR

Starbow, Mr Brock Frieson, has also hinted that fares would continue to go down but emphasises it would largely depend on their cost of operations. "We're monitoring and we'll ensure that we're always competitive but that doesn't necessarily mean price wars."

The airline is offering passengers a reduced fare of GH¢99 on the Accra-Kumasi route. Passengers also get to enjoy a reduced fare of GH¢49 one-way to Kumasi on the airline's mid-day flight. Travellers to Takoradi will also enjoy a reduced fare of GH¢99, while Accra to Tamale one-way is now GH¢149. As the competition heightens between Antrak Air, Fly 540 and Starbow, the industry has just recorded a new entrant, a Chinese-backed Africa World Airline (AWA) to fly domestic and regional routes. At the time Starbow started flying, the two established domestic airlines, Antrak Air and CityLink charged considerably more. For instance, City-Link was charging GH¢139 between Accra and Kumasi, and between Accra and Takoradi one-way, and GH¢250 between Accra and Tamale. Instructively, since Starbow introduced its own domestic flights at considerably lower fares, the two airlines have slashed theirs to about the same as what Starbow charges. Late last year, a fourth domestic airline, Fly 540, also started operations, pegging its fares at about the same prices as the others.

This has shot up domestic air travel. For instance, from November to December 2011 patronage of domestic flights in Ghana shot up to 12,000 passengers and it is on record that January witnessed high support. Apart from the telecommunications and banking sector, where competition has heightened, the domestic aviation industry is also witnessing a keen rivalry, where discounted air fares are benefitting customers. The Managing Director of the Ghana Airports Company Limited, Mrs Doreen Owusu Fianko, believes that the Accra-Kumasi route was making an average of 4,000 passengers but presently, it had 12 flights a day. "Tamale, as well, used to have only one flight a day but now there are two flights to Tamale every day," she noted. But players in the industry discount air fares in order to beat competition and stay afloat, there are fears that opening the floodgates for more entrants into the domestic airline industry will stifle the industry.

The Chairman of Antrak Group of Companies, Alhaji Asuma Banda, has sharply criticised what he describes as the over-liberalisation of the aviation industry to the disadvantage of indigenous operators. He said the policy had allowed some foreign firms to adopt unfair tactics to deny local operators such as Antrak Air, service contracts. Even though other countries in West Africa were signatories to the same agreements that promoted liberalisation of airspace among countries, they had not over-liberalised their airspaces as Ghana had, he said. Alhaji Banda stated that Ghana needed a successful local airline to regain the US Federal Aviation Authority (FAA) Category 1 status, adding that AntrakAir would be the airline to help achieve this status. "Ghana needs a domestic airline that qualifies to get Category One by the end of this year; Antrak is the airline to restore Category One for the country," Alhaji Banda said. He appealed to the Ghana Civil Aviation Authority (GCAA) to help local airlines by taking a look at fuel prices, taxes and other fees with a view to reducing the prices for domestic carriers so that they could in turn make their flights affordable for passengers, saying "we will love to reduce the fares but we can't."

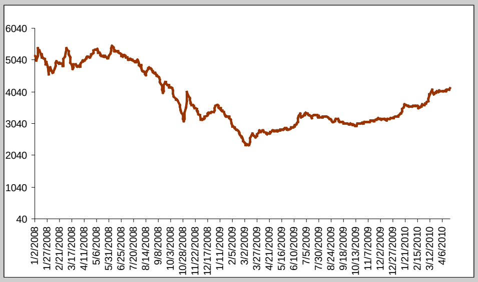
But the Director-General of the GCAA, Air Commodore Kwame Mamphey, said while the GCAA shared in the concerns of Alhaji Banda, the country risked creating a huge vacuum in the aviation industry if it relied on the local operators alone to deal with the huge demand for domestic airline services. “We do not intend to make the domestic airline operators worse off, but we are advising them on how to make their operations more competitive to meet the demands locally and to explore new routes on the West Coast,” he said. The GCAA boss disclosed that more airlines had been licensed to operate, saying “they are coming soon.” The airlines include Pison, Eagle Atlantic, and Air Shuttle. Only 0.66% of the country’s total population of over 24m patronise the services of domestic airlines. Last year, Ghana’s aviation market grew by 15% and the same growth rate figure is expected for the industry this year. *(My Joy)*

Ghanaian businesses have called on foreign investors to partner them to help grow small-scale industries to meet international standards and enable them employ numerous qualified youth in the country. Sectors, which are being targeted, include agricultural, mining, manufacturing and services. Kofi Asante, an investor, in an interview with CITY & BUSINESS GUIDE, said investors from Europe were looking for safe places on the continent for investment. He noted that the country has been praised by market watchers in Europe and stressed the need to invite them. “Ghana has many untapped economic resources at the moment and it would be prudent to invite the partners to add value to our natural resources before they are exported,” he added.

Mr. Asante has been selling the potential of Ghanaian businesses to investors in Madrid, Spain. As a leader of an organization aimed at empowering the youth, he noted that the time has come for Ghanaian youth to exhibit their talents. He also highlighted the leadership role being played by Spain in the tourism sector. Asante disclosed that the adoption of solar power, in addition to the gas that would soon be produced from the Jubilee Oilfields, would beef up supply power in the country. Mr Asante would travel to Spain this November together with a team to strike deals with Spanish investors to establish some companies that will undertake solar energy production and manufacturing projects in Ghana. *(Daily Guide)*

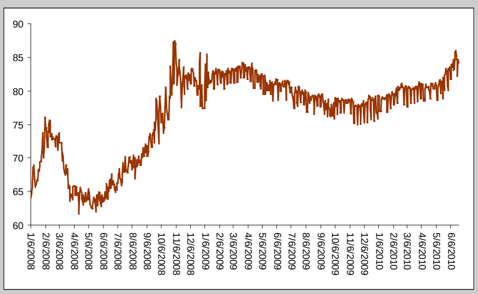
Kenya

Nairobi Stock Exchange



Source: Reuters

KES/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-8.098	-6.348	-5.734
Current account balance (USD bn)	-2.447	-2.188	-2.33
GDP based on PPP per capita GDP	1,750.82	1,817.49	1,902.47
GDP based on PPP share of world total (%)	0.091	0.093	0.094
GDP based on PPP valuation of country GDP(USD bn)	62.826	66.353	70.647
GDP (current prices)	841.95	944.07	1,094.40
GDP (Annual % Change)	2.486	4.024	4.972
GDP (US Dollars bn)	30.212	34.466	40.64
Inflation- Ave Consumer Prices(Annual % Change)	12.00	7.77	5.00
Inflation-End of Period Consumer Prices (Annual %)	11.50	7.19	5.00
Population(m)	35.88	36.51	37.13

Source: World Development Indicator

CPI Inflation

Stock Exchange News

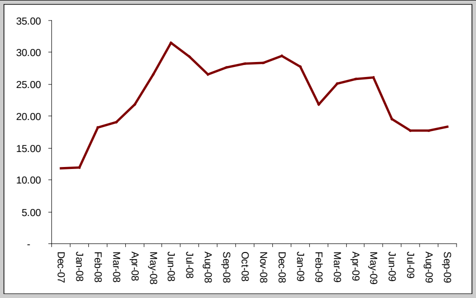
Kenya, the NSE 20 share index went up by 0.7% while the NASI edged up 0.2% to close the week at 3975.79 points and 87.54 points respectively. Safaricom share price dropped by 1.2% w-o-w to close at KES 4.05. Equity Bank, KCB Bank, Co-op Bank and DTB Bank closed Friday's session at KES 23.50 (+1.1%), KES 28.00 (+1.8%), KES 11.95 (+0.4%) and KES 116.00 (+4.5%) respectively. While Kenya Power and Uchumi Supermarkets gained at KES 17.95, (+2.3%) and KES 18.25 (+2.2%) respectively

Corporate News

Two ousted board members of troubled motor firm CMC have obtained temporary court orders blocking the capital markets regulator's directive that they be barred from serving as directors in the company. The High Court, in a ruling made last Thursday, also allowed Peter Muthoka, a former chairman of the auto firm and his side-kick Joseph Kevai, to challenge the Capital Markets Authority's (CMA) decision to bar them from holding directorships in Nairobi Securities Exchange (NSE)-listed companies. Constitutional and Judicial Review judge Mohammed Warsame also stayed CMA's findings on the alleged involvement of former CMC directors in a string of management and financial irregularities at the motor dealer. Mr Kivai, who represented Andy Forwarders in the CMC board, appears to be the greatest beneficiary of the interim orders that have stayed the regulator's decision to bar him from serving as a CMC director, effectively reinstating him to the board pending the hearing determination of a suit he has filed against CMA.

Justice Warsame allowed Mr Kevai to initiate judicial review proceedings aimed at quashing the CMA board's August 3, 2012 resolutions that disqualified him from sitting in the troubled motor firm's board.
"Upon reading the application, statutory statement and a verifying affidavit of Mr Kivai, I hereby order that the court's leave do operate as a stay of the regulator's resolution to disqualify the applicant from holding directorship in CMC," Mr Warsame ruled. Mr Muthoka, who is also the executive chairman of logistics firm Andy Forwarders (the largest shareholder at CMC), successfully persuaded the court to block CMA board's resolution that declared him unfit to sit in the boards of public companies. Mr Muthoka also got the nod to contest the CMA board resolutions reprimanding him for allowing the accounts for the year ended September 30, 2009 and 2010 to be signed despite his knowledge that they were not prepared in compliance with International Financial Reporting Standards (IFRS) and guidelines on corporate governance.

Mr Muthoka and Mr Kivai have been directed to serve the regulator with suit papers and return to court on October 10 for further directions. CMA has banned seven former CMC directors, including former Attorney-General Charles Njonjo, from serving in the boards of listed firms on accusations of betraying shareholder interests. Kung'u Gatabaki, the CMA chairman, said the seven could not be



Source: SAR

trusted with corporate leadership in any other company listed at the NSE. The list of banned directors included former head of civil service and long-serving chair of CMC board Jeremiah Kiereini, former CMC chief executive Martin Foster, Richard Kemoli, Andrew Hamilton and Sobakchand Shah, a former finance director at the motor dealer. Mr Muthoka and Mr Kivai say in court papers that CMA's actions breached the rules of natural justice and were in excess of its jurisdiction. The ousted CMC directors are questioning the CMA's decision to disqualify them from serving in boards of listed firms when the dispute is actively under litigation in court where the regulator is party.

The Andy Forwarders directors also reckon that in barring them from serving as directors in public companies, the CMA had acted as an accuser and a judge. They are asking the court to dismiss as a nullity the proceedings of the ad hoc committee that the CMA formed to look into matters raised in an audit of CMC affairs and the subsequent board resolutions for fundamentally ignoring the rules of natural justice. Through lawyer Adan Ahmed of Wetangula, Adan and Makokha Advocates, the former CMC directors informed Justice Warsame that the CMA board's resolutions have had the effect of rendering the various CMC-related suits purely academic and thus compromising their right to have the issues in dispute adjudicated impartially in court or tribunal. "Our expectations were that since the matters touching on corporate governance at CMC were subject to various legal proceedings, the respondent would wait and give the court a chance to make the final determination," said the two in their sworn affidavits.

Mr Kivai says the regulator could not disqualify him on the basis of a forensic audit report produced by PricewaterhouseCoopers (PWC) that is subject to a legal challenge. Mr Kivai is a party to the suit that Mr Muthoka has filed in court accusing PWC of negligence and failure to comply with accepted accounting standards. Mr Muthoka is seeking to block publication and distribution of the audit report, saying it contains falsehoods based on third party reviews. Mr Muthoka and Mr Kivai have now joined Mr Kiereini in the battle to overturn the CMA board resolutions, which they claim have no basis in law.
Mr Kiereini filed the first suit that seeks to rescind the CMA ban which effectively revokes his directorship in CFC Stanbic and CFC Insurance Holdings. CMA acted against the influential businessman after he was implicated him in a scheme that was allegedly used to funnel CMC money into off-shore accounts. Mr Kiereini has argued that CMA had pre-judged and pre-empted the findings of any further investigations into the alleged offence.

CMA has resolved that once the quantum in the off-shore arrangements is established, recovery would be initiated for an amount equivalent to two times the money Mr Kiereini is alleged to have taken. But the CMA has stood its ground saying it invoked clauses in the law that allow for restitution of the company's funds found to have been hidden in foreign accounts plus interest, estimated at between double or triple the original amounts. The regulator also reprimanded Mr Kiereini for signing the accounts for the year ended September 30, 2009 and 2010 which it insists were not prepared in compliance with international standards. On Wednesday, the court ordered CMA to hand over the entire proceedings of the ad hoc committee that recommended the removal of Mr Kiereini from the boards of listed firms.

Constitutional and Human Rights judge David Majanja conceded to an application by Mr Kiereini's lawyer Njoroge Regeru that it would not be possible for his client to challenge the regulator's findings without having access to the proceedings of the ad hoc committee and its subsequent report. The court also directed the regulator to release the resolution of the board which adopted the report presented to it by the committee. Mr Kiereini will now have the benefit of a transcript of the proceedings and documents used as evidence during the committee's hearings chaired by former director of the defunct Kenya Anti-Corruption Commission (KACC) and retired Judge Aaron Ringera. The boardroom battle at CMC has awakened the CMA into initiating a raft of changes in corporate governance regulations, including a proposal to have any director aged above 75 leave office by end of December. *(Business Daily)*

Electricity producer KenGen is seeking joint ventures for the development of 560MW of power, deepening the interest of private investors in Kenya's power sector. The company said that it planned to develop power plants in phases of 140MW each at Olkaria within the Rift Valley under a joint venture arrangement in which successful bidders would build, and later transfer, the facilities back to the firm after 10 to 20 years. "The successful bidder or consortium will be the majority shareholder," KenGen said in a call for the bids in a public notice last week. Kenya is the first African country to drill geothermal power, tapping vast reserves of steam energy. The country has the potential to produce 7,000 MW and is targeting production of at least 5,000MW of geothermal power by 2030. It has embarked on capital-intensive alternative power generation projects in a bid to reduce dependency on unreliable rain-fed hydroelectric dams and thermal power prone to erratic rainfall.

KenGen plans to increase its capacity to 3,000 megawatts, from the current 1,183MW, by 2018 to meet growing electricity demand amid robust economic activity. It is looking to an adviser to help it secure financing worth Sh420bn, through debt and equity, for new electricity plants. KenGen says it can only meet part of the cost, with the balance being met by private investors who recently have upped their interest to get a piece of Kenya's electricity market. The interest is informed by increased demand for electricity and the relatively high price structure which is foreign currency denominated and one of the best structured bulk tariffs, according to Standard Bank analysts. Kenya's peak electricity demand has risen to about 1,200MW, compared with 780 MW in 2002, driven by economic growth.

KenGen produces 1,141MW and the rest is generated by independent power producers which mostly rely on renewable energy such as wind power. The country has the potential to produce 7,000MW and is targeting production of at least 5,000MW of geothermal power by 2030. Although expensive to drill initially, development of cheaper geothermal power means the country will come to rely less on thermal power, prone to the vagaries of high international oil prices, and rain-fed hydroelectric dams.
KenGen said in February that it planned to raise USD 12bn to build six geothermal power plants that should generate 585MW by 2016, as it pushes to diversify its power sources. The company posted a 35.6% rise in profit in its full year net profit to Sh2.8bn on increased sales. *(Business Daily*

Kenya Power will install Global Positioning System (GPS) technology into its meter-reading devices to curb electricity theft and boost collection. The hand-held equipment will be used to track geographical positions of meters and will relay customers' details like their location, readings and monthly bills to the central office. This will help the electricity distributor to stop collusion between its meter readers and consumers as well as capture faulty infrastructure like transformers speedily. “In the past we have relied on people who can locate these meters and collection of information has turned out to be slow,” said Rosemary Gitonga, chief manager of commercial services. “The devices can also track technicians as they collect the data and this will check attempted collusion between them and customers on the ground.” Kenya Power says it plans to have 730 devices across the country by the first quarter of next year with any additions to be determined by customer growth. The firm has invited tenders from suppliers who besides supplying the devices and their software will complete installations and train engineers and technicians on their use.

Customers are also set to benefit from the project since the power distributor will now have the coordinates and exact directions of all their customers. “It is difficult to locate a customer who has experienced a power supply problem since we relied on directions they give us or the memory of technicians who have visited the site. With the GPS information, tracking such customers will be a much faster process” added Ms Gitonga. Kenya Power is in the process of installing pre-paid meters across the country with plans to increase them from the current 174,810 installed in the past three years to 520,000 over the next nine months. This project, which it estimates will cost Sh5bn, is their attempt to cut the risk of consumer default. Kenya Power’s unpaid bills has risen to Sh7.4bn in the year to June 2011 compared to Sh5.2bn in a similar period the previous year, meaning that the additional bad debt was equivalent to 54% of its Sh4.2bn net profit. The firm said it would raise the Sh5bn needed to increase the prepaid meters to 694,810 from its reserves and fresh borrowings. Consumers on prepaid meters use power they have paid for in advance, similar to mobile air time top-ups, helping Kenya Power to receive its revenues in full. Another institution using a similar technology to improve collection is the Kenya Revenue Authority (KRA) which piloting new electronic tax devices (ETRs) that transmit real time data every time a transaction is made. *(Business Day)*

Standard Chartered Bank Kenya is hoping to raise Sh3.2bn through a rights issue to support its growth strategy. The bank is optimistic that it will raise the targeted amount, given that the main shareholder has pledged to take up all its rights. Standard Chartered Plc, which owns 74% of the bank, will be taking over Sh2.4bn of the rights’ value, leaving around Sh830m to the other shareholders. “The additional capital is expected to help the bank improve its capital position in line with Central Bank regulations and undertake its expansion plans,” said Standard Chartered Bank chairman Wilfred Kiboro. Existing and potential investors will buy the rights at Sh145 each, at one for every 13 shares held. The offer opens on October 9 and closes on October 26. The new shares start to trade at the Nairobi Securities Exchange (NSE) on November 27. This development puts StanChart in the line of NIC Bank, CFC Stanbic, Diamond Trust Bank and Jamii Bora, which have all opted for rights issues targeting a combined total amount of Sh11.5bn from the market to finance their expansion programmes. Mr Kiboro also talked against efforts by MPs to fix interest rates, which he said was worrisome to banks and not sufficient to solve market imperfections that might arise in the future, such as spiralling interest rates.

“This is shooting ourselves in the foot and quite retrogressive,” said Mr Kiboro, adding: “Stakeholders and lawmakers should engage each other on such matters to spur development.” He noted that borrowing appetite by most customers had been dampened in the recent past, impacting negatively on the financial market. The cost of borrowing went up in the past year and has been averaging 13% to 25%, as the indicative Central Bank rate increased to 18% to contain runaway inflation. “What we have had are only a few people who can afford the high interest rates coming for the loans, and this is bad because only a few people are able to borrow,” said Mr Kiboro. Central Bank data shows that borrowing in the domestic market by individuals and investors declined by 24.8% to Sh206.3bn in the 12 months ending June 2012, compared with Sh257.5bn in a similar period the previous year. *(Daily News)*

Pan-African oil & gas explorer Simba Energy is to drill its first well in northeast Kenya in 2013, a company executive said on Wednesday, the latest effort by an energy firm to find oil in the east African nation. The Canada-based explorer recently completed a passive seismic survey and believes there are at least one billion barrels of oil in the Kenyan block. "Our focus is to drill. How fast can we drill ... I'd like to do it as soon as possible," Hassan Hassan, Simba managing director of operations, told reporters at the opening of its new office in Nairobi. Interest in Kenyan exploration reached fever pitch this year after UK-based Tullow Oil discovered crude in the country's northwest Turkana region and over the next six months the company is due to drill its first well in Ethiopia. Tullow's Ethiopian venture partner Agriterra on Wednesday announced it was selling its 20% stake in the exploration block to Marathon Oil for USD 40m cash, with a further USD 10m if a discovery is made. Over the past few months neighbouring Tanzania and Uganda increased their oil and gas reserve estimates, underlining the region's potential to become a future energy hub.

Simba said it had started the farm-out process so it could find a venture partner to help fund exploration costs in Kenya, which can run as high as USD 50m for onshore wells. Hassan said he would prefer a major oil and gas company as a partner. Some experts have expressed doubt about Block 2A's prospects after then U.S. explorer Amoco drilled two dry wells in the area in the 1980s but Hassan and Simba's chief technology officer, James Dick, brushed off concerns that its well would be dry. "Our seismic survey showed Amoco was drilling in the wrong place," said Dick. Simba still has to complete one more 2D seismic survey before targeting a drill spot. The company will then need to procure a rig for the drilling. Block 2A, which Simba acquired in August 2011, is the company's only asset in east Africa and Hassan said Simba had no interest in licensing acreage in Uganda or Tanzania. *(Reuters)*

Economic News

Kenya's tea export earnings are seen creeping up 1% year-on-year to 110bn shillings in 2012, despite a forecast 5% drop in production, the industry regulator said on Monday. The Tea Board of Kenya said total production was expected to fall to 360m kgs this year, after frost and delayed rains hurt growth of tea bushes earlier in the year. *(Reuters)*

Export earnings from tea are expected to increase by 1%to Sh110bn, compared with Sh109bn last year, on account of high international prices. But tea production is expected to decline by 5%to 360m bags against 377m bags registered last year, owing to frost experienced in parts of the country this year. Exports are also expected to decline by the same margin. Briefing the media on the performance of the sector for the period January to August, Tea Board of Kenya managing director Sicily Kariuki said international prices had increased, with a kilogramme of Kenya-made tea selling at an average price of USD 3.15 (about Sh268), compared with USD 3.02 (Sh255) last year. Prices have been rising from USD 2.91 (Sh247) in January, maintaining a stable price of USD 3.42 (Sh290) per kilo in the months of July and August.

Global auction average prices at Mombasa (for regional teas) were USD 2.82 (Sh242), Colombo USD 2.98 (Sh253) and Calcutta USD 2.63 (Sh223). “Tea prices have been firm in all major tea auction centres, which is attributed to lower tea production. Major producers like China, India and Sri Lanka are importing Kenya tea, some of which is used to blend their teas” she said. Ms Kariuki said growth was witnessed in traditional markets in Egypt and Pakistan, and other emerging markets like United Arab Emirates, Russia, Somalia, Iran, Djibouti, USA and Turkey. Overall, Kenya exported tea to 53 destinations, compared with 50 in 2011. She said that political stability in the Middle East, enhanced promotion and increased imports from traditional producers like China and India were some of the factors responsible for increased demand. Others were diversified use of tea in pharmaceutical industries and speciality tea segment. These helped to increase demand and push up prices. “The supply and demand gap is closing and is expected to continue until 2020 as more uses for tea are discovered,” Ms Kariuki said. Domestic consumption declined by 5.67 per cent, which was attributed to higher prices and competition from other beverages.*(Daily Nation)*

Kenya wants licensed oil and gas explorers to speed up their work to meet the terms of their contracts, and may invoke its right to cash in their guarantees if they fail to do so, a senior Ministry of Energy official said. A squeeze in global capital markets has hurt independent firms' ability to raise money to drill exploratory wells, causing a handful of oil companies in Kenya to fall behind schedules they are contractually obliged to meet. The government's tough new stance could have major implications, pushing out smaller firms in favour of those with greater investment capacity.

"We just want them (explorers) to do their work. If they don't do the work we cash the bank guarantee," Martin Heya, Kenya's petroleum commissioner, told Reuters. Bank guarantees are usually agreed when companies sign exploration contracts, specifying an amount of money payable to the government should they fail to meet their obligations. The government can also revoke licences. Explorer Tullow Oil struck a promising oil find in the northern county of Turkana last March, heightening interest in the East African nation's natural resources. "Now the interest that is there (in Kenya's resources) is so overwhelming. If you just sit on the block and do nothing we will take action," Heya said. John Malone, who studies the sub-Saharan African petroleum industry for New York-based Global Hunter Securities, said: "The market has had no interest in taking any risk, it's made it harder for them to go to equity markets and raise money, that's punished a lot of these smaller oil companies."

Australian firm Lion Petroleum fell behind on its work commitments this year, causing the government to charge the company a USD 4m fee to extend its contract by 12 months. Newly-formed Canadian company Taipan Resources said it was acquiring the firm in July. It raised USD 11.5m to cover the fee and meet Lion's contractual obligations, including conducting surveys and drilling an exploratory well. Taipan Resources was unavailable for comment. Other companies, such as Zarara Oil and Gas Resources, have also had difficulty meeting work schedules, according to the Ministry of Energy. Peter Worthington, head of Zarara's parent company Midway Resources, said the firm was unwilling to discuss the issue because of its contractual relationship with the government. Heya said Zarara was working to catch up and the ministry was not planning any immediate action against the company. He added that most other companies working in Kenya were on track to meet contract schedules. *(Reuters)*

The amount of foreign money circulating in Kenya from unexplained sources fell drastically in the three months to June, reflecting the extent to which the military operation in Somalia has disrupted the networks that were suspected to be responsible for the flow. Unexplained foreign money in Kenya's banking system fell to Sh6.5bn in June from a high of Sh170bn at the beginning of last year, the lowest in five years. The development appears to vindicate some analysts' position last year that rampant piracy in the Indian Ocean and its proceeds were responsible for the unexplained flows. The trend also contradicts the Central Bank of Kenya's vehement denial of the same. "It is conceivable that there are fewer Somalia-related flows coming through to Kenya, but one cannot be sure at this point in time," said Razia Khan, the StanChart head of research for Africa. The inflows have previously been linked to the property market bubble in many Kenyan towns and excessive demand for imported goods. Kenya National Bureau of Statistics (KNBS) report for the quarter ending June shows that unexplained forex flows dropped to the lowest level as Kenya Defence Forces incursion into Somalia deepened, disrupting the networks that moved illicit cash and goods.

The figure is expected to drop even further in the second half of 2012 following the recent capture by African Union forces of Kismayu, the Al-Shabaab terrorists' last stronghold in Southern Somalia. Piracy in the Indian Ocean grew to crisis levels last year, leading to the hijacking of more than 100 ships for which the terrorists were paid millions of dollars in ransoms. Kenya has also been swamped by billions of shillings worth of goods imported through the Al Shabaab controlled Somalia coastline. The rise in unexplained foreign money (referred to in accounting lingo as errors and omissions) entering Kenya as piracy peaked in the Indian Ocean is what led to the suspicion that some or most of the ransom money was being spent or kept in Kenya. The unexplained cash stood at a staggering Sh128bn (USD 1.5bn) by mid last year and rose to about Sh170bn (USD 2bn) at the beginning of the year. Besides piracy, analysts have also pointed at the failure by banks to properly categorise the forex receipts and their sources.

"Better categorisation by banks may be a part of it (reason for lower 'unexplained' inflows) though, I've not seen signs that something is being done differently," said Ms Khan. On Tuesday, CBK maintained that it did not know the source of the cash, insisting that KNBS should explain the flows as the author of the data. "Considering that KNBS is the author of the data you have made reference to, they should be better placed to respond. Therefore, please re-direct your questions to KNBS," CBK's communications office said in response to questions on the data. CBK governor Njuguna Ndung'u also referred the Business Daily to KNBS saying he was not in a position to know the source of the forex. "The tabulation of the GDP numbers is not part of the Central Bank's mandate but that of the KNBS. Ours is just to come up with policy issues," said Prof Ndung'u even as KNBS insisted that the CBK and Kenya Revenue Authority are the primary sources of its data. "Most of the data comes from the Central Bank. They should have the original records of the source of the cash. All we do is collect it," said Zachary Mwangi, KNBS director general.

Foreign exchange flows are among the most monitored aspects of the financial system. Monitoring the forex inflows is of great interest to CBK's effort to control financial crimes such as money laundering and fraud. The presence of huge amounts of suspect cash in the Kenyan system is also being seen as an indication that the regulator does not strictly require banks to record sources of forex they collect from clients. The recent slump Indian Ocean piracy has also had another positive impact on the Kenyan economy. The cost of imported goods has gradually dropped in tandem with freight as insurance companies lower premiums charged with reduced risk of attacks. Analysts also expect the Kenya shilling to remain stable despite the drop in support from the unexplained flows as long as the monetary authorities stay on the aggressive path in their management of liquidity. That is also to say the imbalance between imports and export is being corrected through liquidity management, meaning that the CBK's recent market activity will persist in the near term. Indian Ocean piracy was seen as contributing to higher forex flows into Kenya leading to higher liquidity in the market last year, driving inflation. *(Business Day)*

The top price of Kenya's benchmark grade AA coffee rose sharply to USD 342 per bag at auction this week from USD 312 at the previous sale, the Nairobi Coffee Exchange (NCE) said on Wednesday. During the auction, Grade AA sold at USD 132-USD 342 per bag, up from USD 212-USD 312 last week, NCE said in a market report. Grade AB fetched USD 146-USD 232 per bag compared with the previous week's USD 154-USD 232. Although the east Africa nation is a small coffee producer compared with other producers globally such as Brazil and Vietnam, its specialty beans are much sought after for blending with those from other producers.

NCE said that of the 10,851 bags offered, only 5,276 bags were sold. Last week 17,257 bags were offered, with 9,587 sold. Overall, the bean fetched a total of USD 1.16m with the average price coming in at USD 179.37. Last week, USD 1.96m was realised from the sale of beans with the average price at USD 168.21. Grade THIS SALE AVERAGE PRICE PREVIOUS SALEAA 132-342 304.57 212-312AB 146-232 198.27 154-232C 137-194 169.91 93-192PB 175-212 200.38 135-207T 81-168 103.08 77-168TT 148-204 170.96 142-192. *(Reuters)*

Buyers of Treasury bonds will be allowed to submit purchase bids online, easing the participation of foreign investors in the weekly sales. Investors currently have to physically go to the Central Bank of Kenya (CBK) offices or to stockbrokers and banks to place bids for the securities. The system locks out many potential investors. CBK governor Njuguna Ndung'u disclosed the plans to set up an online bidding platform Wednesday when he presided over the launch of a FTSE Kenya Shilling Government Bond Index. "The reforms (to enhance the bond market) include introduction of online bidding for government securities," said Prof Ndung'u at the Nairobi Securities Exchange. Opening up the bonds market for online bidding could attract more funds for the government at cheaper rates. The CBK will be following the steps taken last month by Bank of Tanzania (BoT), which automated system to conform to international best practices.

The BoT sales are open to East African traders, but will be opened to other African and overseas investors by 2015.The CBK system is expected to come at a cost. BoT officials acquired the software for USD 1m (Sh85m) plus annual servicing fees of over USD 100,000 (Sh8.5m). The FTSE NSE Kenya Shilling Government Bond Index will track treasury securities that are paid out at once upon maturity (bullet bonds) and those with issued values above Sh5bn. The index will also include zero-coupon bonds – which do not pay periodic interest returns but are priced at a discount. The last zero coupon bond that was issued by the Treasury was liquidated more than four years ago and appears to have been effectively replaced by the 364-day Treasury bill. The index will also include “stripped bonds”, which are currently not available in the Kenyan market. Such bonds are those in which the principal and interest repayments are subdivided and then sold as such, effectively making them two zero-coupon bonds.*(Business Daily)*

The weighted average yield on Kenya's 364-day Treasury bills rose to 10.570% at an undersubscribed auction on Wednesday from 10.336% at the previous auction on August 29, the central bank said. At the same sale, the yield on the 182-day Treasury bills also rose to 10.194%, from 9.888% last week. The Central Bank of Kenya said it received bids worth a total 7.45bn shillings for the 10bn shillings worth of two short term papers on offer. It accepted bids worth just 3.43bn shillings. *(Reuters)*

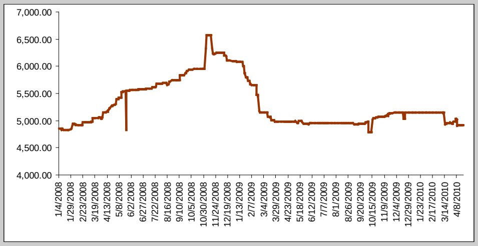
Kenya is racing against time to beat the October 14 deadline where it must show progress in curbing terrorist financing and money-laundering or face global sanctions. As part of the efforts, Central Bank on Thursday announced it was developing regulations that would see tighter control of money remittances sector. The regulations seek to seal money laundering loopholes in the country and enhance financial reporting standards. “Kenya, like other developing economies, is quite vulnerable to money-laundering and terrorism financing due to a number of displacement factors, key among them being a high volume of cash base transactions, lack of an adequate legal framework and existence of alternative remittance channels,” Central Bank of Kenya governor Njuguna Ndung’u said. He was speaking at the launch of an awareness forum for the Anti-Money Laundering programme at the Kenya School of Monetary Studies.

Kenya risks being categorised with Iran and North Korea, which are facing international sanctions due to their nuclear development programmes and claims of providing support to terror groups. Sanctions would have serious repercussions in the financial sector and would limit Kenya’s participation in the global market. Prof Ndung’u said that the CBK is also developing Hawala money transfer guidelines. *(Daily Nation)*

The weighted average yield on benchmark Kenyan 91-day Treasury bills rose to 8.439% at an undersubscribed auction on Thursday from 8.093% last week, the central bank said. The central bank received 2.5bn shillings (USD 29.48m) in bids for the 4bn shillings worth of three-month paper on offer and accepted 2.03bn shillings. The central bank said it would auction a total of 8bn shillings worth of 91- and 182-day treasury bills next week. *(Reuters)*

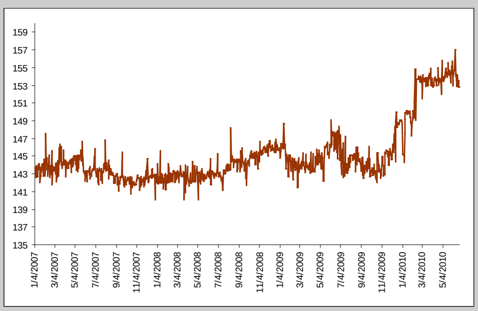
Malawi

Malawi Stock Exchange



Source: Reuters

MWK/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-4.073	-5.502	-4.791
Current account balance (USD bn)	-0.2	-0.306	-0.3
GDP based on PPP per capita GDP	880.88	916.63	940.29
GDP based on PPP share of world total (%)	0.018	0.018	0.018
GDP based on PPP valuation of country GDP(USD bn)	12.271	13.027	13.632
GDP (current prices)	352.37	390.91	432.14
GDP (Annual % Change)	5.878	4.557	3.175
GDP (US Dollars bn)	4.909	5.555	6.265
Inflation- Ave Consumer Prices(Annual % Change)	8.60	8.24	9.31
Inflation-End of Period Consumer Prices (Annual %)	7.76	8.35	9.73
Population(m)	13.93	14.21	14.50

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The Malawi All Share Index lost 0.32% at 5,907.42pts. The market recorded trading activity in 08 counters, namely, FMB, NBM, NICO, PCL, REAL, STANDARDBANK, SUNBIRD and OML..

Corporate News

No Corporate News this week

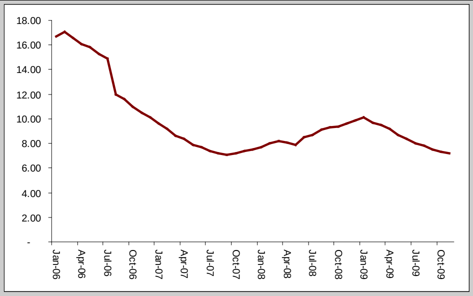
Economic News

Malawi will cut its forecast for economic growth of 4.3% this year due to contraction in some major sectors, Finance Minister Ken Lipenga said on Wednesday. "Our preliminary assessment shows that the economic performance will slow down below our earlier projection of 4.3% largely due to a significant contraction in agriculture, manufacturing, forestry and fishing, which have experienced a negative growth," Lipenga told Reuters. Lipenga would not give a revised growth projection figure. But he remained optimistic the economy would recover strongly in 2013 with agriculture, manufacturing and the retail sectors leading the way.

The southern Africa country's economy had been on a tailspin earlier this year due to a disastrous fight former President Bingu wa Mutharika picked with international donors, who withheld aid that traditionally accounted for about 40% of the national budget. Mutharika died in April this year of a heart attack. New President Joyce Banda has worked to restore aid flows and undo several policies that led to a foreign exchange shortage that drove up the costs in the kwacha currency for essentials such as petrol, food and pharmaceuticals. The country also relies heavily on tobacco sales to generate hard currency. *(Reuters)*

Malawi's central bank said it would keep its benchmark interest rate at 21% as it balanced a lower growth outlook for 2012 and rising inflation. "Domestic real GDP growth is estimated to slowdown to 1.6% in 2012, attributed largely to negative growth in agriculture and manufacturing sectors," the Reserve Bank of Malawi said in a statement dated October 3 but posted on its website on Thursday. *(Reuters)*

Malawi expects growth of just 1.6% this year from 4.3% forecast earlier due to lower output in the agriculture, manufacturing, fisheries and forestry sectors, central bank governor Charles Chuka said. "On the basis of the estimates we knew in the first quarter of the calendar year, we had estimated GDP would grow at 4.3% but we now know after the second round of crop estimates in particular that we are looking at 1.6% growth this year," Chuka told Reuters late on Thursday. *(Reuters)*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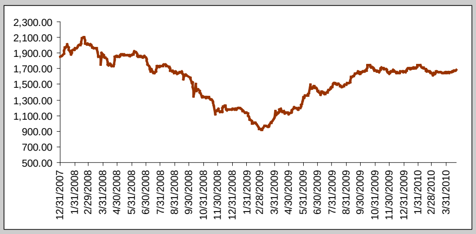
Source: SAR

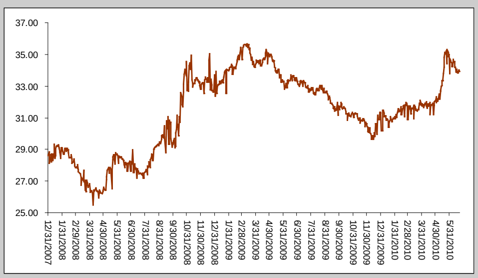
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.308	-10.579	-9.758
Current account balance (USD bn)	-0.852	-0.947	-0.931
GDP based on PPP per capita GDP	12,356.23	12,699.51	13,389.07
GDP based on PPP share of world total (%)	0.023	0.023	0.023
GDP based on PPP valuation of country GDP(USD bn)	15.831	16.391	17.406
GDP (current prices)	7,146.27	6,935.94	7,339.15
GDP (Annual % Change)	2.065	1.98	4.695
GDP (US Dollars bn)	9.156	8.952	9.541
Inflation- Ave Consumer Prices(Annual % Change)	6.40	4.05	5.00
Inflation-End of Period Consumer Prices (Annual %)	3.10	5.00	5.00
Population(m)	1.28	1.29	1.30

Source: World Development Indicators

CPI Inflation

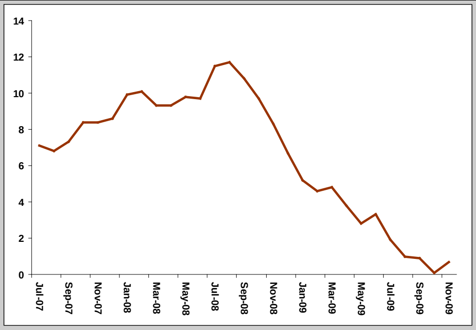
Stock Exchange News

Mauritius, indices ended the week on a negative note with the all-share index losing 0.3% to reach 1,697.71 points. The SEM-7 index gave up 0.4% to reach 327.51 points. Total turnover amounted to USD 4.6m. State Bank experienced a loss of 0.6%. Lux Island Resorts climbed by 6.7% to MUR16.00. NMH ended Friday's session at MUR 56.00 (+1.8%), while Sun Resorts remained level at MUR 28.30.

Corporate News

HSBC Holdings Plc is to significantly scale back the scope of its global Islamic banking operations, as the business becomes the latest area to be affected by a wider restructuring at the UK-based bank. HSBC is cutting thousands of jobs and exiting non-core businesses as part of Chief Executive Stuart Gulliver's plans to cut costs and improve profitability. The bank has already divested assets in more than 26 countries, including the United States, South Korea and Pakistan. Having been one of the pioneers in developing Islamic finance among big global banks, HSBC last year became the first Western bank to issue an Islamic bond when its Middle East unit sold a USD 500m sukuk. Yet it has decided it wasn't big enough in all its markets for its presence to be worthwhile. The bank, which did not say how many jobs would be cut as a result of the move, w will focus its Islamic finance business on customers in Malaysia and Saudi Arabia and keep a limited presence in Indonesia, the bank said in a statement on Thursday. Except for wholesale banking operations, HSBC will no longer offer Islamic products in Britain, the United Arab Emirates, Bahrain, Bangladesh, Singapore and Mauritius, it said. The bank said that, after the move, it would still retain around 83% of its Islamic business revenue. "Its Islamic activities in the affected countries were sub-scale so they decided to wind them down in an effort to reduce costs," said Jaap Meijer, director of equity research at Dubai-based Arqaam Capital. "Except for maybe the UAE, it's not likely to have a big impact on the Gulf region."

Staff at HSBC Amanah, the bank's Islamic banking arm, look set to be absorbed into the main bank, although there will be some job losses. "People have been leaving HSBC Amanah and moving to other jobs as it became clearer that this was the direction the bank was taking," said one source familiar with the matter, regarding the move to cease operations in the UAE. Islamic finance, based on principles such a ban on interest and pure monetary speculation, has grown rapidly in recent years because it draws on pools of investment money in the oil-rich Gulf and Asia that have been relatively untouched by the global financial crisis. The industry's global assets are expected to rise 33% from 2010 levels to USD 1.1tn by the end of 2012, according to consultants Ernst & Young. However, HSBC's move raises a number of questions for both the bank and the wider Islamic finance industry. Among them is the ability of conventional banks to maintain segregated funds for Islamic customers. The segregation on offer has been questioned by some scholars as being insufficient, while fully-fledged



Source: SAR

Islamic banks have complained they are at a disadvantage in competing with bigger international players.

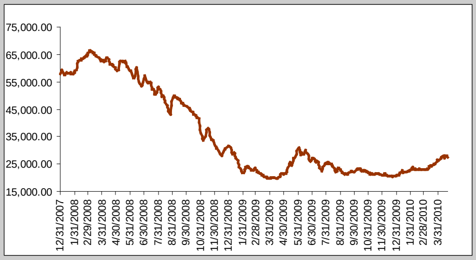
In Qatar, authorities banned the sale of Islamic banking products by conventional banks in February 2011 to retain the purity of Islamic funds. In a statement, an HSBC spokesman said each of the lender's global businesses offering Islamic products would continue to operate to the appropriate sharia oversight during a transition period. HSBC's withdrawal will also raise issues for those in the affected countries who want to bank according to sharia principles. "Given its global reputation, HSBC is often the preferred choice for Islamic clients. This move is a shame because there are many that just wouldn't be as comfortable going to another local Islamic bank," said a senior executive at a Gulf lender. *(Reuters)*

Economic News

The unemployment rate in Mauritius rose to 8.2 percent in the second quarter, its highest level since early 2011 and up from 8.0 percent in the first three months of this year, official data showed on Monday. A weak global economy has reduced demand for tourism on the Indianc Ocean island as well as its exports. Statistics Mauuritius said there were a total of 48,900 unemployed in the second quarter compared with 46,200 a year ago. The government is expecting unemployment to rise to 8.0 percent this year from 7.9 percent in 2011. Last month Statistics Mauritius cut its 2012 economic growth forecast for the third time this year, to 3.2 percent from 3.5 percent in June, citing bleaker outlook for key economic sectors. *(Reuters)*

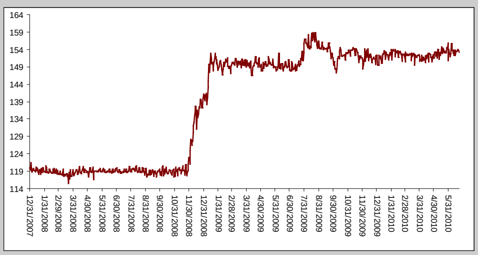
Nigeria

Nigeria Stock Exchange



Source: Reuters

NGN/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	6.939	13.792	14.278
Current account balance (USD bn)	11.48	25.631	28.488
GDP based on PPP per capita GDP	2,199.08	2,281.27	2,369.35
GDP based on PPP share of world total (%)	0.475	0.489	0.499
GDP based on PPP valuation of country GDP(USD bn)	333.983	355.995	379.907
GDP (current prices)	1,089.30	1,190.86	1,244.37
GDP (Annual % Change)	2.905	4.985	5.215
GDP (US Dollars bn)	165.437	185.835	199.526
Inflation- Ave Consumer Prices(Annual % Change)	11.96	8.80	8.50
Inflation-End of Period Consumer Prices (Annual %)	9.12	8.50	8.50
Population(m)	151.87	156.05	160.34

Source: World Development Indicators

CPI Inflation

Stock Exchange News

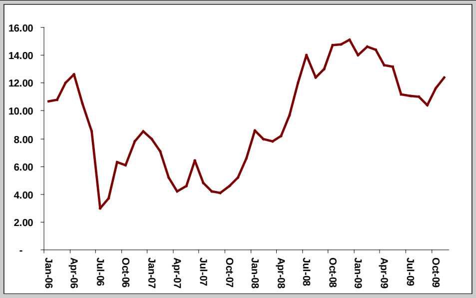
The NSE All-Share Index appreciated by 431.03 points (1.66%) to close on Friday at 26.442.67. A turnover of 4.759 bn shares worth NGN 40.472 bn. Top gainers were Cadbury (15.07%), Ashaka (10.93%), Oando (9.83%) and Guinness (6.62%). Top losers were Arbico (-9.62%), Eterna (-8.68%) RT Briscoe (-8.06%) and Mrs Oil Nigeria (-4.99%)

Corporate News

The Asset Management Corporation of Nigeria's (AMCON) determination to recover the non-performing loans taken over from banks is paying off, as the corporation has recovered or restructured over N800bn to date, Mustapha Chike-Obi, managing director of the establishment has said. Further demonstrating the success of its recovery efforts, Net Oil and Cross River State Government are out of the debtors' list, having redeemed their debt obligation to AMCON. "Net Oil and Cross River State Government are no longer direct obligor to AMCON", Chike-Obi said. By the end of 2011, AMCON had acquired over N3 trillion non performing loans and recapitalised all the banks in grave situation, to the point where they have enough capital to fund their vital role of providing credit to the economy. Chike-Obi also clarified the current position of Geometric Power, one of the names that appeared on the CBN list. "Geometric Power's loan was never non-performing, as it was acquired by AMCON as a performing loan", he said, adding that "the loan was acquired by AMCON for financial system stability reasons and has been performing".

In a telephone chat with BusinessDay, Chik-Obi assured that all the money owed the corporation would be recovered. He commended the Central Bank's bold recent move to get bad debtors to pay up, by instructing banks to stop granting new loans to them, and urged Nigerians to acknowledge this effort, which he said demonstrated will power on the part of the apex bank to ensure that rules were enforced without sacred cows. He denied recent reports of disagreement with the decision of the apex bank. The AMCON boss disclosed that it was in constant touch with the CBN with which it was harmonising the positions of the debtors. In an earlier interview, Chike-Obi told BusinessDay that when AMCON was established, the corporation developed a funding plan for it to satisfy the Federal Government of Nigeria that AMCON's funding plan did not require any Federal Government funds beyond the N10bn they gave AMCON as equity capital.

By the funding plan, AMCON does not have to make recovery in the first year of operation because it was assumed that in the first year, it should be trying to get control of the loans. He attributed the success recorded so far, to AMCON's strong power of recovery, which allows it to go after customers even when the assets they have, are not pledged to the loans. "So we can go after any assets they have anywhere in the world. Customers are aware of this. And they don't want to test those powers. So, they are coming voluntarily to either restructure, or repay the loans", he said. Last year, the corporation's focus was de-risking of



Source: SAR

the banking system, making sure that the non- performing loans that were choking the banks and the flow of credit to the economy was removed, and also that banks had adequate capital and liquidity to perform their functions. *(Business Day)*

Shell's Nigerian unit shut its Bonny oil pipeline and deferred 150,000 barrels per day of production on Sunday after oil thieves caused a fire, the company said. "Shell has shut the 28-inch Bomu-Bonny Trunkline after discovering a fire on it early this morning," a statement from the company said. "A burning vessel, thought to be involved in the theft of crude oil from the line, was sighted near the incident site. The line conveys crude oil to Bonny Terminal." Shell said it was mobilizing to fight the fire and would investigate the cause and carry out repairs as soon as possible. Bonny Light is Nigeria's benchmark crude, used to price other grades of oil, and makes up around 10% of the total oil exported out of Africa's biggest producer.

Nigeria was due to export around 205,000 bpd of Bonny Light in November and 229,000 bpd in October, according to provisional loading programs. The grade is gasoline-rich and is popular with U.S. refiners. Oil theft is a major problem in the Niger Delta wetlands region in southern Nigeria, where the majority of its oil is produced. The thousands of kilometres of winding waterways and creeks are difficult to police, although there is also evidence that security officials have been complicit in theft. Shell estimates more than 150,000 bpd of oil is being stolen by gangs who tap into pipelines and siphon off industrial quantities of oil. Some of it is refined locally, while the rest is ferried out to larger ships offshore. *(Reuters)*

The Nigerian Stock Exchange, NSE, has indicted Costain (West Africa) Plc, First Bank of Nigeria Plc, John Holt Plc, Oando Plc, Conoil Plc and over 50 other quoted companies, and imposed N34.09m fines for various infractions, ranging from publications of their activities without securing the approval of the NSE to late filings of their financial statements. According to the NSE, in its latest X-Compliance report, 12 companies were fined N8.465bn for failing to obtain the NSE's approval before publicizing their activities in the media; 65 companies were slammed with a fine of N6.652bn, while another 18 were fined N16.8bn for failing to submit their financial statements for the 2011 and 2012 financial statements as well their quarterly results. The NSE maintained that its law stipulates that quoted companies provide it with timely information to enable it efficiently perform its function of maintaining an orderly market. It said, "In accordance with the provisions of Appendix 111 of the Listing rules, quoted companies are required to obtain prior written approval before publications are made in the media. "The companies contravened the provision of the Listing Rules and the Exchange applied the sanctions prescribed by the rules and the companies discharged their financial obligations."

A breakdown of the sanctions shows that Mobil Oil Nigeria Plc and Lafarge WAPCO Plc were fined N1.016m and N0.7m respectively by the NSE for publishing their interim results in the media without obtaining prior written approval from it, while First Bank of Nigeria Plc and Unity Bank Plc were fined N2.1m and N1.544m for publishing notices of extraordinary-General meeting and divestment from non-banking subsidiaries respectively. Guinea Insurance Plc was indicted and fined N0.157m for publishing its audited account without approval; Transnational Corporation of Nigeria Plc was fined N0.763m for publishing changes in its Board without the consent of the NSE and Neimeth International Pharmaceuticals was sanctioned with a fine of N0.181m for publicizing the appointment of its Acting Chief Executive Officer with notifying the NSE. Wema Bank was fined N0.352m; Honeywell Flour Mills Plc was fined N0.647m, Multiverse Plc was fined N0.496m and Diamond Bank Plc was fined N0.406m; for not securing approval before publishing the appointment of directors in their various Boards.

The NSE slammed a N2.85m fine on Costain for late submission of its audited financial statements for the year ended, March 31, 2012; C&I Leasing Plc was fined N1.05m for delay in the submission of its 2012 financial statements, due January 31 while John Holt Plc was fined N1.7m for its failure to submit its 2011 financial statement, due September 2011. For failure to submit their 2011 financial statements, due December 31, Cornerstone Insurance Plc was fined N1.5m; Conoil was fined N1.2m, while Unity Kapital Assurance Plc Niger Insurance Plc, Royal Exchange Plc, Union Bank Nigeria Plc and Universal Insurance Plc were slammed a fine of N0.9m each. FTN Cocoa Plc was fined N0.2m, Dangote Flour Mills Plc was fined N0.4m, Regency Alliance Insurance Plc was fined N0.5m, Oando Plc was fined N0.5m, Premier Paints Plc was fined N0.7m and Scoa Nigeria Plc was punished with a N0.8m fine. Several other companies, numbering 31, were fined between N2,857.14 and N0.245m, totalling about N2.174m, for failure to submit their full year and quarterly results. *(Vanguard)*

Union Bank of Nigeria one of eight lenders bailed out in 2009 by the country's central bank, has paid the USD 800m it was given, said outgoing Chief Executive Officer Funke Osibodu. The Central Bank of Nigeria gave the cash as a seven-year, 6% note to stabilize the bank following a debt crisis, Osibodu told reporters and brokers in Lagos, the commercial capital, today. "We repaid with interest over a year ago." A debt crisis in 2008 and 2009 resulting from loans given to speculators on the local stock exchange and investors in the oil industry threatened the Nigerian banking system. The central bank fired eight leaders of the country's 24 lenders and set up the Asset Management Corp. of Nigeria, or Amcon, to buy bad debts and stabilize the industry. Amcon currently holds a 20% stake in Union Bank, according to Osibodu. New investors, including African Capital Alliance, hold 65%, while shareholders hold 15%, she said. Emeka Emuwa, former head of Citibank Nigeria Ltd., will take over as CEO at Union Bank from Nov. 1, Osibodu said. Union Bank gained 4.9% to 7.65 naira today. The stock has fallen 28% this year, compared with a gain of 26% in the Nigerian Stock Exchange All-Share Index. *(Bloomberg)*

Guaranty Trust Bank, Nigeria's biggest lender by market value, fell the most in more than three months after the stock reached a record high yesterday. The shares dropped 4.2% to 20.11 naira by the close in Lagos, Nigeria's commercial capital, the biggest decline since June 21. Guaranty advanced 9.6% yesterday, reaching 20.98 naira, the highest since at least January 2002, when Bloomberg began tracking the stock. "Guaranty overshot the 20 naira psychological price yesterday so we expected investors to begin to harvest their gains today," Abiola Rasaq, a Lagos-based analyst at Vetiva Capital Management Ltd., said by phone today. "We see the stock stabilizing at between 19.20 naira and 19.30 naira" by year- end, he said. The Nigerian Stock Exchange chose Guaranty and 15 other stocks as trial securities in market-making activities that began Sept. 18. The bourse raised their daily price movement limit to 10%, from the 5% that applies for all other stocks. First-half profit at Guaranty jumped 66% to 45bn naira (USD 286m), the lender said Aug. 30. *(Bloomberg)*

The Bureau of Public Enterprises (BPE) has said that LafargeWapco Nigeria had paid N14bn in taxes to various tiers of government since its privatisation in 2001. It also said that the production capacity of the cement firm had reached 3.8 tonnes against the 1.6 tonnes capacity before its privatisation. The BPE disclosed this on Wednesday in a statement issued after a visit to the company in Ewekoro, Ogun State. In the statement, signed by its spokesman, Chukwuma Nwokoh, the BPE quoted Lafarge Company Secretary, Ms. Uzoma Uja, as saying that the company had spent N570m to develop its host communities. ``Soon after privatisation, the company embarked on backward integration which has resulted in job creation with WAPCO now having a workforce of 2,000,'' she said. Uja told BPE officials that the foreign investor, Lafarge, a French company, had complied with all the conditions in the Share Purchase Agreement. She called on the Federal Government to reverse the waiver on the taxes and duties as this had led to the postponement and abandonment of some projects.

The statement said the cement company also informed the team of plans to supply 30 megawatts of electricity to Ewekoro community, from its 90 megawatts power plant. The cement company, in March, declared a dividend of 75k per share for its shareholders for its operations in the last financial year. The company, in an audited result submitted to the Nigerian Stock Exchange reported a turnover of N62.5bn against the N43.8bn recorded in 2010, an increase of 43%. It also reported that its profit after tax stood at N8.5bn in 2011 against the N4.89bn recorded in 2010, a growth of 74%. The company's net asset value rose by 16% to N56.1bn against N48.3bn in 2010. *(Business Day)*

NINE stocks, including First Bank Nigeria Plc, Nestle Nigeria Plc, Access Bank Plc and Union Bank Plc, are scheduled to join the Nigerian Stock Exchange (NSE) market making initiative today. Others are Academy Press; Custodian & Allied Insurance; Dangote Sugar Plc; NASCON and AIICO Insurance Plc. The development has increased to 25 the number of firms in NSE's market making programme. The initiative commenced September 18, 2012, with 16 stocks- PZ Cussons Nigeria Plc; Nigerian Bag Manufacturing Company Plc; Presco Plc; International Breweries; Lafarge Wapco and Fidson Healthcare Plc. Others are Redstar Express Plc; Zenith Bank Plc; Sterling Bank Plc; D.N.Meyer; Diamond Bank; FCMB; Fidelity Bank Plc; Nigerian Breweries Plc; Guaranty Trust Bank Plc and UAC Nigeria Plc. NSE recently called on major asset holders such as Assets Management Corporation of Nigeria, Pension Fund Administrations, insurance companies and other entities to participate in the market making initiatives.

According to Onyema, the entities can also earn additional income through the process, while helping to improve liquidity in the Nigerian bourse. Onyema explained that for market making to be vibrant, the securities lending and short selling structures being put in place to support the process must be leveraged on. He urged all stakeholders to actively understand the mechanisms for effecting securities lending and borrowing, as well as short sale transactions. "I will like to assure all stakeholders that the introduction of market making should help to drive liquidity in the market place to the benefit of retail investors, institutional investors, the broker dealer community, as well as regulators", said Onyema. He added: "The introduction of securities lending should drive efficiency through the market and implementation of short selling should allow for a more symmetric market as investors can impose more discipline on quoted companies. "All these should improve the price discovery process and thus reflect the true value of companies". *(Guardian)*

Unilever Nigeria PLC, the producer of Lipton Yellow Label tea, has launched its first Lipton tea party tagged "Making Success a Habit." Speaking at the launch of the tea party, the Managing Director, Unilever Nigeria Plc, Mr Thabo Mabe, said the company's mission is to unlock the goodness of tea, hence, allowing people to drink better and to live positively. His words: "On the platform of the world's number one tea brand – Lipton – we will be specially showcasing the power of a switched-on mind and the amazing things you can achieve when you cultivate the right habits." "Just like good habits, Lipton tea is pleasurable, invigorating and uplifting. It also contains Theanine, which sharpens the mind. These qualities of Lipton tea endear it to us, which is why from the moment our tea leaves are picked, to when the tea is brewed, we go extraordinary lengths to deliver natural goodness." The Brand Building Manager, Unilever PLC, Mr David Okeme said the Lipton Tea party is an event put together for young people who wants to achieve or aspiring to achieve in life and it's about teaching them the habit of taking Lipton every morning to get the right start to the day.

"The reality is that in 8 out of every 10 homes, you will find Lipton; eight out of every 10 times that tea is consumed in this country, it is Lipton that is consumed. That is leadership that we quite comfortable with." "One of the uniqueness of Lipton is that we source all our materials from renewable sources; we got farms and the farms we pick our tea leaves from got practices that support sustainability. We source our tea from farms in east Africa and other parts of the world but the big chunk of the tea is got from Kenya. We grow our tea under a right condition and we are able to guarantee top quality right from the farm straight into your cup. *(Nation)*

TO further aid securities lending and liquidity in the nation's capital market, the Association of Asset Custodians of Nigeria has advocated collective investment and automation of the Certificate of Capital Importation (CCI). Already, the association has initiated talks between stakeholders to ensure that the automation of the CCI is fast-tracked to ensure that investors get adequate returns on their investments. Speaking at the association's yearly general meeting in Lagos, yesterday, its President, Segun Sanni, explained that in an already dematerialised stock exchange, there is a need to ensure proper automation of processes in order to aid financial transactions, especially by foreign investors. With securities lending, when a foreign investor lends to a foreign borrower, the process prescribes that the foreign lender shall be issued a CCI upon importation of capital to purchase securities to be lent. "But often times, investors lose the value of their investments due to fluctuations in the market, while in other cases, funds are trapped in the market. However, to avoid these, there is a need to automate the CCI process, which will further aid the reconciliation process and security of the paper.

"A paper less transaction aids activities. Despite the dematerialisation of the

Nigerian Stock Exchange, it is still bedevilled by a heavy paper process. Thus, we are working with the Central Bank of Nigeria to make the CCI paperless, while seeking the consent of the Central Securities and Clearing System (CSCS) on their processes too. If the manual interface is taken away, transaction processes in the market would be enhanced", Sanni said. He stressed the need to deepen the market and restore investors' confidence in the market without jeopardising the sustainability of such funds through the activities of speculators, to address profit taking saga by short-term investors. He explained: "There has been an increase in the value of the market by about 700% with the relaxation of rules on foreign investments. This has helped the market. However, we cannot afford to jeopardise the activities of the market. Retail investors should be encouraged through fund managers and this can be achieved through collective investment. Mutual fund activities should also be encouraged to aid the growth of the market". Sanni however noted that though the financial markets are inter-linked, the imbalance between the bond market and equities market would improve as soon as investors' confidence is restored amidst effective regulatory efforts. The Vice-President and Head, Securities and Funds Services, Global Transaction Services, Citi bank, Kemi Adewole, added that though the market is yet to recover fully, the imbalance would be addressed. *(Guardian)*

Nigerian billionaire Aliko Dangote on Thursday sold 63% of Dangote Flour to South African consumer goods firm Tiger Brands in a deal worth USD 188m, brokers said. The sale of 3.1bn shares on the Nigerian Stock Exchange was done at 9.50 naira per share, after regulators' approval last month. The deal is Tiger Brands' third and its biggest yet in Nigeria, Africa's second-largest economy with 160m people, which is seen as a growth area for consumer and food products. The billionaire's holding firm Dangote Industries Limited will retain a 10% stake in the flour miller after the Shares of Dangote Flour were trading flat at 8.59 naira on the local bourse at 1315 GMT, as brokers said the deal had already been priced in. *(Reuters)*

Union Bank of Nigeria Plc, UBN, has disclosed plans of becoming the top five most profitable financial institutions in Nigeria, following the completion of restructuring exercise embarked on by the Central Bank of Nigeria's appointed management. Making the disclosure in an interactive forum with stockbrokers and management of the Nigerian Stock Exchange, NSE, the Chief Executive Officer, UBN, Mrs Funke Osibodu, said the bank would continue to strengthen its systems and processes towards the actualization of the set goal. Specifically, she said the bank would leverage group synergies to transform the strategic subsidiaries, while also improving customer service delivery by adopting best practices and upgrading the infrastructures. According to her, the bank would institute holistic risk management strategies backed by underlying infrastructure to enable prudent growth. "We will leverage cashless and financial inclusion policies to deploy mobile banking products to the unbanked. We will also deepen awareness of the bank's suite of e-business products to enhance the capacity of our bank to serve the existing customers via alternative channels.

"We will utilize shared services where appropriate to reduce operational cost. We will continue to reinforce operational risk management practices, as well as upgrade the IT and physical infrastructures, including branches to improve customer service delivery," she emphasized. She noted that the bank's deposit base grew steadily throughout the period between 2009 and 2011, instead of depleting, saying that it was a demonstration of customers' faith and confidence in the bank. Osibodu further stated that over 70% of the bank's branches have started delivering improved performance/profitability, compared to about 50% prior to CBN's intervention due to aggressive marketing measures adopted by her management. Speaking at the event, the CEO, NSE, Mr. Oscar Onyema, advised other quoted companies not to wait until they have good news before coming forward to give information about their organisations.

"When the going is though, let the market know. It is best to let the capital market stakeholders hear first-hand from the horse's mouth the reason behind every performance be it good, bad or exceptional," he said. He continued, "Since Union Bank of Nigeria Plc was listed on The Nigerian Stock Exchange 41 years ago, (1971) it has been a leading force in the banking sub-sector of our market and has remained a worthy example of a strong organisation that continually does its utmost in aligning with on-going compliance with the post-listing requirements of The Nigerian Stock Exchange of which timely and accurate information dissemination is key. "Despite the recent storm the bank had to weather, it has remained true to its "Big, Strong and Reliable" slogan." It is interesting to note that it is the only commercial bank among the erstwhile revitalized banks that still retains its identity. While four of the then rescued banks have since been acquired and three were bridged, Union Bank survived the storm." He noted that as a bonafide survivor, the Union Bank has continued to improve on its financial performance. "As at last week, the bank reported a net profit of N13.6bn for the second quarter ended June 30, 2012, as against a loss of N44bn in the corresponding period of 2011. At the group level, Union Bank posted a profit after tax ,PAT, of N16.14bn, compared to a loss ofN40.30bn posted during a corresponding period last year and the group equity increased to N207.92bn from negative N164.852bn posted in 2011. This is truly commendable." *(Vanguard)*

Economic News

Banks' compliance with the 1% foreign exchange net open position (NOP) and robust capital inflows for high yielding government securities, among others, are responsible for the continued strengthening of the nation's currency against the dollar, BusinessDay investigations have revealed. The naira has been hovering between N157.45 and N157.90 in recent times, due to dollar liquidity, boosted by constant sales by oil companies, even as lenders continue selling portions of their dollar holdings to stay within their open limit positions. The net open position is the ratio of dollars banks can hold, relative to shareholders' funds. The Central Bank slashed net open positions to 1% from 3 in July, and still maintained its monetary policy stance at the last Monetary Policy Committee meeting last month. However, analysts have warned that the current low yields in bonds and treasury bills might necessitate migration of investments from the fixed income market and likely put pressure on the naira, as both investors and the banks will equally off-load their funds to other areas, as equities.

Bismarck Rewane, chief executive officer, Financial Derivatives Company limited, who acknowledged in the current edition of the Lagos Business School Breakfast meeting report, that the reduction in forex demand has continued to boost the naira, said that in recent times, the naira has moved from " 0.57% to

N155.8/USD 1 in the official market, 1.73% to N157.88/USD 1 in the inter-bank market, 1.23% to N161/USD 1 in the parallel market. Total forex sold in August declined by 24.07% to USD 1.64billion. Banks are selling off dollar positions to meet new NOP of 1%." Samir Gadio, analyst with Standard Bank London said, "The marginal NOP reduces the ability of the banks to position against the local currency, but this is certainly less of an issue lately, given the positive momentum for the NGN. Indeed, the continued foreign flows into the fixed income market, contained pressure on the WDAS window, consistent FX sales from oil companies in the interbank market and improved confidence have supported the unit. "In this context, it remains to be seen whether traders would bet on a weaker naira, assuming the NOP was eventually increased. Should the CBN continue to accumulate FX reserves, there would be even less incentive to push USD/NGN higher.

This is not the first time that the NOP is cut to a record low of 1%, and we suspect this stance will not last indefinitely, but the CBN will probably want to consolidate the recent gains in the FX market and entrench USD /NGN stability before adjusting the ratio". Ecobank Daily Market Update at the week end said of the market, "The Nigeria NGN appreciated 0.2% against the USD in the Inter-bank (2.9% YTD) on 26 September, largely due to sufficient USD supplies from CBN and oil companies. It closed on USD 1/NGN157.4. The trend in NGN strengthening since mid-June reflects sufficient CBN supply of USD and robust capital inflows seeking to buy high yielding government securities ,interest rates remain elevated due to high inflationary expectations." Sanusi Lamido Sanusi, CBN governor, had acknowledged the appreciation in the nation's currency in the last three months, when he said, "At the Wholesale Dutch Auction System (WDAS), the exchange rate during the period, July 25 – August 31, 2012, opened at N157.40/USD and closed at N157.36/USD, representing an appreciation of N0.04k.

The appreciation was due to the combined effects of the increase in Cash Reserve Requirement, reduction in the Net open position and the policy barring DMBs/Discount Houses from accessing lending windows (SLF and Repo) and WDAS simultaneously. At the interbank segment, the selling rate opened at N160.05/USD and closed at N158.15/USD, representing an appreciation of N1.90 or 0.01%. The appreciation experienced in this segment was due to increased supply of foreign exchange by oil companies to the interbank market. At the BDC segment of the foreign exchange market, the selling rate opened at N163.00/USD and closed at N161.00/USD, representing an appreciation of N2.00k or 0.01% for the period. The appreciation recorded in this segment was traced to the low demand of foreign exchange by end users vis-à-vis the high supply of foreign exchange at the interbank market and the apparent taming of speculative activities." *(Business Day)*

President Goodluck Jonathan says Nigeria's Gross Domestic Product (GDP), driven mainly by non-oil sector, has grown by 7.1 per cent, while the economy attracted N6.8tn investments in nine months. Jonathan, who disclosed this in his 52nd Independence Anniversary broadcast on Monday, said that Nigeria recorded this feat in spite of the global financial crisis ``Over the past five years, the global economy has been going through a weak and uncertain recovery. During the same period and particularly in the last two years, the Nigerian economy has done appreciably well in spite of the global financial crisis. ``Nigeria's real GDP has grown by 7.1%on average. ``It is also significant to state that the GDP growth has been driven largely by the non-oil sector,'' he said. According to him, the nation has improved on its investment environment as more corporate bodies are investing in the Nigerian economy. ``Our Investment Climate Reform Programme has helped to attract over N6.8tn local and foreign direct investment commitments.''

He said that Nigeria had become the preferred destination for investment in Africa. ``It is ranked first in the top five host economies for Foreign Direct Investment (FDI) in Africa, accounting for over 20%of total FDI flows into the continent.'' The president said that his administration had streamlined bureaucratic activities at the ports to ensure greater efficiency in the handling of ports and port-related businesses. ``Specifically, we have drastically reduced the goods clearing period in our ports from about six weeks to about one week and under. We have an ultimate target of 48 hours.'' He said that in pursuance of the main goals of the transformation agenda, a number of reforms and initiatives were being pursued in key sectors of the economy with a view to consolidating the gains of the economic growth. He said that the new visa policy had made it easier for legitimate investors to receive long stay visas. ``We have achieved a 24-hour timeline for registration of new businesses leading to the registration of close to 7,000 companies within the second quarter of 2012. *(Business Day)*

Nigeria earned N5.5tn from mineral and non-mineral revenue between January and August, a data from the Federation Accounts Allocations Committee (FAAC), said on Monday. The figures showed that the country recorded the highest revenue of N825.39bn in July. Out of the total amount generated so far in 2012, a total of N1.5tn was recorded to have been lodged into the Excess Crude Account (ECA) between January and August. A portion of the revenues above the benchmark oil price are saved while the remaining revenue is distributed among the federal, state, and local governments according to a set formula. Records from the FAAC during the months under review however contained only information on lodgements into the excess crude account and not withdrawals made from it. On Sept. 14, the accountant-general had announced that the balance in the ECA was 8.03bn dollars, following lodgement of N124bn into the account in August. Similarly on Aug. 15, the Minister of State for Finance, Dr Yerima Ngama told reporters that 1bn dollars was withdrawn from the account for distribution among the federal, states and local governments ``to execute some on-going projects.''

A breakdown of the country's revenue in the month of July showed that mineral revenue accounted for N646.47bn while the non-mineral revenue amounted to N178.92bn. In other months, FAAC recorded N666.32 for January, N766.77 in February, 726.77 in March and N626.17 for the month of April. Also, a total of N586.91bn was credited to the national treasury in May, N763.55bn in June and N564.88bn for the month of August. Notably, the country recorded its least revenue of N564.88bn in the month of August, compared with figures recorded in the months of May, April and January, respectively. The Office of the Accountant-General of the Federation, headed by Mr Jonah Otunla, computes the figures and also distributes monthly revenue from the Federation Accounts to the three tiers of government. The office attributed the shortfall in oil revenue to decline in production, poor sales and strikes embarked on by Labour unions in January.

For instance in the month of January, the office reported a shortfall in revenue from N892.7bn recorded in December 2011 to N666.32bn in January 2012. The one-week nationwide strike called by the Nigeria Labour Congress and Trade Union Congress because of the removal of fuel subsidy by the Federal Government was partly responsible for the drop in revenue, the office said. The figures from FAAC also recorded that N142.19bn was transferred to Subsidy Reinvestment and Empowerment Programme (SURE-P) between April and August. On Sept. 21, Dr Ngozi Okonjo-Iweala, the Minister of Finance announced that the Federal Government had so far disbursed N30bn for projects under SURE-P, out of N180bn appropriated for Federal Government projects in the programme. Since April, the FAAC had transferred the sum of N35.54bn to SURE-P for distribution to the three tiers of government. SURE-P was initiated early in 2012 following the partial removal of subsidy on petroleum products. Federal Government's share of the subsidy removal money is being reinvested in healthcare, public transportation, vocational training and key infrastructure projects. *(Business Day)*

Nigeria joined a key JP Morgan local currency government bond index, yesterday, becoming the second African country after South Africa to be included in a widely followed index. The country's entry into the JP Morgan Government Bond Index-Emerging Markets (GBI-EM) from October 1 could translate into at least USD 1.5bn of inflows to the bond market, the bank estimates. Analysts at JP Morgan said it will raise the profile of Africa's most liquid debt market after South Africa and is expected to lead to greater foreign participation, given that Nigerian yields offer a significant premium to established sovereign lenders. "It's now seen as a market that can't be ignored internationally and one of the frontier markets where you need to have a position," said Samir Gadio, emerging markets strategist at Standard Bank. The entry of Nigeria into the GBI-EM comes as South Africa joins Citigroup's World Government Bond Index, although funds tracking the latter are estimated at USD 2tn compared with USD 180bn for the JP Morgan index.

At around USD 25bn, Nigeria's sovereign debt market is still dwarfed by South Africa's USD 100bn. Secondary market turnover is also around a fifth of its more developed peer. However, analysts said Nigeria's addition to the GBI-EM marks it out as one of the more accessible markets on the continent for foreign investors. "Nigeria has done a lot of work in recent years in developing its bond market to improve liquidity," said Leon Myburgh, sub-Saharan Africa strategist at Citi. "In most African markets, foreign participation is largely limited to the Treasury bill market, but Nigeria has been able to cross the threshold and see foreign investors enter its bond market as well." Nigeria has a weighting of roughly 0.72%in the index and three bonds, maturing in 2014, 2019 and 2022, have been included as they are the most liquid. Yields have fallen around 300 basis points since JP Morgan announced the inclusion on Aug. 14. The bank estimates that about half the USD 1.5bn in expected inflows may have already come in, largely from hedge funds and niche investors.

"Now I think we'll see the people that are less familiar with this market coming through – the benchmark investors, the big real money accounts that may have taken some time to internalise this decision to include Nigeria in the index," said Giulia Pellegrini, JP Morgan strategist for Sub-Saharan Africa. Nigeria could end up attracting more than USD 1.5bn in inflows given that its bonds offer a yield premium of around 700 basis points over the index, Pellegrini wrote in a note to clients published on Sept. 25. Strong growth, a low debt-to-GDP ratio, rising foreign exchange reserves and a stable currency could spur additional inflows, the note said. Nigerians also hope the GBI-EM entry will also help bolster the case for reforms such as the introduction of securities lending and a deeper repo market. “We think this will help focus minds and get that moving faster so that the legacy can be a deeper, more diverse market,” said Akin Dawodu, treasurer at Citibank Nigeria. *(Vanguard)*

Nigerian banks have positioned themselves to play a key backing role to investors in the on-going privatisation of the power sector, BusinessDay has learnt from persons close to the process. The preparedness by local banks comes as the government focuses on its next target – a successful conclusion of the financial bid process, which opens for the preferred bidders for electricity distribution companies (DISCOs) on October 16. The process is already on for the five power generation companies (GENCOs) who were announced as the preferred bidders last week. The banks are believed to see tremendous opportunities to participate in the process, learning from past slow footedness, during the privatization of telecommunication infrastructure 12 years ago. They are also believe to be keen to showcase their capacity to play in the big ticket transactions, for which the country’s huge power infrastructure offers great potentials for balance sheet growth, particularly in areas of revenues and profits.

Analysts and a top official of the Bureau of Public Enterprises (BPE) told BusinessDay that the level of commitment made so far by the investors, makes the end result more plausible. “They will go the whole length because they have shown commitment from the beginning, with the huge capital outlay and technical references they have presented,” one senior banker who wants anonymity, told BusinessDay. It was the banker who told BusinessDay of banks’ pivotal role in driving to a successful end, the bid process, as well as the opportunities which the process offers to the banking sector, particularly after one of their peers, First Bank Plc, played a lead role, alongside a consortium in the bid for one of the Gencos. “The banks, having seen this, are consulting to see the various areas where they can take advantage, and are willing to gladly stand behind any bid winner, to get the money on the table,” he said. The participation of First Bank wetted the appetite of other banks, who are now biting their fingers for not seeing the huge opportunities early, and finding suitable partners to venture with.

The banks are said to have weighed the enormous potentials inherent in the privatisation exercise. Following this, they are now eying possible investors that can create windows for them to fund any of the projects. Others see the scramble by some key personalities involved in the process, who were named recently as barred from bank borrowing, to pay off their debts, as a positive signal as well, in the sense that their financial clout could be crucial in the process, for some consortia, as well as the banks. However, analysts still see the Federal Government’s target as a daunting task. The weight of the task is reinforced by the experiences of the past, when the process established for the sale of public utilities was muddled by preferred bidders who failed to pay up, after they won the bids. The cases of Nitel and SAHCOL are still very fresh in mind.

Analysts who spoke to BusinessDay do not rule out the possibility of such re-occurrence at this stage, of the power sector privatisation, and are calling for stiff penalties in case of default, including total exclusion of such companies or consortia, from future bid processes. But the Federal Government anticipates that, and has put up strong penalty clauses. At present, the hope is that the rules are applied. The Discos, as part of the rules, are required to pay USD 10m (N1.6bn) as Bond, while the Gencos are required to put in USD 2-3m and another S16m (N2.5bn) post qualification guarantee deposit. All of that already has gone into the Federal Government coffers. In other words, it will be unwise for the investors to go this far, without the clear intention of completing the race. *(Business Day)*

The Securities and Exchange Commission (SEC) is planning to introduce independent directors to the boards of stockbroking firms as part of efforts to strengthen corporate governance among broking firms and restore investor confidence in the market. Currently, listed companies are required to have independent directors on their board, who are expected to ensure they operate with high standard of corporate governance. Market sources told THISDAY last week that the apex regulator of the stock market is contemplating the introduction of independent directors on the board of stockbroking firms. “SEC is planning to introduce independent directors on our board that will report directly to commission,” the source, who is a senior broker said. Although he did not give details, the source said the independent director would have an additional check on activities of stockbroking firms in order to ensure that good corporate governance practices are adopted by market operators.

According to him, already regulators have made it compulsory for firms to have compliance officers, who report directly to the commission. He said that a firm that did not have a compliance officer was sanctioned. “Every three months, SEC goes to every stockbroking firm and asks for this compliance officer. Anyone that does not have compliance officer is sanctioned. The compliance officer is held responsible if anything goes wrong as a result of the firm failing to comply with market rules. All these things are being to make sure that operators stick to the rule of the game,” the broker said. Apart from the new move to have independent directors, the Nigerian Stock Exchange (NSE), through the new management has strengthened the enforcement of market rules among others so as to restore investor confidence. For instance, in 2011 the NSE enforced the minimum capital requirement for broker-dealers and in accordance with its zero tolerance policy, the exchange reconstituted its in-house investigation panel.

Also, to encourage the highest level of compliance, the exchange introduced penalties for seven violations previously lacking penalties in the exchange's rules. The Chief Executive Officer of the NSE, Mr. Oscar Onyema, said last week that the implementation of exchange’s zero tolerance policy for violation of its rules and regulations, would further be strengthened the Investors Protection Fund(IPF), which got a board of trustees (BOT) penultimate week. “We are quite thrilled about inauguration of the BoT of the IPF as investor protection is one of the five pillars upon which our transformation agenda is built. We are pleased that investors will have this source of relief in applicable circumstances,” Onyema said. *(This Day)*

The Nigerian naira firmed to its strongest in two weeks against the U.S dollar on the interbank market on Wednesday, supported by dollar sales by a unit of Chevron, traders said. The currency closed at 157.20 to the dollar on the interbank, firmer than the 157.35 to the dollar it closed at on Tuesday. The local unit also closed stronger at the bi-weekly foreign exchange auction, where the central bank sold USD 177.9m at 155.77 to the dollar, compared with USD 200m sold at 155.78 naira to the dollar at the last auction. Dealers said a unit of Chevron oil sold USD 61m to some lenders, boosting dollar liquidity in the market and providing support for the naira.

"We see the naira stabilising around the present level as we look forward to more dollar inflows from offshore investors buying local debt," one dealer said. The inclusion of Nigeria's debt in JP Morgan index on Monday has continued to boost participation by foreign portfolio investors' in local debt, bringing more dollars to the economy. Dealers said plans by the NNPC to sell dollars in the market next week could further boost support for the local currency. *(Reuters)*

Nigeria plans to issue 171.83bn naira (USD 1.09bn) in treasury bills ranging from 3-month to 1-year maturities at its regular bi-monthly debt auction on Oct. 11, the central bank said on Thursday. The regulator said it will issue 30.16bn naira in 91-day paper, 73.49bn naira in 182-day bills and 68.18bn naira in the 364-day paper next week. Traders said the 1-year paper is oversubscribed by offshore investors and local pension funds, which have shown robust demand for local debt after it was included in the JP Morgan government index this week. Nigeria issues treasury bills regularly to reduce money supply, curb inflation and help lenders manage their liquidity. *(Reuters)*

The Federal Government Thursday disclosed a new regime of tax incentives targeted at supporting local investors in the Nigerian economy as well as to encourage more foreign investment flow into the country. Minister of Trade and Investment, Mr. Olusegun Aganga, dropped the hint in Lagos at the on-going second edition of the Nigerian International Investment Forum (NIIF) organised by the ministry in collaboration with the Commonwealth Business Council (CBC). The incentives are coming just as the Group Managing Director/Chief Executive Officer of Access Bank Plc, Mr Aigboje Aig-Imoukhuede, projected that by the end of this year, Nigerian banks would post a total profit to be equivalent to about 10% of the aggregate profit of banks in the European Union. Explaining the new incentives packaged in the form of tax credits, Aganga said going forward, companies that had invested in the development of infrastructural facilities such as access roads, power plants and water plants in the course of setting up their businesses are now entitled to tax credit of up to 30% of the cost of generating the infrastructure.

Aganga described the initiative as a temporary relief measure introduced by the federal government to help cushion the debilitating effects of the challenges posed by the lack of infrastructural amenities in the country, which he described as a major setback to the inflow of investments into the country. Another phase of the tax incentives, according to the minister, which is targeted at employment generation, provides tax reliefs for any employer that hires above 10 staff members. The minister noted that for any 10 people employed by any company on a particular year, the employer gets tax credit for additional employments with more credits guaranteed if the employees are kept in the organisation further than two years. “The federal ministry of works is currently working hard on the development of trade related infrastructure with a target time of completion of 2014. But before then we have introduced measures to cushion the effect of infrastructure deficiency one of which provides that any company that has invested in infrastructure will have tax credit of up to 30% of the cost of generating the infrastructure,” he said.

Aganga also noted that the federal government had concluded plans towards fast-tracking the process of company registration in the country to less than 24 hours as has been achieved in Abuja.He said the first step was to achieve the 24 hours target in Lagos, Kano and Enugu and then ensure that it becomes the norm even when you are registering the company from any other part of the world. He noted that the target for the achievement of the milestone is 2013. “Investors like MTN took advantage of the opening up of the telecommunications industry in Nigeria while other global players were indecisive. Today those who failed to invest in the sector blame themselves when they see what MTN is making from its Nigerian operation.” Meanwhile, explaining the comparative trend in profit in Nigeria and Europe, Aig-Imoukhuede, argued that about five years ago when the total profit posted by all European banks was about USD 60bn, all the Nigerian banks recorded a combined profit of USD 386m. He, however, noted that in 2011, the figure changed significantly with the combined profit of all Nigerian banks climbing to USD 1.6bn compared to an aggregate profit of USD 52bn recorded by the European banks. He said it was safe to project that by the end of 2012 the aggregate profit of all Nigerian banks would easily be up to 10% of the total profit that would be declared by all the European banks. Aig- Imoukhuede urged investors not to underestimate Nigeria’s economic potential and the profitability of business in the country. “Nigeria cannot be ignored in the global business and economic scene for four major reasons, which include an extensive market; a rapidly growing economy; a stable political environment and a vibrant media and civil society sector,” he said. *(This Day)*

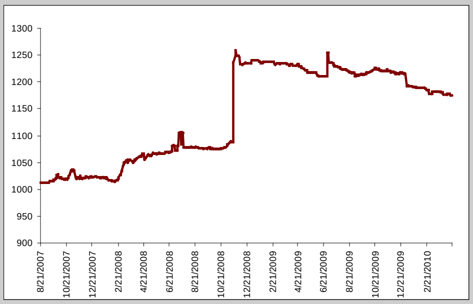
Bilateral trade between Nigeria and Brazil recorded an overall balance of USD 9.6bn (N1.5tn) in 2011. Speaking at the Nigerian Brazilian Chamber of Commerce and Industry (NBCCI) 3rd anniversary cocktail in Lagos, President of the chamber, Mr. Emmanuel Ibru said that the bilateral trade has all along been in favour of Nigeria, mainly because of the value of its crude oil export to the country. Ibru said, “The total figure of bilateral trade between Nigeria and Brazil for 2011 stood at USD 9.6bn. Nigerian import from Brazil was USD 1.2bn while her export to Brazil was USD 8.4bn.” To correct the unfavorable trade balance against Brazil, he emphasized the need for increased trade between the two countries to achieve a reasonable balance of trade. According to him, “There is a big potential for the flow of goods and services from Brazil and there is again, the question of making information available to the business community here in Nigeria of what is available in brazil that Nigerians require. Also, Brazilians have a lot of manufacturing and agricultural expertise, they can also export to Nigeria not just the finished product but they can also export the technical expertise to come and help Nigeria set up businesses over here.

“Another thing is joint venture between Nigerian and Brazilian companies. A situation where we are producing here and exporting to Brazil, and then creating employment in Nigeria and the Nigerian economy is getting an advantage not just from there but from the sale of the goods over there. “They should give Nigerian manufacturers the enabling environment to produce our goods with a comparative advantage and you find that they require a lot of things, the oil is obvious. If there is a comparative advantage we can attract Brazilian companies to come over here and manufacture here, with that it becomes a two-way thing and not we pushing oil over there.” He added that the Brazilians should consider setting up companies in Nigeria, a huge market that will not only serve the Nigerians but the West African sub-region in general. On the challenges of the chamber, he lamented that the major challenge of the chamber is the incapability of a direct air link between Nigeria and Brazil, saying, "To get to Brazil from Nigeria is very difficult, so this is challenging in terms of cost, and in terms of travel.

The Brazilians come from a different culture, they are Portuguese speaking, so they don't know much about the Nigerian market being an Anglophone market, so when you go to them to talk to them how important it is to come here and establish they are a little bit worried and disturbed because they don't know the market." Nigeria is the second largest trade partner of Brazil in Sub-Saharan Africa and 11th in the world. Brazil is the third largest importer of Nigerian crude oil after USA and India. Brazil's key industries include textiles, shoes, chemicals, cement, agriculture, motor vehicles and parts, other are machineries and equipment. "Major export products include aircraft, coffee, vehicles, soybean, sugar, rice, orange juice, iron ore, steel, textiles, footwear, electrical equipment and others. Brazil's current account surpluses had continued to hit record levels, indicating that exports were growing strongly." *(Vanguard)*

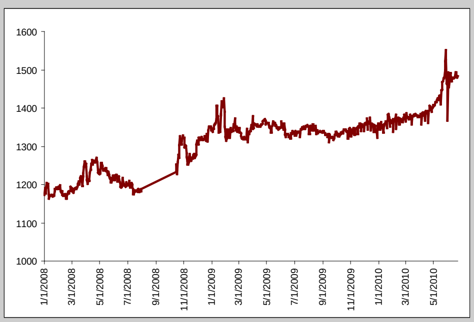
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-9.907	-9.086	-9.7
Current account balance (USD bn)	-2.195	-2.15	-2.477
GDP based on PPP per capita GDP	1,414.36	1,487.35	1,578.68
GDP based on PPP share of world total (%)	0.082	0.085	0.088
GDP based on PPP valuation of country GDP(USD bn)	57.335	61.5	66.582
GDP (current prices)	546.63	572.25	605.346
GDP (Annual % Change)	4.954	5.649	6.74
GDP (US Dollars bn)	22.159	23.662	25.531
Inflation(Annual % Change)	7.251	7.028	7.126
Inflation (Annual % Change)	6.659	6.423	5.5
Population(m)	38.2	38.964	39.743

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The Tanzania Share Index (TSI) ended the week at 1,457.61. The All Share Index (DSEI) settled at 1,290.59. Most counters, TBL, Twiga, Simba, NMB, CRDB and DCB closed the week flat. CRDB was most traded counter with a volume of 522,394 shares, followed by TBL 216,173 shares.

Corporate News

No Corporate News this week

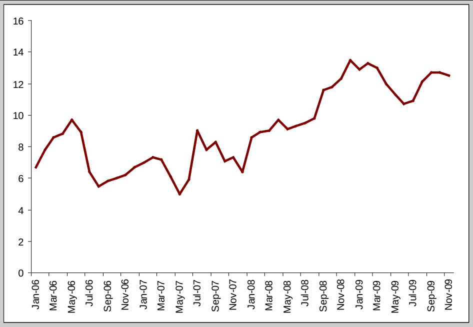
Economic News

Tanzania's central bank has licensed the country's first credit reference bureau to encourage information sharing among banks to spur lending and lower commercial interest rates, it said on Friday. Dun & Bradstreet, a global business information firm, was licensed as the credit reference bureau. "Access to individual or company's credit history reduces incidences of institutions lending to habitual defaulters," said Juma Reli, deputy governor at the central bank. Banks in Tanzania suffer from high credit risk exposure partly due to a lack of sufficient information about borrowers, analysts said.

"The retail lending rates are very high in Tanzania, with commercial banks charging rates of up to 22%," said Moremi Marwa, CEO of Tanzania Securities Limited. "In the previous quarter, some major commercial banks had over 10% non-performing loans, which is quite a high rate." Credit to the private sector grew at an annual rate of 19.7% in the year to July 2012, compared with 25.3% recorded a year ago, the central bank said on its website. *(Reuters)*

Tanzania needs to limit power outages if it wants to maintain buoyant growth this year and next, the International Monetary Fund mission to Tanzania said on Tuesday, urging the government to come up with a viable plan for the sector. Paolo Mauro, leader of the IMF mission to Tanzania, re-affirmed the fund's predictions that the Tanzanian economy will grow between 6.5% and 7% in 2012 and said growth is projected to "remain buoyant" in 2013. But Tanzania, like neighbouring Uganda and Kenya, frequently suffers from blackouts and Mauro singled out electricity supply as a potential stumbling block to Tanzania's economic growth. "(The IMF) urges the government to prepare rapidly an action plan to address challenges in the electricity sector," Mauro said in a statement. "Near-term challenges relate to the need to preserve ample and reliable electricity supply while ensuring the financial viability of national power utility.

TANESCO, where sizable outstanding payment arrears have built up vis-a-vis suppliers following the emergency power plan introduced in late 2011." A report from the government's chief auditor in April exposed mismanagement and misuse of government funds in TANESCO and other state-run agencies.



Source: SAR

However, the IMF mission's report on Tanzanian economy was positive overall, with the fund praising the government's 2012/2013 budget, which it said "appropriately balances" the need for sustained fiscal consolidation, preserving social spending, and creating room for critical infrastructure investment. *(Reuters)*

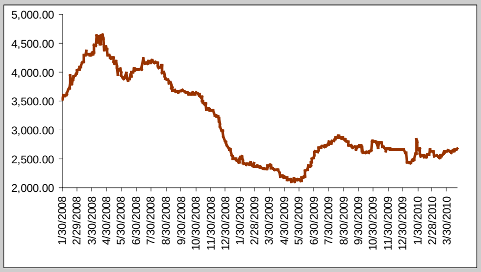
Tanzania's economic growth rate remained below levels targetted by the government in the second quarter, with slumps in the mining and electricity sectors offsetting a strong performance by transport and communications. Growth slowed to 6.9% in the second quarter of 2012 versus a 7% expansion in the same period a year ago, the statistics bureau said on Wednesday. The National Bureau of Statistics said in a report that the mining sector was a drag on economic growth, slowing to 1.2% from 5.6% following the temporary closure of a mine owned by Africa's biggest gold miner AngloGold Ashanti. Tanzania, east Africa's second-largest economy, has said it would target average economic growth of 8-10% annually over the next five years to revamp the agriculture, infrastructure and industrial sectors.

However, the country's heavy reliance on hydropower coupled with frequent power shortages during dry seasons make that unlikely. "The slow growth rate has been attributed to the temporary closure of Geita Gold Mine due to major maintenance of the plant," the state-run National Bureau of Statistics (NBS) said in its quarterly review. Output in Africa's fourth-largest gold producer fell to 9.819 tonnes of the precious metal in the second quarter of 2012 compared to 10.405 tonnes a year ago. Mining is the biggest foreign exchange earner in Tanzania, but the country's economy also depends on agriculture, tourism, manufacturing, financial services, transport and communications. "The growth rate of electricity was 5.6% in the second quarter of 2012 compared to 10.3% in the similar quarter of 2011," the report said. Tanzania, like neighbouring Uganda and Kenya, frequently suffers from blackouts, with the International Monetary Fund (IMF) warning on Tuesday the country needs to limit power outages if it wants to maintain buoyant growth this year and next. The IMF, which re-affirmed its predictions that the Tanzanian economy will grow between 6.5% and 7% in 2012, said growth is projected to "remain buoyant" in 2013.

The statistics office said growth was particularly boosted by the transport and communication sector, which saw the fastest growth at 15.2%, though that was still down on the 16.6% recorded in the same period a year ago. The agricultural sector grew by 5.2% in April-June 2012 from 5.9% a year earlier and the financial services sector grew by 14.1% compared with 10.0% growth in the previous year. "The performance was attributed to an increase in levels of deposits and lending by commercial banks," the report said. Construction activity grew at 4.3% in the second quarter of 2012 compared with 4.9% a year ago, while manufacturing grew 8.2% from 8.5% previously. *(Reuters)*

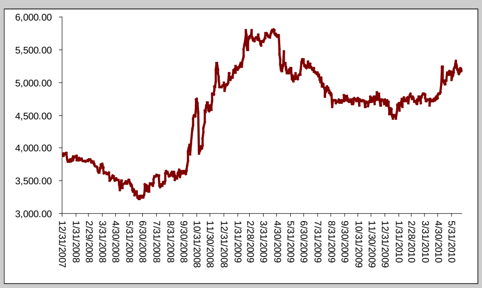
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-3.935	-2.871	-2.561
Current account balance (USD bn)	-0.484	-0.453	-0.469
GDP based on PPP per capita GDP	1,544.01	1,615.66	1,696.23
GDP based on PPP share of world total (%)	0.026	0.027	0.027
GDP based on PPP valuation of country GDP(USD bn)	18.482	19.711	21.091
GDP (current prices)	1026.921	1294.482	1472.322
GDP (Annual % Change)	4.537	5.042	5.495
GDP (US Dollars bn)	12.293	15.792	18.307
Inflation- Ave Consumer Prices(Annual % Change)	13.989	10.201	7.261
Inflation-End of Period Consumer Prices (Annual %)	11.996	8	7.017
Population(m)	11.97	12.2	12.434

Source: World Development Indicators

CPI Inflation

Stock Exchange News

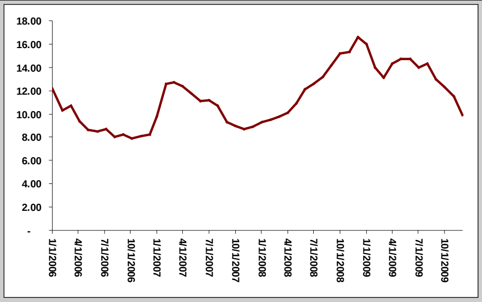
The LuSE appreciated by 0.48% at 3,725.91 points. LAFA gained 0.02% at ZMK 8007. CECZ led the losers -2.50% at ZMK 663, while Zambre and Zain lost -1.92% and -0.29% to close at ZMK 2600 and ZMK 698 respectively.

Corporate News

ZANACO Bank Plc's book loan this year stands at K2 trillion with personal loan and the agriculture sector accounting for a larger funding to be released in the national to spur economic activities. And Zanaco has invested USD 1 to be spent on adaption of its infrastructure in readiness for the rebased Kwacha to be implemented on January 1, 2013. The bank's managing director Martyn Schouten in an interview said private individual account largest share of the loan book is at 43% and the agriculture sector 27% while the remaining sum is to be shared between corporate entities and Government. Mr Schouten said it is important to boost economic activities in the country by boosting the agriculture sector and small and medium-scale entrepreneur (SMEs). Currently SMEs account for about 10,000 bank customers and about 5,000 small-scale farmers. Meanwhile, Zanaco is on track in its preparatory works for the bank to smoothly switch to the new Kwacha.

Mr Schouten said adaption exercise calls for hard work and huge investments by commercial banks to ensure that the project is successful. "About a million dollars will be spent on adaptation of the computer systems, cash counting machines, sensitising our staff and customers. We will also need to ensure that by January 1, 2013, the new currency is available for people who would like to change the old Kwacha to the new Kwacha," he said. Commenting on the bank meeting the reversed minimum capital, Mr Schouten said Zanaco has met the USD 100 million requirement targeted for foreign banks despite it being a local bank. Zanaco is 53% owned by Zambians (Government, local institutional, private investors and employees) and 47% shares held by Rabobank. "I can proudly say, Zanaco is the most capitalized bank in Zambia today and with this strong capital base, we can lend more to the public," he said. Government has raised the minimum capital amounts for banks from USD 2.5m to USD 20m for local banks and USD 100m for foreign banks to be met this December.

Officiating at a customer interaction event held at Levy Mwanawasa stadium in Ndola, Mr Schouten said the Zanaco's goal is to become the leading bank in Zambia. He said the bank plans to significantly boost its market share among the small and medium entrepreneurs (SMEs) by 2015, be the bank of choice for Government, agribusiness and farmers. "As you all know well, as critical as mining is, there is a lot more to the Copperbelt province. Agriculture is key to Zambia's economic diversification, dynamic growth and innovation that come from SMEs," he said. He also noted that Zanaco's mission is to be the bank for



Source: SAR

unbanked society in rural areas to ensure economic sustainability where more than two thirds of the population does not have bank accounts. "We have set ourselves the goal of enabling more than 50,000 Zambians to become financially literate to have the skills and knowledge they need to source income and make it work for them by 2015. It has been and is a cornerstone of our corporate social responsibility work," he said. Mr Schouten said the bank's values-based approach to banking will enable it achieve its goal of being Zambia's leading bank. *(Daily Mail)*

KONKOLA Copper Mine (KCM) is investing USD 180m in the Nchanga mine underground project to increase the lifespan and mining activities at the mine. The mining giant has also budgeted USD 15m for exploration of minerals with a view to increasing the KCM presence in Zambia. Briefing journalists in Chingola on Monday, company chief executive officer Jeyakumar Janakaraj said KCM will soon embark on the Nchanga deep project that will increase the lifespan of the underground mine to 35 years from the current 26 years. "We are looking forward to the Nchanga underground project, we have set aside USD 180m for the programme, "he said. Mr Janakaraj said the company is interested in venturing into exploration of copper for enhanced mining activities and plans on spending USD 15m for this project. "We want to be everywhere in Zambia, we will be exploring for copper in other parts of the country," he said.

Mr Janakaraj said KCM will approach Government for a mineral exploration licence for the company to go beyond the leach plant. He said Zambia has enormous exploration opportunities which KCM wants to explore. He said the company will be part to the growth of the mining industry across the country. Meanwhile, the Konkola Deep Mine Project (KDMP) at Chililabombwe's mine is progressing well and is expected to be completed before the end of 2012. "A lot of people have doubted the completion of the historic project in Chililabombwe. Our target now is to soon complete the ongoing KDMP project, it is progressing very well," he said. He said once the project is completed, the lifespan for Chililabombwe KCM mine will be increased to 35 years from 26 years. KCM has a total of 23,000 employees at its mines in Chingola and Chililabombwe. Mr Janakaraj said KCM employs between 350 to 400 people every year. *(Daily Mail)*

CAVMONT Bank has recorded a loss after tax of K5.2bn for the six months period ending June 30 owing to declining lending margins experienced by the banking industry. The bank's shareholder, Cavmont Capital Holdings Zambia Plc (CCHZ) has also injected K42.9bn as part of the bank's plan to meet the K104bn minimum capital requirement for local commercial banks.
According to the bank's unaudited interim results, the K5.2bn loss however represents eight% improvement from last year. The bank is on a course of recovery through strong balance sheet growth and increase in business volumes. "The repositioning of the banking business capabilities and sustainability after the replacement of systems processes and introduction of a range of new banking products and service offerings," the bank stated. And Cavmont Bank said its shareholders have approved a structuring and recapitalisation plan to enable the bank to attain locally-owned status and to ultimately comply with the K104bn capital requirement.

This follows the increase of the minimum capital requirement for commercial banks to K104bn for locally-owned banks and K520bn for foreign- owned banks by the Bank of Zambia (BoZ) with all commercial banks expected to meet 60% of the new prescribed minimum capital by September 30, 2012. Cavmont bank head of marketing and corporate communications services Mutinta Musokotwane said the restructuring and recapitalisation plan has resulted in the injection of K42.9bn through an upfront underwriting arrangement of the claw-back renounceable rights issue planned for later this year. Ms Musokotwane said CCHZ intends to raise the additional capital to increase the total share capital of the bank to the full K104bn requirement by means of the actual renounceable rights issue. Company board of directors chairman, Guy Phiri said the injection of capital is a step in repositioning the bank for growth and to effectively compete in the market. And Cavmont Bank managing director Johan Minnaar said, "These developments pave the way for the full implementation of the bank's medium to long-term strategy and the realisation of the benefits of the investments made since 2009 in repositioning the bank." *(Daily Mail)*

MKUSHI Copper Joint Venture (JV) Limited will invest about USD 62m to develop a large-scale copper mine in Mkushi district with the firm expected to commence pre-production once Government cancels the default on the mining license. Mkushi Copper a joint venture project between Ratel Group and African Eagle had its license suspended this year due to failure to develop the mine. Mkushi Copper JV general manager Leonard Blake says the mining firm intends to invest about USD 62m in the project and create about 250 jobs. Mr Blake said the company has not been able to commence pre-production due to the suspension of the mining license. Mr Blake said this when the firm made a presentation on the current status of the project to Ministry of Mines deputy Minister Richard Musukwa in Lusaka yesterday. "We will move into pre-production and start with power upgrading at a cost of USD 2m once Government cancels default on the license," he said.

He said the mine will between the first and second quarters of next year commission the mine plant with the capacity to produce about 20,000 tonnes per month. Mr Blake also disclosed that Ratel plans to partner with Elephant Copper, a move that will enable the firm to produce up to 750,000 tonnes of copper annually and contribute over USD 46million in taxes in the next five to 10 years. Elephant copper is a private company, with a number of projects in Namibia, the Democratic Republic of Congo and Botswana. But Mr Musukwa said Government expects investors to move on site after being issued with mining licenses and will not hesitate to cancel mining licenses that are held for speculation purposes. "It is not Government's intention to revoke mining licenses but expects the investors to immediately move on site that way the Government will be able to derive maximum benefits from its mineral resources. We will not hesitate to cancel the mining licenses that are held for speculation purposes," he said. *(Daily Mail)*

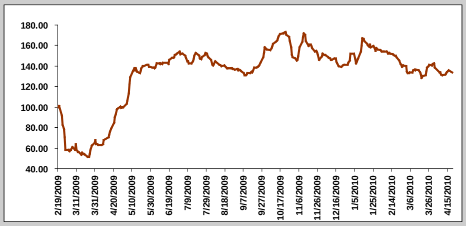
Economic News

THE Bank of Zambia (BoZ) says it will soon announce changes to the minimum capital requirement of micro finance institutions (MFIs) and non-bank sector to improve capital position and bring down interest rates in line with economic fundamentals. The central bank says the proposed changes to the capital requirement are intended to affect the pricing of credit as it is perceived to bethe highest at 234% per annum. Bank of Zambia deputy governor Bwalya Ng'andu says rates for the upper end of this scale are clearly unacceptable as they are undesirable. "In the second quarter of 2012 for instance, we note that effective lending rates by MFIs range from the lowest at 34 to 231% per annum. Dr Ng'andu was speaking in Lusaka at the launch of Micro Finance Zambia which is a wholly-owned subsidiary of Finance Bank Zambia Limited. "We have engaged these institutions on the need to bring lending rates to reasonable levels. To some extent a number have made efforts to lower them. But the fact remains that the overall picture is that of a market characterised by high lending rates," he said.

He said at Finsbury Park that there is need for affordable credit to be provided to large and small scale businesses and individuals for the economy to flourish. Dr Ng'andu said the MFI sector currently makes up the largest non-bank financial institutions subsector with asset holdings of K1, 172.2 billion as at June 30, 2012. This represents 45.5% of the overall assets of non-banking financial institutions (NBFIs). He said the bulk of the assets are in form of payroll based personal loans, which are largely used for consumption purposes. *(Daily Mail)*

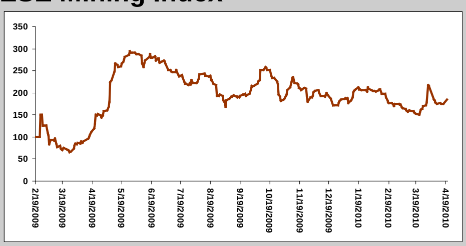
Zimbabwe

ZSE Industrial Index



Source: Reuters

ZSE Mining Index



Source: Reuters

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-21.357	-19.898	-19.582
Current account balance (USD bn)	-0.76	-0.84	-0.946
GDP based on PPP per capita GDP	303.146	359.739	411.761
GDP based on PPP share of world total (%)	0.004	0.005	0.005
GDP based on PPP valuation of country GDP(USD bn)	3.731	5.954	5.983
GDP (current prices)	303.146	359.739	411.761
GDP (Annual % Change)	3.731	5.954	5.983
GDP (US Dollars bn)	3.556	4.22	4.831
Inflation- Ave Consumer Prices(Annual % Change)	9.00	11.96	8.00
Inflation-End of Period Consumer Prices (Annual %)	0.813	8.731	7.4
Population(m)	11.732	11.732	11.732

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The industrial index closed the week 3.94% higher at 151.75 while the mining index closed the week 9.06% lower at 87.30. Amongst heavyweights, Delta, Econet and Innscor all registered gains for the week, up 7.05%, 7.73% and 8.25% respectively. Pelhams, TPH and Afdis were the top gainers of the week, up 20.00%, 11.11% and 8.95% respectively. M&R, Falgold and RTG recorded the most significant losses, down 50.00%, 28.00% and 11.54% respectively.

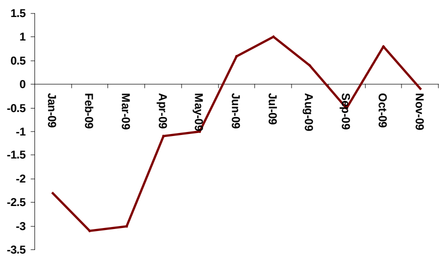
Corporate News

Zimasco, the major Zimbabwean chrome producer, has stopped buying ore from the small-scale miners in the northern parts of the Great Dyke and has slashed wages for its own staff in Mutorashanga. The company cites high electricity costs, high interest rates and unaffordable taxes for the major cut-back in operations. The suspension in ore buying has hit thousands of small scale miners contracted to supply chrome ore to the company along the upper Great Dyke; these miners have been servicing Zimasco claims since the company stopped direct mining in the area in the 1990s. The company's North and Middle Dyke division general manager Mr Namatai Mapfumo last week wrote to the small scale miners informing them of the suspended operations.

The areas affected by the decision include Mhondoro-Ngezi, Darwendale, Mapinga, Mutorashanga and Guruve where high concentrate chrome ores known as D23, D24 and D30 are produced. "As officially advised in the meeting called for that purpose which was held in the Zimasco operations board room between Zimasco management and Small Scale Tributor Committee on the 25th July, 2012, this letter serves to confirm that D23 production will be suspended with effect from 26th September 2012 until further notice," he said. According to minutes of the July 25 meeting, Mr Mapfumo told the Small Scale Tributor Committee that operations in the area had become too costly.
"However, the situation for the organisation remains very difficult due to domestic financial pressures exerted by Zesa tariff increases, increases in mining fees and taxes and high cost of borrowing from the banks," he said. Mr Mapfumo told the committee members that there were no signs of improvement on the market with regards to chrome prices.

He said the third quarter prices of chrome ore were US10c lower than those of the second quarter. Mr Mapfumo said cash flow problems had forced the suspension of the rebuilding of Furnace II at the smelting plant in Kwekwe, while Furnace III was put offline. The company was represented at the meeting by Mr Mapfumo (chair), Mr Abraham Nyamwela (mine manager North Dyke) Middle Dyke mine manager Mr Tody Chisare, Contract Mining Manager North Dyke Cansio Zvoushe (recording) and Mr Charles Mlambo, the company's finance and administration manager. A decision was taken at the meeting to reduce ore production in line with operating furnaces. "In (the) process, the expensive ores

Zim Inflation



Source: SAR

were affected first, followed by reduction in some ores perceived not so expensive," read minutes of the meeting. "D23 ores will be taken off the Mines Production Schedule effective end of September 2012 and all D23 operations will be stopped, while D24 and D30 will be reduced." Zimasco stopped active mining of chrome in the 1990s and most of its claims were being serviced by small scale miners and co-operatives. There are 26 co-operatives and small scale mining ventures linked to Zimasco's North Dyke, while 12 others operate along the Middle Dyke.

All these tributaries operate through Zimasco offices in Mutorashanga. Permanent workers at Zimasco in Mutorashanga have been advised that the company would now be operating at 50%. The workers, who had their salaries cut by 20% earlier this year, work two weeks a month. Zimasco chairman Professor Deng Jian and services director Mr Josphat Zvaipa could not be contacted for comment as they were said to be locked up in meetings since Monday of last week. The small miners' representatives, who preferred anonymity feared that Zimasco would close operations after the suspension. They urged Government to lift a ban on chrome ore exports and let them find their own buyers. "There is nothing we can discuss come December because mines would be shut down. We are afraid Zimasco is preparing to shut down for good," a representative of the committee said. The miners said the Zimasco tributaries employed close to 5 000 workers, while another 5 000 people had businesses linked to their operations. "Zimasco owns the claims but they should allow us to continue mining while we look for alternative buyers," the representatives said. *(Herald)*

EMIRATES today commences daily flights on its Dubai-Lusaka-Harare route eight months after its launch in February. The airline has been flying between Dubai and Harare via Lusaka five times a week since February 1 this year. Emirates' country manager for Zimbabwe Mr Raed Al Rahmah on Friday said the increase in flights is an indication of the commitment of the airline to expanding its network within Zimbabwe and Africa. "We see great potential in this market. To date, Emirates has carried over 43 000 passengers on the route," he said. He added that their load factor on the linked route had averaged 80% since February. Mr Al Rahmah said that they were also encouraged by the economic growth prospects of Zimbabwe, which he said should spur demand for their service. "Harare is growing as an important business and industrial centre in Southern Africa. "It is anticipated that the economy will grow at a rate of 5% a year in the coming years and we anticipate strong demand for the service from around our network," he said.

Looking ahead to the hosting of the United Nations World Tourism Organisation General Assembly by Zimbabwe and Zambia, Mr Al Rahmah said that they were keen to play a part although their role would be determined by the airline's headquarters. On the local front Mr Al Rahmah said that they had struck a healthy relationship with local travel agencies and tour operators and were very encouraged by the business being derived from these synergies. "We have been co-operating well with travel agencies and because of this we recently received an award for the best international airline from the Association of Zimbabwe Travel Agencies," he said. Mr Al Rahmah said that their air service has been a hit with local travellers that are not only destined for Dubai but even those connecting to other destinations such as China, the United Kingdom, Germany and India. The Dubai-Lusaka-Harare service is operated by an A330-200 aircraft that has a three-class configuration offering 12 luxurious First Class seats, 42

seats in Business Class and 183 seats in Economy Class.
Emirates recently introduced a weekly cargo capacity of 224 tonnes that is aimed at supporting the import and export of a diverse range of commodities. Key commodities being shipped from Harare and Lusaka include fresh flowers, fruit, vegetables and copper mining industry by-products. *(Herald)*

GENERAL Beltings Holdings posted an operating loss of USD 659 000 for the half year to June 30 2012 as the company suffered a decline in sales volumes and turnover. Volumes at 641 tonnes were 9% lower than the 707 tonnes recorded in last year's corresponding period, while turnover at USD 2,9m was 8% lower than the USD 3m recorded last year. General Beltings management attributed the depressed volumes and turnover to "domestic working capital challenges". During the period under review, the company's gross margins declined by 9% due to several factors including low capacity utilisation at its rubber division, increased raw material and labour costs. The company also reported achieving operating cost savings during the six months period. Finance costs at USD 65 000 were 3% lower than in the prior comparable period despite a reduction in the short-term debt. A net cash-flow of USD 431 000 was recorded resulting in net asset decline of 10% from last year end. In respect of its subsidiaries, the rubber division experienced a decline in volumes by 24% at 124 tonnes, while turnover dipped by 17% at USD 1,6m. Management attributed the constrained performance to low demand as a result of the liquidity challenge.

Cash shortages also affected the operational aspects of the business. General Beltings Chairman Mr Godfrey Nhemachena said in a statement accompanying the results: "Challenges associated with cash shortages delayed delivery of raw materials and adversely affected performance in spite of a significant order book. The division managed to fend off competition on both the pricing and technical back up fronts." On a positive note, the company's exports into the region increased by 269% to USD 96 000, although this growth could have been higher on adequate funding, said management. The chemicals division recorded turnover of USD 1,3m, which was 3% below the prior comparable period figure of USD 1,4m. Although volumes declined by 8% at 531 tonnes from the previous period, management reports that gross margins were contained within 5% of the prior year period figure, a factor they attributed to a favourable product mix. During the half year, company shareholders approved the raising of additional long-term capital. It is on this basis that management foresees a return to profitability. *(Herald)*

Business tycoon and Rainbow Tourism Group (RTG) single largest majority shareholder Nicholas van Hoogstraten says he will not support capital raising initiatives mooted by the hospitality concern until a forensic audit on the company's debt is conducted. The group recorded a pre-tax loss of USD 2,3m in the first six months of the year to June and is in desperate need of USD 15m to recapitalise and to retire short-term debts. It also plans to raise USD 5,5m through a rights issue and USD 9,5m through the sale of Bulawayo Rainbow Hotel to the National Social Security Authority. In May last year RTG took a decision to sell its non-core assets Touch the Wild Tourism Services Zimbabwe and Hathanay Investment to raise funds. Van Hoogstraten told NewsDay last Friday that issues to do with the last rights issue were still pending at the courts. "We cannot support the rights issue for a number of reasons. Firstly, we were defrauded at the last rights issue and the matter is still at the courts and has not been resolved," he said.

“Secondly we want a forensic audit to determine how a company, which had no debt three years ago has now got a debt of over USD 20m. “Thirdly we want a guarantee on the money raised being used correctly and not just disappearing, as has been the case under the former board.” In the six months to June, the group’s short-term borrowings amounted to USD 12,6m, while long-term borrowings closed at USD 10,6m. As part of efforts to contain costs, RTG plans to layoff close to 200 employees at a cost of USD 80 000 within three months. The hotel concern has an estimated staff complement of over 1 000. The group, which owns A’Zambezi River Lodge, Victoria Falls Rainbow Hotel, Bulawayo Rainbow Hotel, Kadoma Hotel and Conference Centre and New Ambassador Hotel has begun a head-hunting exercise to replace its former chief executive officer Chipo Mtasa. *(News Day)*

Econet Wireless yesterday launched a consumer promotion where the mobile phone company is offering cash prizes of over USD 1m. The promotion, which is sponsored by the company’s mobile money transfer service, EcoCash, is dubbed the “EcoCash One Million Dollar, WayaWaya Promotion”. In a statement, Econet said the promotion had been launched to celebrate the first anniversary of EcoCash that boasts more than 1,7m registered users. EcoCash is the second fastest growing mobile money transfer service in the region after M-Pesa launched in Kenya by Safaricom. “The company could have brought several vehicles as prizes, but we decided instead to give cash to customers, so they can decide what they what to do with their money,” the company said.

“Econet is inspired to change people’s lives and offering a customer USD 100 000 can help achieve their dreams like buying a house, furnishing their house or even start a meaningful business. To us, this is life changing.” Econet said the promotion will offer a grand prize of USD 100 000. To enter the promotion one simply needs to transact using EcoCash. Unregistered customers qualify the moment they register. During the competition, which runs over the next three months, Econet will give away USD 100 to 100 customers every day for 100 days. *(News Day)*

Zimbabwe’s largest platinum producer, Zimplats, has invested over USD 30m in carrying out a study for the establishment of the first-ever platinum group of metals refinery in the country. Zimplats chief executive officer Alex Mhembere told NewsDay that the platinum miner had engaged an international consultancy firm to carry out a feasibility study ahead of the construction of the mega project, widely expected to create more jobs in the sector and revenue through beneficiation. He added that the local Platinum Producers’ Association, a group representing major platinum miners Mimosa, Unki and Zimplats were committed to setting up the new facility and decentralising the process. The Zimplats boss said as production by the mines increases, South Africa, which is currently processing the metal, would run out of capacity to beneficiate the platinum group of metals. “Zimplats being the largest company in the platinum industry in the country has taken a central role in that regard,” Mhembere said. “We can confirm that work has begun in terms of the feasibility study to establish a base metal refinery and we have so far spent an excess of USD 30m. “Doing that is a strong commitment. We are putting our money where our mouth is.

We have already spent this USD 30m. “When this facility comes on stream, we need at least 100 megawatts of uninterrupted power. “We are working with Zesa to make them aware and plan for that.” Endowed with the second largest

platinum reserves in the world after South Africa, the government is pushing for the domestic processing of the mineral to plug revenue leakages and create more jobs. The mining sector, according to government estimates, directly employs just over 45 000 workers. According to the Chamber of Mines of Zimbabwe, at least USD 2bn is required to set up the refinery.
Zimplats, a unit of South Africa's Impala Platinum, is a platinum group of metals mining company that currently operates three underground mines and a concentrator at Ngezi as well as the Selous metallurgical complex, which comprises a concentrator and a smelter. Zimplats, according to official figures, has invested USD 955m over the last 10 years, increasing annual platinum production by almost tenfold to 187 000 ounces from 20 000 ounces. The platinum miner is targeting an annualised production of 270 000 ounces. *(News Day)*

BINDURA Nickel Corporation will require an estimated USD 60m in additional funding to restart its smelter and refinery plant. Due to constraints around raising capital in Zimbabwe and how it struggled to secure funding to restart Trojan Mine, the mining firm might only start mobilising the resources three years from now. Africa's only integrated nickel miner successfully completed a USD 23m recapitalisation for the restart of Trojan Mine late last month. And in the meantime BNC will export nickel concentrate under an off take agreement with commodity trader Glencore International. BNC requires a total of USD 33m to attain a positive cash generating stage and achieve annual production level of 7 000 tonnes of concentrate. Chief operating officer Mr Batirai Manhando told The Herald Business that a total of USD 200m would satisfy the firm's needs. "But where do you get that kind of money in Zimbabwe (considering) it took us three years to raise USD 21m," said Mr Manhando. He said the firm might reconsider its plans and raise the funding earlier if nickel prices kept firming on the international market.

Mr Manhando said the smelter and refinery enhances the value of the mineral concentrate from 10% nickel to 99,9%. The firm seeks to raise an additional USD 13m to fund operations in the second year following restart of operations at Trojan. Mr Manhando said the company was looking at several options of raising the requisite funding and this included debt financing. The restart of Trojan Mine is already in full swing and it is expected that the production will resume in the first quarter of 2013. Refurbishment work has so far covered the main rock shaft bunton sets, main rock shaft ore, bin and waste conveyors, crushing plant steel structures, electrical panels and cables, overhauling crushers, screens and hot commissioning of the crushing circuit. The first blast, after the successful cash call, was done last Monday as part of development work underground to refurbish the surface. This closes the chapter on a difficult path the nickel miner has had to travel over the last few years. BNC's operations were frozen in late 2008. BNC plunged into crisis due to a combination of factors chief among them a dip in global metal prices and hyperinflation in Zimbabwe.

It was among hundreds of mining and non-mining companies that closed shop at the height of Zimbabwe's economic instability. These economic challenges hamstrung its capacity to pay workers and creditors resulting in the build up of massive liabilities. While negotiations on how the liabilities to creditors would be cleared were fairly easy the process took longer with the workers. This stalled BNC's planned recapitalisation, but when an agreement was reached the both creditors and staff in total converted a value of USD 11,5m of the liabilities to BNC shares. Workers and creditors of the company now own 31,74% of BNC after the company placed 384m shares as back pay, retrenchment package and settlement of other outstanding liabilities. After a successful staff rationalisation programme BNC was left with about 1000 workers, half of the total head count the firm had. *(Herald)*

THE National Social Security Authority has approved a USD 10m medium-term loan to Rainbow Tourism Group for the hospitality group to retire its short-term debt. Sources from both parties told Herald Business in separate interviews that the loan deal with NSSA, a 28% shareholder in RTG, has been concluded and disbursements would start before the end of this month or early next month. RTG's short-term debt is about USD 14m. A further USD 4,5m would be raised through a rights offer and shareholders seem to have agreed to support the cash call. "In terms of retiring the debt, the group has successfully concluded a USD 10 medium-term loan with NSSA," said a source at RTG who asked not to be named. "With the short-term debt currently standing at about USD 14m, the group intends to raise additional money through a rights issue to settle the balance of the short-term loan." RTG acting chief executive Mr Pascal Changunda said in an interview this week the hospitality group was looking at various options to retire its short-term debt. "Various ways are being looked into and an announcement would be made shortly," he said. Apart from the short-term debt, the group has a medium-term debt of USD 10,7m with Africa Export and Import Bank (USD 7,5m) and PTA Bank (USD 3,2m). Net gearing for RTG stood at 73,2% in six months to June, meaning the level of debt, although improved from 99,6% in the same period last year, is still high.

In a research note on RTG in August, Imara Edwards Securities downgraded its hold recommendation to sell, saying the hospitality company remained undercapitalised and failure to recapitalise could leave it in a precarious position. The group has borrowed since the adoption of the multi-currency system, mainly to finance operations and fund refurbishments. Progress has been made at some operations, with Rainbow Towers, its flagship, expected to be completed by January next year. Refurbishment of A'Zambezi Lodge in Victoria Falls has been completed and has been upgraded as a four-star facility. Other properties to be upgraded and refashioned include Bulawayo Rainbow Hotel, Kadoma Hotels and Conference Centre and Victoria Falls Rainbow Hotel. The construction of a 140-room hotel in Beitbrigde is nearing completion and may open doors next January, the company said in August. With regards to the sale and lease-back transaction of Bulawayo Rainbow Hotel with NSSA, the deal is yet to be concluded. RTG disposed of Touch the Wild Safaris and Tourism Services Zimbabwe for USD 900 000. The disposal of Matetsi Water Lodge is expected to be completed this year, realising USD 1,6m. Analysts say the level of the net gearing meant recapitalisation of the group was long overdue.

The sale of Bulawayo Rainbow Hotel was meant to raise money to partly recapitalise the group but the problem has been the unwillingness by Mr Nick van Hoogstraten, a 36% shareholder, to back the move. The British property tycoon had also problems with management on previous recapitalisation of the group. RTG has operations in Zimbabwe, Mozambique and Zambia. For six months the group reported a weak set of financials, led by the high operating and finance costs as well as poor performance by discontinued operations. A 14% growth in average revenue per room supported the 5,7% increase in turnover. Occupancies eased to 39% from 41%. The increase in conferencing business anchored ARR growth. Margins were pressured mainly due to high staff and utilities costs. Cash flows were strained with negative net cash generated from operations. *(Herald)*

MOZAMBIQUE Airlines (LAM) is set to resume flights to Harare this month, officials confirmed this week. In a statement, Mozambique's flag carrier said it would fly to Harare twice a week, on Wednesdays and Sundays, beginning October 31. “The flights, both to and from Harare, will also stop at Beira (Mozambique's second largest city) to offer more connections with all LAM destinations, and to increase e opportunities for passengers to travel easily and with greater frequency and rapidity to Harare,” the company said. LAM's other regional destinations include Johannesburg, Luanda, Dar es Salaam and Nairobi. The airline joins a growing list of regional and global carriers returning to Zimbabwe after quitting the country in the last decade as political and economic conditions continued to deteriorate. The formation of a coalition administration after violent but inconclusive polls in 2008 has helped ease political tensions. In addition the local economy has enjoyed steady recovery after the introduction of foreign currencies in place of the virtually worthless Zimbabwe dollar. Regional airlines are also moving in to fill in the void left by Air Zimbabwe which was forced to suspend all international flights due to mounting debts and a host of other operational problems. *(New Zimbabwe)*

British American Tobacco (BAT) Zimbabwe, a subsidiary of BAT International Holdings (UK) Limited, is set to donate shares to employees after the indigenisation ministry said the company is only 6.22% indigenous. BAT is owned 56.95% by BAT International. The 6.22% indigenisation status effectively means shareholders like Old Mutual with a 19.1% stake are not considered indigenous, even though they hold the shareholding on behalf of policyholders. In a circular to shareholders, BAT said it will have to meet 26% indigenous status by October 28 2012, 36% status by October 28 2013, 46% by October 28 2014 and 51% by October 28 2015. To meet this year’s 26% indigenisation status, BAT will have to place at least 19.78% of its issued share capital in the hands of indigenous Zimbabweans by no later than October 28. As part of the transaction, BAT International will donate 1 031 676 shares to an employee share ownership trust (ESOT). The ESOT will also acquire another 1 031 676 shares on arm’s length by way of subscription. In total the ESOT will get 10% of the issued share capital.

The second part of the transaction will see the creation of a corporate social investment trust (CSIT) which will acquire 2 220 324 shares or 10.76% on arm’s length by way of subscription. BAT will provide financial assistance to the ESOT and CSIT To fund the transactions. The proposed financial assistance will comprise loan facilities from BAT Zimbabwe at an interest rate of 8% per annum with no fixed repayment terms. BAT is one of the companies performing quite well in Zimbabwe, having declared a 23 cents dividend in its last financials. On the Zimbabwe Stock Exchange BAT is up 188.39% year-to-date. *(Fin24)*

THE National Railways of Zimbabwe needs about USD 2bn to fully recapitalise its operations, public relations manager Mr Fanuel Masikati said in an interview. But securing such funding could only be a pipe dream at a time the parastatal is failing to raise USD 400m to urgently rehabilitate critical areas. Mr Masikati said NRZ was in financial distress, adding that it was weighed down by five months’ salary arrears, after staggering wages. So massive are its total recapitalisation needs that it equates to 18% of the national requirements for rehabilitation of all infrastructure. “We are rehabilitating critical areas where trains have to reduce speed when passing particular points. It is the equivalent of filling up potholes. We require USD 400m to rehabilitate the network," he said. The parastatal has since engaged China North Railway for the manufacture of 14 wagons at a cost of USD 29m. But the deal is now on ice because NRZ has not yet secured the Government guarantees it needs to finalise the deal. This is despite the fact that the parastatal has already made a 10% down-payment amounting to USD 2,9m.

Mr Masikati said while the operator's infrastructure was not in the best state, the company had the capacity to move cargo. It is understood that NRZ has recommended to Government to separate operations of NRZ into one that would be responsible for operations and the other for infrastructure. Efforts to get an update on the proposals from the Ministry of Transport and Infrastructure Development were unsuccessful. Early this year, NRZ had about 168 locomotives with only 71 in a serviceable state while the remainder had become redundant due to obsolete equipment, among other factors. Out of 8 682 wagons, only 3 427 were said to be operational. While 60% of the network was designed for automatic Centralised Train Control, it is no longer functional due to vandalism and ageing equipment. NRZ moved 12m tonnes of cargo in 1992 and 19m tonnes in 1997, before experiencing a sharp decline to 2,6m tonnes in 2009 and a further plunge to 1,7m tonnes last year.

The decline resulted in retrenchments and redundancies from 18 000 employees in 1980, to just above 12 000 in 1992 and eventually dropping to the current 7 000. Despite the massive decline in the staff complement, economic conditions have constrained its capacity to pay workers. "We are in arrears for five months due to the macroeconomic environment. Business is not available because industry is not performing. Our business evolves around moving what is availed to us by industry" he said. To prevent the financial distress from worsening, the NRZ is not replacing workers who die, retire or resign. Its workforce has declined from 9 000 when the economy dollarised in 2009 to the current headcount of just over 7 000. *(Herald)*

ZIMBABWE Stock Exchange-listed financial services concern Africa First ReNaissance (Afre Corporation) has embarked on a USD 8,6m rights issue to recapitalise the group's entities and settle outstanding funds owed to policyholders. According to a circular issued by the company yesterday, Afre directors have resolved to offer shareholders 162 842 928 rights offer shares for subscription at a ratio of three rights offer shares for every four shares already held, at a price of USD 0,053 each for an aggregate amount of USD 8 630 675. Shareholders were expected to convene an extraordinary general meeting on the capital-raising initiative on October 19. The transaction, according to the circular, will not have a direct impact on the composition of the board of directors and the management team. The circular, however, stated that shareholders who will attend the extraordinary general meeting in person or by proxy, will be called upon to consider certain resolutions that may result in the removal of certain directors of the company in compliance with the corrective order issued by IPEC.

"The board of directors is proposing a rights offer to recapitalise the company by raising USD 8 630 675. The purpose of this document is to furnish Afre Corporation shareholders with the requisite statutory and regulatory information relating to the rights offer and to detail the action to be taken by each shareholder," reads part of the circular. "The proceeds of the rights offer will be used to purchase investments that meet liquidity and solvency requirements, and settlement of amounts owed to policyholders." The National Social Security

Authority is expected to underwrite the transaction. Part of the proceeds, the company said, will recapitalise FMRE Life and Health (USD 1,5m); FMRE Property and Casualty Zimbabwe; FMRE Property and Casualty Botswana (USD 2 m); Tristar Insurance (USD 1,65m) and settlement of amounts owed to policyholders (USD 1,33m). The rights offer is expected to cost USD 550 000. “In the event that the remaining shareholders in the company, holding 48,7% of the issued shares, do not follow their rights under the proposed rights offer, the underwriter will take up the shares,” the circular further read. *(News Day)*

THE HIGH court in Nigeria has dismissed an application by Bharti Airtel to set aside an award made by an international commercial arbitration tribunal in favour of Econet Wireless, paving the way for Econet's USD 3 billion compensation claim against the India-based telecoms firm. In a statement Thursday Econet Wireless said: "The judgement paves the way for the matter to be referred back to the international tribunal to set the quantum of damages and compensation that Bharti must pay to Econet Wireless.” Econet has been fighting to reverse a 2006 deal in which Celtel International bought a 65% stake in Nigerian mobile operator Vmobile, which was launched as Econet Wireless Nigeria by the South Africa-based firm. Vmobile was later acquired by Kuwait's biggest mobile-phone operator Zain which was in turn acquired by Bharti Airtel in 2010. Econet owned 5% of Vmobile and claimed a right of first refusal on Vmobile's shares. In December last year an international tribunal, set up under the auspices of the United Nations Commission for International Trade Law (UNCITRAL), found that there had been multiple breaches of the shareholders agreement in the sale of the firm and ordered Bharti Airtel to pay damages and equitable compensation to Econet.

However, Bharti Airtel approached the Lagos High Court in a bid to prevent the tribunal from making its final assessment of the damages and compensation that must be paid “to Econet Wireless for the violation of its shareholder rights.” After Thursday’s ruling Econet said it would be submitting a claim valued in excess of USD 3bn. “The international tribunal found multiple breaches of a shareholders’ agreement by both the selling shareholders and Celtel Nigeria, now Bharti Airtel Nigeria, ordering them to pay damages/equitable compensation to Econet (in an amount to be determined in a further round of the arbitration),” Econet said. “The ruling said that the purchase of a 65% shareholding in Nigeria's second largest cell phone company, by Celtel, was violated the pre-emption rights of existing shareholder, Econet Wireless.” Econet Wireless is a diversified telecommunications group with operations and investments in several other African countries including Zimbabwe as well as in Europe, South America and the East Asia Pacific region. *(New Zimbabwe)*

BORDER Timbers will look to restructure its debt after suffering a USD 1,8m loss over the year ended June 30 due to high interest on short-term obligations as well as high wage and utilities costs. Management said the company had been forced to rely on short-term debt since few local financial institutions were in a position to offer long-term funding required by most companies. “Focus is, however, now on refinancing the short-term debt into long term,” the company said in a statement accompanying its results. In addition, the group also intends to grow its “biological assets” and reduce the overall cost of production for all timber and timber-related products. “More contractors would be engaged across the group to lessen the burden on the business and improve returns. Demand for the group’s products has remained firm, driven by on-going housing development projects and strong demand for transmission poles,” the company said.

Total round wood production increased to 216,560 cubic metres, up 14% over last year resulting in total sawmilling output of 76,307 cubic metres, an increase of 24%. Revenue for the period was 28% up at USD 28m while earnings before interest and taxation declined 12.2% to USD 3,4m from USD 4,1m last year. Still the company's biological assets rose from USD 90,4m to USD 97,8m as a result of capital expenditure during the year amounting to USD 7,4m of which USD 4m was used on plantation development. *(New Zimbabwe)*

Economic News

ZIMBABWE'S fiscal authorities are reluctant to issue paper for fear this could add to present fiscal pressures. An International Monetary Fund's executive board report brought out the issue following the Article IV consultations it held with the country's monetary authorities earlier this year. Reserve Bank of Zimbabwe Governor Dr Gideon Gono, in announcing the Monetary Policy Statement in July, said the Government had plans to issue short-term Treasury bills which were expected to promote short-term collateralised lending, thus resuscitating the interbank market. Currently, trading between banks is largely limited to bilateral arrangements, instead of being bank-wide. But indications from the IMF reveal that the local fiscal authorities are very cautious about issuing these bills. According to the IMF, concerns are that the absence of quality collateral may be impeding the re-emergence of a formal interbank market in the country.

"The authorities are considering issuing Treasury bills to help re-establish the interbank market beyond existing ad-hoc arrangements between pairs of banks; but they are aware of the risk that issuing bills may lead to additional fiscal pressures," said the IMF. The IMF has also cautioned for a cautious approach in the issuance of Treasury bills. "Thus, staff advised that any Treasury bills issue should be gradual, limited, and closely monitored to verify that those instruments do in fact support an interbank liquidity market." But an economist with a local bank, who preferred anonymity, disputes the lack of quality collateral in the country. "I am not sure what the IMF meant by saying collateral is in a bad state in the country. What I know is that most (if not all banks) take collateral which is valued by independent valuers (typically, estate agents).

"Banks also include a 'haircut' on all collateral used to secure loans. The immovable property market, typically, has three values — replacement, fair value and fire sale value. "The interbank market is constrained by lack of tradable instruments, and the absence of lender-of- last-resort — these are the key determinants of the interbank market," he said. Meanwhile, a cautious approach to issuing Treasury bills will negatively impact on the setting up of the proposed Lender of Last Resort Fund. Since the LOLR Fund is largely dependent on external investors to inject capital, functionality of the LOLR window is dependent on the availability of Treasury bills. *(Herald)*

ZIMBABWE'S wheat production has declined since it costs more to grow it than import, even when transport costs are factored in. The country only started growing wheat after the Unilateral Declaration of Independence in 1965 when the illegal Ian Smith regime was hit by sanctions. It was never an economic decision to grow the crop. Economists have suggested that it would make more sense to use the irrigation capacity and water as supplementary irrigation in dry summer spells to ensure larger harvests of export crops like tobacco and ensure there are no failures in the maize crop. Agricultural economist Mr Midway Bhunu said it was more profitable to concentrate on something that gives corporate advantage in terms of production. He said wheat had always been a complex crop for the country with the situation worsening in 2008 due to economic hardships. “To address the issue of wheat, we should look at the whole value chain. Imports may seem cheap but we get low quality produce and they also burden the already burdened Government.”

Mr Bhunu said water and electricity had always been the major causes of the drop in wheat production. “Other countries have alternative sources of energy. We should consider looking at renewable sources of energy to reduce costs. “Government should concentrate on research and development of wheat varieties that can give high yields under the country’s climatic conditions,” he said. The cost of importing a tonne of wheat is USD 530, while it takes a local farmer USD 540 to produce the same tonne. This has seen millers preferring to import, instead of relying on the local crop that has become expensive to produce. Grain Millers Association of Zimbabwe national chairman Mr Tafadzwa Musarara echoed similar sentiments. “Producing locally is not viable and has not been viable even for other crops, but we cannot rely on imports 100%. “We will not get anywhere with the imports. In the long run, you will realise that it is better to produce our own food.”

Mr Musarara said millers at one time contracted farmers, but abandoned the programme due to high risk. “Some of the farmers failed to achieve expected yields due to several reasons while others side marketed to avoid paying back loans so we realised it was much cheaper to import,” he said. However, acting Agriculture, Mechanisation and Irrigation Development Minister Ignatius Chombo said importing wheat from neighbouring countries was not the solution. Minister Chombo said production could improve if Government invested in agriculture. “Importing is not the solution. It may appear cheap at first, but in the long run it is expensive. Why should we support farmers in other countries instead of paying our own farmers? We are keeping South African companies in business when ours remain dormant and docile. “What will happen if we go to war with these countries we are importing from? We need to produce our own food and this will only be possible if we fund our agriculture,” he said. Zimbabwe Farmers’ Union second vice president Mr Berean Mukwende said wheat had always been grown as part of Government policy to boost food security. “In other parts of the world, wheat is produced as a summer crop while in Zimbabwe it has to be irrigated and produced in winter to escape the problem of rust,” said Mr Mukwende. “This makes it more expensive to produce the crop than to import it.”

It costs between USD 700 and USD 800 to irrigate a hectare of the crop, which makes it difficult for farmers to break even after marketing the crop. The cost of producing a hectare minus electricity costs stands at between USD 350 and USD 500 for inputs and labour, according to permutations done by ZFU last season. The costs have been rising this season, forcing many wheat producers to abandon the crop. For output to be viable, farmers feel electricity tariffs of about USD 0,03 per kilowatt per hour rather than the USD 0,14 per kilowatt per hour being charged could be reasonable. A Bindura wheat farmer said he abandoned the crop this season. “I did not grow wheat this season. There were just too many costs, challenges and very little profit in the end,” he said recently.

In the 2008/9 agricultural season, Zimbabwe recorded its worst performance in the history of wheat farming. The country managed to harvest a meagre 6 893 tonnes of the cereal, a figure that left it having to heavily rely on imports to bridge the huge deficit.

Zimbabwe needs about 450 000 tonnes of the cereal annually for bread making and other purposes. The country harvested 87 515 tonnes of wheat in the 2007/2008 season and 150 487 tonnes in the 2006/7 season. Despite the dismal showing in the 2008/9 season, there was some slight ascent in the 2009/10 season with the wheat tonnage reaching 19 998 before leaping to 24 699 the following season. But the figure was to decrease to 16 176 tonnes last season. Banks were also not forthcoming with loans, with few companies willing to contract farmers. Government offered to buy wheat at USD 466 per tonne, a price seen as unviable. GMB took too long to pay those who delivered the crop. *(Herald)*

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Notes

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