SECURITIES AFRICA

For week ending 6 July 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:

Currency	6-Jul-12 Close	WTD % Change	YTD % Change
AOA	95.13	-0.01	-0.21
DZD	79.42	-0.94	-5.55
BWP	7.53	1.83	-2.13
CFA	513.43	0.57	-3.78
EGP	6.04	0.05	-0.40
GHS	1.93	-0.53	-19.35
KES	82.65	0.03	1.09
MWK	268.07	0.04	-65.07
MUR	29.66	0.06	-5.43
MAD	8.82	0.09	-2.82
MZM	27,700.00	0.00	-3.75
NAD	8.01	3.39	1.58
NGN	161.60	0.59	-1.14
ZAR	8.14	3.30	0.45
SDD	261.81	1.66	1.61
SDP	2,261.00	0.00	0.00
SZL	8.03	3.36	1.43
TND	1.60	-0.51	-7.32
TZS	1,562.87	-0.82	-0.16
UGX	2,442.40	-0.03	0.20
ZMK	4,911.44	3.92	2.11

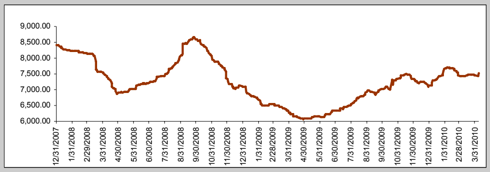
Source:oanda.com

African Stock Exchange Performance:

Country	Index	06 July 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,254.17	0.22%	2.09%	4.06%	1.89%
Egypt	CASE 30	4,949.57	5.12%	5.17%	36.64%	36.09%
Ghana	GSE All Share	1,030.66	-1.42%	-1.94%	6.36%	-10.88%
Ivory Coast	BRVM Composite	147.35	-0.56%	0.01%	6.10%	2.24%
Kenya	NSE 20	3,793.32	2.41%	2.45%	18.36%	19.66%
Malawi	Malawi All Share	5,983.34	0.00%	0.04%	11.43%	-32.49%
Mauritius	SEMDEX	1,775.55	-0.02%	0.04%	-5.97%	-10.82%
	SEM 7	339.84	-0.08%	-0.03%	-2.99%	-7.99%
Morocco	MASI	9,839.86	-2.13%	-2.04%	-10.63%	-13.08%
Namibia	Overall Index	903.00	2.73%	-3.40%	7.76%	-0.54%
Nigeria	Nigeria All Share	22,110.91	2.49%	3.10%	6.66%	5.46%
South Africa	All Share	34,226.21	-0.43%	2.96%	6.97%	7.45%
Swaziland	All Share	284.32	0.00%	3.48%	5.92%	7.45%
Tanzania	DSEI	1,437.35	-0.03%	-0.84%	10.29%	10.12%
Tunisia	TunIndex	5,017.97	0.69%	0.18%	6.26%	0.87%
Zambia	LUSE All Share	3,893.36	0.44%	4.53%	-6.63%	-4.34%
Zimbabwe	Industrial Index	133.77	1.37%	1.37%	-8.29%	-8.29%
	Mining Index	77.51	2.39%	2.39%	-23.03%	-23.03%

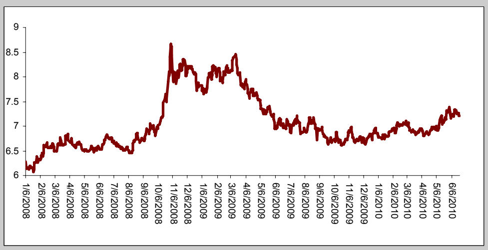
Botswana

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

Stock Exchange News

The DCI gained +0.22% to close at 7,254.17 points. Cresta and Furnmart led the gainers after adding +5.26% and +3.45% to close at BWP 1.00 and BWP 1.50 respectively. Other notable gains were recorded in Turnstar (+3.03%) and FNBB (+1.72%). AF Copper (-9.09%), BettaBeta (-2.05%) and Wil (-1.54%) were on the losing front. Market turnover for the week amounted to BWP 7.0m.

Corporate News

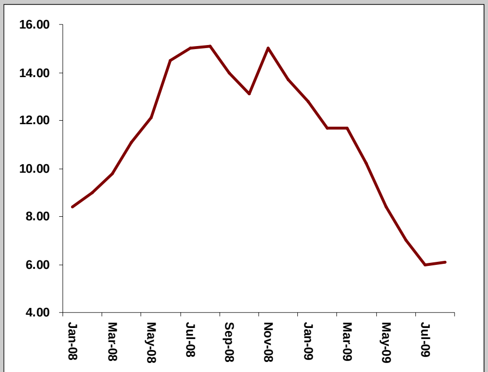
The Botswana Power Corporation (BPC) and local energy firm, Karoo Sustainable Energy (KSE) have sealed a multi-million Pula deal that will see the construction of a 180-megawatt power station fuelled by coal bed methane next year. The deal, which takes the form of a Power Purchase Agreement (PPA), has reached the final draft stage and is expected to be signed by July, more than two years after negotiations kicked off.

The PPA with KSE is the first of its kind in Botswana.Under the 15-year deal, KSE will build, own and operate a 180-megawatt (MW) power station to be built in Mmashoro, and supply the BPC with power. The station will use the proven riches of coal bed methane (CBM) in the area. On Wednesday, the CEO of Kalahari Energy (KSE's holding company), Steve Martin told Business Week the PPA required financial close of the project within 15 months of signing and full commercial operations within 21 months.

"The negotiations have been finalised and we are in a situation of waiting for the BPC to submit a final draft of the agreement for signing, which we expect in July," Martin said in an interview."I cannot compliment the BPC and the ministry (minerals, energy and water resources) enough for understanding their role in helping us commercialise CBM in Botswana."They have been very supportive in how this deal is structured especially in giving us flexibility and time for a financial close.

"In many countries I have worked in, you will not find parastatal stakeholders realising that they hold a huge responsibility for the commercialisation of such projects." The PPA tariff, denominated in US dollars, consists of a capacity and energy charge, the former accounting for the capacity available to the BPC and the latter being the actual consumption. In addition, the PPA features a minimum take-or-pay volume, with KSE expecting that the Mmashoro power station will run for an average of 15 hours a day.

The government has reportedly provided a guarantee or the BPC's payment obligations. Besides the usual sensitivity associated with PPAs, negotiations between the two parties were further complicated by the fact that CBM pricing is a novelty in Botswana."When the BPC put the tender out, they only mentioned



Source: SAR

the power they wanted and left the fuel solution to the potential bidders," said Martin."This allowed us to bid an electricity tariff competing against coal, liquid fuels and others."

KSE expects to spend P189m by the end of the year being for exploration and production of gas, with another P150m for capital investment and equipment. Seventy-five% of the funding will be debt and the balance, equity, with a potential provider of the former already identified. Under the PPA, the BPC has allowed financial closure, or the sealing of binding commitments for funding from equity holders and debt financiers, to be in two parts within the 15 months.

According to Martin, the Mmashoro power station will resemble the Orapa 90 MW facility, which KSE is running under an asset management agreement with the BPC. According to its design, the Orapa station is scheduled to switch from diesel to CBM. "The Mmashoro power station will be exactly the same technology as Orapa, equipped with four 45 megawatt General Electric turbines," he said."The project will feature fully integrated CBM production wells and gas gathering, transport and storage facilities

"The CEO estimated that Kalahari Energy's lease area in the Central District has enough CBM to support 1,300 MW of generation for 30 years. Botswana is estimated to contain enough recoverable gas to produce 30,000 MW of power for 30 years. KSE is continuing its exploration and development of gas wells on its lease area."Our aim is to work with the BPC to grow our generation to 1,000 MW and allow the BPC to be the exporter and trader of power in the Southern African Power Pool," Martin said."The additional exploration is growing the company towards that 1,000 MW which we hope to achieve by 2020," he stressed. *(Mmegi)*

Morupule Colliery, the country's sole coal producer, was this week scheduled to begin repaying a BWP 1.2bn loan advanced to it by three local banks last year for the expansion of the operation. Stanbic Bank Botswana, First National Bank Botswana and Barclays Bank of Botswana all participated in raising the BWP 1.2bn, with another BWP 506m being shareholder funded. The loan will run for nine years with P600m of it payable at an agreed fixed rate for five years.

Last week, the Colliery's marketing manager, Jonathan Vergeer, revealed that repayment of the BWP 1.2bn had begun. "The repayments are starting and in fact, in a few days, we will be making our first repayment for that debt and everything is in order," he told a resource conference in Gaborone. "What's pleasing for us is that 100% of that debt was arranged locally." The funding from the local banks enabled Morupule Colliery to fast-track its expansion, an exercise recently completed its expansion.

Under the expansion, the Colliery increased its production from about onem tonnes of coal per annum to 3.2m tonnes, although full capacity production can reportedly reach fourm tonnes per annum. The growth was necessitated largely by the construction of the adjacent Morupule B power station, which will take up the lion's share of the production. "Our commissioning is finalised and all the key surface and underground facilities have been completed," said Vergeer.

Morupule Colliery has a 20-year contract with the Botswana Power Corporation for the supply of 50m tonnes of coal to the Morupule A and B power stations.

The contract period ends in 2023 and includes pricing, quality and other terms. It is currently unclear whether the deal will be revised as reports have emerged indicating that the 120 megawatt Morupule A may either be decommissioned or placed under care and maintenance.

The 27-year-old power station was initially targeted for a multi-million Pula revamp, which would have brought it to full operational capacity while extending its lifespan by another 15 years. However, it is understood the BPC and its parent ministry are weighing their options around the iconic power station's future. *(Mmegi)*

Economic News

Botswana is banking on low rates for royalties and a competitive variable rate income tax formula to entice foreign companies to search for non diamond minerals in the country. Minerals minister Mr Ponatshego Kedikilwe told delegates on Tuesday at the ongoing resource sector conference that government hope the formula would lead to broadening of the country's mineral production base. He said "In totality our fiscal regime is attractive and it imposes low fiscal burden on the investor.

The Income tax Act and Value Added Tax Act have been amended to make Botswana's taxation system simpler and more efficient in order to be investor friendly." Mr Kedikilwe cited a recent amendment of the Income Tax Act has resulted in the reduction of the company tax from a minimum of 25% to 22%. Botswana is heavily dependent on a single commodity diamonds, accounting for near 50% of government revenue and about 30% of the gross domestic product. *(Steel Guru)*

Botswana's economy grew by 3.1% in the first quarter as mining output in the world's largest diamond producer lifted growth slightly, data from the Central Statistics Office showed on Monday. The sector dominating the southern African country's economy is expected to grow slightly for the year, keeping a lid on growth that reached 7% in 2010.

Data showed year-on-year growth at 3.2% in the first three months of 2012 compared with 1.4% in the previous quarter. Mining contracted by 7.8%, coming off a 16.1% fall in the fourth quarter of last year, it said. A slowdown in mining output caused the economy to contract 5.7% in the fourth quarter of 2011.

Economists in a Reuters poll last month said 2012 growth should come in at 4.1% and 5.1% in 2013, lower than previous estimates of 5.2% and 5.4% for 2012 and 2013 respectively. A third of Botswana's output comes from diamond mining. A bleak global growth outlook means demand for the precious stone is unlikely to be robust this year.

The statistics agency said exports were up 7.8% in the first quarter, compared to a 1.3% rise in the same period last year. Imports decreased to 2.9% from 25.7% in the first quarter of 2011. The International Monetary Fund has forecast growth of 3.3% in 2012, improving to 4.6% next year. *(Reuters)*

As they gathered last week for the Botswana's annual resource sector

conference, mining companies have noted that the country has huge potential in coal production. Coal development is regularly featured at the annual conference as a potential substitute for Botswana's diamond revenue. Botswana has copper silver potential hence likely to become a major energy corridor within the Southern African power pool, said Australian Stock Exchange (ASX) listed MOD Resources Managing Director Derek Byrne.

"It's quite clear that Botswana is an emerging copper/silver province of significant scale in a favourable geological setting. We have identified copper silver targets in some other parts of the country and will be the main focus in the next quarter. We are also looking into optimising the footprint," said Byrne. Kalahari Energy, which is pioneering energy growth in Botswana through coal-based methane exploitation, operates the small 90 MW Orapa power plant and is in the process of developing a new 180 MW power project in the country.

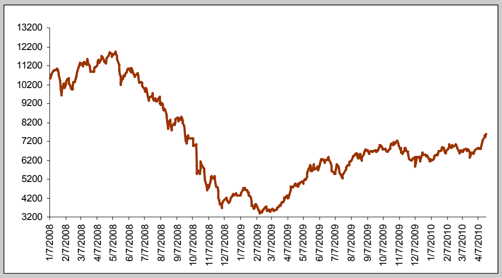
Addressing the conference, Kalahari Energy's Chief Executive Officer, Steve Martin said the Botswana government has already shown itself to be a facilitator of independent power producers and now needed to take the next step of positioning the country as a major Southern African energy corridor. Martin noted that the Botswana Power Corporation needs transition from being a generator and buyer of electricity to being a significant regional energy trader.

Danie Mouton of Exxaro advised all the coal-mining companies working in Botswana to collaborate to provide the efficient, bulk-based essential infrastructure that is currently preventing Botswana from realising its full coal potential. Also forming part of the presenters at the conference, CIC Energy CEO Greg Kinross noted that the business climate is beginning to change positively for the Toronto Stock Exchange listed company, which has plans to generate power and export coal from Botswana.

As it awaits governments' decision on infrastructure provision and power price agreements, Kinross said that the company is ready to proceed with its plans. Meanwhile, the ASX and Botswana Stock Exchange listed Discovery Metals has emerged as the belt's first copper-silver miner, whilst to date its market response has been a seven-fold uplift in its share price. *(Gazette)*

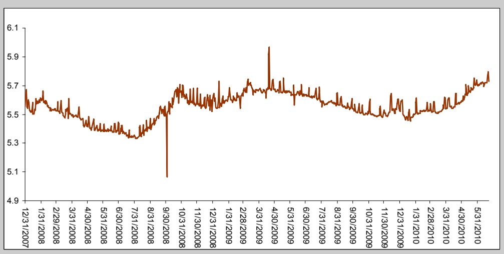
EGYPT

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

Stock Exchange News

The EGX CASE 30 Index was up +5.12% to 4,949.57 points. Namaa led the movers after gaining +10% to EGP 13.20 followed by Remco (+7.96%) and Misr Hotels (+7.00%). Union National Bank was the biggest loser after shedding -6.39% to close the week at EGP 4.24. Other notable losses were recorded in: Saudi Egyptian Investment and Finance (-6.14%) and Nile (-5.71%).

Corporate News

Egypt's El Sewedy Electric , the Arab world's biggest listed cable maker, plans to enter Niger by investing about USD 350m in fibre optic and power transmission projects, the group's vice president said. Sewedy, which has operations in about 15 African countries, signed an accord with nationalised telecoms firm Sonitel to help the Niger company modernise its infrastructure before a planned privatisation, Niger's government said in a statement.

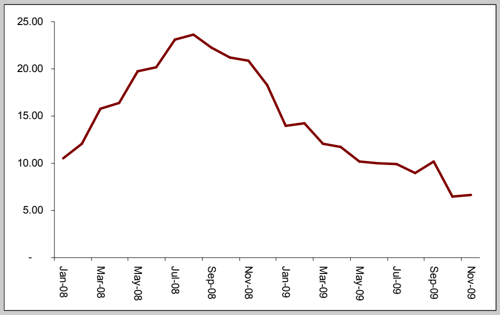
"We aim to invest more than USD 350m in Niger, specifically on a proposed fibre optic project and also on power transmission," Sewedy's Hazem el-Haddad said on Niger state television. Niger's parliament voted in May to nationalise Sonitel. The company had been controlled by a Chinese-Libyan consortium but the government scrapped that deal in 2009, partly because of a lack of investment. *(Reuters)*

BG Egypt, the country's largest natural gas producer, started gas production from Phase 8b of its West Delta Deep Marine concession at the end of last month, the subsidiary of the oil and gas explorer BG Group said yesterday. The deepwater development, about 90km from the Nile Delta in the Mediterranean, is managed by the Burullus Gas Company, which is 50% owned by the Egyptian General Petroleum Corporation, while BG holds a 25% stake and Malaysia's Petronas the rest. BG Egypt accounts for more than a third of the North African country's gas output. *(Independent)*

Crédit Agricole Egypt hosted a seminar titled 'Supporting Trade and Investment' for Egyptian companies in collaboration with a number of renowned entities and organizations aiming to support investments in Egypt. Those are the General Authority for Investment (GAFI), the Egyptian Banking Institute, the Egyptian Junior Business Association (EJB), ANIMA Investment Network and EURO MENA Investment Fund.

The conference started with a welcome note by Francois Edouard Drion, Chairman and Managing Director of Crédit Agricole Egypt, who addressed all

CPI Inflation



Source: SAR

guests. He expressed his appreciation to the vital role that these entities play in driving the Egyptian economy at this crucial time. "The conference is part of Crédit Agricole Egypt's strategy and commitment to provide innovative tools and resources to help boost Egyptian companies.

They are the cornerstone to grow the Egyptian economy as a whole. Crédit Agricole Egyptis equally committed to support large companies as well as SMEs as part of its strong belief in the role of the private sector as a key partner in developing the economy and providing much needed job opportunities," added Drion. Participants from over 200 different companies attended the conference and followed a panel discussion on the different means to support trade and investments from the different perspectives of the panelists, their know-how and expertise.

The panel was moderated by Dr. Samir Radwan. During the conference, Crédit Agricole Egypt announced the launch of the 1st website in Egypt to support international trade and investment: www.egypt-import-export.com. The new website is an added-value service offered by Crédit Agricole Egypt to provide Egyptian companies with a very rich and updated content and services to help support their trade initiatives.

To further support Egyptian companies, the website is available to all companies free of charge. The websiteprovides a broad spectrum of data about investment opportunities in 185 countries, as well as detailed information about general investment conditions, legal frameworks, business environment, tax climate as well as personalized assistance for investors seeking counterparties in these countries. *(Ameinfo)*

Economic News

The Egyptian government signed an agreement on Sunday with the Saudi-based Islamic Development Bank (IDB) that will provide USD 1bn to finance energy and food imports, the government said in a statement. It said the agreement with the International Islamic Trade Finance Corporation, part of the IDB, was signed in Cairo by Waleed Abdul Mohsen al-Wohaib, chief executive of the institution, and Egypt's international cooperation minister, Faiza Abu el-Naga.

"Dr. Waleed al-Wohaib said the institution is keen to support the Egyptian economy by offering Islamic finance aimed at supplying strategic commodities such as wheat and petrol," the statement said. The finance was part of a previously announced agreement to provide Egypt with USD 2.5bn, it said. Egypt's outgoing army-backed government has struggled to secure aid promised by foreign donors after a popular uprising ousted president Hosni Mubarak last year and the country now risks a balance of payments crisis.

Trade sources said this month that the government had struggled to obtain bank payments for its fuel purchases. They said this had led to shipping delays that may have disrupted supplies for transport, industry and farming. The government denied any problems with energy supplies. A new government being formed by President Mohamed Mursi, who took office on Saturday after winning Egypt's first credible leadership election, will want to move fast to secure funding to plug a gap left by an exodus of foreign investors and tourists.

The biggest chunk of aid so far was a USD 1bn, eight-year loan from oil-rich ally Saudi Arabia in May but state borrowing costs are at historic highs and a pile of short-term debt raised since the uprising comes due in the second half of 2012. *(Reuters)*

Egypt's Ministry of Finance will offer EGP 3bn (USD 495m) in reopened five-year and ten-year bonds at an auction on July 9, the central bank said on Monday. It will offer 2bn pounds in reopened five-year bonds maturing on April 10, 2017 with a coupon of 16.55%, and 1bn pounds in reopened ten-year bonds maturing on April 3, 2022 with a coupon of 17%, the bank said. Settlement for the bonds, which the central bank is selling on behalf of the ministry, is on July 10. *(Reuters)*

Egypt will approach the International Monetary Fund (IMF) and other financial institutions to help get its economy back on track once new President Mohamed Mursi appoints a government, a financial adviser who helped draw up his manifesto said. A popular uprising last year plunged the economy into crisis, chasing away tourists and foreign investors and prompting government employees to strike for higher wages. Mursi was sworn in on Saturday as Egypt's first Islamist, civilian and freely elected president and will begin working to form a new government in the coming days.

"We intend to approach the IMF again," said Amr Abu-Zeid, development finance adviser to the Muslim Brotherhood's Freedom and Justice Party (FJP), which Mursi led until he became head of state. "Give him one week or two weeks, so at least he has a cabinet. I believe these issues will not go further until they have a cabinet at least," he told Reuters.

Abu-Zeid is financial adviser to the FJP and helped draw up the Brotherhood's Nahda, or Renaissance, economic programme. But an FJP economics official cautioned that the final decision on whether to approach the IMF would be made by Mursi and his government once it was formed.

"We have not taken a decision towards the IMF yet. The decision will be taken by the government and by Mursi. No decision will be taken for a week or two, probably not before two weeks," said Ahmed al-Naggar, who is a member of the FJP's economics committee. "Our position has been clear all along. We have no objection to an agreement with the IMF, but only after looking at all the alternatives," Naggar said.

The country's army-backed interim government kept the economy under the cosh since the overthrow of Hosni Mubarak in February 2011 through a series of short-term measures that include financing a burgeoning budget deficit by borrowing short term from local banks at high interest rates and by draining the country's foreign reserves.

The military council that took power from Mubarak rejected an agreement that Egypt negotiated with the IMF in mid-2011, then resumed talks for a USD 3.2bn loan early this year. The economy contracted by 4.3% in the first quarter of 2011 and stagnated in the following three quarters.

"We are going back. We will negotiate with the IMF, with the World Bank, with the Islamic Development Bank, with anybody who wants to help. We are very open to this," Abu-Zeid said. *(Reuters)*

An attempt by a group of Egyptian and Arab Gulf investors to buy the Middle East's biggest home-grown investment bank EFG-Hermes has stalled after the consortium failed to secure enough EFG shares to challenge management. Planet IB made its USD 1bn approach after the Cairo-based bank announced plans to fold its main investment banking operation into a joint venture controlled by Qatar's QInvest.

EFG shareholders approved the Qatari tie-up on 2 June. EFG's share price tumbled last year following a popular uprising, and the deal with the tiny, energy-rich Gulf state would give it more resources to expand its business across the region. Planet, whose backers included telecoms tycoon Naguib Sawiris, one of Egypt's richest men, was trying to secure a 5% stake in EFG in the hope it would force management to consider its offer.

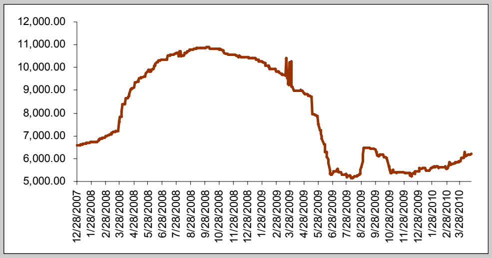
Sameh Mohieldeen, Planet's executive director, said on Monday that the consortium had only secured between 2.3 and 2.5% of EFG because many institutional shareholders were unwilling to defy the bank's biggest owners. "The minority stake is very fragmented, so we could not reach out to as many shareholders as we wanted to," Mohieldeen told Reuters. "The main institutional shareholders, although they voted against the QInvest deal, still don't want to go out of the herd."

According to Reuters data, the biggest shareholders in EFG are the government of Dubai, the Shobokshi family of Jeddah, Norway-based Skagen AS, OppenheimerFunds Inc. of the United States and the government of Egypt. The Planet consortium said last month it was prepared to pay a minimum of EGP 13.50 per share for EFG, which would value it at USD 1.1bn at least.

Mohieldeen said Planet had done all it could to prove it had the financial firepower to buy EFG and the issue was now in the hands of Egypt's financial market regulator EFSA. "If they really care about the interests of minorities, we are still willing to go to a tender offer subject to due diligence," he said. "We have an amazing post-acquisition plan but there is nothing we can do now."

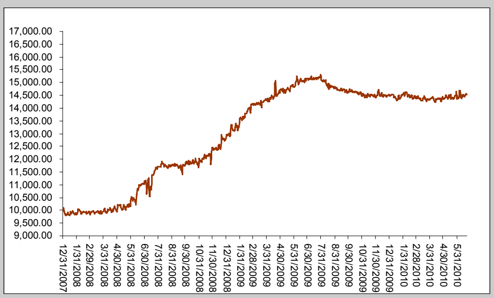
Ghana

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 GSE All Share Index lost -1.42% to close at 1,030.66 points. EGL was the main mover after gaining +3.57% to GHS 0.29 followed by CAL (+3.45%) and GGBL (+2.17%). ETI (-14.29%), PBC (-12.50%) and SIC (-3.03%) were on the losing front.

Corporate News

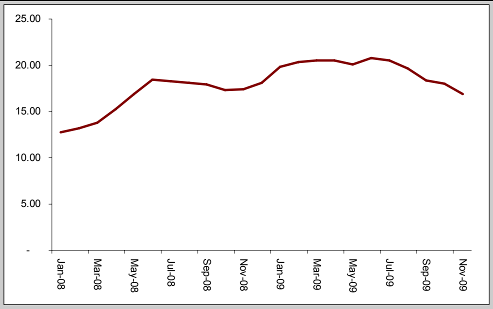
MTN Ghana has introduced a new service for customers to be able to shop online through three online portals. A statement from MTN said the service would make a collection of online shopping malls, payment systems and product offerings available to customers. It said the first of such platforms involved www.ghanabuys.com, which for many years had been providing online product catalogues for consumers who demand the convenience of e-commerce.

“Through the MTN partnership consumers can now place orders via www.ghanabuys.com and pay with MTN Mobile Money. Ghanabuys also allows customers to choose delivery services if desired,” the statement said. The statement said the platform also presented SMEs with a unique advantage by allowing them to get their product listed, adding that through the contact details provided on the platform, there is an easy process for making contact with the site administrators, who would facilitate product listings for traders, who wish to extend their market reach through this innovative channels.

MTN has also announced other partnerships with www.ghanamart.com and www.sellphoneghana.com, to enable customers buy consumers goods and cell phones at their convenience. The statement said MTN was also in partnership with MTECH (Gh) Ltd, which meant stakeholders in the agricultural sector, could now access customized information on product and input prices via the MTN short code: 1344.

“Weather and other related information is also available to subscribers on the same platform,” it said. The statement quoted Commercial Senior Manager for MTN Mobile Money, Mr. Eli Hini as saying, “MTN will continue to enrich the lives of its valued subscribers with services that will make their mobile phone a one-stop-shop for all forms of transactions from payments of bills to shopping for all kinds of goods and services”. *(Ghana Web)*

Huawei Ghana has said as part of its new innovations to bridge the digital divide, it would showcase its telepresence demonstration truck in Ghana in October this year as a precursor to introducing tele-conferencing in country. Officials of Huawei Ghana told Adom News, via an email, the truck would go on a two-country road show to Nigeria and Ghana, adding that it would arrive in Ghana on Friday, October 1, 2012 and stay on till October 5, 2012 before returning to China.



Source: SAR

The truck would be showcased at the La Beach Hotel in Accra between 9am and 5pm every day, the officials said. Meanwhile a write up from Huawei Ghana said "the Demo truck gives live demonstration of equipments ranging from IT (information technology), IP (internet protocol) and Unified Communications." This, according to Huawei, would offer its numerous clients across its footprints, the opportunity to practically experience new technology to support efficient operations in their businesses.

"Huawei's road show will be stopping in Ghana to offer businesses the opportunity to witness, feel and experience new technologies that will help build business profitability," it said. Meanwhile, Huawei has already donate and installed telepresence equipment, including 55-inch ultra-slim LCD screens, at the Castle, Flag Staff House and six government regional offices as part of the e-governance project it is undertaking in Ghana.

This is to virtually link the presidency with the regional offices to make e-governance effective through tele-conferencing. But the technology is yet to go commercial in Ghana; and the coming of the demo truck is intended to herald the commericialisation of Huawei's telepresence technology in Ghana. The company said it has already started negotiating with some banks in Ghana to adopt the technology at their branches and cut travel time and cost for meetings.

The statement said Huawei telepresence solutions could be deployed in four major sectors; solutions for remote command and decision-making, remote consultation, remote judicial proceedings and intelligent building multimedia. It said Huawei's enterprise telepresence comes with an immersive experience, ease of use, network adaptation, system stability, security, reliability and hierarchical service with role-based management, adding that they can be deployed in headquarters and large branches, so that unified management, intelligent conference scheduling and hierarchical role-bases management can be achieved.

"It comes in 40in, 46in, or 55in ultra-slim LCDs, supporting three installation options (Wall mount, Floor mount, Wheeled or fixed) and users can use tabletop HD video endpoints, videophones, mobile pads, and PC clients to communicate "face-to-face" with virtual teams anywhere at any time," the statement said. Huawei said its telepresence system provides customers with a truly rich, live interactive face-to-face communication experience, thus reducing costs, improving work efficiency, and saving on human resources/labor.

The statement quoted Market Research Firm, International Data Corporation (IDC) as reporting that market for telepresence systems in 2007, was estimated at USD 72m in sales (not including the many sites manufacturers installed for their own use), but it is to reach over USD 1bn during 2012. It noted that true to IDC's predictions, today telepresence is becoming more familiar thanks to companies like Huawei technologies, Cisco systems, HP, Polycom, Teliris, and other entries in the telepresence market.

"Huawei has been devoted to video communications research and development since 1993. Leveraging its years of expertise in video communications, Huawei provides industry leading end-to-end telepresence products and solutions, such as a telepresence service platform, immersive telepresence products, room telepresence products, desktop telepresence products and personal telepresence products," it said. *(Ghana Web)*

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Oil produced from Ghana's Jubilee fields during the first quarter of 2012 averaged 63,100 barrels of oil per day (bopd) at gross, lead operator Tullow Oil said today July 4, 2012 in a trading statement. Currently, the oilfields' output, according to Tullow, is at approximately 63,000 bopd gross with a "number of wells temporarily offline for ongoing acid stimulation activity".

The Jubilee field has continued to deliver industry-leading operational and safety performance with 98% uptime and zero lost time incidents to date in 2012, the statement noted. The oil explorer expects significant increases of production in the second half of 2012 as the benefit of the acidisation programme is realised. Jubilee field production is expected to average between 70,000 and 80,000 bopd gross in 2012, Tullow added.

The field is expected to exit 2012 with a gross production rate in excess of 90,000 bopd as it ramps up to plateau production in 2013, the company indicated. Shares in Tullow fell 2% to £15.01 in early morning trading in London on Wednesday; well up on their 12-month low of 879.5p set last August, the Financial Times has reported. *(GBN)*

Ghana and its partners on the Jubilee oil field, which include Tullow Oil

Plc (TLW) and Anadarko Petroleum Corp. (APC) (APC), will invest an estimated USD 20bn over the next 10 years to develop newly discovered oil fields. “We will raise the money in collaboration with our partners,” said Nana Boakye Asafu-Adjaye, chief executive officer of the Ghana National Petroleum Corp., in a July 3 interview in the capital, Accra. “We have made clusters of discoveries and these need to be developed.”

Jubilee, which began production in 2010, is operated by London-based Tullow, which also owns 35.5% of the field. Anadarko and Kosmos Energy (KOS) (KOS), both based in the U.S., each hold 24.1% and GNPC 13.6%. Sabre Oil & Gas Ltd. holds 2.7%. By May 31 Jubilee had produced 35m barrels, Asafu-Adjaye said. Output from the Jubilee oil field is now at 63,000 barrels per day, with production expected to reach an average of 90,000 barrels this year, according to Tullow.

New discoveries in the Deep Water Tano Block include Tweneboa and Enyenra as well as other clusters of discoveries such as Mahogany, Teak, Akasa and Banda, Asafu-Adjaye said. Following Jubilee’s start up oil became Ghana’s third- biggest export after gold and cocoa last year.

Shares of Tullow, which has the most exploration licenses of any oil company operating in Africa, fell 1.7%, to 1,476 pence at the close in London, giving the company a market value of GBP 13.4bn pounds (USD 20.8bn). *(Business Week)*

Agoo Mobile, a private mobile device distribution company, has unveiled a new electronic voucher distribution system involving the use of a point of sale device or a highly efficient phone plus a portable printer module. The event, which was held at the Golden Tulip Hotel in Kumasi, brought together various stakeholders to witness the launch ceremony on Friday 22nd June 2012.

Speaking at the launch, the Managing Director of Agoo Mobile, Mr Kojo Bonsu noted that vendors currently sell the mobile phone units to customers using scratch cards which Agoo promoters have identified to be inefficient. He said the company has planned to provide services by transmitting units directly to the point of sale devices which will be in the possession of the vendors.

“The Agoo Mobile system is done in such a way that it totally nullifies all disadvantages and risks present in the current system employed in the sale of mobile phone airtime or credits (the scratch cards system)” Mr Bonsu explained. He added that the facility is more convenient compared to scratch cards, and that it is also environmentally friendly "since the streets will no longer be littered with scratch cards." “We are committed to providing customers with user-friendly solutions to ensure the availability of recharge vouchers. This alternative solution has been designed and developed to overcome the challenges associated with distribution of physical vouchers.

“The Agoo mobile electronic voucher distribution system will not only provide up to date information on sale at all times but also eliminate fraud and theft, improved cash flow and sales tracking, track purchase habits of subscribers more effectively (i.e. their preferred location of purchase and airtime value) and reach a wider market due to the very low denominations available leading to more revenue creation.

It will also guarantee payments; improve cash flow and user friendly interface. Customers can link to Multiple Network Service Providers, thereby eliminating Physical Distribution and Transportation cost. No Stock- out or Excess Stock situations for Merchants". The Managing Director concluded. *(Ghana Web)*

Economic News

The Vice-President of the China Development Bank (CDB), Mr Huan Li, has given an assurance that the CDB is committed to releasing all the USD 3bn CDB loan to Ghana. He commended Ghana for putting in place the necessary framework for the implementation of projects under the loan facility. Mr Li gave the assurance when he paid a farewell call on the Vice-President, Mr John Dramani Mahama, at the Golden Jubilee Lounge in Accra Monday.

The CDB Vice-President, who was in Ghana for a week's working visit as part of his African tour, had held meetings with members of the government task force on the CDB loan facility, officials of the Ministry of Finance and Economic Planning and CDB officials. The discussions centred on the need for Ghana to open an account in Hong Kong for the release of the first tranche of USD 1bn for the two subsidiary agreements on oil and gas and Information and Communications Technology (ICT).

The meetings also emphasised the need for the speedy implementation of the projects under the CDB, including the rehabilitation of the Western railway, the expansion of the Takoradi Harbour, the construction of landing sites and the Accra Plains Irrigation Project. Ghana and the CDB signed the framework agreement for the USD 3bn loan facility in September 2010 when President John Evans Atta Mills visited China.

And early this year, Vice-President Mahama visited China, during which Ghana and the CDB signed two subsidiary agreements in Beijing for the release of USD 1bn of the USD 3bn loan facility to the country. The signing of the agreements paved the way for the disbursement of USD 850m for the gas infrastructure development project in the Western Region and USD 150m for the development of an ICT platform for surveillance of the oil and gas field.

Mr Li said he was impressed with the deliberations held with the task force and officials of the Ministry of Finance. He said the CDB would continue to work with Ghana to ensure the smooth implementation of the projects. He commended Ghana for making progress on the economic front and reiterated the commitment of the bank to collaborate with the country to propel Ghana's socio-economic development.

Responding, Mr Mahama said the implementation of the projects was delayed because Ghana's legal regime required Parliament to approve all the agreements under the facility. Fortunately, he said, Parliament had approved all the 12 subsidiary agreements under the USD 3bn CDB loan. He said all the projects under the CDB loan facility were crucial to the government, since they concerned the development of infrastructure and the general well-being of Ghanaians.

He said the rehabilitation of the railway lines, the expansion of ports, the construction of landing sites and the remodeling of the Volta Lake would propel Ghana's economic growth and create jobs for the youth. "The projects under the CDB loan are a core part of the better Ghana agenda and, therefore, the government attaches a lot of interest to them," he said. The Vice- President called for more collaboration on the CDB in the implementation of the project. *(My Joy)*

A 30-member delegation of Turkish investors from the steel industry would visit Ghana on July 6, to hold meetings with top government officials, the private sector and industrial users of steel. The delegation, representing 21 leading companies across Turkey and Europe, would be in the country under the auspices of the Turkish Steel Exporters' Association. It would be led by its Board Chairman, Mr Namık Ekinci.

The visit is expected to shore up bilateral trade relations between Ghana and Turkey, expand platforms for fresh strategic partnerships and explore new business and growth opportunities for both nations. A statement issued by Mahogany Consult, local media and event organisers, made available to the Ghana News Agency in Accra, on Wednesday said, "The forthcoming visit by the Turkish delegation further demonstrates the growing importance of Ghana as a key emerging market and a potential strategic trading partner with Turkey in the steel sector".

The delegation would hold meetings with the Ministry of Trade and Industry, Ministry of Energy, and the Ghana Chamber of Commerce as well as stakeholders in the steel industry in the country. The Turkish companies represented are offering a wide range of steel products, including HR/CR coils, diamond and tear-drop pattern plates, wire rods, billets, beams, bars, hollow sections, tubes, pipes and other steel products. Turkey is Europe's second biggest crude steel producer, and the seventh largest steel exporting country in the world with exports to more than 180 countries.

This significant business visit and trade exchange sessions would not only be a great platform for productive dialogue between Ghana and Turkey, but would boost the steel sub-sector and the Ghana manufacturing base. Turkey has emerged strongly on the global steel market and her total crude steel production was expected to reach 38m tonnes at the end of 2012, with exports for around 18.1m tonnes worth USD 15.4bn in 2011.

Turkish steel has been in several high-profile projects around the world, including the Al Burj Tower in Dubai, at 1,050 metres, the world's tallest building, the Dubai Underground Project, Heathrow Airport terminal extension, Turkey-Greece natural gas pipeline and the Baku-Tbilisi-Ceyhan crude oil pipeline. In addition, it is used in car manufacturing, such as Toyota Corolla and Verso, Honda Civic and City, Hyundai Accent and Matrix, Renault Megane, Clio and Fiat Albea, Palio Doblo and Linea. *(GBN)*

The country's mining sector in 2011 contributed a total of GHS 1.645bn in tax revenue; Dr. Tony Aubynn, the Chief Executive of the Ghana Chamber of Mines has announced. The figure was made up of internal revenue and corporate taxes. The sector is ranked as the number one taxpayer and highest contributor to the Ghana Revenue Authority.

During the period, the mining companies also supported communities within their areas of operation to the tune of GHS 43m. Dr. Aubynn was speaking at a day's seminar held for some selected journalists in Kumasi by the Chamber to highlight the body's critical role to the growth of the nation's economy. Foreign Direct Investment inflows into mining from 1983-2011 is put at USD 6.2bn and this came from producing, exploration and support services companies.

He said since 2000, the sector had remained the leading foreign exchange earner, accounting for an annual average of 38%. Significantly, most of the mines continue to return well in excess of the statutory 20% of foreign exchange earnings into the country. He said, last year for example, the companies returned about USD 3.1bn, representing 75% of mineral revenue through the Bank of Ghana and the Commercial Banks.

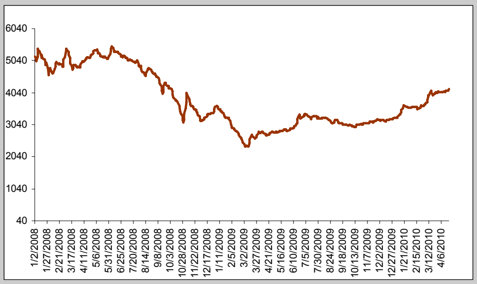
Dr Aubynn cautioned against excessive taxation of the mines, saying, that could be disruptive and "kill the hen that lays the golden eggs." "Mining is highly complex and capital intensive, interruptions through review of existing fiscal regimes (especially without due consultations) distorts the free flow of operations which is detrimental to the mining business." He said.

National resources by their nature, he noted, are not replaceable and that is why they should be exploited for the benefit of the nation and future generation. Dr. Aubynn said mining should therefore be seen "as a catalyst for development and not just an exclusive industry that provides fiscal imports. It needs to be fully integrated into the local economy".

Dr. Aubynn paid a courtesy call on the Ashanti Regional Minister Dr. Kwaku Agyemang-Mensah, where he re-affirmed the Chamber's preparedness to support the government to bring progress to the people. He appealed for adequate security protection to enable the mining companies undertake their activities without hindrances. Dr. Agyemang-Mensah advised the mines to live up to their social responsibilities to the communities. *(Ghana Web)*

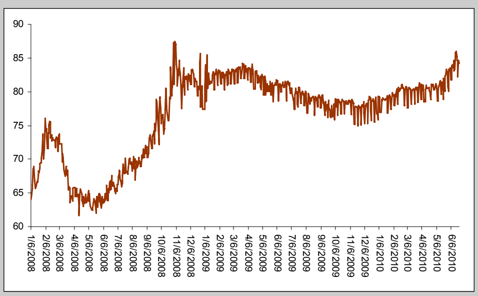
Kenya

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

The NSE 20-Share Index was up +2.41% to close the week at 3,793.32 points. Kenol Kobil led the movers after gaining +11.89% to KES 16.00 followed by Pan African which rose +10.45% to KES 37.00. Other notable gains were recorded in City +8.21% to KES 268.00 and Kenya Airways (+7.63%). DTK was the main loser, shedding -9.13% to KES 94.50 followed by Scan (-6.88%) and SCB which lost 5.97% to KES 189.00.

Corporate News

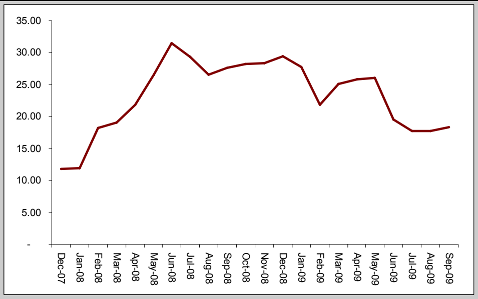
Internet service provider AccessKenya Group has launched a fibre to the Premise Solution targeted at property developers and Investors in the building and construction industry. The Fibre to the Premise (FTTP) Solution, dubbed “Intelligent Properties” is aimed at supporting Building Management Systems (BMS) to enhance efficiency in the management of essential services in both residential and commercial buildings.

AccessKenya Group Chief Executive officer Jonathan Somen said the company is keen on exploiting the potential of technology aided development such as BMS, even as it diversifies its product portfolio. “We believe that potential of FTTP in the building and construction industry is enormous, drawing from the fast-changing needs and the subsequent developments in our respective living and working environments, “said Somen.

Somen noted that AccessKenya Group was committed to bringing industry players to create a platform for technology in resource management. He said the company has invested heavily in building a robust, future - proof fibre network which, if well utilised, could provide limitless technological opportunities. “We have over 300km of fibre in Nairobi and Mombasa complemented by a robust wireless network in all major towns in Kenya. Our entire network is Internet Protocol-based and this means that it can accommodate a wide range of technology applications,” he said.

BMS encompass a variety of technologies across commercial, industrial, institutional and domestic buildings, including energy management systems and building controls. BMS will control, monitor and optimise building services like lighting, heating, security, CCTV and alarm systems. It will also enable access control, audio-visual and entertainment systems. Somen says the concept will add value to the building and construction industry in Kenya and further enhance technology integration to complement the country’s effort in achieving Vision 2030 goals.

AccessKenya Group Retail Manager Ms Diana Mulili observed that the company will be working with various turnkey solutions providers such as TKM Maestro,



Source: SAR

which has been keen on providing integrated solutions for planning, design and construction in the country for the past 10 years in deploying the solution. "TKM Maestro have demonstrated the zeal in deploying this solution in Kenya and they have good experience," said Ms. Mulili.

The Internet service provider recently issued 10m bonus shares to shareholders after gaining approval from the Capital Markets Authority. The approval will enable the company to issue and list an additional 10,382,785 ordinary shares at Sh1 each in the ratio of one new ordinary share for every 20 ordinary shares held. Somen announced that the group intends to spend between KES 250m and KES 300m on capital expenditure, with a significant portion of that going to their metropolitan fibre networks and network expansion. This year, they have already added about 40 to 50 kilometres of fibre and about 50 to 60 buildings which are using Access Kenya internet connection. *(Standard Media)*

Kenya Airways, sub-Saharan Africa's third largest carrier, is due to launch a low-cost airline service which will take over its short-haul domestic and regional flights, leaving Kenya Airways to focus on growing its connections between Africa, China and India. The proposed airline, to be called Jambo Jet, would be launched before the end of the year. The move is set to open the loss-making state-owned South Africa Airways (SAA) to more competition. It also comes at a time when SAA was moving to increase the number of destinations it services on the continent in search of higher margin traffic.

Kenya Airways chief financial officer Alex Mbugua said yesterday that the country's largest airline would always be in a more competitive position on the continent than airlines such as SAA, because of the carrier's relative distance from the markets it needs to service. In addition to transferring all flights that are within an hour or two of Nairobi from the parent airline to Jambo Jet, Kenya Airways is also building a fleet of freighters that it believes could contribute as much as 20% to revenue within the next 10 years, up from its 7% contribution, he said. Kenya Airways would also have an advantage over Ethiopian Airlines, one of the biggest airlines on the continent.

Ethiopian Airlines is based in Addis Ababa which is 609m above sea level and requires 10% higher fuel burn and 15% lower loads, Mr Mbugua said. Kenya Airways recently concluded a USD 175m rights issue as part of its efforts to raise the USD 3,6bn it needs over the next five years. The announcement by Kenyan Airways comes as London-listed African investment holding company Lonrho revealed yesterday that it had completed the USD 87,5m disposal of its airline division to Rubicon Diversified Investments, which would focus on turning the newly branded Fastjet service as a low-cost carrier.

The push for new airline services in Africa was emanating from high growth rates on the continent. Mr Mbugua said seven of the 10 economies forecast to grow the fastest between last year and 2015 are in Africa. Research by The Economist and the International Monetary Fund shows China and India at the top of the table, with growth rates of 9,5% and 8,2% respectively, and Ethiopia in third position with a growth rate of 8,1%.

Under Kenyan Airways' planned programme to quadruple in size over the next 10 years is a larger USD 8bn expansion, Mr Mbugua said. However, one of the biggest constraints to growth is the size of the Nairobi airport which has a capacity for 2,5-m passengers a year, while the demand is for about 8-m. An expansion to the terminal building is being undertaken at Jomo Kenyatta International Airport, which would double the airport's capacity by March next year. *(Business Day)*

Canada's Africa Oil said on Wednesday it has found an additional 43 metres of potential oil pay in its Ngamia-1 well in northern Kenya where the east African country announced its first oil discovery in March. The Ngamia-1 well in Kenya Block 10BB, which is operated by Africa Oil's partner Tullow, was drilled to a depth of 2,340 metres and will now be suspended for future flow testing. The commercial viability of the find has yet to be ascertained. *(Reuters)*

A UK-based firm that discovered oil in Turkana will soon start drilling for the fuel in a second site in the area. Tullow Oil plc announced on Wednesday that it has suspended drilling at Ngamia-1 where light oil was discovered for future flow testing. In a Trading Statement and Operational Update of the first half of the 2012 financial year posted on its website, the company announced that the rig used in drilling Ngamia will be moved to drill the second well, Twiga-1, that is 30 km away from the first site.

“Once this drilling has completed(in Twiga-1) it is planned to return to Ngamia-1 for flow testing and standard oil field pumping equipment is being mobilized for this test,” the company stated. Tullow however stated that whilst the Ngamia discovery exceeded expectations, more exploration and appraisal activity will have to be done before commerciality can be declared.

The company has identified over 100 leads and prospects in seven related basins in the area and those located in the South Lokichar basin were substantially de-risked due to their proximity to Ngamia. The company also announced that it will acquire additional rigs to drill wells in sections identified in the area for exploration.

The statement quoted Tullow's CEO Aida Heavy saying that the company had posted success in its recent exploration that include Kenya. “Tullow's industry-leading exploration success has continued in the first half of 2012 with a major discovery in Kenya, the fourth new basin the Group has opened in five years,” he said.

Tullow issued the Trading Statement and Operational Update in respect of the first half of the 2012 financial year ended 30 June 2012. This is in advance of the Group's Half-Yearly Results, which will be released on July 25 this year. *(Standard Media)*

The Central Bank of Kenya has granted Bank of China a license to open a representative office, a likely first step towards a full operation in east Africa, the central bank said on Tuesday. Foreign lenders have been looking to set up operations in Kenya where collective industry profit jumped 20.4% last year to KES 89.3bn (USD 1.07bn).

BOC, in which the Chinese Sovereign Wealth Fund holds a substantial stake, is headquartered in Beijing, focusing on corporate and personal banking as well as investment banking. It also has operations in other countries including South Africa and Zambia. South African lender FirstRand plans to acquire a mid-sized

Kenyan bank, it said in May while opening its own representative office in Nairobi.

Chinese organisations are eyeing Nairobi as a base for a push into Africa, with state broadcaster CCTV, basing its Africa service in the Kenyan capital last year. The move caused a crisis in the local media industry as CCTV lured dozens of on and off air personnel from local stations with higher pay. *(Reuters)*

British American Tobacco Kenya posted a 21% rise in its pretax profit for the first half of this year to KES 2bn (USD 23.67m), although its revenue was flat, it said on Thursday. The cigarette maker, whose shares gained 2.7% this week in anticipation of strong results, maintained its interim dividend at KES 3.50 per share.

"Operating profit increased by 24% due to the improved domestic and export revenues coupled with a lower overhead cost base," it said in a statement. Lower demand for semi-processed leaf offset gains in the sale of cigarettes, it said. BAT Kenya is a unit of London-listed British American Tobacco. *(Reuters)*

Economic News

Kenya's economic growth slowed in the first quarter of 2012 from a year ago and data showed inflation had slowed further in June, strengthening the case for a start to monetary policy easing. The Kenya National Bureau of Statistics said on Friday gross domestic product in east Africa's biggest economy grew 3.5% in the first quarter of 2012 from 5.1% a year earlier, the slowest first quarter growth since 2008.

Growth was dented by high inflation rates, high interest rates and delays in the onset of the long rains, data showed. "While the GDP data, by its nature, is unlikely to tell us much that is new about the economy, the relatively slow start to the calendar year does cement our view that we should see the start of a rate easing cycle by the CBK at its July MPC meeting," Razia Khan, head of Africa research at Standard Chartered Bank, said.

Gross domestic product on a seasonally adjusted basis was flat in the first quarter, compared with 1.5% expansion in the same period last year. The statistics office said there was improved performance in agriculture, transport and communication. The central bank drove the benchmark lending rate to its highest ever level of 18% in December, from 7% in September, to help shore up a weak currency and tame inflation which hit a peak of 19.7% in November.

However, it said financial services slowed to 3.8% from 12.8% growth in the first quarter of 2011, while construction grew by 3.2% from 7% in the same period a year ago. "The slowdown was broadly in line with expectations, with the agricultural sector continuing to recover after poor outturn ... and the domestic demand-orientated sectors starting to feel the pinch from monetary tightening stepped up in fourth quarter 2011," Mark Bohlund, senior economist for sub-Saharan Africa at IHS Global Insight, said.

"This is likely to be exacerbated in the second and third quarter although reduced price pressures, in food and energy prices most notably, should give some relief." The balance of payments rose to KES 37bn in the same period from KES 11.2bn in first quarter 2011. Falling food and fuel prices helped bring down year-on-year inflation more than expected in June.

Kenyan consumer prices fell 0.77% in the month, pushing the year-on-year rate to 10.05% from 12.22% in May, its lowest level since March 2011, data showed. The consensus forecast in a Reuters survey of 11 analysts was for the rate to slow to 11.50%. "Whilst the (Central Bank of Kenya) was reluctant to cut rates earlier - they focused on the strength of credit demand in April, and the turn in core inflation - we feel they should be somewhat more reassured by this outcome," Khan said.

"Inflation is more definitively on a downtrend, and with the gap between the central bank rate (18%) and inflation (10% and falling), we think there is an even stronger case to start the easing cycle now." Food and non-alcoholic prices fell 1.91% in June, while housing, water, electricity, gas and other fuel costs slipped 0.20%. On a year-on-year basis, the food and non-alcoholic beverages index, which makes up 36.04% of the total basket of goods and services used to measure inflation, rose 10.53% compared with a rise of 14.58% in May.

In June last year, the price of food and non-alcoholic drinks rose 22.52% year-on-year. "While this is the most volatile category in the CPI, we now have stronger indications that food prices are finally coming down after the sharp increases over the past year," said Bohlund.

Some analysts said the fall in inflation was still insufficient to push the MPC to cut rates at the next meeting brought forward to July 5 from July 10. "While these data are encouraging, on their own they are unlikely to be sufficient to tilt the MPC into a cut at the next meeting," said Leon Myburgh, sub-Saharan Africa strategist at Citibank. *(Reuters)*

Faced with the prospect of declining profit due to price wars, milk processors have now resorted to cartel-like tendencies to contain a further drop in milk prices. As the country continues to experience increasing milk production by farmers, milk processors have realised they are hurting each other by resorting to price wars to move their products. To halt further reductions, the processors under the Kenya Dairy Processors Association (KDPA) have agreed to cap milk prices at an average of Sh70 per litre, in the process making a mockery of perceived intense competition in the lucrative sub-sector.

The scheme, which was hatched under the full knowledge of industry regulator Kenya Dairy Board, has been camouflaged by the show of unity of purpose demonstrated by the processors during the launch of a campaign to promote the consumption of milk and milk products. The KES 50m campaign dubbed ‘Stay young, Do Milk’ is fronted by KDPA and is aimed at creating a milk drinking culture. “The launch of the campaign was intended to show Kenyans the processors are committed to the overall development of the industry, but it was the culmination of a deal to stop the price wars,” said a senior manager in one of the leading processors.

In recent weeks, retail milk prices have been on a decline, after hitting a high of KES 90 per litre early in the year due to a prolonged dry spell. Currently, a litre of milk is averaging KES 70, although leading processors Brookside Dairy and New KCC have capped their prices at KES 80 per litre, representing a drop of only

KES 10 per litre. Speaking during the launch of the campaign, KDPA chairman and New KCC Managing Director, Kipkurui Arap Lang'at, said consumers should expect price stability due to supply normalcy following the long rains.

Sufficient long rains over the March-May period has seen milk production double, from about 1.5m litres per day to about 3m litres. The dairy sub-sector is perceived to be among the most competitive industry after witnessing significant growth in less than a decade with the number of processors currently standing at 45. However, it is dominated by about five leading processors who command about 90% of the formal market. The three leading processors, New KCC, Brookside Dairy and Githunguri Dairy, control about 75% of the market, and have a combined capacity to process about 1.3m litres of milk per day at full capacity. Most of the other processors are very small players with a capacity to process less than 10,000 litres per day.

Over the years, the leading processors have crafted strategies to rake inms by capitalising on the huge disparities in spread between producer and retail prices for milk. Currently the producer price range between KES 28 and KES 35 per a litre, with the retail price averaging KES 70 per litre. This huge gap has bred a growing number of disgruntled farmers who continue to fuel the growth of the informal market, which consumes 60% of milk produced daily. *(Standard Media)*

Kenya is cancelling an agreement to import 4m tonnes of Iranian crude oil per year because of international sanctions against Iran, its top energy official said on Wednesday. The news earlier this week that Kenya would turn to Iran for up to 80,000 barrels of oil per day surprised Western powers. Kenya is a key strategic ally in the U.S.-led fight against militant Islam in east Africa.

The deal, signed last month, came at a time that Western powers are increasing pressure on Tehran over its disputed nuclear programme. "We signed an MoU (memorandum of understanding), but it is being cancelled," Patrick Nyoike, permanent secretary in the energy ministry told Reuters. "There is an embargo on Iranian oil. We don't want to get involved in the intricacies of international inter-governmental issues," he said.

Britain, which earlier on Wednesday urged Kenya to reconsider the move, welcomed the about-turn. Officials said the UK government was pleased Nairobi was supporting the international sanctions. "Concerted pressure by the international community sends a strong message to Iran that it must take steps to demonstrate its nuclear programme is for peaceful purposes," a Foreign Office spokesman said.

Many importers of Iranian crude oil have sharply reduced purchases to earn exemptions from U.S. financial sanctions. European sanctions, including a ban on imports of Iranian oil by EU states and measures that make it difficult for other countries to trade with Iran, came into effect on Sunday. On Tuesday, Iran's Mehr News Agency had quoted Seyed Mohsen Ghamsari, executive director for international affairs at the National Iranian Oil Company, as saying that "despite the stopping of oil exports to Europe, new contracts have been signed with other applicant countries".

East Africa's biggest economy imported oil from Iran in the 1970s and 1980s but has not since then. "One of the new markets for the export of Iran's oil is that of African countries," Ghamsari was cited as saying. The U.S. State Department said Washington was aware of the reports on Kenya's intentions and that the United States in discussions with all international partners had made clear the importance of reducing ties with the Central Bank of Iran and revenue to Iran. "We are implementing our sanctions fully," the U.S. statement said.

Under President Mwai Kibaki, Kenya has increasingly turned to new economic partners, forging close ties with nations including China and Libya under Muammar Gaddafi's leadership. The shift in foreign policy stance has sometimes caused unease among its traditional western allies.

A visit by Iranian Vice President Mohammad Reza Rahimi to Kenya in late May paved the way for the deal, which was part of a drive by the two countries to increase trade ties including energy. Aly Khan Satchu, a Nairobi-based independent analyst, said the agreement appeared hastily reached and that Tehran must have had "some purchase on the government".

He added, "However, given the recent story about the arrest of two Iranian 'operatives' in Kenya, this deal to import crude looks uniquely ill informed and a little foolish." Kenyan police said they were interrogating two Iranians they arrested after seizing chemicals they suspected were going to be used to make explosives. *(Reuters)*

The Central Bank of Kenya’s Monetary Policy Committee meets on Thursday to decide on the direction of its benchmark rate, as the market hopes for a rate cut. Many analysts say CBK has a “bit more room” for manoeuvre, compared with the situation at the last meeting last month in which the bank retained its benchmark rate at 18% for six months running.

“Inflation has been falling since January and all indications show that interest rates should fall,” said Professor Michael Chege, a policy analyst at the Ministry of Planning. Analysts, however, note that the cut, if it happens, will only be slight as CBK remains cautious on the effect this would have on the exchange rate and inflation.

“Any decision they make will bear in mind the fact that they can’t keep the rates very high for too long, while at the same time trying to sustain the gains made on foreign exchange and on inflation,” said Nairobi economic analyst Robert Shaw. He said a cautious cut would allow for market assessment before trimming the rate further later.

Inflation has fallen for the seventh consecutive month to 10.05% last month, from 19.72% in November last year, while the shilling has stabilised at levels of KES 84 to the dollar. However, the economy slowed down to 3.5% in the first quarter of this year, the slowest in four years, compared with 5.1% recorded in the same period last year. *(Nation)*

Kenya's central bank declared a measure of victory over high inflation and currency volatility after a months-long battle, cutting its benchmark lending rate by a bigger-than-expected 1.5 percentage points. While a sharper-than-forecast fall in inflation last month offered scope for a rate cut, particularly after disappointing first quarter growth figures, the bank was left balancing the need to spur output and protect a still vulnerable currency.

The regulator came under fire last year for sacrificing the currency and prices at the altar of economic growth, when soaring inflation and currency turmoil engulfed the region. It atoned in the final quarter of 2012 when it jacked up rates. The Monetary Policy Committee on Thursday cut the central bank rate by 150 basis points to 16.5%, saying its tightening stance had worked to cool inflation and stabilise the shilling.

"The Committee noted that the implementation of its monetary policy framework is working," it said in a statement, citing falling inflation, foreign exchange rate stability and improved hard currency reserves position. Year-on-year inflation fell for the seventh straight month in June to 10.05% from 12.22% in May. However, the MPC warned of lingering threats to prices and currency stability, mainly due to a current account deficit, which it said was still high in May at 11.3% of GDP.

Economic growth slowed to 3.5% in the first quarter of this year from 5.1% a year ago - the slowest first quarter growth since 2008 - as high commercial lending rates hit business like the key construction sector. "We sit on the cusp of an easing cycle which will total about 600 basis points through year-end, and the MPC whilst re-establishing their inflation-busting credentials, are also making sure the slow down does not run away from them," said Aly Khan Satchu, an independent trader and analyst.

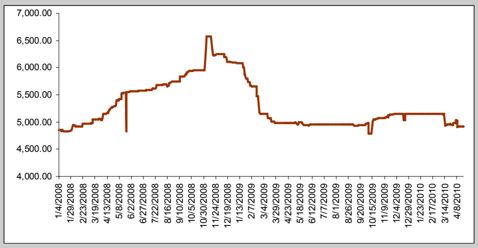
Some analysts cautioned the policymakers risked undermining the shilling with larger-than-expected cuts. "The 150 basis points cut was slightly larger than consensus expectations for a 100 basis points cut and could thus move the Kenyan shilling somewhat on expectations that the CBK will cut rates at sharper increments than expected," said Mark Bohlund, senior economist at IHS Global Insight in London. The MPC said it would revert to bi-monthly policy meetings, shifting from monthly meetings which were adopted late last year at the height of the inflation and currency crisis.

"Reverting back to bi-monthly meetings could prompt fears that the central bank is 'taking the eye off the ball' amid what are still very uncertain circumstances both domestically and globally," Bohlund said. The shilling weakened to 84.7 per dollar in after-hours trading, from 84.25 per dollar before the decision, Reuters data showed.

Still, other analysts said the move to cut rates boldly would not harm the shilling, citing the central bank's continuous open market operations. "It would be wrong to see this rate move as KES-negative in any way. Real interest rates remain substantial in Kenya, and may increase ahead of the September MPC meeting, as inflation continues to decelerate," said Razia Khan, head of Africa research at Standard Chartered. *(Reuters)*

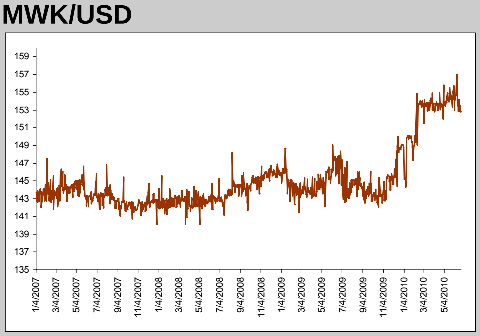
Malawi

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

Stock Exchange News

The market index was steady at 5,983.94 points. The market recorded trading activity in 6 counters, namely, MPICO, NBM, NBS, NICO, NITL, and STANDARDBANK. Market turnover for the week amounted to USD 22,154.87.

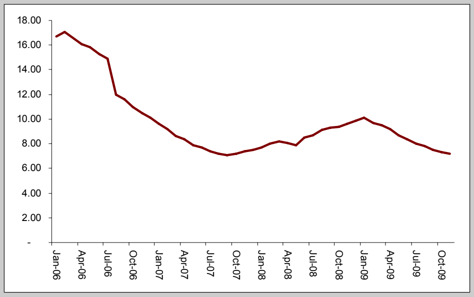
Corporate News

No Corporate News this week

Economic News

No Economic News this week

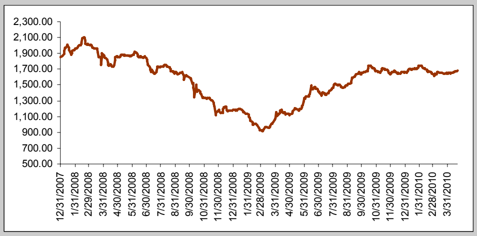
CPI Inflation



Source: SAR

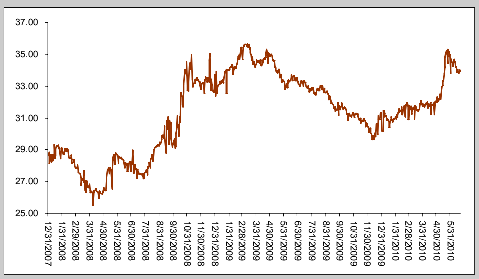
Mauritius

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

The SEMDEX was down -0.02% while the SEM 7 lost -0.08% to close at 1,775.55 and 339.84 points respectively. Gamma Civic and PAD led the movers after gaining +3.1% and +2.9% to close the week at MUR 330 and MUR 71 respectively, followed by PIM, up +1.3% to MUR 78 and MUA (+0.8%). MSM led the losers after shedding -16.00% to MUR 10.00 while ASL lost -6.3% to MUR 75.00 and ENL shed -4.5%.

Corporate News

Moody's Investors Services has raised State Bank of Mauritius' long term foreign currency deposit rating to Baa1 from Baa2 with a stable outlook, the bank said on Monday. "This move follows the upgrade of Mauritius' foreign currency deposit ceiling and, within a context of economic uncertainty globally, reflects the particularly solid fundamentals of SBM," SBM said in a statement. SBM's domestic currency deposit ratings remains at Baa1 and its financial strength rating was upheld at C minus by Moody's, the bank said. *(Reuters)*

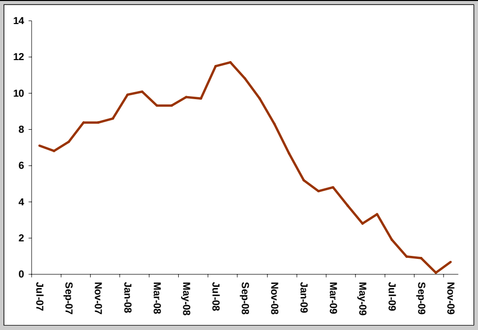
The Stock Exchange of Mauritius has approved the listing of internet service firm Bharat Telecom, paving way for its 16.7m shares to trade on its secondary market. The shares will start trading on July 11 on the Development and Enterprise Market, when 50,000 shares will be offered at an indicative price of MUR 50 rupees, SEM said on Tuesday. The internet service provider plan to invest USD 50m to roll out 2,900 km of fibre network, which could cover up to 70% of the population of Mauritius. *(Reuters)*

Economic News

The Bank of Mauritius has offered the country's banks a foreign currency credit line worth 600m euros to help exporters refinance loans in the face of pressure from the euro zone crisis, a central bank official said on Tuesday. The credit line - which the lenders would be asked to offer at a rate equal to the London interbank rate (Libor) plus 2.5% - was introduced on June 22 and would run over 5 years, Jaywant Pandoo, Head of Markets at the central bank, told Reuters.

The central bank kept the credit line secret but admitted its existence after news of the facility was leaked to a local newspaper. It was not clear if any banks have tapped it. Last month Bank Governor Rundheersing Bheenick said the crisis had affected the island's USD 10-bn-a-year economy after the rupee firmed against the euro, which has hurt exporters and the key tourism industry.

Pandoo said the line of credit was available in euros, dollar and pound sterling depending on demand, and was meant to allow firms to refinance debt



Source: SAR

repayments that had become unsustainable. "The central bank is providing the loan at a rate equal to Libor plus 1.5% and has requested banks to offer at Libor plus 2.5%," Pandoo said.

Bheenick said the sharp weakening of the euro was affecting firms in the export sector, meaning non-performing loan rates could rise if the euro zone crisis lasted another two to three years. Mauritius is working to diversify its economy away from the sugar, textiles and tourism sectors into offshore banking, business outsourcing, luxury real estate and medical tourism. *(Reuters)*

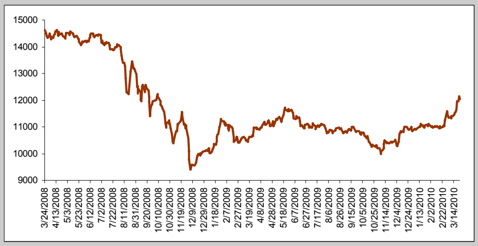
The average annual inflation rate in Mauritius fell in June for a seventh straight month, to 5.1%, the statistics office said on Friday. The year-on-year inflation rate inched up 0.1%age point, official data showed, to 3.9% from 3.8% in May, according to Thomson Reuters calculations.

Average annual inflation fell from 5.3% in May. However, while inflation on the Indian Ocean island has been on a downward path, analysts said a weaker rupee threatens to reverse the current trend. "The slowdown in aggregate demand is removing pressure on prices. However, with the depreciation of the rupee there are risks that our imported inflation could go up again", Akilesh Roopun, economist at Bramer Bank, told Reuters.

Last month the Mauritius central bank governor said the country may have reached the end of its monetary easing cycle and further cuts to the repo rate would only be possible if inflation fell below the 4.9% benchmark rate. Mauritius statistics said the consumer price index nudged up to 132.8 in June from 132.5 in May, driven higher by the price of bread and other food products. *(Reuters)*

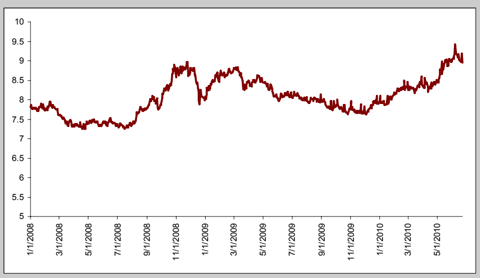
Morocco

Casablanca Stock Exchange



Source: Reuters

MAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-5.468	-4.736	-4.065
Current account balance (USD bn)	-4.963	-4.656	-4.269
GDP based on PPP per capita GDP	4,587.11	4,740.77	4,955.07
GDP based on PPP share of world total (%)	0.204	0.207	0.209
GDP based on PPP valuation of country GDP(USD bn)	146.231	153.257	162.44
GDP (current prices)	2,847.50	3,041.02	3,203.28
GDP (Annual % Change)	5.003	3.226	4.5
GDP (US Dollars bn)	90.775	98.308	105.012
Inflation- Ave Consumer Prices(Annual % Change)	2.80	2.80	2.60
Inflation-End of Period Consumer Prices (Annual %)	2.80	2.80	2.60
Population(m)	31.88	32.33	32.78

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The MASI lost -2.13% to close the week at 9,839.86 points. Gains were recorded in Samir (+5.27%) to MAD 475, Delta (+3.70%) and Salafin (+2.37%). On the losing front we had Branoma, down -5.95% to MAD 1,485, HPS which shed -5.94% to MAD 326 and Ciment De Maroc (-5.17%).

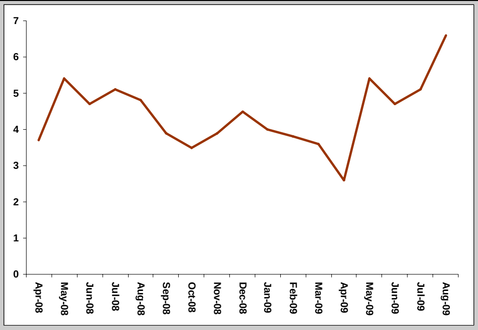
Corporate News

No Corporate News this week

Economic News

Morocco's economic growth eased to 2.8% in the first quarter of this year from 5.3% in the previous quarter as weakening agriculture and tourism activities took their toll on the USD 100-bn economy, official data showed on Monday. GDP growth in the first quarter of 2011 stood at 5.6%, the country's planning authority HCP said in a statement. Compared to their levels a year earlier, agricultural output fell 8.3% and hotels and restaurant activity fell 4.9% in the first quarter of 2012, HCP said.

After growing by close to 5% in 2011, the finance ministry expects GDP growth to ease to 3.4% in 2012 after bad weather slashed agricultural output and as the euro zone crisis hit the tourism industry. The central bank says GDP growth would stand at below 3% in 2012. Agriculture accounts for about 14% of Morocco's GDP while tourism accounts for 10%. *(Reuters)*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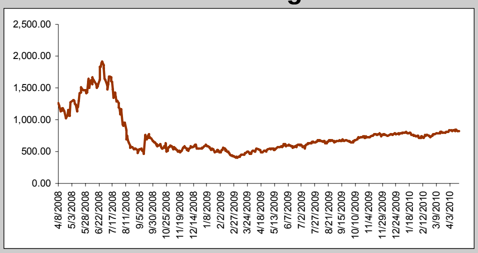
Source: SAR

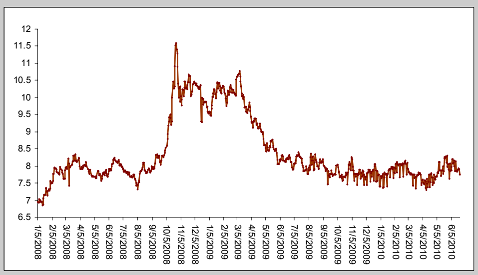
Namibia

Namibia Stock Exchange



Source: Reuters

NAD/USD



Source:SAR

Economic indicators

Economy	2009	2010	2011
Current account balance(% of GDP)	-1.049	-2.055	-1.225
Current account balance (USD bn)	-0.095	-0.19	-0.118
GDP based on PPP per capita GDP	6,610.35	6,771.73	6,964.03
GDP based on PPP share of world total (%)	0.016	0.016	0.016
GDP based on PPP valuation of country GDP(USD bn)	13.764	14.217	14.742
GDP (current prices)	4,341.36	4,406.65	4,530.72
GDP (Annual % Change)	-0.739	1.736	2.234
GDP (US Dollars bn)	9.039	9.251	9.591
Inflation- Ave Consumer Prices(Annual % Change)	9.12	6.77	5.45
Inflation-End of Period Consumer Prices (Annual %)	7.34	6.19	4.71
Population(m)	2.08	2.10	2.12

Source: World Development Indicators

Stock Exchange News

The NSX overall Index gained +2.73% at 903.00 points. On the NSX local and DevX, FSY (+2.38%) led the movers followed by BVN, up +0.37% to NAD 10.75. EOG and NBS were the only shakers after losing -4.76% and -0.99%to close at NAD 0.60 and NAD 12.04 respectively.

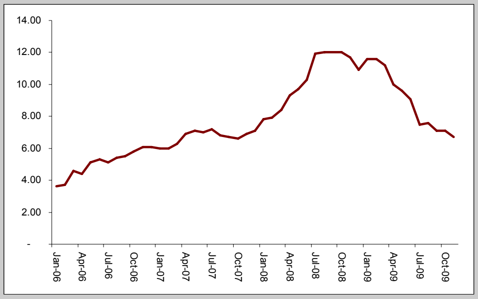
Corporate News

No Corporate News this week

Economic News

No Economic News this week.

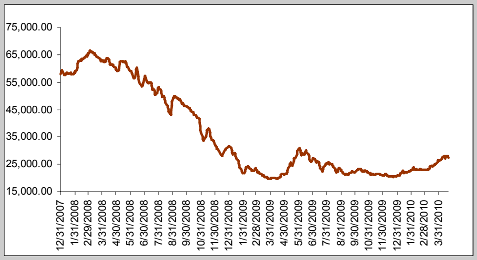
CPI Inflation



Source: SAR

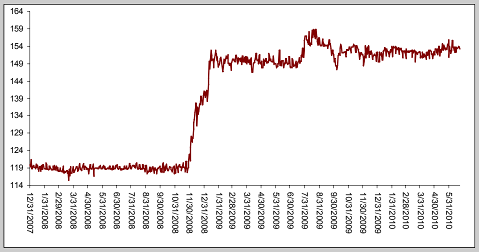
Nigeria

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

Stock Exchange News

The NSE All Share index gained +2.49% to close at 22,110.91 points. Livestock Feeds gained +24.24% to close at NGN 1.23 while Dangote was up +20.18% to close at NGN 6.55. Other notable gains were recorded in Niger Insurance (+19.61%), Evans Medical (+17.91%) and Access Bank (+15.56%). On the losing front we had RT Briscoe (-9.95%), AG Leventis (-9.76%) and InterWapic (-9.52%).

Corporate News

Africa's top oil producer Nigeria will award nearly half of its USD 60bn annual supply contracts to local companies, a document showed, and cut supplies to major commodity traders such as Glencore. The OPEC member has allocated about three-quarters of its daily production or around 1.6m barrels per day (bpd) via term contracts to 50 companies including 21 Nigerian firms, a document sent to winning firms showed.

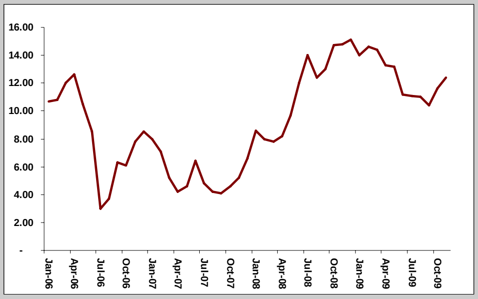
The oil which amounts to around 580m barrels sold over the next 12 months is worth nearly USD 60bn based on current premiums of the country's light, sweet crude to Brent futures. The tender result, awaited since April, showed that around 45% of the allocated oil was earmarked for companies either based in Nigeria or owned by Nigerian companies including state oil firm NNPC's subsidiary Duke Oil, which doubled the size of its contract from last year to 60,000 bpd.

Industry sources expressed surprise at the number of small Nigerian firms on the list after government pledges to cut back on cronyism in the sector and the introduction of tough new entry requirements for this year's tender. "The first thing you notice is that this isn't a significantly shorter list, so the promise to simplify and streamline hasn't been met," said an Abuja-based oil industry source who confirmed the contents of the document. "On the surface, many of the public's concerns haven't been dealt with."

Global oil traders Glencore, Vitol and Trafigura, firms that have traditionally had a strong presence in the west African country and last year won the biggest contracts, had their supplies halved to 30,000 bpd. Trafigura and Glencore spokesmen declined to comment and a Vitol spokesman was not available for comment. The volumes for Swiss-based traders Gunvor and Mercuria stayed unchanged from 2011 at 30,000 bpd.

NNPC hardened the qualification terms for the supply contracts when it first released the tender document in March as part of a drive to reform the sector. These included at least 10 years' experience in the industry, a minimum annual turnover of USD 600m and a USD 5m deposit, and were expected to help large international traders at the expense of local firms.

CPI Inflation



Source: SAR

But the number of companies on the list grew from last year's 45 and included many small African firms such as Tempo and Benny Peters, the document showed. "They (Nigeria) faced pressure and had to increase the list by around 20 companies. It was likely a struggle of back and forth and that also delayed the process," said a trader with a company that won a contract. The deadline for submissions was extended in April.

Alexandra Gillies, head of governance at Revenue Watch Institute, said the list of companies should be scrutinised carefully to ensure that all are operational oil firms and were fairly chosen. "The desire to encourage Nigerian participation is understandable, but it only helps the country if these are legitimate companies, chosen in a manner that was competitive and free from patronage," she said.

Nigeria is unusual among major producers in that it allows international trading houses to compete alongside refiners and state oil firms in the annual contracts. It sells the rest of its 2.2m bpd of production through equity holders such as oil majors Total and Royal Dutch Shell. Some companies were dropped from this year's list including Italian oil group ERG, although it was not clear it had applied. Other winners included Indian Oil Corp and China's Unipec, the trading arm of Sinopec Corp, which both received 60,000-bpd contracts. *(Reuters)*

Heritage Oil has agreed to buy a stake in a string of Nigerian oilfield assets, known as OML 30, in a deal which Heritage said on Sunday would diversify its portfolio and significantly increase its production capabilities. Heritage and its Nigerian partner, Shoreline Power, have agreed to buy a 45% stake in OML 30 from oil majors Shell , Total and ENI.

They will also buy a further 45% stake in other assets under the joint operating agreement for OML 30, which includes a segment of the Trans Forcados pipeline, for a total cash consideration of USD 850m, net of costs. "The acquisition of OML 30 is transformational for Heritage, providing a material change in production and reserves," Heritage chief executive Tony Buckingham said in a statement. Nigeria is Africa's leading oil producer. Heritage said the OML 30 deal would increase its net production to around 11,350 barrels of oil per day (bopd) from 605 at present.

The acquisition will be financed by a USD 550m secured bridge finance facility provided by Standard Bank of South Africa, and an underwritten rights issue raising proceeds of up to USD 370m. Heritage added that the acquisition would be structured as a reverse takeover, meaning that shares in Heritage Oil would be suspended from July 2. Investment bank JP Morgan advised Heritage on the deal. *(Reuters)*

International real estate company, Renaissance Capital, is concluding plans to finance a multi-bn dollar real estate development in Lekki area of Lagos State, Nigeria. The project which on completion will be Nigeria's first eco-friendly, mixed-use residential and commercial nodal is expected to cost about USD 1bn. This was revealed by the company's CEO, Stephen Jennings at the group's 16th Annual Investor Conference held in Moscow.

"We are investing about USD 1bn (NGN 162bn) in a similar project, the Tatu City in Kenya … Nigeria project will be akin to the Kenya project, which is designed to house 62,000 residents on the outskirts of Nairobi, Kenya's capital city," he said. While commenting, the group's West African CEO, Yvonne Ike described the Lagos project as a part of a broader strategic value addition into the economy.

"It is going to complement what the Lagos State government is already doing by creating employment and re-shifting economic activity, its dynamics, away from the already congested areas, economic activity that will have a life of its own," he said. The investment is a reflection of the group's positive outlook on Nigeria, which it rates second to Russia. The group also recognizes Nigeria's supportive institutions, credit growth and reform-minded government officials. *(Ventures Africa)*

Union Bank of Nigeria on Tuesday posted a 2011 pre-tax loss of NGN 122bn (USD 750m), compared with a profit of NGN 36.5bn a year ago, it said in a filing with the stock exchange, giving no reason for the loss. Gross earnings at the lender fell 38% to 80.7bn naira, it said, while net assets recovered to NGN 196bn during the period, from a loss of 115.8bn naira last year.

A large chunk of the losses are likely to be due to write downs of bad debts left over from a 2008/9 banking crisis. Shares in the lender shed 4.35% to NGN 3.72 on the news, almost the maximum 5% swing allowed, and underperforming the broader index, which gained 0.55% to hit 21,690 points.

Union Bank last year sold a 60% stake in itself to a group of institutional investors led by African Capital Alliance private equity for USD 750m to help it recapitalise. It was one of nine lenders that the central bank bailed out to the tune of USD 4bn in 2009, after it judged they were dangerously undercapitalised. *(Reuters)*

Nigeria's state-backed "bad bank" on Tuesday said it may list three lenders that were nationalised as part of a bailout in 2009, instead of selling them to rivals, as it seeks to determine fair value for the banks. Mustapha Chike-Obi, chief executive of the Asset Management Company of Nigeria (AMCON), said AMCON will need to find financial advisers before finalising its decision on whether to list directly or sell to competitors.

"AMCON is appointing an adviser that will evaluate and determine the value of the banks, evaluate all the options available to AMCON," he said. "We expect our eventual adviser to consider this (listing) among other options," Chike-Obi said. He said in April that all three rescued banks were now profitable. Previously, AMCON said that more than 20 firms banks and private equity investors had expressed interest in acquiring the nationalised lenders, but AMCON is keen to have them valued before starting any negotiations.

It may opt to take them public if it can get a better deal. Nigeria nationalised the three and changed their names to Mainstreet Bank from Afribank; Enterprise Bank from Spring Bank; Keystone Bank from Bank PHB, for failing to find new investors before a recapitalisation deadline. The central bank injected USD 4bn into nine lenders in 2009, judging that they were dangerously undercapitalised. *(Reuters)*

The Northern Nigerian Flour Mills Plc and Aso Saving & Loan Plc have

recorded a decline in their audited results for the year ended March 31, 2012. Northern Nigeria Flour Mills Plc (NNFM) profit after tax declined from N455.598m in 2011 end compared to NGN 5.043m in the review period of 2012; showing a decline of 99%.

The profit before tax also depreciated from NGN 649.463m in 2011 end compared to NGN 47.331m in the audited period ended March 31 2012; indicating a depreciation of 93%. However, the company's turnover grew from NGN 11.449bn in 2011 end to NGN 12.674bn in the review period of 2012 end; representing a growth of 11%. Also, Aso Savings & Loans Plc recorded a decline in profit after tax as it posted NGN 129.298m in the audited period ended March 31 2012 compared to NGN 1.212bn in year 2011 end; showing a decline of 89.33%.

Aso Savings posted a profit before tax of NGN 300.681m in the review period of 2012 compared to NGN 1.903bn in year 2011 end; representing a decrease of 84.19%. Gross earnings also dipped from NGN 11.008bn in 2011 end compared to 10.785bn in the audited period ended March 31 2012; indicating a dip of 2.02%. *(Daily Trust)*

Shareholders of Tantalizers Plc have appealed to the Federal Government to adopt feasible economic and social measures to address the hostile business environment and security situation in the country. The shareholders, who spoke at the company's 14th yearly general meeting in Lagos recently, lamented that in spite of repeated pledges by the nation's political leaders, there was nothing on ground to show that they were ready to make the business environment friendlier for investors and companies to operate.

One of the shareholders, Mr. Sotunde Sopeju, who praised the board for sustaining the firm's operations against all odds, he said that they were happy that the management had not cut the workforce to save cost. Although, Sopeju said that Tantalizers' workforce of 1,400 workers was huge, the shareholders wanted the management to retain all the workers because of the social and financial implications of disengaging some of them.

The shareholders also urged the board to embark on aggressive marketing, use of some outlets' spaces for social events and provide services strictly on cash basis and regular training for the workers. In his address, the board's Chairman, Dr. Jaiye Oyedokun, said that the Nigerian operating environment was getting worse, adding that the company's performance was grossly hampered by the development.

He said that in spite of the poor business trend, the company recorded a profit-after-tax of NGN 102m or 66% increase in 2011 as against the NGN 61m it posted in 2010. Oyedotun however said that the difficult economic environment, worsening insecurity, declining consumer purchasing power, increased competition and the company's inability to open all the new outlets planned led to a low revenue of NGN 4.5bn.

As the shareholders ratified the two kobo per share dividend payment, Oyedotun said that the payment was informed by the lack of appreciation in the stock market and to compensate the shareholders for their support for the board. The two kobo dividend per share translated to a payout of NGN 64m to the shareholders. *(Guardian)*

Tiger Brands (TBS), SA's largest food producer, has reached an agreement in principle with Dangote, the West African manufacturing group, to purchase 63.35% of the Nigerian flour and pasta maker Dangote Flour Mills (DFM). The transaction would expand Tiger Brands' presence in Nigeria. Last year, it bought 100% of Deli Foods Nigeria, a biscuit maker, for R296.3m. It also paid R421.1m for a 49% stake in UAC Foods Nigeria, a manufacturer of branded food products.

In May this year, Tiger Brands advised its shareholders it had entered talks with the Nigerian conglomerate over DFM. The proposed transaction is subject to approval by Nigeria's Securities & Exchange Commission. "Should the SEC approve the proposed transaction and its terms, the parties intend to sign the share sale and purchase agreement," the company said.

Tiger Brands said it would announce the full terms of transaction after the agreement had been signed. It also said the implementation of the transaction would be subject to the fulfilment of certain conditions, including approval from the exchange control division of the Reserve Bank. Tiger Brands spent R2.1bn on acquisitions last year, according to its annual report. *(Business Live)*

Nigeria and Daewoo Engineering and Construction Company Limited yesterday signed a Memorandum of Understanding (MoU) to facilitate the production of 10,000 megawatts of electricity projects in the country. A statement by the Special Assistant, Media to Minister of Power, Ogbuagu Anikwe, said Daewoo is to provide 20% equity in the various projects listed in the scheme, as well as offer expert advice and guidance on electrical, production and construction of power projects to interested companies.

Minister of Power, Prof. Bart Nnaji signed on behalf of the government, while the President/Chief Executive Officer (CEO) of Daewoo Engineering and Construction, Sang-Real Kim, signed for his company. Nnaji said: "Today is a very important day for the relationship we want to create between ourselves and Daewoo and the people of Korea. President Goodluck Jonathan was in South Korea and he gave us an opportunity to reach your company.

We agreed with your CEO that we would enter into a memorandum of understanding on how to work together and how your company would work with us to improve power supply in Nigeria." Nnaji said the MoU would change the old system of contractors coming to the country simply to work and get paid and then go. "We are now making the power sector attractive for investment by international investors," he said, adding that it is hoped that they would not only execute contracts, but would invest in the power sector.

The Chairman of Daewoo Engineering and Construction, Chief Joseph Penawou, expressed delight in the deal entered with the Federal Government. The MoU is unique in many respects. While previous MoUs have guaranteed 10-15% equity or other forms of investment in the reform-bound Nigerian power sector by the foreign party, Daewoo under the terms of its MoU will invest 20% equity in various engineering and construction services in the power sector. *(Nation)*

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lenders that were nationalised as part of a bailout in 2009, instead of selling them to rivals, as it seeks to determine fair value for the banks. Mustapha Chike-Obi, chief executive of the Asset Management Company of Nigeria (AMCON), said the compaany will need to find financial advisers before finalising its decision on whether to list directly or sell to competitors.

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Group Managing Director of UAC of Nigeria Mr. Larry Ettah has called for the reduction of company income tax and the scrapping of capital gains tax by government to engender confidence in the economy by investors. He also called for the enthronement of an economic management strategy that will bring about consistency in fiscal policies in Nigeria to boost genuine industrial development.

He said consistency of fiscal policy relating to taxation, budgets, tariffs and industrial incentives, and other elements of government policies are precondition for a successful industrial development. Mr. Ettah said this while addressing a mid-year meeting of the the Pharmaceutical Society of Nigeria (PSN) Board of Fellows in Lagos, a statement from the UAC said. He said: “My personal position is that government should reduce company income taxes applicable to the productive economy and scrap capital gains tax.

We also hope that all governments will find the political will to actually streamline taxes, charges and rates nationwide as provided by Act 21 of 1998 and improve collection efficiency generally, rather than concentrate tax raising efforts on a few socially responsible individuals and companies.” The UAC chief further urged government to rationalise the cost of regulatory compliance and the conflicts and overlaps between regulatory institutions. *(Daily Trust)*

Economic News

Nigeria's foreign exchange reserves dropped 2.17% month-on-month to USD 36.82bn by June 27, compared with USD 37.64bn a month ago, after a central bank intervention to support the naira, figures from the central bank showed on Friday. The reserves were back to the level they were on May 10, at USD 36.85bn, but were higher than the USD 32.01bn Africa's second biggest economy had in reserve a year ago.

The naira has fallen in the last three months due to an exit of offshore investors from the local debt market and strong demand for the dollar. Dealers said the decline forex reserves was also due to the falling oil prices on the international market. Nigeria, Africa's top energy producer, depends on revenue from oil exports for 85% of its reserves. *(Reuters)*

The gross federally-collected revenue stood declined by 11.2% to NGN 899.94bn in April 2012, as against the NGN 1tn realised by the government the previous month, the Central Bank of Nigeria (CBN) has disclosed. The CBN revealed this in its month economic review posted on its website at the weekend. It, however, stated that the above mentioned amount generated in the month under review, exceeded the monthly budget estimate for 2012 by 11.4%.

The decline, compared with the level in the preceding month, was attributed to the drop in both oil and non-oil revenue during the review month. It also showed that gross oil receipts, at NGN 730.91bn, constituted 81.2% of the total revenue, but was lower than the receipts in the preceding month by 7.1%. It, however, exceeded the monthly budget estimate by 32.2%.

The decline in oil receipts relative to the level in the preceding month was also attributed, largely to the decline in crude oil exports as a result of several operational issues and safety challenges in Bonga, Brass, Bonny and Qua Iboe terminals. On the other hand, gross non-oil receipts, at N169.03bn or 18.8% of the total amount, was 25.6 and 33.6% lower than the receipts in the preceding month and the monthly budget estimates, respectively.

The decline relative to the receipts in the preceding month's level, according to the banking sector regulator, largely reflected the decline in independent revenue of the federal government. "On cumulative basis, total federally collected revenue for the period January to April 2012 was estimated at NGN 3.881tn, reflecting an increase of 22.2% over the actual receipts in the corresponding period. "Of the gross federally-collected revenue during the month, the sum of N497.73bn was transferred to the federation account for distribution among the three tiers of government and the 13% Derivation Fund.

The federal government received N233.96bn, while the states and local governments received N118.67bn and N91.49bn respectively," the report added. It also indicated that growth in the major monetary aggregate was sluggish at the end of the month under review. The report explained that broad money supply (M2), at NGN 13.305tn, rose marginally by 0.3%, compared with the growth of 0.9 and 2.1% at the end of the preceding month and the corresponding month of 2011, respectively.

"The development was accounted for, largely, by the 5.3% increase in foreign asset (net), which more than off-set the two and 1% decline in domestic credit (net) and other asset (net) of the banking system, respectively "At NGN 13.407tn, aggregate banking system credit (net) to the domestic economy at end-April 2012 fell by two%, on month-on-month basis, in contrast to the increase of 1.6% at the end of the preceding month. The development reflected, largely, the 78.1% decline in (net) claims on the federal government," it added. *(This Day)*

The nation's agricultural sector may soon secure a USD 500m (NGN 81bn)

grant from the World Bank, going by a disclosure from the Minister of Agriculture and Rural Development, Dr. Akinwumi Adesina. The grant is expected to support the Federal Government's Agricultural Transformation Agenda (ATA). Adesina made the disclosure in Abuja, on Friday, while addressing newsmen on the outcome of the Growth Enhancement Support (GES) scheme.

The GES programme is the Federal Government's initiative aimed at subsidising the cost of major agricultural inputs such as fertiliser and seeds. Under the initiative the direct procurement and distribution of farm inputs to farmers is discontinued and supplies are expected to be done through an electronic distribution channel known as the e-wallet.

The e-wallet scheme stipulates that farmers registered under the GES are expected to pay 50% of the cost inputs, while the Federal and state governments pay 25% each. He said: "The grant will cover the areas of the priority value chains. Mr. President has said that we must be self-sufficient in rice production by the year 2015.

``So rice is the most important commodity that we are working on, World Bank agreed with us on that and they will be providing significant amount of support to us. ``I had earlier met with the World Bank delegation from Washington DC, led by Dr. Jamal Tajir, the director, Sustainable and Development Department of the bank to discuss about the grant. ''

He pointed out that the grant was as result of the five missions the World Bank sent to the country earlier in the year. Adesina said the bank would also provide support for the cassava value chain programme, explaining that he had discussed in details with the delegation about the cassava value chain. ``The decision to use cassava to replace some of the wheat flour we are importing is not a political decision. It is an economic decision. Economic in the sense that Nigeria spend NGN 635bn every year importing wheat. ''

According to him, there is need for the country to diversify its economy, create jobs and add value to its produces. The minister also said that he discussed with the delegation what the ministry was doing about maximising cocoa production. He expressed optimism that the country could beat countries like Ivory Coast, Brazil and Cameroun in the production of cocoa.

Adesina said that the country had the variety that gives five times the yield of cocoa. He said that was why the Federal Government directed the ministry to distribute the cocoa hybrid to farmers for free because most cocoa plantations in the country were old. *(Guardian)*

The Federal Government of Nigeria has signed an agreement with Epic Refinery and Petrochemical Industries Ltd for the establishment of a USD 7.5bn oil company in Nigeria. The project seeks to construct a 100,000 barrel per day refinery and petrochemical, co-generation plants and associated industries at Oporoma, Southern Ijaw, Bayelsa State.

The Memorandum of Understanding (MoU) was signed in Abuja by the Nigerian Minister of State for Trade and Investment, Dr. Samuel Ortom on behalf of the federal government and the Managing Director of Epic Refinery, Hon. Barango Mattew Wenke Jnr. on behalf of Epic Refinery and Petrochemical Industries

Ltd. While commenting, the minister thanked Epic Refinery for the new project which he said is key to the industrial revolution plan of the present administration.

While responding, The managing director of Epic Refinery disclosed that the project would be carried out in conjunction with the company's technical partners, Sino Asia Energy Group Company Ltd. He also assured that the new company would not only create jobs, but also eradicate poverty among Nigerians and Africans in general.

“The impact of this project can never be over-emphasised. With an anticipated creation of over 100,000 jobs, with over 180 petrol stations across the nation, electricity generation of over 500 megawatts and their multiplier effects on the economy, no one can doubt the enormous benefits of this project to the country and Africa as a whole”, he stated.

According to the agreement, activities would be stepped up towards ensuring that the project is launched within 24 months. “Our partners are determined, focused and ready for its early completion,” Ortom said. *(Ventures Africa)*

Nigeria signed a memorandum of understanding on Monday with Vulcan Petroleum Resources for a USD 4.5bn project to build six refineries with a combined 180,000 barrel a day capacity, officials said on Wednesday. Vulcan, an affiliate of New York-based private equity firm Vulcan Capital Corp, aimed to have two of the refineries finished in under a year, they said.

Nigeria is Africa's top crude oil producer but its refineries are in such a state of disrepair that they meet only a fraction of its domestic fuel needs. Its crude is shipped out and costly refined products imported. "The project is estimated to gulp 697.5bn naira (USD 4.5b), while two of the refineries are expected to be completed within the next 12 months," Yemi Kolapo, spokeswoman for the trade ministry, said in a statement.

"Each modular refinery, when completed, will refine up to 30,000 barrels of crude oil per day and produce up to fivem litres of petrol, diesel, kerosene and LPFO (liquid petroleum fuel oil)." Nigeria's existing plants have a total capacity of 445,000 barrels per day, but are running at less than three-quarters of that capacity. Chief Edozie Njoku, chairman of Petroleum Refining and Strategic Reserve, Vulcan's partner in the joint venture, told Reuters by phone the aim was to distribute the sites in different regions of Nigeria.

"We have to look at where the crude pipelines are. We need to plant them so that everyone is favoured, but in the north the pipelines only go to Kaduna (in central Nigeria)," he said. "Two of them are going to be finished in about a year. It's not rocket science - to have all six ready should take about 30 months," he added. Nigeria has two refineries in its main oil-hub Port Harcourt and one each in the Niger Delta town of Warri and in Kaduna.

Some Nigerians are sceptical about building more refineries when existing ones are under capacity, but Njoku dismissed this. "The refineries already in Nigeria are on their last legs. They will cost the countryms to turn around. Nigeria needs new refineries," he said.

A lot of MoUs are signed with Nigerian authorities that go nowhere, but Njoku said he was confident the projects would happen. "The only thing we need for this to be done is our permits from the government ... They have shown enough honesty that they want these refineries to be built," he said. *(Reuters)*

The Central Bank of Nigeria (CBN) said the total assets and liabilities of banks have increased by 0.2% to NGN 19,886.7bn as at April this year. The CBN, in its monthly economic report, said the increase was recorded between March and April. Giving a breakdown, the apex bank said the Federal Government deposits amounted to NGN 131.3bn; deposit mobilisation NGN 128bn and unclassified liabilities, NGN 125.2bn.

Others are build-up of foreign assets NGN 114.2bn; and purchase of Federal Government securities NGN 83.7bn. It said the deposit money banks (DMBs) credit fell by 0.2% to NGN 12, 259.5bn from March to April. "The breakdown, on a month-on-month basis, showed that while credit to the private sector rose by 0.3%, credit to the government fell by 2.1% relative to the level in the preceding month," it added.

According to the report, the CBN's credit to the DMBs rose by 6.3% to NGN 291.5bn at end-April 2012, while specified liquid assets of the banks stood at NGN 5, 958.4bn, representing 47.3% of their total liabilities. The apex bank further said aggregate standing lending facility (SLF) granted during the period under review was NGN 2, 173.0bn, compared with NGN 1,664.9bn at the end of March, this year, showing an increase of 30.5%.

The aggregate standing deposit facility (SDF) stood at NGN 258.1bn with daily average of NGN 13.6bn in April, this year, compared with NGN 305.8bn with daily average of NGN 14.6bn in the preceding month. The development reflected the liquidity in the market during the review period. An investment analyst with Antoria Securities and Investment Limited, Dr Olusola Dada, said the growth in banks deposit is expected in view of the problems in the stock market. *(Nation)*

The trade volume between Nigeria and Canada has risen to USD 3bn from USD 1bn in 2010 just as Canadian investments in Nigeria rose to USD 3bn. The High Commissioner of Canada to Nigeria, Mr. Chris Cooter, said this at the ground breaking ceremony for the commission's new chancery building in Abuja. Cooter added that 'people to people relationship' between the two countries had continued to grow with 1300 Nigerians going to study in Canada in 2011.

"Development assistance, particularly to maternal and child health is expanding," he also said. Cooter pointed out that the new chancery symbolised the growing relationship between the two countries and "we will see our government relations, trade opportunities and people to people ties flourish."

The Permanent Secretary of the Ministry of Foreign Affairs, Ambassador Martin Uhomoibhi, recalled that the two countries recently signed a Bi-National Commission Agreement to create a framework to strengthen existing ties.

He added that the construction of a new chancery signified a long-term commitment to Nigeria at this crucial time. The new chancery, which is scheduled for completion in late 2013 would be a three-storey building and will house offices and meeting spaces, a multipurpose room and consular booths to serve clients. *(This Day)*

Nigeria imports from the United States of America increased from USD 747m, which it recorded in 2010 to USD 4.8bn (NGN 768bn) as at December 2011. The Nigeria-United States Chambers of Commerce (NUSACC) said recently in a media statement signed by the Communication Director, Primus Igboaka, that it was a sign that Nigeria was demanding more of American products and services.

The President and Chief Executive Officer of Spectrum Global Solutions LLC, an international trade consultant and a member of Nigeria-USA Chamber of Commerce (NUSACC), Mr. Mike Obi stated that there were huge potentials awaiting American companies and investors wishing to do business in Nigeria.

He disclosed that his experiences doing business in Nigeria has showed that Nigerians love Americans, as well as, the quality of American goods. He added that what surprises him through his years of doing business in Nigeria is that while the Europeans, Indians, Arabs, Israelis, and Asians are everywhere doing business in Nigeria, 'hardly do you see any American in the crowd.'

He disclosed that the on-coming NUSACC's 3rd International Trade and Investment summit scheduled to hold on August 9-14, 2012 in Lagos would afford participants the opportunity of having a view of the business opportunities, doing the networking and eventually deciding whether they could do business in Nigeria.

The theme of the three-day Lagos summit is, "Identifying Partners to Maximize Business Opportunities in Africa's Fastest Growing Economy, Nigeria." In fact the motivation for hosting the Lagos summit was as a result of the successful outcome of 2011 summits organised in collaboration with the Cleveland Council on World Affairs (CCWA), the Quicken Loan/Cleveland Cavaliers, U.S Department of Commerce, U.S Small Business Administration, the Overseas Private Investment Corporation (OPIC) and the Embassy of the Federal Republic of Nigeria, Washington D.C. More than 150 organisations from the US attended NUSACC previous summits.

Reflecting on personal experience of doing business in China and now in Nigeria, Bonnie Speed's President & Chief Executive Officer, Hardy remarked that there is huge opportunity awaiting U.S companies, wishing to tap into the huge Nigeria's market with more than 160m people majority of who are young.

According to Hardy, while several countries have their average age of consumers at between 29 and 30 years old, Nigeria's average consumer age is several years younger. He added that Nigeria, which have the taste of goods and services like their contemporaries in developed countries such as the United States are market waiting to be harnessed or tapped into by companies and investors. *(Guardian)*

Nigeria plans to auction NGN 254.61bn (USD 1.57bn) in treasury bills with maturities ranging from three months to one year at its bi-monthly debt auction on July 12, the central bank said in a public notice on Wednesday. The bank said it will sell 30bn naira in 91-day paper, NGN 159.21bn naira in 182-day, and NGN 65.40bn naira in 364-day bills in a Dutch auction. Nigeria, Africa's second biggest economy, sells short-dated debt instruments bi-monthly to control money supply, curb inflation and help lenders manage their liquidity. *(Reuters)*

Nigeria plans to raise between NGN 200bn and NGN 280bn (USD 1.23bn - USD 1.72bn) in sovereign bonds ranging between 5 and 10 years in the third quarter of the year, the Debt Management Office (DMO) said on Thursday, less than its second quarter debt issuance. The debt office said it would sell between NGN 25-35bn each in 5-, 7- and 10-year paper in July and August, while it will sell NGN 25-35bn each in 5-year and 7-year bonds in September.

The office said all were re-openings of bonds previously issued. Africa's second biggest economy issues sovereign bonds monthly to support the local bond market, create a benchmark for corporate issuance and fund its budget deficit. Nigeria has so far issued a total of 593.37bn naira worth in sovereign debt this year. *(Reuters)*

The anticipated growth in lending by banks is being inhibited by high yields or returns they realise from treasury bills in the market, analysts at Renaissance Capital (RenCap) have said. The report revealed that commercial banks have become risk averse, thus showing a preference for investment in fixed income securities such as treasury bills. The financial advisory firm, which said this in a report titled: "Nigerian banks: The Big Five," indicated that it has reviewed downward, its forecast of between 25 to 30% banking sector loan book growth, to between 15 and 20 %.

It listed Access Bank Plc, First Bank of Nigeria Plc, Guaranty Trust Bank Plc (GTB), United Bank for Africa (UBA) Plc and Zenith Bank Plc as the 'big five'. According to the report, increasing competition for blue-chip corporate account from the tier 2 banks was also affecting the loan book growth of the top five banks. "The second tier banks, in an effort to improve the quality of their loan books, have been trying to move up the corporate ladder and lend to higher-end large corporates. Some have been offering very competitive rates as a way to get a foothold into this segment.

"Aside from slow economic activity, the big five appear unwilling to compete on price, in our view. In fact, First Bank and UBA have been on a re-pricing exercise – looking to improve margins on existing loans by re-pricing these loans upward. "As a result, the 'big five' have allowed some business to pass to the tier 2 banks, which has contributed to their low growth," it argued. The report faulted the credit growth numbers being reported by the Central Bank of Nigeria (CBN), pointing out that it had some discrepancies.

RenCap added: "The CBN attributed this discrepancy to the way it accounts for Asset Management Corporation of Nigeria's (AMCON) bonds. Our understanding from the CBN is that it records its holdings of AMCON bonds as loans to "other financial institutions", which is included in the aggregate claims to the private sector." The investment firm stated further: "We believe that, from a book quality perspective, 2012 is turning out to be different from 2011. The clean-out in full year 2011 turned out to be bigger and deeper than even our conservative estimates.

It however said it was "not convinced" with the level of improvement in risk management in banks. "Most of the risk management seems to centre on imposing sector limits (as a%age of gross loan book) in addition to adhering to the CBN guidelines for single obligor limits (20% of capital)," it added. *(This Day)*

In line with its resolve to continue to monitor the flow of forex in the country, the Central Bank of Nigeria (CBN) yesterday cut the amount of dollar supply to Bureaux De Change (BDC) operators by 33.3% to USD 50,000 for each firm per week. The volume of forex supplied to the BDCs was previously USD 75,000 for each operator per week. The CBN noted that the policy would become effective from July 9, 2012. The banking sector regulator disclosed this in a circular with reference number: "TED/FEM/FPC/GEN/01/017," addressed to all dealers and BDC operators.

The circular titled: "Foreign Exchange Cash Sales to Licensed Bureaux De Change by the CBN," signed by the Director, Trade and Exchange Department, CBN, Mr. Batari Musa, was posted on the regulator's website. It explained: "This is to inform all authorised dealers and BDCs that the amount of weekly forex sales to BDCs has been reviewed. Consequently, the maximum amount of forex cash sales to each BDC per week shall be USD 50,000 with effect from Monday, July 9, 2012.

"The circular supersedes the one ref No: TED/FEM/FPC/GEN/01/07, dated March 15, 2012 on the subject. Please ensure compliance accordingly." Meanwhile, the naira improved slightly against the United States dollar at both the interbank and Central Bank of Nigeria's (CBN) bi-weekly forex auction as appetite for the greenback reduced yesterday. Specifically, at the interbank, the naira chalked up 54 kobo to close at N162.75 to a dollar yesterday, as against the N163.29 to a dollar it closed the previous day.

On the other hand, at the CBN's regulated auction, demand for the dollar fell by USD 49m as only USD 251m out of the USD 300m, which was offered by the regulator was sold. Consequently, the naira gained slightly by 4 kobo to close at N155.90 to a dollar, compared with the N155.94 to a dollar it was at the end of Monday's auction. The CBN had offered USD 350m at Monday's auction.

Dealers said sale of about USD 50m by Chevron and Addax at the interbank also supported the local currency. However, analysts at FBN Capital Limited yesterday decried the slow pace of the Federal Government's plans to diversify the Nigerian economy. The firm in a report yesterday stressed that government must as a matter of urgency diversify the economy to ensure a better future for Nigerians "Diversification away from oil is work in progress, albeit at a gradual pace. Nigeria is shortly to export a USD 136m consignment of cassava chips to China. Looking further ahead, exports of cement and sugar are set to become more significant," FBN Capital said. *(This Day)*

The Federal Ministry of Finance and the Budget Office of the Federation have asked the general public to make contributions into the drafting of the 2013 federal budget. Director General of the Budget Office of the Federation Dr. Bright Okogu said input from the public is needed to ensure compliance with the directive of President Goodluck Jonathan that the 2013 budget should be ready for submission to the National Assembly by September.

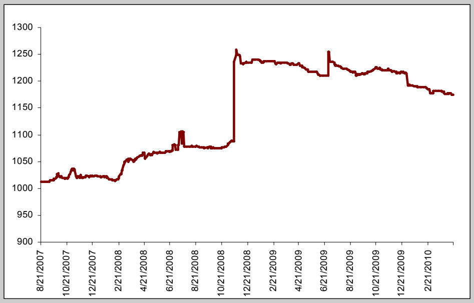
The current budget was submitted to the National Assembly in December 2011.

A statement from the press unit of the Budget Office said arrangements have been concluded to engage the general public, especially the organized private sector and civil society groups, with the aim of securing relevant inputs for the preparation of the budget.

On July 9 and 10, the Minister of Finance, Dr. Ngozi Okonjo-Iweala, will host the public in Lagos and Abuja in an event tagged "Budget 2013 Consultative Forum" to hear their views. The statement said that the director-general welcomes views, opinions and relevant contributions from all stakeholders that will enhance the quality of the budget. He also said that the forum is in line with the provision of the Fiscal Responsibility Act 2007, which stipulates the need for wide consultations in the preparation of the budget. *(Daily Trust)*

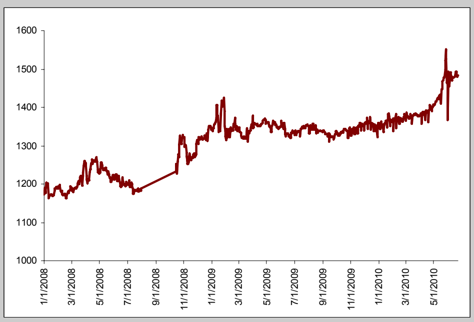
Tanzania

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 DSEI lost -0.03% to close at 1,437.35 points. CRBD and TCC were the only movers after gaining +2.04% and +0.60% to close at TZS 125.00 and 3,340 respectively while TBL was the only shaker after shedding -1.64% to TZS 2,400.

Corporate News

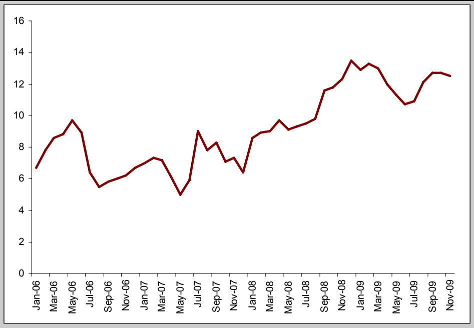
Mozambique's third mobile operator Movitel is in talks with the people responsible for building Tanzania's National Information Communications Technology Broadband Backbone infrastructure (NICTBB), with the aim of having the link extended to reach the country's border. TheNICTBB from the Tanzanian capital Dar es Salaam reaches Mtwara, but Movitel wants the government of Tanzania to extend coverage the remaining distance towards the border so that the cellco can secure a back-up for its existing operations in Mozambique.

The NICTBB technical coordinator, Aninta Chingumbe, reportedly told the Daily News: 'that the two are negotiating and that a feasibility study has been carried out in the area'. Ms Chingumbe went on to say that the discussions centre on how Mozambique could be connected from the Umoja bridge at Mtambasawala on the border with Tanzania. 'The talks may result in a deal,' she said. It is understood that Movitel's interest in the plan was piqued after state-owned Tanzania Telecommunications Company Limited (TTCL) signed a USD6.7m, ten-year deal to supply 1.244GB of internet bandwidth to Rwanda.

The contract, the first signed by a member of the East African Community (EAC) with another EACmember state, was made possible using the international submarine cable systems EASSy and SEACOM. Following the signing of the TTCL deal, it is believed that other landlocked countries in the region – including Zambia, Botswana, Democratic Republic of Congo and Malawi – may now express interest in using Tanzania's newly built NICTBB to access international sub-sea cables that landed in the Indian Ocean recently.

According to TeleGeography's GlobalComms Database, last month Tanzania's Minister for Communications, Science and Technology, Prof Makame Mbarawa Mnyaa, said that a total of 59 districts have already been connected to the new backbone, with that figure set to rise to 80 by the end of the current build phase. At the same date the NICTBB is expected to have hooked up all of the country's 21 regional headquarters; the figure currently stands at 15 (end-Phase I).

Finally, Phase III will see the rest of Tanzania's districts connected up to the national network. The 5,300km long NICTBB is being constructed by the



Source: SAR

International Telecommunication Construction Corporation (CITCC) of China at the cost of TZS238bn (USD152m) mainly thanks to a soft loan provided by Chinese Exim Bank. CITCC Tanzania is currently working on the construction of Phase II's southern ring, which comprises a fibre-optic cable spanning from Dar es Salaam to Lindi and Mtwara.

From Mtwara, the NICTBB will connect to Songea where it will meet a cable being laid from Njombe. This stage of the project is expected to be completed by July 2012, while the building of a further western ring will commence soon and will connect Tunduma (at the Tanzania/Zambia border) with Biharamulo in north-western Tanzania, passing though Sumbawanga, Mpanda, and Kigoma. This stage is scheduled for completion by March 2013. *(Telegeography)*

Economic News

Tanzania exported goods and services worth USD 7bn in the year ending April 2012. Tanzania's exports to the East Africa Community have increased tremendously since the coming into force of the EAC Common Market protocol. Only a year after the signifying of the protocol, Tanzania's exports to the EAC rose by 71% from USD 263m in 2009 to USD 450m in 2010. Imports, on the other hand, declined to USD 285m from USD 310m in the same period, according to the Ministry of East African Cooperation.

The Bank of Tanzania, however, shows that in 2011 about 80% of total exports went to South Africa, Switzerland, China, Japan, German, Kenya, India, Democratic Republic of Congo (DRC), Netherlands and Belgium. Gold and other precious metals including diamond and tanzanite are the major exports to Switzerland, China and South Africa.According to the BoT 18.7% in 2011 went to South Africa, 18.4% went to Switzerland, 14.9% went to China and 7.8% went to Japan.

Germany took 5% of Tanzania's exports, Kenya 4.8%, India 4.6%, Democratic Republic of Congo 2.7%, Netherlands 2.1%, Belgium 1.9% and other countries 19.2%.Tanzania exported to the EU goods worth 349m euros in 2009 and imported goods worth 720m euros. Most of Tanzania's exports to the EU consisted of agricultural commodities and live animals. Tanzania's exports to EU were 25% of total exports. *(The Citizen)*

Tanzania lowered marginally the cap on the prices of petrol, diesel and kerosene on Wednesday, citing a stronger local currency and lower freight costs, the energy regulator said. The adjustments, which take place with immediate effect, are expected to help ease consumer price pressures in east Africa's second-biggest economy.

The Energy and Water Utilities Regulatory Authority (EWURA) cut the cap price of petrol in the commercial capital Dar es Salaam by 0.41% to TZS 2,179 a litre, while diesel fell by 2.02% to TZS 2,041. Kerosene was cut by 1.94% to TZS 2,028 a litre. "The prices decreases have been attributed by appreciation of the Tanzanian shilling against the U.S. dollar and a decrease of premium and freight costs," EWURA said in a statement.

Tanzania's inflation rate fell marginally in May to 18.2% from 18.7% a month earlier, thanks to lower increases in the cost of commodities. Tanzania introduced a new formula for calculating fuel cap prices in December after the adoption of a bulk fuel procurement system aimed at lowering pump prices. *(Reuters)*

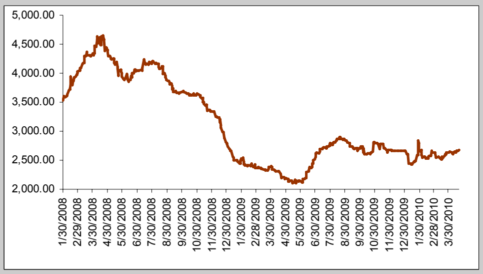
Tanzania's central bank bank will begin automated trading of government securities next month and plans to set up a central depository system to improve efficiency and boost market liquidity. The move is seen as an important step towards opening up the east African country's debt market to foreign investors who are currenty barred from participating in both the securities and equities markets. "The new system is meant to modernize, promote efficiency, foster management of risks and enhance market liquidity," the central bank said in a statement on its website on Thursday.

The central Bank of Tanzania said under the new changes, only banks and brokers licensed by the country's capital markets regulator would be able to directly access the electronic trading system. There has been increasing investor interest in Tanzania's fixed income and currency markets, with the country pledging to open up its capital account by 2015.

Pension funds, commercial banks and insurance companies are the main investors in government securities in east Africa's second biggest economy. The trading of government securities is currently done manually, with investors required to physically take their bids to central bank offices. *(Reuters)*

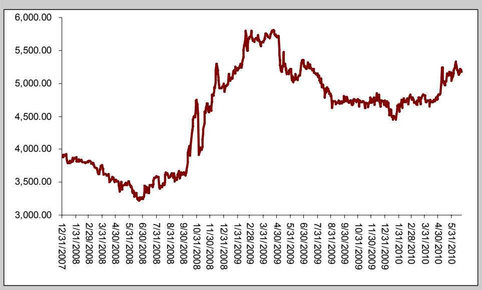
Zambia

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

Stock Exchange News

The LuSE index gained a marginal +0.44% to close at 3,893.36 points. CCHZ led the gainers after adding +12.50% to ZMK 4.50 followed by Zambia Sugar which rose +6.87% to ZMK 280.00. Zanaco was the biggest loser after shedding -3.03% to ZMK 160 followed by Bata, down -3.00% to ZMK 194 and CECZ (-0.58%).

Corporate News

Zambian Breweries Plc has started expanding its Ndola production plant a move aimed at increasing its production capacity. The expansion of the plant is expected to gobble about USD 90m and is scheduled to be completed in three years. According to the country's Sustainable Development Report, once completed the plant would be the biggest brewery in the country, in terms of volume and physical size.

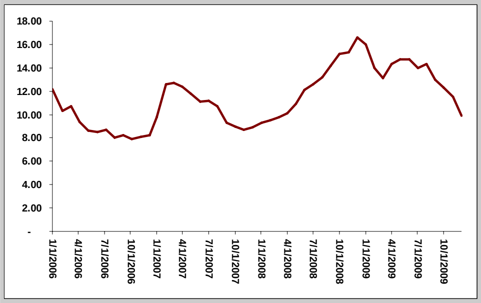
It stated that the expansion programme would improve the performance of the country and create more job opportunities to the surrounding communities. "The expansion will create the job profile and human resource requirement and we look forward to the completion of this project as it will open more business opportunities," it stated. And company Chairperson Valentine Chitalu said that the Zambian Breweries posted a gain in its company revenues from ZMK 781.9bn the previous year to ZMK 919.2bn for the financial year ended 31 March 2012.

This represents 18per cent growth. Mr Chitalu said that the growth was a result of the company'scontinued significant investment which was undertaken during the year. He said that K172.9bn was recorded as operating profit representing 26% growth. "Even with the increase in competitive pressure, notably in the soft drinks market, our strong brands ensured that they retained our strong position in the market," he said. *(Times)*

Chinese firm that provides steel products, Good Time Steel Zambia Limited is establishing a K1bn steel manufacturing plant in Lusaka in response to the high demand for its products in Zambia. Sales and marketing manager Hunter Young said at the on-going Zambia International Trade Fair (ZITF) that his company was expanding in Zambia because of the high demand for steel products.

Mr Young said because of the potential Zambia have his company had since started putting up a steel plant in Lusaka. "We started constructing a plant in Lusaka early this year and it is set for completion this September. It will cost about K1bn and we have employed 100 workers," he said. Mr Young said the firm was engaged in buying scrap metal from local people to help empower individuals in Zambia.

CPI Inflation



Source: SAR

In interpreting this year's ZITF theme, "Creating synergies beyond borders," Mr Young said the company believed in trading with different countries and supplying them with different steel products to promote efficiency and work as a team. The firm exports to various countries such as South Africa, Democratic Republic of Congo, Malawi, Zimbabwe, Tanzania, Botswana, Mozambique, Namibia and Rwanda. Good Time Steel Company also supplied steel for the construction of the Levy Mwanawasa Stadium in Ndola.

In Lusaka it had invested more than K130bn to expand the scope of company business by establishing a new section which would produce the much needed angle iron. This amount includes the cost incurred during procurement of the machinery and for setting up the angle iron and window section which had since reached an advanced stage. Angle irons which are used mainly in manufacturing of window flames and also needed in the construction industry would be the latest in the company's product line. *(Times)*

MOPANI Copper Mines Plc is wrapping up a feasibility study which could see it sink USD 1.5bn into another copper project. Mopani chief executive officer Danny Callow said should the feasibility study prove viable, the investment would be in two new ultra deep shafts and modern copper processing plants, which would enable the company to produce copper at a lower cost.

According to a statement on the mine website, the project would involve about USD 1.5bn in additional investment. "Technically we have completed the feasibility study and right now we are just looking at the financial implications," Mr Callow said. He said the investment, in addition to USD 2bn already invested to upgrade operations, would double Mopani's underground production of copper to 150,000 tonnes per year.

"A detailed feasibility study on the projects will be presented to Mopani's board of directors for approval by August this year," he said. He said preliminary indications from the feasibility study showed that mine life at both its Nkana and Mufulira operations would be extended beyond 30 years with this new investment.

"Clearly this goes back to having a stable fiscal regime so that we can pay back the loans. As long as we can have a very stable environment I think we will be here for a long time," he said. *(Times)*

Mapping and soil sampling at metals developer Blackthorn Resources' wholly owned Kakozhi copper prospect, part of the Mumbwa project, in Zambia, were completed at the end of March and preparation for drilling has begun, MD Scott Lowe tells Mining Weekly. The second half of 2012 is set to be a very exciting time for the Mumbwa area, he adds. "The mapping, coincident soil geochemistry and gravity high from an inversion of legacy airborne gravity data, as well as low-grade mineralisation in the top 200 m of the Mush-003 drill hole, which was completed in December last year, have helped us to move in on a promising target."

Blackthorn Resources is also running an Orion three-dimensional (3D) induced polarisation (IP) survey at the company's Kitumba prospect. The first phase of the Orion 3D IP survey will cover the southern portion of Kitumba, and will serve as a decisive test for the process of becoming a positive indicator of high-grade mineralisation. “If the survey is successful at detecting supergene chalcocite and hypogene chalcopyrite zones at Kitumba, it may be rolled out over a larger portion of the Kitumba area as well as Kakozhi,” Lowe adds.

The geophysical contractor mobilised to the site at the end of last month as well as the survey is expected to take about 30 days. “We will continuously receive and analyse data as the survey progresses, which will enable us to capitalise on the results for our drill-hole designs in the next phase of drilling,” he says. Once the survey at Kitumba has been completed, the company expects to refine and possibly extend the planned drilling programme to test the target identified by the survey.

“Further, after the next drilling campaign, we intend to continue with feasibility study work,” he adds. Meanwhile, in addition to the planned drilling at Kitumba and Kakozhi, as well as any other targets identified by the Orion 3D survey, Blackthorn Resources is considering the mine’s surrounding tenements and has a plan in place for a soil chemistry orientation survey.

“This work, in conjunction with the historical airborne geophysical data, will result in our drill target pipeline being enhanced,” says Lowe. The company has contracted South Africa’s MSA Group as its main geological services consultant to provide a Joint Ore Reserves Committee-compliant updated mineral resource state-ment to be released in the coming weeks. *(Mining Weekly)*.

Zambia Sugar Plc is currently waiting for a permit from the Energy Regulation Board (ERB) to start generating power to supply its factory and cane fields. The company recently completed a major expansion project which saw it increase the factory capacity to 450, 000 tonnes of sugar per annum and cane area, ultimately, by an additional 10, 500 hectares between the company and out-growers.

Zambia Sugar corporate affairs director Lovemore Sievu said in an interview the expansion project has resulted increased generation of power to 30 megawatts (MW) from 10 MW. “Under normal conditions, this will make the company self-sufficient in power. Sugar mill is kind of self-sufficient because it generates power and produces water, cane is 70%. The water produced from the cane is recycled back into the fields,” he said.

Mr Sievu said during the last meeting they had with ERB officials and other stakeholders who generate own power, Zambia Sugar was assured of being granted a permit to generate power for own use. “This was an issue that we have wanted resolved for some time. The company can now produce 40 Mw which means that the factory will be self-sufficient and the rest of power diverted to agriculture projects for irrigation,” he said.

Mr Sievu, however, noted that despite the company having sufficient power to supply the factory and cane fields, it still needs Zesco to provide stability. “The idea of generating own power is not to replace Zesco but to complement it. At times we talk ill of Zesco but Zambia Sugar has very good working relationship with the electricity company,” he said. He said going forward, Zambia Sugar wants to see an enabling environment that will allow the company to generate power to supply cane fields at Nanga Farm that is jointly owned by Zambia

Sugar and Government. Mr Sievu said Zambia Sugar's next project is production of ethanol as advised by the company chairman.

He said the company has been considering the possibility of ethanol production from molasses, a by-product of the sugar milling operation that is sold mainly as stock feed to the local and regional markets. He said before the company can fully get into ethanol production, there is need to ensure that the livestock farmers have sufficient molasses for animals. "There is a lot of work that needs to be done in terms of legislation, but we believe that with government commitment, these issues will be resolved," he said. *(Daily Mail)*

National Breweries (NB), Zambian Breweries (ZB) and Heinrichs Beverages (HB) say they will spend K160bn annually on procurement of local agro-products as ingredients which will create about 35,000 jobs in rural areas. The three companies are subsidiaries of SABMiller plc and some of the raw materials sourced locally through farming activities are sugar, maize, sorghum, barley and cassava. This information is contained in the company's report availed to the Daily Mail dubbed 'Sustainable Development Report for 2009-2011′.

"Sugar ,maize, sorghum barley and cassava are grown widely across the country and provide major inputs into our production processes. ZB,NB and HB will spend in the region of K160bn annually on the procurement of local agro-products as ingredients and the local sourcing programme will impact on around 35,000 jobs in rural areas," reads the report. It says the local sourcing programme will impact to a greater extent on at least a quarter of am people in rural Zambia.

It says some of the ingredients which are sourced locally are maize, of which about 50 tonnes is supplied by small scale farmers per annum valued at about USD 10m, adding that the maize is used in production of clear lager beer, traditional opaque beer and maheu. Other ingredients are sugar which is procured from Zambia Sugar ,sorghum procured from small-scale farmers as many as 2,500 are currently engaged barley which the country is close to being self-sufficient in respect of malting barley having produced 20,000 tonnes worth about USD 10m over the past two seasons.

Another ingredient is cassava, and which the company plans to partner with small-scale farmers in commercialising the growing of the crop more extensively. The report says more opportunities are being evaluated and plans for the establishment of secondary industries for the benefit of primary agricultural commodities are in advanced stages of development. *(Daily Mail)*

Economic News

Zambia's central bank kept its benchmark interest rate unchanged at 9% on Friday, with inflation expected to stay largely within the year-end target, a bank spokesman said. "The overall annual inflation is expected to slow down in July largely due to lower food prices. Inflation will remain largely in line with the end-year target of 7%," Kanguya Mayondi said. *(Reuters)*

Zambia has continued recording a trade surplus with the May 2012 figure rising to ZMK 278.3bn compared to ZMK 129.6bn for April the same year.

Central Statistical Office (CSO) Director, John Kalumbi said in Ndola yesterday that since January this year, the country had monthly surpluses with the highest valued at ZMK 351.2bn in January while the lowest was ZMK 47.4bn in February.

Mr Kalumbi said the May trade surplus more than doubled compared to the figure for the previous month. He said that Zambia's major export products in May were copper cathodes and refined copper accounting for 77.1%. He said other exports were capital goods, consumer goods and raw materials, which accounted for 22.8%.

This implied that between May and April, the country had been a net exporter of intermediate goods mainly metals, representing an average of 79.4% of the total exports. He said there had been an increase in the total value of exports from ZMK 3,462.5bn in April 2012 to ZMK 3,969.2bn in May.

He said the overall contribution of metals and their products to the total export earnings in April and May averaged 72.4% while the share for Non-Traditional Exports averaged 27.6% for both months. Mr Kalumbi said Zambia's major export destination was Switzerland which bought cathodes and refined copper followed by China which bought copper blisters.

He said South Africa was followed by the United Kingdom and Zimbabwe. The Southern African Development Community provided the largest market, followed by Asia, Common Market for Eastern and Southern Africa and the European Union. Zambia's imports were from South Africa, Democratic Republic of Congo, Kuwait, China and India. *(Times)*

Zambia's sole legal tender, the Kwacha rose to its highest level in nearly two months on Monday, driven by the new law limiting the use of dollars that has seen locals convert hard currency into Kwacha. Reuters reports that the commercial banks quoted the Kwacha at 5,110/5,160 to the dollar, compared to Friday's close of 5,140. It traded at a session high of 5,105, a level last seen on May 11 2012, when it traded at 5,080 to the dollar.

Through Statutory Instrument number 33 of 2012, the Government introduced a regulation requiring domestic transactions to be quoted or paid for in the local currency thereby increasing demand for the Kwacha, said Leon Myburgh, sub-Saharan Africa strategist at Citi. "That forced some people in the economy to start transacting in Kwacha, which meant they had to convert their dollars to Kwacha to be able to transact," he said.

The new regulation came into force on May 18 2012 and prohibits the use of US dollar and other foreign currency to buy domestic goods and services. According to the Bank of Zambia (BoZ) the penalties for the violation of the ban include up to 10 years jail-sentence. The policy was intended to limit the common practice of quoting goods and services, such as health and education, in dollars instead of Kwacha, Mr Myburgh wrote in a recent research note.

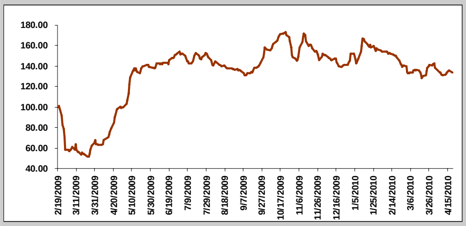
However, the BoZ has said there will be no restrictions on Zambians holding foreign currency. According to the central bank, the move is mainly aimed at enforcement the use of the Kwacha as a sole legal tender in the country. Locally, the new law has raised heated debate with some stakeholders especially those in the tourism sector indicating that it will impact negatively on their operations.

Others have supported the measures saying that it will help strengthen the value of the Kwacha. Externally, Absa Capital said increased capital requirements for local and foreign banks were also helping to bolster the Kwacha. This would not only “drain Kwacha liquidity, but cause these banks to convert some of their dollars into Kwacha by year-end, which are both ZMK positive,” the bank said in a research note.

The Kwacha has strengthened in the last seven weeks despite a fall of nearly five% in the price of copper, Zambia’s main export, due to slowing demand from China. Copper was quoted in London at USD 7,641 per tonne on Monday from USD 8,013 on May 11 2012. *(Times)*

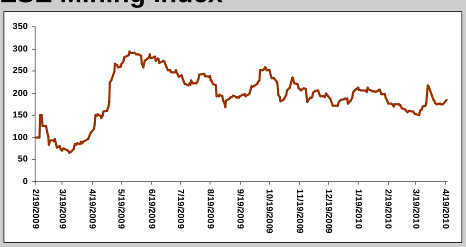
Zimbabwe

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

Stock Exchange News

The market closed the week on a positive note with Industrial Index closing +1.37% higher at 133.77 points while Mining Index was up +2.39% to 77.51 points. Radar and General Beltings led the movers after gaining +100% and 60.00% to close the week at USD 0.10 and USD 0.0008 respectively. Other gains were recorded in Border up +36.36% to USD 0.15 and AICO which put on +29.36% to USD 0.115. Zeco and Nicoz led the losers after shedding -95.00% and -88.46% to USD 0.0001 and USD 0.015 respectively. Other notable losses were recorded in Lafarge (-25.00%) and Pelhams (-23.08%)

Corporate News

Fidelity Life Assurance says it is close to securing a USD 21m offshore loan to develop 5 000 low-income houses in Harare. The Zimbabwe Stock Exchange-listed firm is negotiating with six financial institutions to fund the building and development scheduled for the first quarter of 2013. Managing director Mr Simon Chapereka yesterday told shareholders at an Annual General Meeting that the project, Fidelity Life South View Park, would be self-financing. “We are negotiating with six potential financial institutions,” said Mr Chapereka. “We are not coming to shareholders to ask for money through a rights issue or through a private placement.”

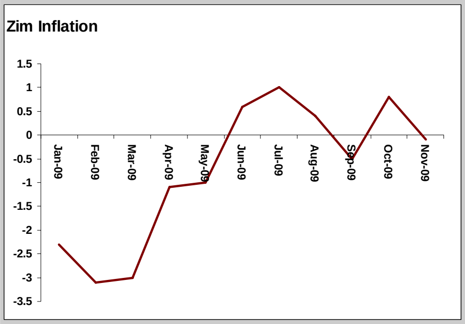
Fidelity bought 323 hectares of land from CFI Holdings, which was previously Crest Breeders property along Amalinda Drive just south of Boka Tobacco Auction Floors. Mr Chapereka said the group had acquired an additional 8 hectares along Beatrice Road for commercial purposes. This project would be developed at a later stage. He said the Fidelity Life Park in Manresa was 90% complete with 160 stands out of the 370 stands now sold.

Fidelity’s top line for the first five months of the year rose to USD 2,8m from USD 2,6m recorded last year. Bottom line for the period was up 88% to USD 6,7m from 3,5m in last year’s comparable period. During the five months, premium income was USD 5,4m up from USD 4,2m recorded last year.

Fee income also went up 18% to UUSD 1,2m from USD 1,02m. Total income for the period increased by 27% to USD 6,6m from USD 5,2m recorded last year. Mr Chapereka said growth in Vanguard in Malawi increased 153%, but could reflect less in terms of premium income due to a 50% devaluation of the Malawi kwacha. The funeral business grew 94%.

Total expenses for the group stood at US3,8m from last year’s USD 2,8m, showing a growth of 46%. During the period under review, Fidelity embarked on expanding its branch network and the group is yet to benefit from this investment. Also contributing to expenses were employment costs, which went up due to National Employment Council adjustments dating back to January this

CPI Inflation



Source: SAR

year. *(Herald)*

Zimbabwe Stock Exchange mining concern, Bindura Nickel Corporation (BNC) shareholders, on Friday approved the USD 21m rights offer at an extraordinary general meeting (EGM), that will see Trojan Mine and the concentrator resume production. BNC was put under care and maintenance in 2008. The nickel miner posted an after-tax loss of USD 12,7m for the full-year to March 2012 compared to a loss of USD 16,4m recorded during the previous year.

Speaking at the EGM acting chairman Ngoni Kudenga said the rights issue would help the company resume operations. “Trojan requires USD 33m and the USD 21m will make it possible for Trojan to restart operations in the first year and the remaining USD 12m will be secured through debt and will help the company in the second year,” Kudenga said. ZimNick Limited, a wholly-owned subsidiary of Mwana Africa, will be the underwriter that will put money for the rights offer.

The shareholders approved that directors of the company receive 540m new ordinary shares at three cents each to the company’s creditors that will amount to USD 16,2m. Kudenga said the company will be able to pay the retrenchment bill which, was still under negotiations. BNC has been failing to settle retrenchment packages of more than 1 000 workers for the past four years due to lack of funding.

The approval of the rights offer would enable the workers and the company to settle retrenchment packages of workers. Some of the workers will get shares and others houses. Some will get retrenchment packages. Efforts to retrench 2 700 employees in 2009 stalled after the Labour ministry ordered affected employees to be paid a combined USD 15m, which at the time, BNC argued was too high and therefore could not be implemented. BNC operations include Shangani Nickel Mine and Trojan Nickel Mine and Bindura Smelter and Refinery that are on care and maintenance. *(News Day)*

Trust Holdings Limited expects to conclude its USD 20m capital raising project by September this year, as negotiations with potential investors are at an advanced stage. THL chief executive officer William Nyemba last week said the company had carried out due diligence with investors from Europe. He said European-based investors have since indicated their willingness to proceed with the transaction.

“We should have all arrangements wrapped up by September this year,” said Nyemba. “Some of the investors were supposed to come into the country last Friday for the final exercise. The Reserve Bank of Zimbabwe and Zimbabwe Stock Exchange are happy with the proposals. “There are two investors that are coming on board, one being an institutional investor that will provide long-term finance.”

Nyemba said the company has been holding on to USD 3m for over a month with nothing to do with it as a result of the inactivity of the interbank market. The interbank lending market is a market where banks extend loans to one another for a specified term with most of the loans maturing overnight, or within a week or less.“It used to be a pleasure dealing with the interbank market, but there is no interbank market (anymore).

We had a situation where we were sitting on USD 3m and we could not rush in and lend it. It's difficult for banks to manage surplus or deficit positions," Nyemba said. "It's a situation that we are closely monitoring. We will keep the money rather than have a shortage. We had the money for the past month or so." He said the liquidity challenge was not only affecting financial services sector, but the whole economy, adding that the government should urgently address the situation.

"As a country we need more money. The money that is circulating is far from being adequate. We believe that the powers that be need to help us to get cash," Nyemba said. He said the total income for the group as of April 2012 was USD 2,49m while operating loss was USD 1,18m. Going forward, Nyemba said the company would contain cost and limit branch roll-out this year. He, however, indicated that the holding company will be able to break even this year. The company's chairperson Josh Sachikonye stepped down at the annual general meeting after serving THL since 2004. *(News Day)*

Dawn Properties Limited (Dawn) says it has resolved to dispose of its non-core businesses and properties as part of an on-going restructuring. "The group administration overhead remains a matter of concern. During the year 19 positions were made redundant. With the group shedding off operational subsidiaries more radical changes are being contemplated," company chairperson Tendai Chimuriwo said.

Units already on the market include its real estate arm, CB Richard Ellis (CBRE) and an agro-business. "CBRE a management has reached an agreement with a technical partner and they are now well- positioned to acquire the business. Timelines have been agreed to conclude the transaction and it is anticipated that the consortium will take control of the company by September 1 2012," Chimuriwo said.

"A unit of the agro-business was shut down and the balance sold to management at a nominal price. The group held on to the business longer in the hope of achieving a reasonable price but this did not materialise. Consequently the board acted to stop further haemorrhage." He said its Brondesbury Park Hotel property has attracted acceptable offers and the group was hopeful of concluding its disposal.

The 38-roomed property was acquired three years ago by the company from African Sun boss, Shingi Munyeza for USD 1,32m and settled through issuing 43m of its shares. Dawn had initially announced plans to refurbish the hotel to 200 rooms, conferencing facilities that will accommodate 400 people, a casino and an 18-hole golf course. Chimuriwo said the company had suspended the implementation of its Baines Avenue project.

"Baines Avenue project is on hold pending finalisation of the restructuring of the hotel portfolio. Plannning of the Marlborough residential development is progressing but at a slower pace than hoped mainly due to the protracted development cycle," he said. The Dawn chairperson said going forward the company planned to increase revenues from its properties despite its on going legal case, where it is seeking to evict sole tenant African Sun Limited.

In its financial results for the year ended March 31, Dawn achieved a 18%

growth in rental revenue to USD 2,4m. “Four hotels in the portfolio achieved negative growth but this was compensated for largely by one property which reported growth albeit from very low base to achieve a gross yield of 2,4%,” the company said. Dawn’s loss attributable to discontinued operations stood at USD 1,4m attributed to its disinvestment from the agro-business.

The company closed the year with a USD 235 000 loss. Dawn, quoted on the Zimbabwe Stock Exchange, was unbundled from African Sun Limited (ASL) about seven years ago. The company owns nine other hotel properties with a combined room capacity in excess of 1 070 in the major cities and resort areas of Zimbabwe. *(Daily News)*

FIXED telephone services provider TelOne will soon extend the Asymmetric Digital Subscriber Line (ADSL) service to other towns and cities, an official has confirmed. The ADSL technology, which functions in the same way as broadband, was introduced last year and it allows calls and use of the internet on one line at the same time.

Over the years, TelOne was using the analogue telephone system which was not convenient on internet services compared to modern digital technology. TelOne acting managing director Hampton Mhlanga said expansion plans were underway. "Expansion plans to cover towns and cities are underway in trying to utilise 16,000 lines and increase capacity to 38,000 lines," he said. "Already a total of 8 601 ADSL broadband lines have been activated."

Mhlanga said currently the ADSL broadband network was being supported by two metro ring networks covering Harare and Bulawayo. "These rings are interlinked via optical fibre which is to also extend services to cities and towns along the Harare- Bulawayo highway," he said. TelOne has an installed landline capacity of 401,500 lines but presently close to 350,000 lines are working.

The company has failed to connect more people to its landline network due to financial and infrastructure limitations and stiff competition from mobile phone companies. The government has earmarked TelOne and ten other parastatals for commercialisation and privatisation. *(New Zimbabwe)*

The Zimbabwe Power Company (ZPC), a subsidiary of power utility has ZESA, has been granted the licence to develop a hydro power station in the Eastern Highlands, company officials have announced. Zimbabwe Electricity Regulatory Authority (ZERA) chief executive, Gloria Magombo confirmed the development adding her organisation was in the process of finalising licence fees and other related conditions.

“ZERA is currently working on the license fees and conditions, and will finalise this by the 29th of June 2012,” Magombo said. The project is expected to be completed within two years and ZPC officials said it would help ease the country’s power supply problems. “We are excited that our application to generate power at Gairezi has been approved. ZPC are doing their best to make sure there is adequate power for Zimbabwe and this project will definitely contribute to a reduction in the power woes that have threatened industry and the nation at large,” ZPC Managing Director, Noah Gwalior said.

The company is also carrying out extensive expansion projects at its main Hwange and Kariba power stations as well as developing smaller thermal power stations around the country to help increase its generating capacity. Zimbabwe does not generate enough electricity to meet its needs and supplies are currently being rationed to both domestic and commercial users. *(New Zimbabwe)*

CFI Holdings has engaged potential investors to take up a 48% stake in its poultry business, Crest Poultry, and an agreement is expected to be reached before year-end. The conglomerate is also talking to other strategic partners about investing in its retail arm Farm & City and Victoria Foods. Group chairman Mr Simplisius Chihambakwe said once they have concluded the negotiations the firm would embark on a fund-raising initiative through a combination of debt and equity.

“The board is still committed to undertaking a capital raising transaction combining an appropriate mix of equity and appropriately priced medium to long-term debt,” said Mr Chihambakwe in a report to shareholders for the interim period to March 31, 2012. CFI requires above USD 20m to recapitalise its operations. The company has been financing operations and new projects through the disposal of non-core assets and loans secured primarily from PTA Bank.

To date, CFI has raised about USD 4,3m from the sale of non-core assets. It boasts a huge asset base compared to other listed companies. The group is also disposing of its Beira Grain Terminal and its 14% stake in Windmill. During the period under review, the company had a difficult trading period as recapitalisation issues were continuously being delayed.

For the six months to March, the company generated USD 55,4m compared to USD 48m recorded during the same period last year, showing a 16% positive variance. Mr Chihambakwe said turnover was boosted by increased demand for hardware and agro-inputs in the retail division. Group financing costs for the period under review increased to USD 1,5m from USD 1,1m last year.

The group ended the period with a loss of USD 1,2m due to depressed margins that restricted its capacity to turn around it fortunes. During the period under review, the group accessed an additional USD 2,1m loan as draw-downs under the PTA long-term loan amounting to USD 3,8m. Part of the money would be drawn down by the end of this month to fund the implementation of various projects.

Volumes in the poultry division rose by 18% to 37 106 tonnes, an increase from 31 543 tonnes for the previous year. Demand for poultry feeds also remained high. During the period under review the group completed the installation of chillers and hatchers which was funded through the PTA Bank loan. This resulted in an improvement in hatching efficiencies. The group’s specialised division registered a decline in volumes and contribution to turnover. *(Herald)*

PIONEER Africa Corporation revenue increased by 7% to USD 14,4m in the five months to May compared to the same period last year, driven mainly by improved efficiency. Upside potential in Pioneer’s performance is significantly high as directors believe adding trading results of its newly acquired business, UniFreight Swift, could double revenue and profits.

The growth in revenue this year and the lower costs helped Pioneer achieve a 19% increase in after- tax profits for the period. Chief executive Mr Albert Ushe would not reveal profitability levels, as Pioneer will release its financials for the interim to June soon, and is therefore in a closed period. But he pointed that the positive performance was largely attributable to efficiencies due to new assets, strict cost reduction measures and tailor-made marketing of Pioneer's services.

"The group continues to invest in new assets, buses and trucks, in order to continue providing efficient service to our customers."Four new buses and 11 trucks have been purchased this year in addition to new assets injected into the fleet in 2011," he said.The assets were bought under a USD 9m recapitalisation programme that will result in the acquisition of 50 new passenger transport coaches and 34 long-haul trucks.

"We are finalising plans to buy 20 more buses for the local and contract markets and 20 additional trucks for cross-border (business) this year. "This will ensure adequate critical mass for the business going forward," said Mr Ushe. Pioneer said its "strategy is to continue injecting new assets gradually to grow capacity and also replace old equipment".

The acquisition of operational assets of Swift was completed in 2011 and Pioneer is waiting for approval from one regulatory authority before incorporating Unifreight Swift's business into its results. "The incorporation of Unifreight Swift results will have significant impact in terms of size of the business in terms of assets, revenues and profit," the transport and logistics firm said.

The transport and logistics firm managed to turn around its fortunes after recovering from a loss position in 2010 to post USD 291 000 profit in the full year to December 31, 2011. The improved performance came on the back of a 16% jump in revenue to USD 26,4m as foreign operations contributed 84% of inflows during the same period.

Pioneer has commissioned new information technology systems, Freightware, for tracing and tracking of cargo, and Fleet-Pro, for efficient fleet management to ensure efficient service. Looking ahead, Pioneer said that the second half of the year is its strongest performance period and the firm projects significant growth in both revenue and profits by the end of this year. *(Herald)*

TELECEL Zimbabwe has appointed a local executive, Mr Francis Mawindi, to succeed outgoing US-born Swiss citizen Mr John Swaim as chief executive. The appointment of Mr Mawindi marks the return of a local CEO in more than five years after Mr Rex Chibeza resigned in 2007, paving the way for Rwandese national Mr Aimable Mpore. Mr Swaim, a member of the Telecel Zimbabwe board of directors, has been managing the company since December last year.

He told Herald Business last week that a new CEO would be named after an exhaustive search for a substantive local CEO. "Mr Swaim was appointed in December last year, while the board was in the process of recruiting a substantive CEO," said Telecel. Mr Swaim came in to head the mobile phone operator after Mr Mpore failed to renew his two-year contract. But the repeated appointment of foreigners in most executive posts often caused tensions at the firm as workers claimed they were being unfairly treated while expatriates were allegedly favoured.

Mr Mawindi did his secondary education at St Ignatius College before enrolling at the University of Zimbabwe for a Bachelor of Science (Honours) degree in electrical engineering. He worked as head of business operations at France Telecom Orange responsible for global services in the Americas, and was based in New York, in the United States.

He has more than 20 years' experience in the telecommunications industry. This experience includes strategic planning, global business development and operations. Mr Mawindi also has extensive experience in the field of project management, financial analysis and planning and supply chain management, including budgeting and forecasting.

At France Telecom Orange he led development efforts and the co-ordination and management of the business and strategic planning processes for the Americas, including North America. He was responsible for unified communications, collaboration services and broadband communications for the multinational business enterprise and institutional markets.

He has also worked for Verizon, a US telecommunications giant, where he supported regional business development in North America, Latin America, Europe and Africa. Prior to joining Verizon, Mr Mawindi worked for Sprint, the third largest mobile operator in the US, where he was part of the regional baseline strategic planning team for the development and implementation of a nationwide project for the provision of mobile broadband telecommunications services.

He started his telecommunications career at the Posts and Telecommunications Corporation, now Tel-One, and Brightpoint, an outsourcing company operating within the supply chain of the Zimbabwean telecommunications industry. The new Telecel boss holds a Graduate Diploma in Marketing and Marketing Management from the European Marketing Confederation and a Master of Business Administration in finance from Howard University in the United States. *(Herald)*

Mwana Africa has reported an 86% increase in revenue to USD 81,3m for the year ended in March, largely due to a solid performance by the Freda Rebecca mine, the company's gold operations in Zimbabwe. The group's losses narrowed by 42% to USD 6,7m down from USD 11,5m while losses attributable to shareholders were reduced by 79% to USD 700,000 compared with the corresponding period a year ago. Mwana operates gold, nickel, diamond and other mines in Zimbabwe, the Democratic Republic of Congo and SA.

"The group's focus for the financial year has been on expanding production at Freda Rebecca gold mine to our target production rate of 50000 ounces per annum, increasing the gold resource at our Zani-Kodo project in the Democratic Republic of Congo through continued exploration drilling, and evaluating various funding structures to enable the restart of operations at Bindura Nickel Corporation's Trojan nickel mine," said CEO Kalaa Mpinga.

At Freda Rebecca, a ramp-up in production continued after the installation and commissioning of the second milling circuit in June last year, which resulted in output of 47,770 ounces of gold, contributing USD 17,7m to group profit and generating USD 15,5m in cash. Mwana formed a strategic partnership with the China International Mining Group Corporation, in which the state-owned Chinese investment group acquired a 22% stake, after investing USD 32,8m.

The capital injection has been earmarked for the restart of operations at the Trojan Nickel Mine at Bindura in Zimbabwe. "The restart plan for the Trojan mine involves the production of 7000 tons a year of nickel in concentrate, which will be sold to Glencore. Production ramp-up is very quick, as would be expected, and the operation should reach steady-state production within 24 months," Mr Mpinga said.

Recovery operations at the Klipspringer diamond mine in SA were also under way, and the company was considering restarting the mine. Mining operations have been mothballed since heavy rains during December 2010 and January last year flooded the mine’s shafts. Mwana is exploring and drilling at the Zani-Kodo gold project in Congo, which has resources estimated at 2-m ounces. *(New Zimbabwe)*

The Securities Commission of Zimbabwe says it will soon be carrying out an Initial Public Offer for the Zimbabwe Stock Exchange as part of the demutualisation process for the bourse. Demutualisation refers to the transformation of an organisation, normally a club or society, into a commercial entity or a company owned by shareholders. SECZ chief executive officer Mr Tafadzwa Chinamo said this week that the restructuring process would see the ZSE getting a partner to expedite its capacitation.

He was speaking in Harare on the sidelines of the Chief Finance Officer Summit 2012, organised by the Association of Chartered Certified Accountants. “SECZ will soon be carrying out an IPO for the ZSE,” he said. “What most people do not know is that the ZSE is a statutory body, but it has not been treated as such. “The IPO is part of the demutualisation of the bourse. In doing so, brokers will obviously get a stake, while at the same time we are seeking a partner to come in and help it modernise quicker.”

Mr Chinamo said they were still in discussions with the relevant ministry on the implementation of the IPO. The introduction of modernised trading systems on the ZSE has been long-drawn-out due to funding challenges. Experts say the use of the “open cry system” was inefficient and open to abuse. But it is expected that the introduction of real-time trading would allow for real-time clearing and settlement of trades. The much-anticipated commencement of the demutualisation process of the ZSE has been long in coming due to funding constraints.

In a recent address during the Annual General Meeting of the ZSE, interim board chairperson Mrs Eve Gadzikwa said the demutualisation process was well underway. “The Zimbabwe Stock Exchange has worked on the project for some years and the board is doing all it can through its Demutualisation Sub-Committee to bring this process to a close. “To this end, a number of meetings have already been held with the aim to establish a framework and modalities towards a demutualised exchange,” she said. It is expected that the term of the interim board will end at the conclusion of the demutualisation process when a substantive board will be elected at a general meeting.

The demutualisation plan, which was mooted four years ago, is believed to require more than USD 4m for effective implementation. Mrs Gadzkiwa said that in line with the new structure to be put in place, the board would soon be recruiting additional staff to bring capacity at the ZSE to desirable levels. Market watchers believe that the slow pace on demutualisation has impacted negatively on the overall value of shares being traded on the bourse.

Meanwhile, Mr Chinamo has said his organisation, in conjunction with the Public Accountants and Auditors Board and the ZSE, is in the process of reviewing financial reports for the year ended December 31, 2011 of all public listed companies. "We will also soon publish the names of firms whose financial reporting has discrepancies," he said. This "name-and-shame" strategy is one of the measures the commission is implementing as part of a broader strategy to improve disclosure by local firms.

"As a commission, we are seeking to rectify the situation where there are little or no consequences for violation of good corporate governance," he said. "Some of the decisions we will implement may be considered controversial but we cannot just let things go." It is anticipated that these initiatives will provide a high level of investor protection, promote market integrity and investor confidence, while preventing market manipulation and ensuring transparency in capital markets.

Poor disclosure of information by local companies is believed to be one of the major contributors to the high levels of poor corporate governance that has resulted in the recent collapse of a number of companies. But Mrs Gadzikwa is of the opinion that inappropriate disclosure is just as dysfunctional. "It is with much regret that we observe inappropriate disclosures in the Press that are attributed to members or so called sources that refuse to be named," she said.

"We believe there are sufficient platforms for stakeholders to discuss issues that affect us without resorting to leaks in the Press. "We must all work towards protecting the image of the ZSE at all costs, and not to destroy it through irresponsible actions." The commission, which has started a programme to reform the capital markets, was established thorough the enactment of the Securities Act (Chapter 24:25). Section 3 of the Act provides for the establishment of the Securities Commission, the regulatory body for the securities and capital markets in Zimbabwe. *(Herald)*

TN Holdings shareholders yesterday approved the demerger of the group's banking division and its subsequent listing on the Zimbabwe Stock Exchange, as it adopts measures to restructure the group. All resolutions of the group's extraordinary general meeting were passed, effectively giving effect to the demerger of TN Bank from TN Holdings pursuant to a restructuring exercise. The restructuring would be done through the issuance of the bank's ordinary shares to TN Holdings shareholders.

Shareholders approved the injection of USD 20m into the bank by Econet Wireless Zimbabwe (EWZ) to recapitalise its operations and the rebranding of TN Holdings to Lifestyle Holdings Limited. After the transaction, TN Holdings shareholding in the bank will be reduced to 55% while the bank capital base will rise to USD 32,9m. "We are excited about the demerger. The demerger will see TN Bank grow on the back of Econet's strengths and stability," chief executive officer Tawanda Nyambirai said after the meeting.

"Products such as Ecocash and many others in the pipeline shall be key drivers of growth. "This move anticipates the integration between telecommunication and banking that is now talked about globally." TN Holdings' finance director

George Nyashanu said the group's revenue for the first six months to June 2012 is expected to be 55% of the USD 54,5m achieved during the full-year to December 31 2011.

The group, which is expected to release its half-year results next month, is currently in a closed period. He projected net profit after tax for the group to be 51% of the USD 3,5m achieved year-end 2011.

Operating costs, Nyashanu said, are expected to climb 62% for the six months driven by staff costs and the cost of funds borrowed, as the domestic market continues to be constrained by liquidity challenges. "We expect the main contributors to come from our furniture division and TN Bank," Nyashanu said. "TNAM, TNFS, TN Health Care and TN Medical, are all profitable, while TN Grill, TN Mart and TN Harlequin Luxaire Zambia, are expected to break even by year-end."

Turning to staff morale, Nyambirai said the introduction of performance-based remuneration had affected morale. "In protest, some of our staff members have gone to various labour unions in a bid to block the implementation of this remuneration system." *(News Day)*

Government has in excess of USD 47m in deposits held up in closed Interfin Banking Corporation (IBC), the ministry of Finance has revealed. The ministry said IBC, which was last month placed under "recuperative curatorship" for six months by the Reserve Bank of Zimbabwe (RBZ) after it was found to be financially unsound, held USD 17,4m out of government's USD 20m share of the USD 70m Zimbabwe Economic Trade revival Facility (Zetref).

The other USD 50m in Zetref was contributed by the African Export Import Bank (Afreximbank). "The first and only IBC release of USD 2,6m out of government's contribution of USD 20m was made on October 24, 2011. "The request for release had been made by Afreximbank in September 2011," the ministry said in a July 2 statement. Subsequent release requests to IBC, out of government contribution, were raised to USD 5m in fortnightly batches with the first due on November 11.

The releases, the Finance ministry said, were not forthcoming. "Notwithstanding follow-ups through meetings and letters over the expeditious processing of Zetref loan applications of companies a development which prompted the ministry of Finance to request the Reserve Bank, in April 2012, to investigate IBC and ascertain the financial situation at the bank."

According to the government department, other revival funds stuck at IBC include USD 9,7m from Afreximbank being the balance unpaid from USD 15m extended to IBC for on-lending to clients under a facility separate from Zetref. The challenges at IBC have also compromised companies' access to over USD 21m availed by the PTA Bank targeted at supporting the revival of the country's productive sectors.

Biti's ministry said government will be working with RBZ to ensure recovery of Zetref funds as well as other funds currently held up at IBC. Government's efforts to recover its funds come amid reports IBC could be liquidated after insiders said no investor was likely to come to its rescue. "…it is unlikely that an investor will be willing to inject capital to the extent of USD 105,4m in order to bring the bank's capital within the prescribed minimum capital levels," sources told businessdaily.

The bank's institutional investors are said to be reluctant to inject fresh capital in the embattled institution. "One of the major shareholders National Social Security Authority (Nssa), however advised that it required a comprehensive turnaround programme from the bank for consideration by its board before it can offer additional support, while POSB indicated that it was not in a position to make further capital injections into the bank as its funds were committed…," the source said.

The banks capitalisation challenges are said to be compounded by the profile of the current shareholders comprised mainly of individuals with no anchor institutional shareholder. As of May 31, 24 companies linked to IBL major shareholders, Jeremiah Tsodzai, Farai Rwodzi and Timothy Chiganze had accessed loans amounting to more than USD 56m. The three executives held a collective 54,21% in Interfin Financial Services Limited (IFSL) which in turn held a controlling stake in bank. *(Daily News)*

Hwange Colliery Company Limited (HCCL) is in talks with the PTA Bank for a USD 50m facility which would be used to recapitalise its operations after the collapse of negotiations with the Development Bank of Southern Africa. HCCL chairman Farai Mutamangira told the company's AGM that the global sovereign debt crisis had worsened the availability of foreign lines of credit required for the recapitalisation of business in general adding Hwange Colliery had also been affected.

"We are in talks with PTA bank for a USD 50m working capital. This comes after talks with from the Development Bank of Southern Africa proved unsuccessful," he said. Mutangamira also said an approach to India's Essar Global for the supply USD 50m worth of equipment also fell through because of the group's involvement with Zisco. Hwange supplies coking coal to the Redcliff-based Zisco which has since been taken over by Essar subsidiary, Essar Africa.

Hwange is targeting to ramp up exports of coking coal to 30 tonnes of coking coal per month this year. Meanwhile, group turnover over the year to December 2011 increased 9% to USD 107,9m with exports contributing 13%. Operating profits eased marginally to USD 4m compared to USD 6,2m the previous year. Mutamangira said revenues could have been higher but were affected by low production volumes, slow movement in coke sales, stagnant coal and coke prices on both the local and export markets.

The government is the largest shareholder in the company with a 67,5% interest followed by Nick Van Hoogstraten who controls about 39,7% through nine investment vehicles. *(New Zimbabwe)*

Economic News

Zimbabwe could miss its 9,4 economic growth target for 2012 on account of tight liquidity, underperformance of the mining sector and erratic power supply, the African Development Bank (AfDB) said. This comes as Economic Planning minister Tapiwa Mashakada this week told Parliament's Budget and

Finance committee implementation of the country's Medium Term Plan, which aims for an average 7,1% economic growth between 2011 and 2015, is off target mainly due to a lack of fiscal space.

According to the AfDB's June Zimbabwe Monthly Economic Review, the mining index fell to below half its level in May this year compared to the same month in 2011 to see a subdued stock market beginning in the first quarter of 2012. Zimbabwe's mining sector is projected to grow by 15,8% this year. The sector is expected to contribute over USD 2,4bn to the fiscus, driven by firming global metals prices while exports are expected to increase by 13,3% from the 2011 figure of USD 2,6bn.

Diamonds alone are expected to contribute about 18% 600mof the country's USD 4bn cash budget. "In May 2011, the index averaged about 200 and has been averaging below 100 in 2012. This trend has been a result of cautious trading on mining counters by investors developing a wait-and-see attitude pending the clearance of uncertainties regarding the implementation of the indigenisation policy in the sector," said the regional bank.

The report said in May 2012, total gold deliveries registered a 3, 31% decline from April 2012 to 1 076 kilogrammes, a worrying trend for the precious metal which is key to the country's economic performance. Mineral production according to miners could be under threat following government's January decision to increase mining administration and registration fees by up to 5 000%.

Royalties on gold and platinum went up from 4,5% to seven% and five% to 10% respectively. The new fee structure, the Chamber of Mines of Zimbabwe said, affects mineral output as it makes mining low-grade ores or less concentrated mineral deposits uncompetitive. For diamond miners, the prospecting fee now stands at USD 1m, while a fee of USD 5m will be required to register a claim.

The application fee for coal, coal-bed methane gas, mineral oils, natural gas and nuclear-energy mineral resources were pegged at USD 100 000 from USD 5 000. AfDB also reported Zimbabwe's external sector position remains subdued with the country importing more than it is exporting, leaving the balance of payment susceptible to external shocks.

"The Zimbabwean exports remain skewed towards primary products and intermediate goods which basically have low value. During the period under review, the country imported mostly from South Africa with total cumulative imports valued at USD 871,55m, while the total exports to South Africa was USD 1,05bn," AfDB said. "The other major sources of imports in the region are Zambia and Mozambique, where Zimbabwe imported a total of USD 145,3m and exported a total of USD 63,7million to the two countries. Annual inflation increased from 2,5% in May 2011 to 4,02% in May 2012."

In May 2012, annual food and non-food inflation stood at 4,61% and 3,75%, respectively. The major factors that contributed to increased inflation included housing, water, electricity, gas and other fuels at 13,94%; communication at 12,36%, education at 6,23% and restaurants and hotels at 6,12%. *(Daily News)*

Zimbabwe's gold sector continues to be impeded by costs, production pressures despite a surge in international gold price, the Chamber of Mines said. "Gold prices have gone up from USD 1300 to USD 1 600 but for example special arrangements with electricity suppliers to avoid load shedding, cost about 200% of our production," the mining body chairperson of gold producers Toindepi Muganyi told a Mines parliamentary portfolio committee yesterday.

"Royalties also increased to seven% adding to the two% which goes to the Environmental Management Authority." He said the implementation of indigenisation regulations was negatively impacting on the sector. "There has not been any meaningful investment in the sector to boost its growth mainly because of the uncertainty of the Indigenisation Act and the implementation of the Act," he said.

He said gold miners required USD 1bn over the next five years to operate at full capacity. Muganyi said the capital was required to resuscitate mining activities in green fields, brown fields and also feed into the current mining operations. "The industry is also looking at producing 14,6 tonnes of gold this year of which 6,7 tonnes has already been produced," Muganyi said.

Gold contributes to about 30% of mining gross domestic product. According to the latest African Development Bank (AfDB) report, the country's gold deliveries grew by 13,1% to 1 076 kilogrammes (kgs) in May 2012 from 950,94kgs in May last year. The regional institution said deliveries by small-scale and primary producers grew by 23,2% and 10,9%, respectively during the five months to May 2012.

"In May 2012, total gold deliveries registered a 3,31% decline from April 2012 to 1 076kgs, while gold deliveries by primary producers by 2,5% while for small-scale producers it shrunk by 2,03%," AfDB said . The mining sector remains key to Zimbabwe's economic recovery process with a projected growth rate of 15,8% this year.

However, despite the growth in production, figures remain markedly below the record 28 tonnes produced in 1999. In 1999, Zimbabwe's yearly gold production peaked at 28 000kg, but almost immediately started a rapid decline in line with political upheavals that beset the country, bottoming at 3 100kg in 2008 when the economy broke down and the central bank stopped paying mines for deliveries.

Apart from the politics, the country's gold production has also been seriously affected by chronic power cuts and liquidity challenges whose impact has been worsened by the indigenisation policy, which is limiting foreign investor participation. The gold sector is expected to grow by 15% this year.

Economic Planning and Investment Promotion minister Tapiwa Mashakada in April, expressed concern over a sharp fall in mineral output, which he said could slowdown projected economic growth. Government has projected a 9,4% growth for the country in 2012 hinged on the mining industry. *(Daily News)*

Capacity utilisation in the manufacturing sector is on the decline as companies continue to be choked by liquidity challenges affecting the economy, a Cabinet minister has said. Industry and Commerce minister Welshman Ncube early this week said performance in industries was now on the decline despite a rebound in 2009. An estimated USD 2bn is required to fund the revival of industry in Zimbabwe.

Ncube, who described the situation in industry as a crisis, said he was discussing the issue with the Confederation of Zimbabwe Industries (CZI). "There is a crisis across the country. We went up and up and now we have plateaued," he said. "Now we are going down again, the reason being our inability to put money in the market. It's a matter that we are talking about with CZI." Ncube said finance for the industry could only be accessed from outside the country. He said the government had so far only managed to raise USD 10m out of the USD 40m targeted under the Distressed Industries and Marginalised Areas Fund (Dimaf).

"In Dimaf, the government has put in USD 10m and no one has accessed the funds so far," he said. "There is USD 20m from CABS and the government was supposed to put in USD 20m for Bulawayo and USD 30m for other centres." A fortnight ago CZI president Kumbirayi Katsande criticised the government for not fully responding to challenges in the manufacturing industry, which could result in the gradual decline of the sector.

He said the manufacturing and agricultural sectors were critical drivers of the economy and their problems should be attended to urgently. "What is sad is that as a country we are not reacting as is required when there is a crisis," Katsande said. "We seem to be willing to watch manufacturing companies die one by one." Ncube said the implementation of the Industrial Development (IDP) and National Trade policies (NTP) would be affected by lack of funding.

"We are doing the implementation matrix and we are about to finalise it, but I know it will be affected because government has not put in money," he said. "It's not about creating the environment, but it is also about creating institutions that provide funding." The government launched the IDP and NTP in March this year and it will run from 2012 to 2016.

The policy seeks to transform Zimbabwe from a producer of primary goods into a producer of processed value-added goods for both domestic and export market. It plans to increase capacity utilisation in the manufacturing sector to 80% by 2015 from the current 57% and ensure that the sector contributes at least 30% to the gross domestic product. Under the plan, the sector's contribution to exports is envisaged to rise to 50% in 2016 from 26% currently. *(News Day)*

Capital markets players last Friday signed a shareholder agreement for the setting up of a Central Securities Depository (CSD) at a low key ceremony after the process had been stalled due to shareholder disagreements. The Zimbabwe Stock Exchange (ZSE) interim board chairperson Eve Gadzikwa this week confirmed that the pact, which paves way for the formation of the country's first CSD, was inked during the bourse's annual general meeting last Friday.

A CSD is an entity that holds and administers securities and enables transactions to be processed by book entry. The ZSE currently utilises a call-over system to execute trade. Under the arrangement, the ZSE is expected to control 15% of the CSD, ZB Financial Holdings 13%, National Social Security Authority 13% and IDBZ 10%. Chengetedzayi Depository Company, a consortium of local businessmen and their technical partners, which won the bid to run the CSD, is expected to hold a 49% stake.

"I am happy to report that, despite some challenging issues (relating to the setting up of the CSD) the foundation is largely in place and the project can be expected to move at a much faster pace," said Gadzikwa during the ZSE annual general meeting. Initially, the media had been invited to cover the event, but following reports that there were differences, the AGM was held away from the media glare.

Gadzikwa disclosed that the board had resolved to address issues of confidentiality following a number of media leaks. "It is with much regret that we observe inappropriate disclosures in the Press that are attributed to members or so-called sources that refuse to be named," she said. "We believe there are sufficient platforms for stakeholders to discuss issues that affect us without resorting to leaks to the Press.

"The interim board will play its part to establish internal communication strategies to enhance this aspect." Gadzikwa said apart from automation, the board was planning to enact more reforms at the exchange, which include capacitating the secretariat of the exchange in line with best practice. She said the board was currently occupied with establishing a formal corporate structure at the exchange, demutualisation and setting up a CSD and automated trading system.

"Progress has been made, but we acknowledge that, a lot of gaps still need to be covered," Gadzikwa said. "Given all the projects in the pipeline, we should brace ourselves for a lot of hard work." The process of setting up a CSD quickened after Finance minister Tendai Biti expressed displeasure with the slow pace of automating the exchange early this year.. *(News Day)*

Notes

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