For week ending 20 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:

- Botswana
- Egypt
- Ghana
- Kenya
- Malawi
- Mauritius
- Morocco
- Namibia
- Nigeria
- Tanzania
- Zambia
- Zimbabwe

Currencies:

Currency	20-Jul-12 Close	WTD % Change	YTD % Change
AOA	95.13	0.00	0.21
DZD	81.97	1.50	8.95
BWP	7.54	-1.01	2.28
CFA	523.50	-0.52	5.81
EGP	6.05	0.09	0.57
GHS	1.93	-0.14	19.21
KES	82.60	0.15	-1.15
MWK	266.71	-0.53	64.23
MUR	29.69	-0.25	5.52
MAD	8.93	-0.43	4.15
MZM	27,480.00	-0.79	2.92
NAD	8.02	-2.67	-1.43
NGN	159.61	-0.55	-0.11
ZAR	8.15	-1.76	-0.22
SZL	8.04	-2.50	-1.27
TND	1.62	-0.52	8.34
TZS	1,558.01	-0.32	-0.15
UGX	2,428.94	-0.57	-0.75
ZMK	4,809.39	3.67	-4.15

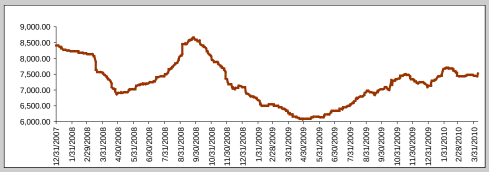
Source:oanda.com

African Stock Exchange Performance:

Country	Index	20 July 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,326.54	0.04%	1.11%	5.10%	2.75%
Egypt	CASE 30	4,867.75	1.10%	0.93%	34.38%	33.62%
Ghana	GSE All Share	1,016.70	-0.58%	-0.47%	4.92%	-11.99%
Ivory Coast	BRVM Composite	142.61	-1.00%	-0.48%	2.69%	-2.95%
Kenya	NSE 20	3,840.36	1.37%	1.21%	19.82%	21.22%
Malawi	Malawi All Share	5,991.88	0.00%	0.53%	11.59%	-32.05%
Mauritius	SEMDEX	1,742.84	-1.86%	-1.62%	-7.71%	-12.53%
	SEM 7	335.14	-1.38%	-1.47%	-4.34%	-9.34%
Morocco	MASI	9,862.11	2.00%	2.41%	-10.42%	-13.99%
Namibia	Overall Index	900.00	0.93%	3.63%	7.40%	8.95%
Nigeria	Nigeria All Share	23,095.31	1.56%	2.12%	11.41%	11.53%
South Africa	TOP 40	30,074.00	1.39%	3.19%	-6.01%	-5.79%
Swaziland	All Share	274.73	-3.37%	-0.89%	2.34%	3.66%
Tanzania	DSEI	1,441.12	-0.01%	0.31%	10.58%	10.75%
Tunisia	TunIndex	5,174.44	1.66%	1.89%	9.58%	3.03%
Zambia	LUSE All Share	3,870.66	-0.67%	-4.19%	-7.17%	-2.88%
Zimbabwe	Industrial Index	132.55	0.76%	0.76%	-9.13%	-9.13%
	Mining Index	90.90	0.00%	0.00%	-9.73%	-9.73%

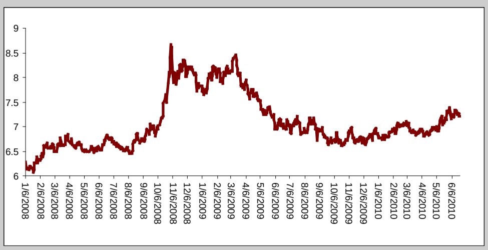
Botswana

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

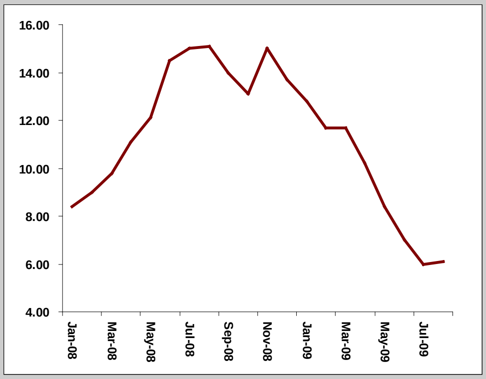
The DCI gained +0.04% to close at 7,326.54 points. CIC Energy and BOD led the gainers after adding +8.05% and +6.45% to close at BWP 1.06 and BWP 33 respectively. Other notable gains were recorded in Cresta (+4.76%) and Blue (+2.44%). NAP (-2.13%) and ABCH (-2.17%) led the shakers.

Corporate News

Botswana contains one of the world's largest undeveloped thermal coal provinces, with the potential to supply world markets. This is according to African Energy Resources, which owns 100% of the Sese Coal and Power Project in northern Botswana. Sese is one of the 15 delineated coal resources in Botswana. The entire resource is amenable to low-cost open pit mining and can produce large tonnages of both domestic power station fuel and washed coal for regional and export sales. The company is currently undertaking a bankable feasibility and environmental impact study for an initial 2m tonne per annum mine scoped for delivery by end 2012, and has commenced marketing and sales negotiations with regional customers. According to African Energy Managing Director Dr Frazer Tabeart, "the projects' first electricity generation scheduled for late 2015 with the export project targeting sales of 5000 to 5500kcal/kg coal to Asia (India, China and South East Asia).

Negotiations are underway for Power Purchase Agreement and EPC contract." Sese integrated power project is an initial 300MegaWatts plus 1.500M tonnes per annum mine where African Energy has recognised an opportunity for power generation based on cheaply mined Sese coal. He pointed out a potential to unlock significant value from a very small proportion of the total Sese resource and noted opportunities present for both the export of electricity and domestic supply of electricity. "Discussions with several off-takers for 300-600MW of new electricity generation capacity have also commenced and to date1 memorandum of understanding has been signed for first 300MW power station," said Dr Tabeart. The Gazette Business understands that the MoU was signed in June 2012 under commercial confidentiality of which the parties agreed on the way forward. The energy development company, which is listed in both the Australian Stock Exchange and Botswana Stock Exchange, intends to develop Sese through a series of stages aligned to markets and infrastructure.

Stage 1 (2m tonnes per annum) will commence in 2013 and expand to Stage 2 (5m tonnes) in late 2015. Further expansions will be possible through improvements to existing rail and port facilities, stated Dr Tabeart. The company, which has embarked on a long-term strategy to supply thermal coal to Asian markets, has successfully completed a 15,000tonnes bulk sample and



Source: SAR

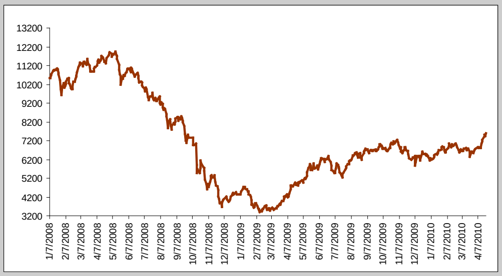
25tonnes rail shipment to Maputo. Dr Tarbeart said existing rail routes and ports are under evaluation by African resources' consultants gauging the potential to significantly expand capacity on existing railways through staged investments. "We have also staged expansion of Matola Coal Terminal in Maputo to 20Metric tonnes per annum by 2018, plus expansions have been planned for a number of South African ports. Initial tonnage allocation at Matola has also been requested," he added. He noted the current supply gaps in many countries met by imports from Eskom, adding that these supplies are no longer guaranteed, therefore widening the gap between supply and demand in the entire SADC region. As a result, this was an opportunity for the company and Botswana to become net exporters of cheap electricity, he said. *(Botswana Gazette)*

Economic News

No Economic News this week.

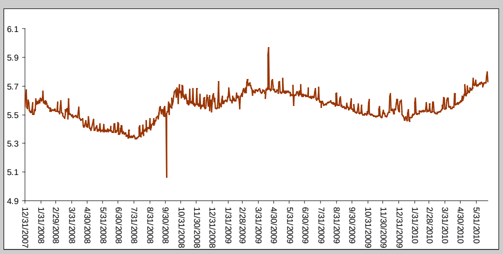
EGYPT

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 market closed on a positive note after adding +1.10% to close the week at 4,867.75 points. South Valley Cement led the gainers after adding 8.43% to close at EGP 3.60 followed by Orascom Telecom up 7.50% to EGO 0.43 and Ezz Porcelain (+6.19%). Cairo Oil was the biggest loser after closing -9.61% lower at EGP 15.71 followed by ODH (-2.67%). Other notable losses were recorded in Credit Agricole (-2.43%) and Upper Egypt Flour Mills (-1.63%).

Corporate News

No Corporate News this week

Economic News

Egypt's top general has raised the stakes in the military's political stand-off with the Muslim Brotherhood, saying the armed forces will not allow a "certain group" to dominate the country. Field Marshal Hussein Tantawi did not mention a specific organisation, but his comments on Sunday in the city of Ismalia were clearly referring to President Mohammed Morsi's Brotherhood.

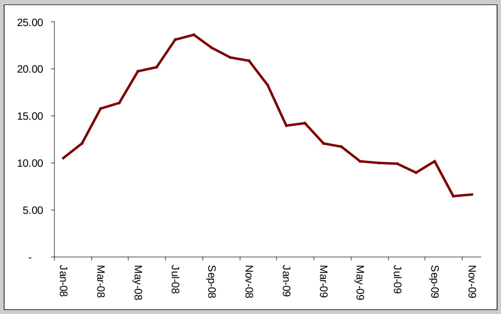
Tantawi is the most senior of the generals who took power after last year's popular uprising that ousted Hosni Mubarak. They handed over power to Morsi last month, but first issued a decree ensuring the army retained key powers and stripping the president of others.

Morsi last week defied the military when he revoked a decree by the generals to dissolve the Brotherhood-dominated parliament on the basis of a June 14 court verdict. *(News24)*

US Secretary of State Hillary Clinton held talks on 15 July 2012 with Egypt's top military leaders, just hours after calling for them to help smooth the country's full transition to democracy. The top US diplomat arrived in Egypt amid a complex power struggle being played out between the newly-elected Islamist president, Mohamed Mursi, and the Supreme Council of the Armed Forces (Scaf).

A day after her first meeting with Mursi, Clinton met with Field Marshal Hussein Tantawi – the country's interim military ruler after president Hosni Mubarak was ousted last year ending three decades in power. "They discussed the political transition and the Scaf's ongoing dialogue with President Morsi," a state department official told reporters after the talks that lasted just over an hour. The two also discussed an economic package proposed by Clinton and

CPI Inflation



Source: SAR

"Tantawi stressed that this is what Egyptians need most now, help getting the economy back on track," the official said.

Clinton has repeatedly called on the military to respect the outcome of the elections and told a news conference her talks with Tantawi would focus on "working to support the military's return to a purely national security role." Mursi, Egypt's first democratically elected president, is locked in a stand-off with the military after he ordered parliament to reconvene, defying an army decision to disband the house. But a declaration issued by the Scaf before Mursi was sworn in which acts as a temporary constitution granted the military sweeping powers, including legislative control, even though they handed over to Mursi on June 30.

While Mursi's decree was applauded by supporters, it set off a firestorm of criticism from opponents who accused him of overstepping his authority. Choosing her words carefully in the politically-charged atmosphere, Clinton said "it is very clear that Egyptians are in the midst of complex negotiations about the transition" including the make-up of parliament, a new constitution and the full powers of the president." "Democracy is hard," she said. "It requires dialogue and compromise and real politics. We are encouraged and we want to be helpful. But we know that it is not for the United States to decide, it is for the Egyptian people to decide."

The United States supported the full transition to civilian rule, Clinton said, adding however she wanted to commend the military council "for representing the Egyptian people in the revolution." "As compared to what we are seeing in Syria which is the military murdering their own people, the Scaf here protected the Egyptian nation," and had overseen free elections, Clinton said. "But there is more work ahead, and I think the issues around the parliament, the constitution has to be resolved between and among Egyptians."

Hundreds of protesters had gathered outside the US embassy and later Clinton's hotel to denounce what they said was "US interference in domestic affairs," the official MENA news agency reported. *(The Namibian)*

Following a Cabinet meeting on 16 July 2012, Minister of Planning and International Cooperation Fayza Abouelnaga said that the economy began to recover and that the government was able to stop the depletion of the cash reserves. "We lost USD 21bn since the revolution," she said. "But reserves were increased in the past three months to USD 15bn." She added that the government was able to maintain the availability of goods at reasonable prices despite projections by Arab and foreign newspapers that Egypt's economy would collapse and that Egypt risks a "revolution of the hungry." "Egypt's reduced credit rating was only due to a lack of stability in tourism," she explained. The minister said all commodities and supplies are available, particularly in co-ops, where supply was increased by 20% in preparation for the month of Ramadan.

"The ministry managed to provide LE65 million through international grants and agreements to guarantee the basic needs of citizens," she said. "We have enough wheat until January 2013," she added, pointing out that the production of wheat this year was 9.5m tons, compared to 6.5m tons last year. "We worked in extremely difficult circumstances and amid ongoing and systematic attack," she said. "But our success is confirmed by figures." *(Egypt.Com)*

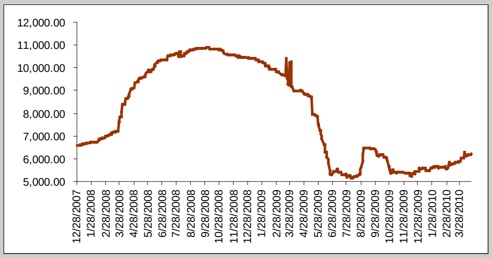
The Constituent Assembly has reached consensus on the majority of articles and will finalize an initial draft of the new constitution within two weeks, said a Muslim Brotherhood leader who serves on the panel. The statement came just before the State Council Administrative Court adjourned a case Thursday challenging the assembly's formation until a request to change the presiding judges is resolved. Regarding the potential dissolution of the assembly, Sobhi Saleh told London-based Asharq al-Awsat newspaper Thursday, "The Egyptian people will not accept that the military council forms an alternative assembly in the event a judicial ruling dissolves the current assembly."

Last month the Supreme Council of the Armed Forces granted itself power to appoint a new assembly should the existing one fail to complete its task. The plaintiffs in the administrative court case argue the now-dissolved People's Assembly violated guidelines for the Constituent Assembly's selection when it appointed sitting lawmakers to the body. The People's Assembly has since been dissolved based on an unrelated ruling from the Supreme Constitutional Court. A request to change the judges in the case is also being considered by another circuit within the administrative court, which will reconvene on 30 July. The State Council Administrative Court adjourned its hearing of the lawsuit on Thursday until that matter can be resolved.

He anticipated the court would rule in favor of preserving the assembly, but said members are working at full tilt to draft the constitution before that date. "The appeal submitted [against the assembly] lacks substantial grounds, and the reasons behind the lawsuit are not enough to dissolve the assembly," he said, adding that even if the assembly is dissolved, people will not accept an assembly appointed by the military. *(Egypt.com)*

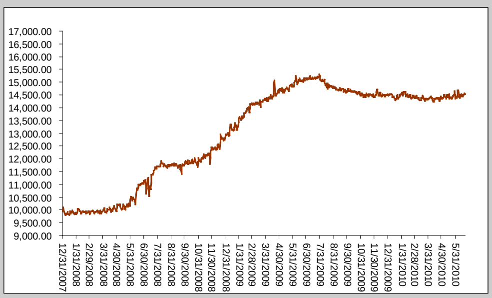
Ghana

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 shed -0.58% to close at 1,016.70 points. CPC and GCB led the gainers after adding +100% and +5.00% to close at GHC 0.02 and GHC 2.1 respectively, while ETI (-8.33%), Total (-6.74%), were on the losing front.

Corporate News

Global micro-chip maker Intel Corporation has acquired an equity stake in Ghana's Rancard Solutions, following the injection of capital into the operations of one of the country's fledgling technology firms, B&FT has gathered. Actors in the deal have remained tight-lipped about terms of the deal, which also involves Adlevo Capital.

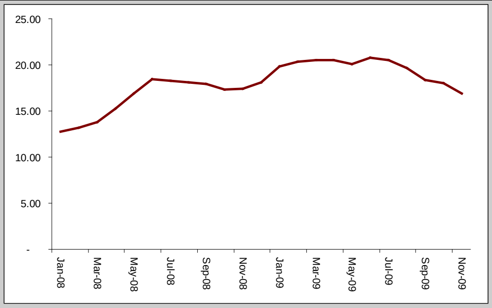
Intel, which closed the deal last week, acted through its global investment subsidiary Intel Capital and the investment into Rancard Solutions marks Intel Capital's first investment in West-Africa and the first outside South-Africa. Intel Capital is a US-based venture capital investment firm owned by global micro-chip maker Intel Cooperation, while Adlevo Capital is a Mauritius-based private equity firm.

Intel's investment into Rancard shows that the local firm, founded a decade ago, is doing something good that has caught the attention of global firms ready to expand their frontiers into Africa. The co-founder of Rancard Solutions, Kofi Dadzie, told the B&FT that investments of the two venture capital firms will play a vital role in expanding the company's footprint across Africa at a reputational and operational level.

"We're delighted that both Adlevo Capital and Intel Capital have agreed to come onboard at a time of such opportunity, and are excited about working with such experienced and globally recognised partners. "The total capital investment will enable us to build a larger multinational team and fast-track our geographic expansion across Africa," he said.

Mr. Dadzie said the deal connects Ghana firmly to the new wave of technological innovation happening in Africa, further enabling technology as a key driver for growth in the region. Since launching in 2001, Rancard has established itself as a trusted provider of cloud-based mobile software and services, which Africa's mobile operators are increasingly turning to.

As voice-based average revenue per user declines, mobile operators are increasingly using Rancard's content discovery platform to profitably increase data revenues by delivering targeted content to their subscribers. The company has developed a cloud-based social recommendations engine called 'Rendezvous', which maps connections among mobile users and then uses this mapping of shared interests as a basis for recommending content to



Source: SAR

consumers.

Yemi Lalude, Managing Partner of Adlevo Capital said: "Rancard is a perfect example of African entrepreneurs bringing world-class technology solutions to market. The company is uniquely positioned to bridge the gap between content owners and mobile operators and is poised to benefit from the growth in mobile data services.

Our lead investment in Rancard will leverage Adlevo Capital's industry expertise gained from backing successful mobile value-added service companies in other geographies." Recently, the Sub-Saharan Africa Director of Intel Capital Sam Mensah told the B&FT that Intel is ready to put money -- above USD 1m and not more than USD 1.5b into Ghanaian IT-focused companies that have products and services which will eventually help Intel's eco-system innovations.

The sudden interest in Ghanaian companies has been driven in part by the surge in broadband infrastructure and availability of huge bandwidth capacities on the shores on the country. The President of Intel Capital and Intel Executive Vice President of Intel Coperation, Arvind Sodhani, said: "Improvements in broadband infrastructure across sub-Saharan Africa has created the need for development of a local content ecosystem between telcos, content and service providers to deliver engaging user experiences on mobile devices.

"As a global investor, Intel Capital has invested in and built similar ecosystems in emerging nations all over the world." Christian Morales, General Manager, Europe, Middle East, Africa of Intel Corporation, said: "As a business Rancard provides a wide range of services that are well-placed to meet consumers' rapidly shifting demands, particularly as the market for cloud-based mobile content grows. It's a company that has a promising future and one we feel could benefit not just from access to our capital, but also from our global network and technological expertise."

Since 1991, Intel Capital has invested more than USD 10bn in over 1,140 companies in 52 countries. In that timeframe, 191 portfolio companies have gone public on various exchanges around the world and 268 were acquired or participated in a merger. Last year, Intel Capital invested USD 327m in 119 investments with approximately 44% of funds invested outside the United States and Canada. However, Africa has had the least of Intel's investment activities with only USD 5m being invested in companies operating from the continent. *(Ghana Web)*

Ghana dairy products-maker Fan Milk Ltd said on 16 July 2012 that its net profit for the first 6 months to June 2012 increased nearly 31% to GHC 13.06m (USD 6.67m), up from GHC 9.97m for the same period in 2011. Revenue for the half year was up 40.6% to GHC 73.318m, compared with GHC 52.134m in 2011. *(Reuters)*

Economic News

Ghana has been ranked as the third-best country in Africa that received Foreign Direct Investments (FDI) on the continent in 2011. The latest

United Nations World Investment report 2012 released last week said the country's performance in attracting FDIs was largely based on the developments in the upstream petroleum sector, which is now being developed following the discovery of oil in commercial quantities half a decade ago. According to the report authored by the United Nations Conference on Trade and Development (UNCTAD), Ghana which trails Nigeria and South-Africa in attracting Foreign Direct Investments (FDI) received approximately USD 3.2bn FDI inflows at the end of 2011 compared to USD 2.5bn 2 years ago and USD 2bn in 2009.

UNCTAD through its research has found that new oil- and gas-producing countries are emerging as major recipients of FDI as foreign investors look farther afield in search of oil and gas reserves. "Ghana in particular benefitted from FDI in the newly-developed Jubilee oil field, where commercial production started in December 2010," the report said. The report said inflows to West Africa are destined primarily for Ghana and Nigeria, which together account for some three-quarters of the sub-region's inflows. UNCTAD, however, has warned that FDI inflows to the continent will slow this year in the face of the global economic slowdown.

However, the UN Trade facilitation arm believes improvements in the way the country attracts FDI signals longer-term changes in the investment climate. Meanwhile, data from the Ghana Investment Promotion Centre (GIPC) indicate that in recent years the structure of ownership of FDIs is skewing increasingly toward wholly-owned foreign enterprises and fewer of joint-ventures. The trend has been typical of FDI flows into the country in recent years. Analysts are beginning to question the GIPC's commitment to ensuring quality and balanced investment flows whether FDIs or domestic investments as it is high time the Centre took a second look at the way it woos investors, as well as how it manages their activities so as not to jeopardise local enterprise.

"Presentation of reports on investments should be transparent, detailed and comprehensive enough for other stakeholders to be able to use it to meet their special needs, while the current practice of placing emphasis mainly on financial receipts should be minimised." Analysts have also called on the GIPC to be proactive in enforcing its own regulations to prevent the current practice of unscrupulous foreign investors moving into business activities reserved solely for Ghanaians. *(My Joy Online)*

The Minister of Finance and Economic Planning, Dr Kwabena Duffour, will present a review of the performance of the economy to Parliament on July 18, 2012. He will also, on behalf of President J.E.A. Mills, request for supplementary estimate in accordance with Article 179 (8) of the 1992 Constitution. The supplementary estimate being requested for is informed by the receipt of certain inflows and some savings made in expenditure management. A statement issued by the Media Liaison Officer of the Ministry of Finance and Economic Planning, Abdul Hakim Ahmed, said the estimate would also seek approval to incur additional expenditure in certain areas, including the Single Spine Pay Policy (SSPP) and election-related expenditures.

It said in presenting the report, Parliament would be appraised of 2011 economic developments based on the actual data for the full year of 2011. The minister, according to the statement, would also use the opportunity to inform the House about the current economic situation and performance of the

Ghanaian economy for the first six months of 2012. It added that the minister would also discuss the projections and policy objectives for the remaining period of 2012. *(My Joy Online)*

Ghanaians must brace themselves for a possible hike in the prices of petroleum products after the International Monetary Fund, on 14 July 2012, issued a subtle reminder to Mills-Mahama National Democratic Congress administration to make good its promise of removing petroleum subsidies. This reminder came after the IMF approved for disbursement to Ghana, some USD 179m under its extended credit facility program.

It is recalled that in May this year President John Evans Atta-Mills agreed to a pact with the International Monetary Fund to increase fuel prices as he was confronted with the reality of an ailing economy he has presided over in the last 3½ years in office. Deputy Director of the IMF, Nao-yuki Shino-hara, in reminding government of its promise said: “The re-emergence of energy subsidies have created the need for corrective actions to achieve fiscal targets”, with these subsidies posing as a risk to macro-economic stability.

He also warned that the rapid depreciation of the cedi, which is fuelling inflation in its wake, and the dwindling international foreign reserves, which “has fallen below comfortable levels”, could have catastrophic consequences for the Ghanaian economy. In May this year, an IMF mission to Ghana, led by Christina Daseking, revealed that government now paid GH¢60m in fuel subsidies every month, implying a whopping GHC 720m fuel subsidies every year, with oil revenues as contained in government statements amounting to a little over USD 400m a year. She, therefore, asked President “to be swift in arresting the situation.” It is recalled that President Mills and his administration consented to the removal of fuel subsidies for the IMF to give its approval for the USD 3bn loan from the China Development Bank.

The IMF chief reminded President Mills of that pledge, noting that the price of oil imports had risen a lot, primarily because the Tema Oil Refinery is not undertaking its primary objective of refining crude oil, whilst the domestic price of petroleum products has not seen any corresponding increase. “This is now creating cost. Certainly, we want more people to support social programmes. The cost of living has increased because of the depreciation. Most people know the subsidies on fuel benefit the higher income groups and we’ll encourage you to take necessary [action]”, she further noted. *(Peace FM)*

Ghana's government asked parliament on 18 July 2012 to allow extra spending before elections due later this year, stoking investor concerns over public finances in the West African country which last year started enjoying its first commercial oil revenues. The government made the request to raise its 2012 budget deficit target despite previous International Monetary Fund calls to stick to an initial deficit target of 5.2% of output, but a Fund official said the move had been agreed in advance. Ghanaian President John Atta Mills is seeking a second term in elections due in December.

There has long been concern that the government would perpetuate a tradition of sharp increases in public spending ahead of polls. "Whilst the new fiscal deficit target to be financed in 2012 is 6.7% of GDP this is consistent with the deficit target agreed between the Government of Ghana and the IMF," Finance

Minister Kwabena Duffuor told parliament. Duffuor said the new spending would total 2.6bn cedis (USD 1.3bn), much of it tied to an 18% pay rise offered to public sector workers this year and a reform of the entire wage structure for state employees.

A further payment of GHC 991m is needed to migrate employees to the new wage structure, while the GHC 1.1bn cost of the pay increase would be partly offset by GHC 512m of savings from a pension and payroll audit, he said. He listed the other main factors as increased interest costs arising from the depreciation of the cedi currency; fuel and utility subsidies; and additional costs to stage December's parliamentary and presidential elections.

Duffuor told Reuters earlier this week that he expected to seek approval for a 2012 deficit at around6% of non-oil GDP - apparently lower than the target finally set out in his speech to parliament."While earlier this week, the news might even have been presented as aiding transparency, and therefore not entirely negative, the extent of overrun that we now see will prove unsettling to investors," noted Razia Khan of Standard Chartered Bank in London.

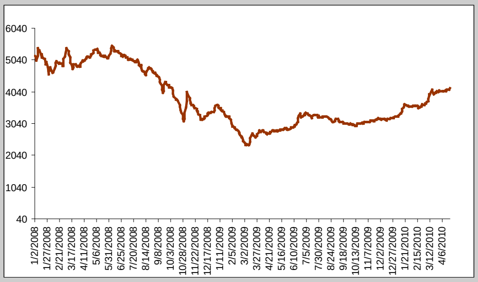
The IMF confirmed it had agreed with the government to raise the deficit to allow for critical expenditures and enable the country achieve primary balance targets. "It's within what we had discussed given a number of developments in 2012," said Ghana director Wayne Mitchell, adding that any adjustments remained consistent with the intention of the programme.

He said the agreement was based on the government's commitment to continue a national pay-roll audit and re-prioritise its expenditures. Mitchell said the new targets were achievable if the government sticks to the agreed plans and reassures investors of its commitment to fiscal discipline. "There are a few risks that may crop up from outside such as the Eurozone crisis - we have investors still being uncertain about the macro-economic environment and wanting to pull out - but in all they can manage it if they prove that they are pursuing a credible programme."

In his statement to Parliament, Duffuor stressed that the Ghanaian economy, which last year recorded1 of the world's highest growth rates of 14.4%, was performing well and recorded year-on-year growth of 8.7% in the first quarter of this year. He said that tax collection targets for this year would be likely exceeded and expressed confidence that central bank action to shore up the cedi would be successful. The currency has in the past year slipped from around GHC 1.50 to the USD to GHC 1.95 as the economy sucks in imports. On 17 July 2012 the GHC traded around GHC 1.939 per USD. USD 1 = GHC 1.94. *(Reuters)*

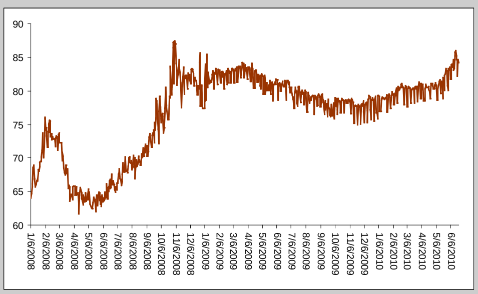
Kenya

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	-2.198	-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)	35.83	36.51	37.13

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The market recorded improved performance w/w with the NSE 20 up +1.37% to 3,840.36pts while turnover increased to USD 15m on the back of increased trades in EABL, KCB, Safcom, Equity Bank and CIC Insurance. The Shilling however weakened against major currencies, closing at 82.60 to the USD and at 103.13 to the Euro. Safaricom was up +9.9% at KES 3.90. Oil manufacturer traded +6.3% higher at KES 15.95 while Scangroup ended the week 5.9% higher at KES 54. Car & General led the losers, with the name closing -7.4% lower at KES 25. Nation media lost -5.1% at KES 169 while Access Kenya was down -4.1% at KES 4.70.

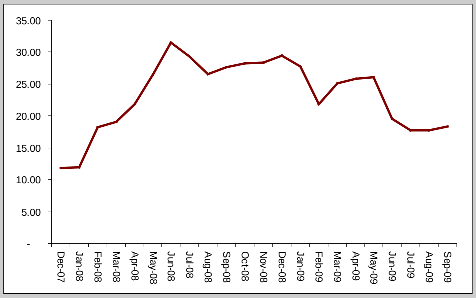
Corporate News

Oil marketer KenolKobil will be part of the growing business empire of a Swiss commodities conglomerate linked to a toxic waste scandal, if the KES25bn buyout deal is finalised. Trafigura, which was fined EUR 1m (KES 100m) by a Dutch court in 2010 and has been at the centre of investigations for dumping hundreds of tonnes of toxic waste in Côte d'Ivoire, acquired Puma Energy in 2000. KenolKobil's minority shareholders have been seeking to know the identity of the actual majority owners of Puma. Puma Energy is the company that wants to buy a majority stake in KenolKobil in one of Kenya's biggest corporate takeovers.

Conservative estimates put the transaction, which is shrouded in mystery, at KES 25bn, and it could see the oil marketer get delisted and turned into a private company. The top shareholders of the firm, associated with former Cabinet minister Nicholas Biwott who are at the centre of the deal, have gone to great lengths to conceal their identities, choosing to declare their interests through shell companies. More than 8,000 minority shareholders of the firm are, however, still groping in the dark.

Trafigura, which is based in the Netherlands, has interests in the oil sector, metals and minerals, storage as well as asset management, among other fields. The purchase of KenolKobil through its Puma Energy subsidiary will now mark its entry into the retail and downstream operations in Kenya. "Trafigura saw Puma Energy's potential and acquired the business in 2000. Puma Energy developed rapidly in the ensuing years through organic growth and targeted acquisitions," a publication by the Puma Energy International Corporate Affairs Department said. Puma Energy invested in Congo in 2002 after the country privatised its oil distribution sector.

Puma, which operates in over 20 countries mainly in Central America and Africa, has in the last decade been scouting for investments in midstream and downstream operations. Puma Energy also distributes refined oil products and is



Source: SAR

also in the wholesale and retail business. Trafigura bought African assets of British oil multinational BP in 2010 in a bid to solidify its entry onto the continent.

Puma Energy has lined up at least seven major projects in Africa this year ranging from acquisitions to opening up of storage and service stations in different countries on the continent. Puma Energy needs clearance from regulatory authorities in each country before any successful takeover. According to the latest update from KenolKobil on the deal, Puma Energy is expected to complete its due diligence on the company this month before continuing with negotiations.

"If the outcome of the due diligence and subsequent negotiations is satisfactory, then Puma Energy may proceed with a transaction subject to applicable regulatory approvals, compliance with the Capital Markets Act, and confirmation as to price," KenolKobil managing director Jacob Segman said in a statement. It has also emerged that Puma Energy is yet to make its application to the capital markets regulator, which refused to comment on the deal on grounds that it is yet to receive the takeover application. "We want to stay away from commenting on the deal until we receive it.

But we have the takeover and mergers regulations that should guide the transaction," a Capital Markets Authority spokesperson told the Nation in an interview on Tuesday. A UK newspaper, The Guardian, published a story in 2009 linking Trafigura to one of the worst pollution disasters in recent history. The newspaper said that Trafigura had offered to pay compensation to 31,000 West African victims in the toxic waste dumping scandal in Côte d'Ivoire, allegations the Swiss based company denied. *(Daily Nation)*

Motor dealer CMC Holdings can now pursue KES 1.5bn from its former director Joseph Kivai after a judge declined to strike his name off the case. Mr Kivai, who was replaced from the company's board of directors in March in a boardroom coup that also saw the company's former chairman Peter Muthoka exit, had applied to the court to strike his name out of a suit filed by the car dealer. CMC Holdings and its global parent firm, CMC Motors Group, sued Mr Muthoka, his logistics firm Andy Forwarders Limited and Mr Kivai, seeking a refund of KES 1,563,000,000, which the companies allegedly lost as a result of an alleged breach of duty by the two former directors. The firms claim Mr Muthoka and Mr Kivai breached their statutory and fiduciary duties, occasioning the loss.

Mr Kivai, however, filed an application, seeking to be released from the suit. The former director argued that he did not owe the companies any duty of disclosure since he was not a director at the time that they were engaging Andy Forwarders to provide them with logistics services. Justice Daniel Musinga yesterday ruled that the argument could not help since Mr Kivai became a director six months before the logistics contract was terminated. Only a full hearing could enable the court to assess evidence and decide whether the former director takes any responsibility of the alleged loss, the judge ruled. Several issues arose relating to Mr Kivai's role that cannot be determined without proceeding to a hearing, the judge added. *(Daily Nation)*

Mortgage firm Housing Finance has lifted dividend payment by 40% in the six months to June, despite posting its poorest growth in profit in five

years. The company said its half-year net profit stood at KES 250.3m compared to last year's KES 241.8m a year earlier—reflecting a growth of 3.5%. This is the slowest growth since 2008 when its half-year net profit dropped 5.5% to KES 41m. The slower growth is linked to increased expenses on deposits and reduced mortgage sales, which saw new home loans in the six months stand at KES 2.2bn compared to KES 3.7bn last year.

But this performance did not deter Housing Finance (HF) from increasing dividend payout to KES 0.70 from last year's KES 0.50 and this looks to surpass 2011 full-year pay of KES 1.20 a share. Frank Ireri, the managing director of the firm based the sluggish performance to the tight monetary stance taken by the Central Bank to rein in inflation that pushed lending rates to above 25% from an average low of 14% in the first half of last year.

"Our profit growth was limited by a sharp rise in interest paid to our deposits," said Mr Ireri, adding that the high lending rates reduced the appetite for borrowing. The mortgage firm paid deposit rates of 11.8% this year compared to 4.5% last year. This increased its expenses on deposits which rose to KES 21.9bn in June from KES 18.6bn to KES1.1bn in the six months compared KES 312m in the same period last year. As a result, its net interest income dropped to KES 873m from KES 896m in the period under review. But the 40% increase in dividends is set to calm investors' nerves who have seen HF shares shed 27.3% to KES 15.25 in the past year.

The principal shareholders in the home loans firm are Equity Bank (24.85%), British America Investment Company that owns 20.88% of the mortgage company and National Social Security Fund with a 8.14% ownership. HF's performance provides a pointer to the expected results from its peers in the banking sector, being the first lender to file quarter one earnings when higher interest rates are expected to affect industry profits. *(Business Daily)*

The Paunrana family has distributed its shares in Athi River Mining (ARM) Company among its members making managing director Prandeep the single largest shareholder in the cement firm. Regulatory filing indicate the family's investment vehicle Amanat Investment, has been split and the managing director Pradeep Paunrana offered 17.9m shares or a 18% stake worth KES 3.54bn. This has reduced the ownership of Amanat Investment to 28% in a split that is seen as a reward to the managing director who has diversified the company and grown its annual sales from KES 518m in 1997 to KES 8.1bn last year. The move is part of the distribution of the wealth of ARM's founder H. J. Paurana among his descendants after he passed on in 2009.

"I was allocated the shares as part of the estate planning after my father passed on in 2009," Mr Paunrana told the Business Daily in a telephone interview on Thursday. Estate planning refers to the management of an incapacitated or deceased individual's wealth, including distribution of assets to heirs and settlement of taxes. "Collectively, the family's interest in the company has not changed," said 52 year-old Mr Paunrana, adding that his siblings now control Amanat. The father, who spent decades in the board of ARM, helped establish the cement firm in 1974 with financing from friends and relatives whom he offered stakes and remained with a 25 % ownership. Most of the founders have exited the firm and the Paunrana family has grown their ownership to 45% in the company that National Social Security Fund has 870,000 shares.

But it's during Mr Pradeep's tenure that the company has grown faster, diversified its products including cement production, and widened its geographical and shepherded its listing at the Nairobi Securities Exchange in 1997. He joined the company as an accountant in 1984 after his MBA from New York University Stern School of Business and was promoted as the managing director in 1993. The allocation of the 18% stake to Mr Paunrana has seen him join the league of billionaire CEOs that include Equity Bank's James Mwangi, whose stake in the bank stands at KES 3.9bn and Bharat Thakrar whose shares in Scangroup are worth KES 2.9bn.

Shares in ARM gained 8.8% to Sh198 at the close of trading yesterday. The share has risen 29.4% in the past six months, in line with a 20.2% gain in the benchmark NSE-20 Share Index over the same period. Its rival Bamburi has gained 37.6% in the six months to KES 179 while Portland Cement has gained 4.4% to KES 58.50 over the same period. ARM started operations with the manufacture of agricultural lime and minerals used as raw materials in paint, rubber, and glass production. *(Business Daily)*

Consolidated Bank was formed in 1989 when the government took over and merged the management of nine banks that were said to be insolvent. The core role of the bank was to collect debt from companies and individuals who had taken loans from any of the lenders. However in 2001, the government licensed the debt collecting entity into a full-fledged bank. The bank has over time battled with accumulated losses and narrow capital margins in the competitive industry and is now seeking to raise funds in the capital markets. Head of finance Joseph Njuguna spoke to the Business Daily on the bank's corporate bond, financial performance and outlook.

The bank is issuing a KES 4bn corporate bond, which closes on 19 July 2012. What will the funds be employed to? If you check the bank's growth rate over the past six years, it has been huge. Coming from a loan book of KES 1.6bn in 2006 to more than KES 9.2bn as at December of last year. Our deposit base grew from KES 2.5bn to KES 12bn in December, that is a compounded annual growth rate of 35%. But if you check on the capital side, you will realise that the growth has not been as much because the shareholders have not injected funds but we have been generating internal capital through retained earnings because our profitability has also been growing. In 2006, we were generating profits of KES 16m by December 2011 we were at KES 250m. The KES 4bn is coming to fund accelerated growth. It will be taken in two tranches.

In the first tranche, we are looking for KES 2bn of which KES 1.75bn is senior notes and basically all this is money for on lending to customers. KES 250m is subordinated so that apart from providing funds for lending, we will also be boosting our tier two capital because as per the prudential guidelines, that money counts towards calculation of your total core capital. The corporate bond matures after seven years.

What advised this period? What we have seen over time is that with the kind of funds we have, we are only able to give facilities of 36 months, probably at most 48 months, but our customers actually require longer term financing so that they are able to manage their cash flows much easier. So, essentially, we are looking for long-term funds so that we are able to extend the term that we provide to our customers.

When do you expect to tap the second tranche? It will depend on how fast we are able to utilise the first tranche. We are hoping that within a year we will have utilised the first KES 2bn then we can go back to the market if the conditions are suitable.

How is the corporate bond priced? It is priced off the seven-year yield curve plus a margin of 1.15%. The current seven-year yield curve is at 12.1%, then add 1.15%. If you check the direction of the rates, they are likely to go down. So, for an investor this is a good rate since it means you are able to lock in a very good rate and for the bank there is sufficient margin. We expect the lending rates to come down, as they have already started, but where we see the rate settling is around 19-20%. That margin is still sufficient for the bank to on-lend competitively.

Are the returns on a floating or fixed rate? It depends on the investors' risk appetite. For the floater, we have pegged it at the 182-day Treasury bill plus a margin of 2% with a floor rate of 10% and a cap of 13.75%. It will purely depend on the investors as we have not said that this portion is fixed or float — so investors have a choice.

The bank has been operating with accumulated losses. Have this been cleared? By last month, we had wiped out all those losses, which means we have no accumulated losses. In 2006, we had accumulated losses of KES 600m, which were inherited from the legacy institutions and this has been hurting in two ways. First, the amount of money you can lend to one borrower is limited to 25% of your core- right now we can do up to KES 250m. Also, If we had resources we could have grown much faster. The bank has been operating marginally above the minimum capital requirement ratios, which the Central Bank intends to raise.

How does the bank intend to make sure it does not breach this requirement within the given time frame of 18 months? The PS has confirmed that Treasury is giving us an extra KES 500m, which is basically to boost tier one or core capital as we go about with privatisation. With the KES 500m, we are able to take our core capital to about 13% and also with the bigger muscle, we will be able to generate adequate retained earnings. The bank recently received a KES 700m loan from European Investment Bank; are you not over leveraging? The money we are got from the European Investment Bank is long-term and the rate was favourable as even now we are able to lend it at a much lower rate of 18%. So even in terms of strategy that was the right strategy as this money is available for development projects. This funding is basically widening the bank's resource base and is providing the funds for SMEs from various sources.

The growth we are having has to be funded from the traditional sources- deposits – but also from other sources and at the moment we don't have any other debt in our books. If you check other banks, even the large banks, there is a bit of leverage debt. Basically, the bank is widening its sources of funding to ensure we continue growing at the same rate if not an accelerated rate. In the next two years, we intend to open 10 more branches and also provide our services through agents. Right now , we have been licensed to operate 20 agencies and are in the process of branding those agents. *(Business Daily)*

Investment firm Olympia Capital will make new acquisitions next year to

complete its turnaround plan that saw it pay a dividend after returning to profitability last year. Chief Executive Michael Matu said the company is eyeing South Sudan's construction sector and is seeking approval from its shareholders to close deals of at most KES 30m without seeking their nod. The acquisitions will see the firm break its six-year deal-making drought that has seen it trail its peers TransCentury and Centum Investment. Olympia said its net profit for the year ended February was at KES 42.8m compared to KES 35.1m a year earlier. This saw it declare a dividend of KES 0.10 a share. "We are looking for opportunities in South Sudan in our mainstay building material and real estate business," said Mr Matu.

Olympia is seeking authorisation to close deals valued at a maximum of 20% of its 40m authorised share capital that stands at KES 146m based on its current share price of KES 3.65 at the Nairobi Securities Exchange. The shares have shed 13.1% in the past year and stockbrokers reckon that they receive little investor interest due their slump into loss-making. Market analysts say prospects for recovery of the stock lies in investors' perception of Olympia's turnaround efforts and its ability to pay dividends. Mr Matu said that the application to the CMA is aimed at avoiding the risk of losing good deals from shareholder approval delays.

Analysts say such delays can lead to a significant change in the valuation of the assets to be acquired or sold. The company's focus on South Sudan comes at a time when the new republic is expected to spend billions of shillings in construction of private, commercial and public buildings and infrastructure. This is set to boost demand for goods like PVC, vinyl floor tiles, mirrors, and doors which Olympia supplies. The entry into South Sudan will add on to the company's current geographical presence in Kenya, Botswana and South Africa. *(Business Daily)*

Economic News

Kenya plans to gazette and auction off new blocks for oil and gas exploration, an energy ministry official said on 16 July2012, after finds earlier this year led to avid interest in previous auctions. Alfred Odawa, a consultant geologist at the Energy Ministry, said British explorer Tullow Oil and Anadarko Petroleum would surrender acreage in a total seven blocks in coming weeks as required in their production-sharing contracts with the government.

"They are surrendering their portion (of the blocks), and we'll use that to make blocks again," Odawa told Reuters in an interview. "From there it will be open and anybody can apply to take it. We'll pick the highest bidder." Tullow and partner Africa Oil first discovered oil deposits in the country's Turkana region in March. At present 45 of Kenya's existing 46 blocks are licensed, and the last is final stages of negotiation. Odawa said Tullow Oil would give up a quarter of its territory in block 10BB, where it made its March oil discovery, as well as a quarter of block 13T. Both are onshore.

Anadarko will surrender 25% of each of its five offshore blocks. Currently the companies are determining which quarter of their blocks they want to surrender. Odawa said they would decide by some point in September. Afterwards, the government will survey the land and determine how to use it to gazette new blocks. "The companies are going to give up the part of the blocks that are the least valuable to them. Then we will survey and figure out what to do with (the acreage)," Odawa said. No companies have expressed interest in the surrendered territory, but Odawa said many companies were excited about exploring in Kenya.

The relinquishments, which are required in the companies' production sharing contracts, give ministry officials more land to license to explorers who have been eager to lease Kenya's lucrative petroleum blocks. Because the country is in the nascent stages of exploration, and discoveries are fairly uncertain, oil and gas blocks are large. But as part of signing a production-sharing contract, explorers must surrender a quarter of their blocks after two years if the block is onshore or three years if it is offshore.

Presently, the only unlicensed block in Kenya is L26 in deepwater offshore. Odawa said a lease with Norwegian state oil company Statoil to explore the area is nearly sealed. Kenya and its neighbours in east Africa, as well as the Horn of the continent, have become a hot spot for oil and gas exploration in recent years, spurred by new finds in countries including Uganda, Tanzania and Mozambique. *(Reuters)*

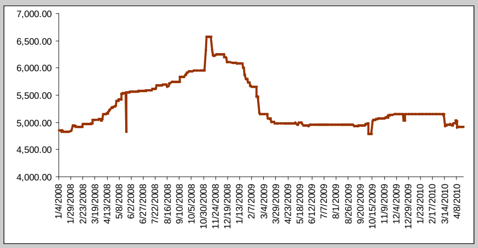
The implementation of the new rates at which mobile operators pay each other for calls originating from rival network has run into hurdles after operators emerged with fresh demands, sending the government back to the drawing board. The operators had on May 29 struck a deal that was to see the mobile termination rate fall to KES 1.60 a minute on July 1 from the current KES 2.21 in what was to end the one-year freeze and cut the cost burden on the smaller operators. On Tuesday, it emerged that the operators were divided on the way forward with Airtel said to demand a lower rate of KES 1.44 while Telkom Kenya is comfortable with the KES 1.60 but on condition that regulator caps minimum calling rate at KES 4 a minute.

“Some of the operators reneged on the KES 1.60 mobile termination rate (MTR) agreed earlier and instead have come up with other demands, which have made it difficult for CCK (Communications Commission of Kenya) to move forward on this issue,” said a director at CCK who requested anonymity given the sensitivity of the matter. Information PS Bitange Ndemo confirmed the split, but refused to give details.

“CCK should be left alone to do its work independently and because interfering with its work will only weaken the regulator,” urged Dr Ndemo. He said the date for the implementation of the new rates is now unknown and the smaller operators like Essar reckon that the status quo will benefit Safaricom and hurt the meagre earnings of the smaller operators whose significant share of calls head to Safaricom, which remains dominant with 65.3% of Kenya’s mobile phone subscribers. Airtel has 15.3%, Orange 10.6% while yu trails with 8.7%. Safaricom has been the only operator that has benefited for the current termination rate. The CCK said that the operator earned KES 868.9m from the rate in the three months to December while its main rival Airtel paid out KES 544.2m, Essar (KES 192.5m) and Telkom Kenya (KES 21.3m). *(Business Daily)*

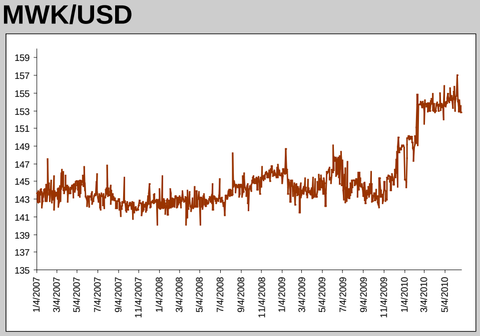
Malawi

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 5,991.88 points, due to non-movement in both the both local and foreign boards. Market turnover for the week amounted to USD 243,387.71

Corporate News

No Corporate News this week

Economic News

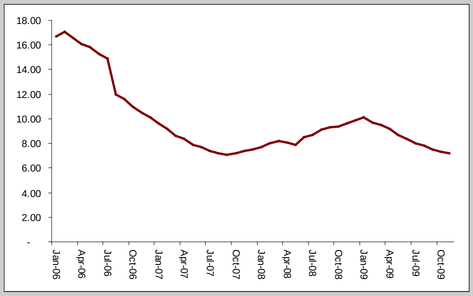
Aid from major donors is flowing back to Malawi after the International Monetary Fund (IMF) backed the southern African country's economic policies and efforts to seek financing, Malawian ministers said on 16 July 2012 . The IMF issued a so-called "letter of comfort" for the impoverished nation last month, giving a thumbs-up to its efforts to seek financial aid and loans. "Based on this, a lot of donors are releasing aid," Foreign Minister Mganda Chiume told reporters on the sidelines of an African Union (AU) summit in the Ethiopian capital.

Major donors such as Britain and the United States have announced a restoration of aid programmes in recent weeks following the death of then President Bingu wa Mutharika from a heart attack in April. Under Mutharika's rule, assistance dried up over concerns about his human rights record and handling of the economy. Since April, new President Joyce Banda has moved swiftly to woo donors whose aid generally accounts for 40% of Malawi's budget. The budget was unveiled on June 8 and forecasts growth of 4.3% this year and 5.7% in 2013.

Information Minister Moses Kunkuyu said Britain would be providing an additional 25m pounds (USD 39m) of aid following an earlier 33m pound package announced after London resumed aid to Malawi. The 33m is already in the kitty, the 25m is on its way," Kunkuyu told reporters in Addis Ababa. Last month, the United States restored a USD 350m programme to overhaul Malawi's decrepit electricity grid in recognition of the "sound economic policy" introduced since the death of Mutharika. Malawi, one of Africa's poorest states, had been scheduled to host the AU summit this month but the venue was switched to Addis Ababa after Banda asked the AU to prevent Sudanese President Omar al-Bashir from taking part, saying his visit to Malawi could damage the economy.

Bashir is wanted by the International Criminal Court (ICC) on genocide

CPI Inflation



Source: SAR

charges and, as an ICC member state, Malawi is supposed to arrest him if he enters its territory. Chiume said Malawi believed it was in its "best interests" not to receive Bashir. "We never said that Sudan should not be represented, neither did we say he should be arrested," he said, adding that Malawi had given priority to its relationship with the IMF and donors. A Bashir visit to Malawi last year when Mutharika was in power sparked international criticism. The Sudanese leader has been indicted by the ICC over allegations he is responsible for the deaths of up to 300,000 people in the region of Darfur since 2003. He has denied the charges*. (Reuters)*

Malawi's future still looks gloomy despite efforts by the government to turnaround the situation, financial market experts have said. Among other things, the Malawi kwacha is likely to continue falling in the coming months as the country faces yet another year of low tobacco export earnings which are likely to generate well below USD 200m by the end of the selling season this weekend. With only a few days left to the closure of the tobacco marketing season, the 'green gold' has managed to rake in about USD 60m, a development that has caused anxiety on the financial market about the forex outlook for the country.

Chancellor College's economics Professor Ben Kaluwa has since blamed Malawi's current poor forex outlook to the country's reliance on tobacco. "This is a major problem," said Kalua, "But donors could help us manage the situation." Finance Minister Ken Lipenga said government would leave no stone unturned in making sure that the economy recovers quickly and that forex should continue to be available in the country. He said whatever the case, the situation cannot be as bad as that of last year. "We are working very hard to prevent last year's situation and government is there so that Malawians should not go through what happened in the past," said Lipenga.

He said although tobacco volumes had fallen, stakeholders in the tobacco industry were still working out the figures to see how much has been compensated from the good tobacco prices this year. However, two financial institutions, CDH Investment Bank and Nico Asset Managers, in their recent analyses of the country, have cast a gloomy picture on the country's economic outlook. CDH says in its report that the country's foreign exchange reserves have not improved significantly even at a time the country was selling tobacco and receiving some inflows from donors.

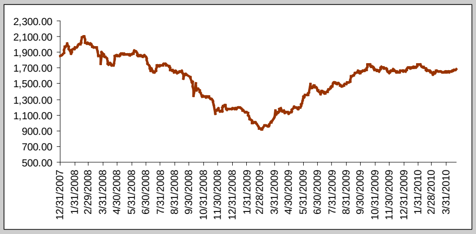
According to CDH, reserves in commercial banks for the month of June 2012 had unimpressively improved to USD 319m or 2.46 months of import cover, up from USD 302m or 2.34 months of import cover for the previous month. The cover has since worsened to about USD 220m or less than 1 month of import cover by July 4, according to latest financial market data.

"This figure is very low when compared to the required minimum import cover of 3 months," reads the CDH report. In its monthly report for June, Nico Asset Managers also said despite efforts in the budget to resuscitate the economy and improve the investment environment, the economy is expected to remain subdued during 2012 partly because of low foreign exchange reserves in the country. "The government itself has acknowledged the economic upheaval that the devaluation of the currency and other policy measure are likely to lead to. The economy is expected to experience lagged effects of the slowdown that it has been experiencing. "High inflation, increased cost of borrowing and a weakening currency are major impediments to the recovery. Possibly, the economy could pick up after a year or2," said the report. *(Malawi Daily)*

Malawi's inflation rate accelerated in June to 20.1% from 17.3% in May as a prices maintained their upward march because of a devaluation of the kwacha currency, the National Statistical Office (NSO) said on 19 July 2012.*(Reuters)*

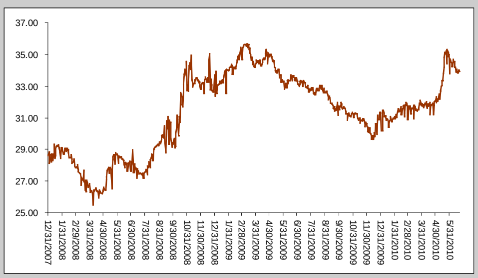
Mauritius

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 market was rather bearish this week with the SEMDEX and Sem-7 both ending the week in negative territory, down -0.7% lower at 1,744.89 and -0.5% to 335.14 points respectively. Turnover stood at USD 9.4m. Banking stocks ended in the red with MCB and SBM both closing -0.6% lower at MUR 166 and MUR 82 respectively. MEI was up 1.4% at MUR 73. Bramer dropped by 3.7% to MUR 7.80. On the commerce sector, Rogers traded 1.6% lower at MUR 305 while IBL traded 0.6% lower at MUR 78.50.

Corporate News

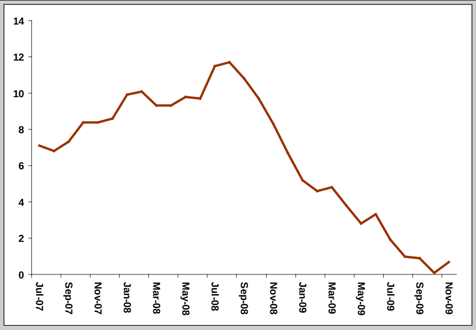
No Corporate News this week

Economic News

The number of tourists visiting Mauritius rose 0.5% year-on-year during the first 6 months of 2012, helped by a rise in arrivals from Asia that offset a drop in travellers from its core market in Europe, official data showed on 17 July 2012. A decline of 6% in European tourists to 279,643 - still around two-thirds of arrivals - was partly offset by an increase of 16.7% in visitor numbers from Asia to 51,353, Statistics Mauritius said. The number of visitors from China climbed 58.8% to 9,633 arrivals as the country starts to see the benefit of efforts to diversify into new markets, the data showed. Tourists from France, the Indian Ocean island's single biggest market, fell 8.4% to 137,412.

Tourism typically generates about 10% of gross domestic product for Mauritius' USD 10bn economy. Mauritius is a popular holiday destination, famed for its azure seas, white beaches and luxury spas. But the European economic slowdown has weighed heavily on tourism and the government is keen to develop new Asian markets. Government expects tourist arrivals to grow 1.6% to 980,000 this year while the Bank of Mauritius expects tourism earnings for the year to climb to MUR 43.2bn from 42.8bn thanks to higher arrivals. *(Reuters)*

Mauritius' central bank said on 18 July 2012 it would sell MUR 1.4bn (USD 44.87m) of a reopened three-year Treasury note on 25 July 2012. "The Bank is pleased to announce the re-opening of the 5.50% Three-Year Government of Mauritius Treasury Notes due on 25 November 2014," the central bank said in a statement. "In the event of oversubscription, the Bank may accept bids for amounts higher than 1,400m rupees." *(Reuters)*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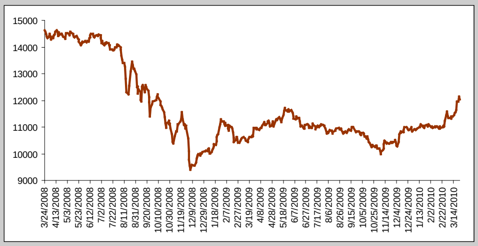
Source: SAR

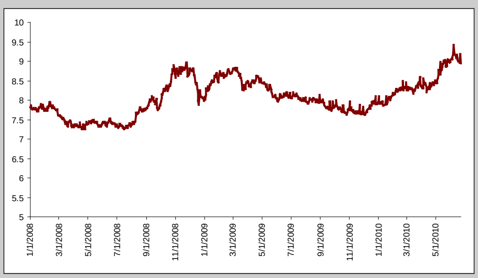
Morocco

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

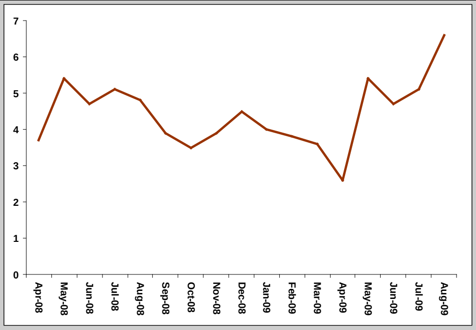
The MASI this week edged up 2% at 9,862.11pts. The month of Ramadan that has just started with trading hours lasting only for 3h and a half during the holy month, we see the market losing ground in the 4 coming weeks, on low volume in all likelihood. Attijariwafa traded 3.92% higher at MAD 345. BMCE was up 19.55% at MAD 214. CDM was up 22.19% at MAD 815. BMCI ended the week 2.41% lower at MAD 810. Maroc Leasing ended flat at MAD 429.

Corporate News

No Corporate News this week

Economic News

No Economic News this week.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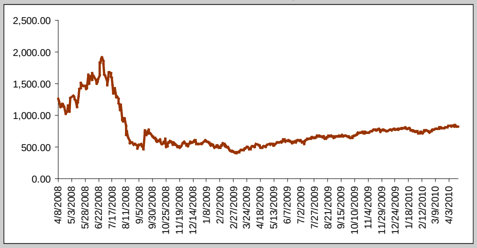
Source: SAR

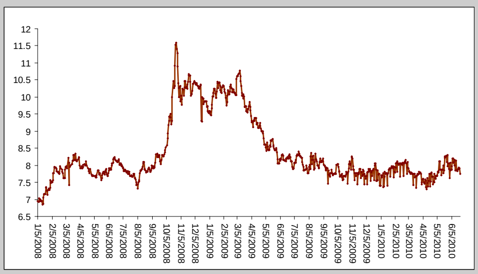
Namibia

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 ended the week 0.90% higher WTD at 900pts. DYL led the gainers, trading 25% higher at NAD 0.05. FNB was up 0.73% at NAD 15.11. FSY closed 1.18% higher at NAD 0.86. EOG lost 1.67% at NAD 0.59.

Corporate News

No Corporate News this week

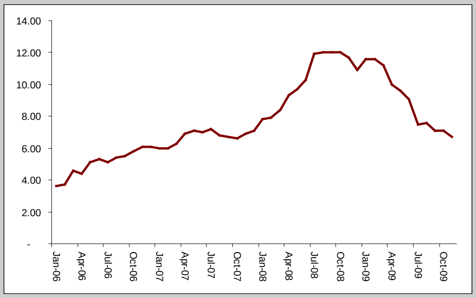
Economic News

Namibia's headline consumer inflation slowed to its lowest level this year at 5.6% year-on-year in June from 6% in May, the Central Bureau of Statistics said on 16 July 2012. On a month-on-month basis inflation was at -0.2% in June from 0.2% in the previous month, led by decreases in food and non-alcoholic beverages. *(Reuters)*

The prices of household goods went down during June, with notable decreases in prices for food, according to the June consumer price index issued by the Namibia Statistics Agency. During June the prices of items such as fruits decreased by 2,0% and milk, cheese and eggs recorded a 1,8% decrease, while bread and cereals recorded a 1,2% decrease. General foods decreased by 0,7% and vegetables including potatoes and other tubers went down by 0,1%. The overall All Items Index for June decreased by 0,4% from 191,7 in May to 191,3. The index for food and non-alcoholic beverages for June decreased to 223,0 a monthly decrease of 1,4% from the 224,4 recorded in May.

The monthly inflation rate for June was estimated at –0,2%, compared to 0,2% recorded the previous month. The decrease in the monthly inflation rate is a result of monthly decreases in food and non-alcoholic beverages, which went down 0,6%, while alcoholic beverages and tobacco and transport decreased by 0,2%. A 5,6% annual inflation was recorded for June compared to the 5,4% recorded in the same month last year. The annual inflation rates for the major groups comprising the Namibia Consumer Price Index were 6,7% for food and non-alcoholic beverages, 4,4% for housing, water, electricity, gas and other fuels and 7,9% for transportation. *(New Era)*

CPI Inflation

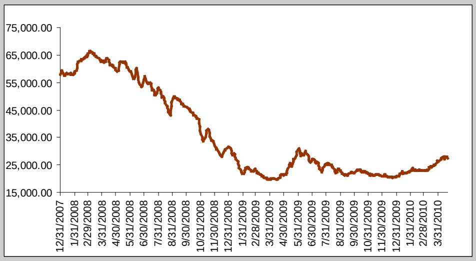


Source: SAR

Securities Africa

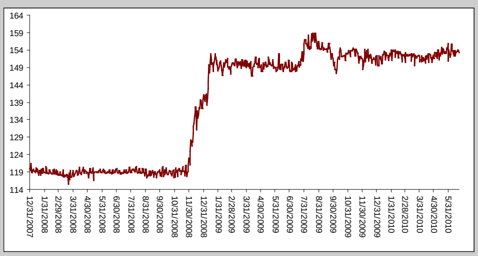
Nigeria

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 ended the week 1.6% higher at 23,095.31pts on the back of continued interest by investors in the banking and manufacturing stocks. Conoil led the gainers closing 21.42% higher at NGN 24.94. Royal Exchange was up 16%. CCNN traded 21.15% lower at NGN 4.25. Union Bank lost 8.39% at NGN 4.26 while Diamond Bank edged down 6.07% at NGN 2.32. Most actively traded stocks included UBA, AllCO, Transcorp, GT Bank and First Bank.

Corporate News

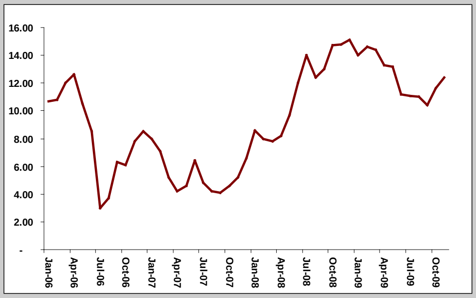
Ecobank Transnational Incorporated has signed a EUR 40.7m 7 year loan facility agreement with PROPARCO, the development financial institution arm of the French Development Agency (AFD) and BIO, the Belgian investment company for developing countries. The EUR 40.7m will be invested in developing the bank's systems and technology infrastructure, which serves 9m retail, local corporate, public sector and microfinance customers, through 1,180 branches, 1,632 ATMs and 2,744 PoSs. Commenting on the facility agreement, Ecobank's Group Chief Executive, Arnold Ekpe, said, "The investment demonstrates our on-going commitment to enriching Ecobank's customer experience through investments in systems, technology and processes."

Incorporated in Lome, Togo, Ecobank Transnational Incorporated is the parent company of the leading independent pan-African banking group. It currently has a presence in 32 African countries, namely: Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Congo (Brazzaville), Congo (Democratic Republic), Côte d'Ivoire, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Malawi, Mali, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, South Africa, Tanzania, Togo, Uganda, Zambia and Zimbabwe *(Nigerian Tribune)*

Nigeria's Skye Bank said on 16 July 2012 its first half pre-tax profit grew 36% compared with the same period last year to NGN 9.9bn (USD 61m), lifting its shares up almost 2%. The mid-sized lender said revenue hit NGN 59.7bn during the period, compared with NGN 48.9bn in the same period last year, the bank said. *(Reuters)*

Investors in Dangote Sugar Refining Plc are in for a bumper harvest this year as the company has surpassed its performance projections for the first quarter, 2012. The management said at the weekend that the minor fire incidence at its bagging store notwithstanding, would continue with its cutting edge business plans to achieve its set goals to the benefits of the stakeholders. Managing Director of the Company, Engineer Abdulahi Sule, said that investors

CPI Inflation



Source: SAR

would have a good bargain this year as the company had surpassed its profit projection for the first quarter of the year and will likely sustain the trend in the second quarter despite the challenges and the inclement industrial climate.

According to him, Dangote Sugar controls over 70% of the sugar market in Nigeria and with “a sugar refinery which is the second largest in the world, it wouldn’t be a bad business strategy to step up our foray into West African markets having dominated the local market, yet with more capacity for production.”He, however, allayed fears being expressed in certain quarters that the recent fire that gutted a section of its Apapa refinery would lead to scarcity of Sugar, saying it is not true because the impact of the fire was minimal and besides, the refinery has strategic reserve which could last for two months even if it does not produce at all. It was learnt that the foremost Sugar Company would also reap bountifully when it finally consummates its acquisition of Savannah Sugar company, from Dangote Industries Limited, a move that has been endorsed by the shareholders at the last Annual General Meeting of the company.

Already, in furtherance of its strategic action plan to consolidate the market expansion, Dangote Sugar has commenced export of the product to Ghana, Gambia, Sierra-Leone with plans already afoot to enter other African countries. Engineer Sule said in an interview in Lagos that the leading sugar company had entered into an agreement with Dangote Industries limited on the acquisition process and that all hands were on deck to actualize the final acquisition of the firm thus making Dangote Sugar refinery the first fully integrated sugar manufacturing company in Africa.

According to Sule, “We have started exportation of Sugar into Ghana, Gambia and other countries after a pilot scheme. Over all, we are seeing a more positive prospect than we had envisaged because we had thought upon acquisition of Savannah Sugar our production would move up by 100,000mt per annum within three years, but with what we have put on ground, we would achieve that within a reasonable time frames.“The acquisition of Savannah sugar is very strategic, by the time we take off fully; we would be creating more jobs ten times we presently have. *(Vanguard)*

Diamond Bank Plc has declared profit after tax of NGN 9.995bn for the second quarter ended 30th June, 2011. This compared to NGN 1.967bn recorded in equivalent period of 2011, represents significant 408.1% improvement. The bank’s unaudited quarter 2 financials made available to the Nigerian Stock Exchange indicated that profit before tax also rose by the same margin to NGN 15.5bn, compared to NGN 11.2bn in the same period of 2011. The gross earnings witnessed 43.62% increase to NGN 64.77bn, as against NGN 43.62bn recorded in 2011, while Loans and advances to customers grew to NGN 505.7bn up from NGN 433.5bn in March 2011, amounting to 17% increase and up 29% to NGN 392.0bn in December 2011.

The results showed that Provisioning for bad debt during the period stood at NGN 10.1bn, as against NGN 11.2bn in June 2011. The total Assets was NGN 960.1bn, up by 12% from NGN 855.3bn in March 2012 and up 20% from NGN 802.7bn in December 2011. The bank’s deposits from customers grew to NGN 679.3bn, which was six% increase from NGN 641.1bn in March 2012 and 13% growth over NGN 603.0bn in December 2011.

Dr. Alex Otti, the Group Managing Director, noted that the result was a testimony to the management's efforts to solidify its financials and build on the progress made so far through the cleaning up of the balance sheet. "In Q2, we continued to build on the solid foundation we established following the completion of our balance sheet clean up in Dec 2011.

We are reporting healthy asset growth of 12% quarter on quarter and we have sustained strong deposit growth especially from the retail segment of the market. "Our cost structure remained stable in Q2, with our risk indicators continuing to show sustainable asset quality improvements which adequately place the bank to deliver on target ROE by year end." He noted that the customer base was growing, with recurring monthly fee income improving, adding that growing retail liabilities have continued to sustain the low cost of funds.

Other highlights of the result showed that net interest income was up by 71% to NGN 42.0bn compared to NGN 24.5bn in June, 20111, net operating expenses rose to NGN 29.1bn from NGN 25.3bn, representing 15% increase. Cost/income ratio closed at 53%, Loan/deposit ratio stood at 80%, while liquidity ratio stood at 40% compared to Central bank of Nigeria's statutory minimum requirement of 30%. *(Vanguard)*

Nigerian regulators have told parliament that Royal Dutch Shell should be fined USD 5bn for environmental damaged caused by an oil spill at its offshore Bonga field, one of the biggest in the history of Africa's largest energy industry. Shell said on Tuesday there was no legal basis for the proposed fine. The National Oil Spill Detection and Response Agency (NOSDRA) told a parliamentary committee on Monday that although last year's spill, estimated at around 40,000 barrels, was contained offshore, there was a serious environmental threat. NOSDRA said the spill was caused by a failure in Shell's oil export hose.

"The spilled barrels impacted approximately 950 square kilometres of water surface, affected a great number of sensitive environmental resources," the NOSDRA presentation to the environment committee of the national assembly said. "It has a direct social impact on the livelihood of people in the riverine areas whose primary occupation is fishing." Shell said last December's spill happened while a tanker was loading oil, leading to the complete shutdown of the company's 200,000 barrel per day (bpd) Bonga facility, about 120 kilometres off the coast of the West African nation.

"We do not believe there is any basis in law for such a fine. Neither do we believe that SNEPCo (Shell Nigeria Exploration and Production Co) has committed any infraction of Nigerian law to warrant such a fine," Shell said on Tuesday. "SNEPCo responded to this incident with professionalism and acted with the consent of the necessary authorities at all times to prevent environmental impact as a result of the incident."

Bonga accounts for around 10% of monthly oil flows from OPEC member Nigeria, the continent's largest exporter of crude oil. Production restarted in January. Oil spills are common in the mangrove creeks onshore Nigeria. Many are caused by sabotage strikes or oil thieves tapping into easily accessible pipelines. Several communities have taken Shell to court over a failure to clean up spills. A United National Environment Programme report last year said Shell was not doing enough to clean up spills and maintenance of infrastructure was inadequate. *(Reuters)*

UAC of Nigeria Plc (UACN), a leading diversified conglomerate, has announced plans to acquire a majority equity stake in Portland Paints, a major player in the paint manufacturing industry in Nigeria. The proposed transaction is subject to the approvals of the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE), meaning that shareholders should exercise caution when dealing in UACN shares, until a final announcement is made. A statement from both companies revealed that the proposed transaction is driven by potential synergies between the two and is in line with UACN's strategy of building a portfolio of brands and businesses geared towards the growth segments of the Nigerian economy, and partnerships that deliver long-term value to the company and its stakeholders.

The transaction will allow Portland Paints to leverage the relative strengths of UACN and yield considerable benefit to stakeholders in both companies. UACN and Portland Paints, with their established presence in the Nigerian paint industry, are uniquely positioned to partner on deepening the presence of both companies in existing markets, in a bid to achieve scope and scale economies in procurement, production and distribution. *(Business Day)*

Dangote Sugar Refining Plc has embarked on the exportation of sugar to Ghana, Gambia, Sierra Leone and some other African countries after a pilot scheme. The Managing Director, Abdulahi Sule who made this known in a statement made available to The Guardian, stated that the company was set to exploit the opportunities available within and out of the West African Sub-region. He said: "We are seeing positive prospect than we had envisaged, because we had thought upon acquisition of Savannah Sugar our production would move up by 100,000m metric tonnes yearly within three years, but with what we have put on ground, we would achieve that within a reasonable time frame. Sule allayed fears being expressed in certain quarters that the recent fire that gutted a section of its Apapa refinery would lead to scarcity of Sugar, saying it was not true because the impact of the fire was minimal and besides, the refinery had strategic reserve, which could last for two months even if it did not produce at all.

He said that the company would also reap bountifully when it finally consummated its acquisition of Savannah Sugar Company, from Dangote Industries Limited, a move that had been endorsed by the shareholders at the last yearly general meeting of the company. Sule added that sugar company had entered into an agreement with Dangote Industries limited on the acquisition process and that all hands were on deck to actualize the final acquisition of the firm thus making Dangote Sugar refinery the first fully integrated sugar manufacturing company in Africa. He disclosed that the investors would have a good bargain this year as the company had surpassed its profit projection for the first quarter of the year and will likely sustain the trend in the second quarter despite the challenges and the inclement industrial climate.

According to him, Dangote Sugar controls over 70% of the sugar market in Nigeria and with "a sugar refinery which is the second largest in the world, it wouldn't be a bad business strategy to step up our foray into West African markets having dominated the local market, yet with more capacity for production. “The acquisition of Savannah Sugar is very strategic, by the time we take off fully; we would be creating more jobs ten times we presently have. Then we will be producing ethanol from sugar molasses therefore increasing our profit margin.” It would be recalled that Dangote Industries Limited, the parent company of Dangote Sugar Refinery bought the Savannah Sugar from government with 29,000 hectares and then acquired 2000 more hectares bringing it to 31, 000 hectares, a development expected to move DSR production to 300, 000m tons yearly. *(Guardian)*

Transnational Corporation of Nigeria Plc (Transcorp) said yesterday it has recorded a growth of NGN 1.8bn in the second quarter of the year. This is about 41% or NGN 507m growth rate against NGN 1.2bn recorded at the same quarter in 2011. According to unaudited financial results released yesterday, administrative expenses dropped to NGN 488m while net profits for the half year totalled NGN 1.1bn, an increase of 54% over the NGN 684m recorded the previous year. Profit after tax amounted to NGN 940m, representing a significant increase of 72% over last year’s NGN 547m.

Transcorp’s President and Chief Executive Officer, Obinna Ufudo, said: “We are certain that Transcorp is on the right path and will realize the performance targets set at the beginning of the year. “Our half year results confirm that Transcorp is on sound footing. We are confident that the steps taken so far in each of our business areas will further accelerate our growth. We have an enviable pipeline of deals, opportunities and projects and are well positioned to take advantage of them and ensure that Transcorp delivers even stronger results for the remaining half of this year.” *(Daily Trust)*

Dangote Power, owned by business mogul, Aliko Dangote, and Western Metal Products Company Limited (WEMPCO Group), a metal manufacturing company with interests in the energy sector, were among the companies that failed to meet the July 17 deadline given to investors bidding for six power generation under the privatisation programme. Also, Supertech, a company said to be linked to a former Minister of Information and chieftain of the Peoples Democratic Party, Professor Jerry Gana, did not make the Tuesday deadline set by the Bureau of Public Enterprises (BPE) for the submission of bids. In keeping with its revised timeline for the privatisation exercise, the BPE had given bidder till July 17 to submit their technical and financial proposals, as well as a USD 2m bid bond from each of the bidders, for the power assets.

But THISDAY was able to confirm Wednesday that big consortiums such as JBN-Nestoil Power Services Ltd, comprising Nestoil Plc (an affiliate company of Century Power) and Julius Berger Nigeria (through Julius Berger Investments) – the investment arm of Julius Berger Nigeria Plc, were among the 25 bidders that BPE confirmed yesterday met the deadline. Also a consortium associated with the Chairman of Forte Oil, Mr. Femi Otedola, bidding alongside Chinese investors, was said to have submitted their bids on time. Given an update on the privatisation exercise, Head, Public Communications at the BPE, Mr. Chukwuma Nwokoh said the next stage is the harvest of the bidders’ technical and financial proposals which has July 31, 2012 as deadline for distribution companies.

The BPE said that the evaluation of the technical bids will take place between

August 14 and 28, 2012, while the National Council on Privatisation (NCP) will approve the results of the technical evaluation on/or before September 11, 2012. However, the deadline for the shortlisted bidders for generation companies to submit their letters of credit has been fixed for September 18, 2012, while October 2, 2012 is for shortlisted bidders for distribution companies. Consequently, NCP's approval will pave way for the opening of financial bids of the shortlisted investors. The BPE will between September 25, 2012 and October 10, 2012, open the financial bids of prospective investors for the privatisation of the successor companies created from the PHCN, while the NCP will on/or before October 23, 2012, announce the preferred bidder for the 17 successor companies. *(This Day)*

Nigeria's Diamond Bank has raised its return on equity target for 2012 to 15% from 10%, the lender said on 17 July 2012. The mid-tier lender last week announced a fourfold increase in half-year pretax profit to NGN 9.99bn (USD 62m), boosting its share price which has gained 24% so far this year. The lender said it had raised USD 100m in tier 2 capital from a multilateral agency in June, and it expected further capital injections by the end of the year, which it said will increase its capital adequacy ratio to 17% in 2012 from 15.2%. *(Reuters)*

Nigeria's Access Bank plans to issue a USD 350m five-year Eurobond with pricing in the 7% range, a banking source with knowledge of the deal told Reuters. The bank is likely to benefit from strong demand among frontier market investors for scarce African bonds, and1 analyst said a successful deal could encourage other Nigerian banks to issue debt. Access Bank will be the third lender from Africa's top crude oil producer to tap global capital markets. It has mandated Citigroup and Goldman Sachs and has been meeting with investors in Europe and the United States in the past week. "The bond will be priced this week, and they are looking at yields within the 7% range," the source said. Last October, Access completed the acquisition of a 75% stake in lender Intercontinental Bank, one of nine lenders rescued in a USD 4bn central bank bailout in 2009 that has put the banking sector on a stronger footing.

Access follows Guaranty Trust Bank, which issued a USD 350m 5-year bond in 2007, and First Bank, which launched a USD 175m 10-year bond the same year. A follow-up 2011 issue from GTB is currently trading around 5.8%. Nigeria's debut sovereign USD 500m Eurobond, issued in January 2011, was more than twice oversubscribed. The 10-year paper, priced with a yield of 7%, was trading at 5.43% on Wednesday. There may be strong appetite for the Access deal given Nigeria's limited issuance, and if the deal goes well more banks could issue, said John Bates, head of fixed income at Silk Invest, a London-based investment house focusing on frontier markets. The banks tend to benchmark themselves off each other so the success of other banks coming to the market will depend largely on the success of this deal," he said. First Bank said in April it was planning to sell a USD 500m Eurobond this year. However, United Bank for Africa shelved its own plans to issue a bond of the same size *(Reuters)*

Nigerian oil firm Conoil Plc said on 18 July 2012 its pretax profit in 2011 rose 9% to NGN 4.39bn (USD 27m) and proposed a dividend of NGN 2.50 naira, lifting its shares almost the maximum 5% allowed daily. The oil marketing company said turnover increased to NGN 157.5bn during the period, compared with NGN 102.9bn a year earlier, the firm said in a filing with the

Nigerian Stock Exchange. The shares gained 4.96% to NGN 22.63, outperforming the broader index which gained 1.03% to 23,277 points. *(Reuters)*

Nigerian energy firm Oando's pre-tax profit for the first half of the year fell 20% to USD 67m, compared to the same period in 2011, the company said on 19 July 2012. The firm said profits were down partly because of lower sales of gasoline due to a two week strike in January. The oil marketing and exploration company said it achieved a turnover of USD 2.3bn in the first half, up from USD 1.87m during the same period last year. *(Reuters)*

Investors' interest in United Bank for Africa (UBA) shares have continued to rise following the release of the bank's first quarter result for 2012. The renewed interest by investors have contributed immensely to push UBA share price higher from below NGN 4.29 per share when it closed last week Thursday to a high of NGN 4.75 per share as at the end of trading on Tuesday. Specifically, UBA surged to a two month high after the bank said pre-tax profit for the first half of the year more than doubled to NGN 31.84bn. UBA, a top tier bank, rose 4.89% to NGN 4.29 by close of trading at Nigerian Stock Exchange when it released its first quarter result, almost the maximum 5% limit allowed, to value it at around NGN 141bn and help lift the All-Share Index up 0.37% to 22,203 points.

Market analysts have observed that the bank's improved performance can be traced to its improved operational efficiency, as its total operating expense dropped by 12% in the period under review. Specifically, interest income also grew by 24% in the first half of the year; fallout of the 6% increase in risk asset, as well as the net effect of the prevailing interest rate regime in the market. The bank's net profit margin improved substantially in the period under review from 11.29% to 24.38% year on year. The implication of the result according to analysts is that the first quarter 2012 results running well ahead of 20% Return on Equity guidance for the full year. Profit Before Tax and Profit After Tax of NGN 15.8bn and NGN 12.9bn very close to record first quarter 2012 comparables. UBA kicked off the second quarter 2012 earnings season with a reassuring set of financials, following its stellar performance in Q1 2012. The comparable Q2 2011 IFRS financials are not available; however, compared with the Nigerian Generally Accepted Accounting Practice *(Vanguard)*

Nigeria's fourth-biggest bank by market value, United Bank for Africa Plc has revealed plans to meet Zambia's new capital requirements in its bid to obtain banking licence in southern African country. According to UBA's managing director, Phillips Oduoza the bank intends to convert its licence from that of an international bank. In January this year, Zambia raised the minimum capital requirement for international banks to USD100m from USD 2.5m. It also raised that of local banks to USD 20m. Recently, Lagos-based newspaper ThisDay quoted Oduoza in a conference call saying "what we have done is to engage the regulators."

Oduoza also said UBA expects its operations in markets outside Africa's second largest economy, Nigeria, to contribute about 25% of earnings by end of the year, up from 19% in the first quarter and 22% in the year's half. At the Nigerian Stock Exchange, the bank closed 3.2% lower at N4.60, paring its gains this year to 81% as the NSE All-Share Index rose 12% over the same period. United Bank for Africa Plc (UBA) is the product of the merger of Nigeria's third (the old UBA) and fifth (Standard Trust Bank Plc) largest banks, and a subsequent acquisition of the erstwhile Continental Trust Bank Limited (CTB). Formerly run by Tony Elumelu, its erstwhile CEO, the bank operates with subsidiaries in 20 sub-Saharan countries and representative offices in France, the United Kingdom and the United States of America, it also offers universal banking services to more than 7m customers across 750 branches. *(Ventures Africa)*

Economic News

Fuel marketers in Katsina have begun importing refined petroleum products from the newly-built refinery in neighbouring Niger Republic, investigations by Daily Trust show. Niger-refined diesel is already available in many filling stations in Katsina State, and marketers say plans are on to begin importing petrol from the Soraz refinery. The refinery was opened in November in Zinder, just 80 kilometres north of the border with Nigeria, with enough capacity to satisfy domestic requirements and a huge surplus for export. Until the recent development, Nigeria imports refined products only from far away countries including India, Brazil and Netherlands. Daily Trust investigations show that a company belonging to business mogul Dahiru Mangal started importing diesel from the Soraz refinery in April to outlets in Katsina State.

“We have been importing diesel from Niger for almost four months now. We have so far made three trips of 30 trucks each,” an official at D.B. Mangal Petroleum, Alhaji Lawal Dahiru Mangal, told Daily Trust in Katsina. Checks at some of the filling stations selling the Niger-refined diesel show that a litre sells at NGN 160, compared with the NGN 170 price of diesel brought up North from the ports in Lagos. The Mangal Company sells the imported commodity to end users at its own filling stations and to other retailers in the state. Alhaji Lawal said the company has obtained import license from the Federal Government and “also met all requirements put in place by the government for importation of the commodity.”

Asked if they will consider bringing in petrol, he said, “For now we are not importing petrol from Niger but arrangements are on for its importation. We are studying the situation for now and if we are okay with the gains we will start.” He added that the price of the commodity varies even at their own D.B. Mangal filling stations depending on the distance of the retail outlet. “The price of the commodity within Katsina metropolis is different from the price at D.B. Mangal’s outlets outside Katsina,” he said, adding “We have permanent customers from within and outside Katsina State that are buying the commodity from us.” Some of the drivers of D.B. Mangal Petroleum confirmed to Daily Trust that they do bring in diesel from Niger.

“We are importing 30 trucks of diesel per trip from Niger. So far we have made three trips in four months. Right now, we have about eight trucks of diesel that are not offloaded,” one of the drivers said. A fuel attendant at the I.M. Petroleum in Katsina also told Daily Trust that they “have bought diesel from Mangal twice” so far. He said the commodity is cheaper at Mangal’s company when compared with the price of diesel imported to Nigeria through the seaports. “Availability at Mangal company also matters; you can always get the commodity from Mangal,” he said.

No official of the Department of Petroleum Resources in Abuja was available for comments yesterday. Spokeswoman for DPR, Mrs Belema Osibodu, did not answer her calls and did not respond to a text message sent to her. But a source at the department said there were some discussions about diesel import permits applied by some companies who want to import from Niger Republic. The source said since diesel is a deregulated product, marketers may import the commodity when they satisfy regulatory requirements.

The Niger refinery, located some 900 km east of the capital Niamey, is a 20,000 barrel-per-day capacity and will be fed entirely by oil from the newly-launched Agadem oilfield, a further 700 km east. It will initially draw crude from three Agadem wells with reserves totalling 480m barrels. Local consumption of refined products accounts for 7,000 barrels a day with plans to export the rest. The refinery is 60%-owned by Chinese state oil company CNPC and 40% by Niger. It follows a USD5bn deal signed between the two in 2008 to concurrently build the plant and develop crude oil from Agadem. *(Daily Trust)*

The price of cement may remain high, as the promise by producers to bridge the supply-demand gap may take a sometime to materialise. A study by Vetiva Capital Management, said Dangote Cement's new Obajana lines and upgrade, commissioned in May this year, might add just marginally to total volume in the second quarter of the 2012, given the gas supply constraints faced by the Nigeria Gas Company (NGC). Cement producers have been facing major gas distribution problems since the fourth quarter of 2011, as NGC's existing infrastructure is not upgraded to cope with increase in demand, according to Vetiva Capital Management Limited.

"For Q2'12 performance of Dangote Cement, we do not expect any major accretion to volume on account of this new line, given the necessary ramping up needed to attain high utilisation rate', Vetiva Capital said. Dangote Cement contributes about 68% to total market volume, and a recent research predicts that for the first half of the year, Dangote's capacity utilisation would be 70%, Ashaka Cement 98%, the Cement Company of Northern Nigeria(CCNN) 96%, and WAPCO Lafarge, 74%.

Industry analysts say should Dangote Cement which contributes 68%, increase its capacity utilisation to 98% and 96%, like Ashaka Cement and CCNN respectively, the yawning gap between supply and demand would be bridged, leading to a crash in price. Vetiva Capital forecasts 4.90m tonnes for Dangote Cement; Lafarge WAPCO 1.66m tonnes; Ashaka Cement 0.42m tonnes and CCNN 0.24m tonnes. Although cement producers have been working to surmount the gas supply hiccup, by deploying LPFO or coal, there are strong indications that the problem could negatively affect profit margins for producers in the second quarter of the year. *(Business Day)*

Nigeria's naira currency firmed against the U.S dollar on the interbank market on16 July 2012, supported by ample dollar sales by two energy companies to some lenders. The local currency closed at NGN 161.60 versus the USD on the interbank market, stronger than the NGN 162.10 to the USD it closed at on 14 July 2012. Traders said units of Royal Dutch Shell and Nigerian Liquefied Natural Gas (NLNG) company sold unspecified amount of dollars to some lenders, which raised the level of dollar liquidity in the market and provided support for the naira. "Apart from the USD inflows from Shell and NLNG, speculations on planned dollar sales this week by the NNPC (state-owned energy company) also helped the market rally," one dealer said. NNPC supplies the bulk of dollars traded on the interbank market and comes to the market twice in a month. Traders said the NGN is seen strengthening further in the week if the NNPC finally come to the market with some other oil companies sales as well. On the bi-weekly forex auction, the central bank sold USD 200m at USD 155.87 to the dollar, compared with USD 180m sold at the same rate last Wednesday's auction. The currency of Africa's second biggest economy had closed weaker last week due to resurgence of demand for the dollar from importers and a drop in dollar liquidity. *(Reuters)*

Nigeria's consumer price inflation rose marginally in June, statistics showed on Wednesday, supporting expectations that the central bank will hold interest rates steady at 12% next week. Consumer price inflation rose to 12.9% year-on-year in June, up from 12.7% in May, while food price inflation eased to 12% year-on-year from 12.9% in May, the National Bureau of Statistics (NBS) said. "(CPI) change could be partly attributable to persistent increase in the prices of some farm produce such as yam tubers as well as the increase in the electricity tariff," an NBS document said. Core inflation, which excludes volatile agricultural produce, remained stubbornly high, rising to 15.2% year-on-year, up from 14.9% in May. Nigeria's central bank wants consumer price inflation in single digits but has accepted that the headline figure is likely to peak at around 14% later this year. The regulator in May kept its benchmark interest rate on hold at 12% for the fourth meeting running, citing the need to balance inflationary concerns with slowing economic growth. *(Reuters)*

The Federal Government yesterday recalled Aruma Oteh, the suspended Director General of the Securities and Exchange Commission (SEC). Her recall was communicated to her through a circular signed by the Secretary to the Government of the Federation (SGF) Anyim Pius Anyim, with ref. no. SGF.2/S.9/C.13/454 dated 17/ July, 2012.

Oteh, who was sent on a compulsory leave by a resolution of the board of the Commission, has been playing active role in as a member of President Jonathan’s Economic Management Team. According to Anyim, Oteh’s recall follows the outcome of the findings of the external auditors – PricewaterhouseCoopers (PwC). It will be recalled that the SEC board engaged the PwC, a renowned audit firm, to look into the allegations against Oteh in relation to her office and The Project 50.

Anyim noted that the PwC audit report exonerated her from all accusations of fraud and criminal breaches. She was however, cautioned for some administrative lapses. Her recall letter reads in parts: “Please refer to the decision of the Board of Securities and Exchange Commission (SEC) to send you on compulsory leave in order to enable SEC’s external auditors-the Price Water Coopers Limited (PWC)-to examine the records of the Commission’s transactions covering SEC Project 50 which you supervised. “I am to note that government has studied the report submitted by the external auditors and you are neither indicted for fraud nor criminal breach in any form. However, some administrative lapses were reported, particularly, in cases where administrative procedures were not thoroughly observed.

“The purpose of this letter is to recall you from your leave and to caution that you must henceforth endeavour to diligently observe all extant rules and administrative procedures in the conduct of all official transactions." Speaking to Business Day yesterday following the Federal Government's decision to recall Oteh, a renowned capital market operator who spoke on the condition of anonymity said "she was a victim of wide ranging conspiracy and forgery aimed at removing her from office –against her very laudable achievements in the entire capital market. It is unfortunate that Project 50 became an anchor for this intent, but the PwC audit report has absolved her of those allegations. These people used Project 50 as an instrument of calumny. It is a good day for moral probity. The implication is that her reform agenda will now continue and progress even at faster pace without fear or favour". Meanwhile, a pocket of staff of SEC yesterday demonstrated their resentment to Oteh's recall with protests within the exchange premises. *(Business Day)*

Managers of mutual funds and other collective investment schemes in the capital market will soon be required to attain certain professional qualification and adopt the International Financial Reporting Standards, IFRS, for their funds, according to a proposal put forward by the Securities and Exchange Commission, SEC. These, among many other issues, would be discussed at an interactive session comprising SEC officials with fund managers, trustees and custodians of unit trust schemes, the Nigerian Stock Exchange, NSE, Central Securities Clearing System, CSCS and the Fund Managers Association of Nigeria, FMAN, today, at the Commission office, in Lagos. According to a notice announcing the interactive session on development of the Collective Investment Schemes sector, SEC is hinted of plans to introduce stricter regulatory regime for the collective investment scheme sector, such as ensuring that custodians and fund managers submit half yearly report of their various funds and benchmarking the performance of the various funds. The Commission is also considering classifying funds into fully regulated collective investment scheme, professional collective investment scheme or specialized collective investment scheme.

The interactive session, which would also have the Acting Director-General of SEC in attendance, will also see the Commission introducing certification and continuous professional development. SEC said the proposed initiative is as a result of its desire to develop the Collective Investment Schemes sector of the Capital market and further deepen the Nigerian Capital Market as a whole. The Commission is also considering other initiatives to develop the sector, saying that the interactive session will afford it the opportunity to discuss with stakeholders on likely reduction in funds' expenses, especially in area of management fees and custodian fees. The Commission further hinted that it is considering a number of incentives that will motivate growth of the various funds. The Distribution and sales points of the various funds and report on migration to Custodians will also be among the major issue to be considered by stakeholders at the session. *(Vanguard)*

Nigerian President Goodluck Jonathan sent the latest draft of the country's wide-ranging Petroleum Industry Bill to parliament for debate on 17 July 2012, the oil minister said. "I am happy to announce to you that this morning Mr President forwarded the Petroleum Industry Bill to the national assembly," Diezani Alison-Madueke told reporters at the presidential villa. The long-delayed and complex bill could be one of the most important pieces of legislation in the history of Africa's biggest crude oil exporter, changging everything from fiscal terms to the make-up of the state-oil firm. Several drafts have been drawn up in recent years but have been scrapped or re-written because government, lawmakers and foreign oil companies couldn't agree on details.*(Reuters)*

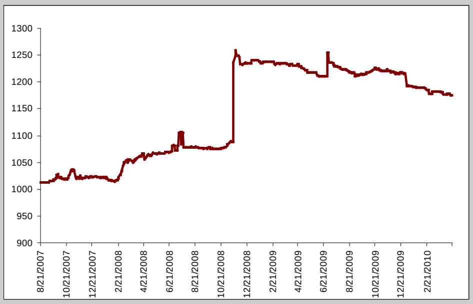
Nigeria's government said on 17 July 2012 it had signed a USD 1.49bn contract with state-owned China Civil Engineering Construction Corp to build a railway between the commercial capital Lagos and Ibadan. Lagos, the heartbeat of Africa's second largest economy, is around 130 km south of Ibadan, Nigeria's third largest city and a transit point between the coast and the north. "(Cabinet) today approved the award of the Lagos-Ibadan standard gauge railway double track contract to CCECC in the sum of USD 1.487bn with a completion period of 36 months," Minister of Transport Idris Umar told reporters. Umar gave no details on where the funds would be found to pay for the project.

Nigeria's Ogun state, which borders Lagos state, awarded CCECC an USD 8.4m road contract earlier this year. Ethiopia signed a deal with CCECC in December last year to build the final section of a railway line that will link its capital Addis Ababa to the tiny Red Sea state of Djibouti. Nigeria, Africa's most populous nation, is overly reliant on its 2m barrel crude oil export business and massive investment is needed in infrastructure, including transport and power, to help diversify its economy and alleviate poverty. But corruption and mismanagement mean many projects never see the light of day or run well behind schedule and over budget. *(Reuters)*

Nigeria's excess crude account (ECA), used to buffer Africa's second biggest economy against oil price shocks, contains USD 6.9bn, up from USD 5.3bn on June 20, Minister of State for Finance Yerima Ngama said on Thursday. Nigeria's gross revenues, mostly from crude oil exports, rose to NGN 763.55bn in June, up from NGN 579.30bn in May, due mainly to an increase in oil tax revenues, the accountant general said. *(Reuters)*

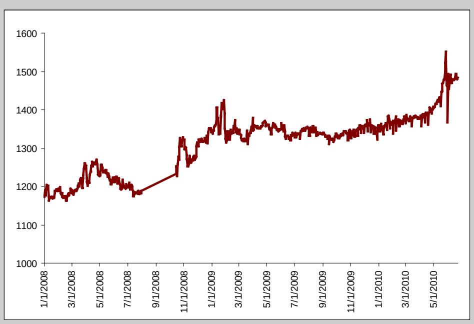
Tanzania

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	1,497.35	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

Stock Exchange News

The DSEI ended the week 0.01% lower at 1,441.12pts. Week-on-week turnover dropped to TZS. 243m down -755% from TZS 995m. Activity levels also shrunk on lower local and foreign participation with shares traded plummeting to 186,496 shares (-896%). Foreign investors maintained a buy position. 16% of week's turnover was attributed to the foreign investors. Both indices witnessed a bearish week. CRDB was the major loser this week, ending 2.04% lower at TZS 120 while other counters remained flat.

Corporate News

African Barrick Gold (ABG) is scheduled to spend over 22bn/- to relocate hundreds of villagers living near North Mara Gold Mine in Tarime District, Mara Region. The exercise will involve 1,070 people, according to Tarime District Commissioner, Mr John Henjewele.

'This is phase 20 and 1,071 will be paid about 22.4bn/- to move away from mining areas. Payment procedures are on the final stages and the government is supervising the exercise,' the DC said in his report to the Deputy Minister for Minerals, Mr Stephen Masele a few days ago.

The Deputy Minister was in Tarime last week for official familiarisation tour into the villages located near the mine which is operated by ABG, Tanzania's leading gold miner. Compensation exercise has also been approved by Mara Regional Commissioner, Mr John Tupa, according to Mr Henjewele. The Canadian miner has been spending millions of shillings to relocate hundreds of families paving way for expansion of mining activities.

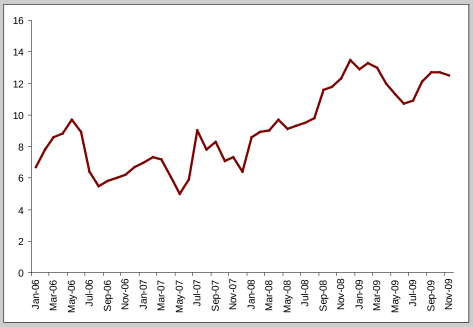
Meanwhile, the government is due to conduct census to establish the exact number of villagers near the mine, a move aimed at checking increased cases of invasions. The exercise is scheduled to be held later this month, the DC said.

'Some invaders are reportedly coming from the neighbouring countries. We want to control this problem and we are also removing people out of the mine, as well as involving communities to take part in beefing up security at the mine,' Mr Henjewele said. *(Daily News)*

Economic News

Tanzanian inflation fell for the sixth straight month in June 2012, helped by lower food and energy costs, but analysts expect prices to remain under pressure in the coming months over global fuel costs. The state-run

CPI Inflation



Source: SAR

National Bureau of Statistics said that inflation fell to 17.4% year-on-year from 18.2% a month earlier after food price rises slowed to 23.5% year-on-year from 25.3% in May. Energy price increases also eased to 20.5% year-on-year in June from 21.2% in May. Like other east African countries, inflation in Tanzania was driven higher last year by global food and fuel costs, exacerbated by poor rains that both hit harvests and local hydropower production.

The government's aim is for inflation to fall to single digits by the end of 2012, although analysts say prices are not yet slowing at a sufficient pace for this target to be hit. "Tanzania's cereal production in its breadbasket regions peaked in May/June and this should explain the current relaxation of prices in food items," Bohela Lunogelo, executive director of the Economic and Social Research Foundation, told Reuters. "However, global fuel prices have not moved in the same direction with declining food prices locally. "The onset of the holy Islamic month of Ramadan, which has traditionally been associated with high demand and hence higher prices of certain food items, means Tanzanians will not get a big relief in food prices. If the inflation rate decreases again in August, it will only be marginal."The consumer price index rose 0.1% in June from the previous month, down from a 0.4% rise in May. *(Reuters)*

The Bank of Tanzania (BOT) is expected to change participation in the auction and secondary market trading of T-bills and bonds, in a move which will enhance market liquidity. The BoT said under the new arrangement to be done electronically, participation in the auctions and secondary market trading of T-bills and bonds will be through a select group of participants to be known as Central Depository Participants (CDP). “The new system is meant to modernize, promote efficiency, foster management of risks and enhance market liquidity,” the BoT said in a statement availed to East African Business Week in Dar es Salaam last week. According to the announcement, the planned changes in the participation in the money market trading of the T-bills and bonds will start at the end of August 2012. Central Depository Participants will comprise banks licensed under the Banking and Financial Institutions Act 2006 and Broker Dealers licensed under the Capital Markets and Securities Authority Act, 1994.

Existing and prospective investors in T-bills and bonds are required to choose CDPs that they would like to deal with and open a Central Depository Systems (CDS) accounts beginning July 23, the statement said. The financial markets in Tanzania consist of markets for money, bonds, equities, foreign exchange, and collective investment schemes. The BoT is involved in money, bonds and foreign exchange markets geared towards implementation of monetary policy, ensuring that government financing needs are met and facilitating stability and efficiency of the markets. Domestic financial markets are comparatively still at a nascent stage. Money market comprises of dealing in the T-bills, Repurchase Agreements (REPOS), Interbank Cash Market (IBCM) and Interbank Foreign Exchange Market (IFEM).

The T-bills market is dominated by commercial banks and participation is limited to residents. The tenure of T-bills are 35, 91, 182, and 364 days, which are issued in the primary market once fortnightly and settlement is done on the next day, and secondary market trading is done over the counter. REPOS involve the sale of securities with an agreement to repurchase the securities at a future date, and at an agreed price. They were introduced to manage intraauction liquidity variations. At the moment Repo transactions are conducted between the Bank and commercial banks. Tenure for Repos ranges between two days maturity to 14 days maturity. Interbank cash market provides opportunity for lending and borrowing amongst commercial banks. It is a key segment in the money market where banks trade their positions to manage their liquidity imbalances. The Treasury bonds market has four maturities of 2, 5, 7 and 10 years that are issued in the primary market by the Bank on behalf of the Government and are dominated by pension funds. The auction is held once every month *(Business Week)*

Dar es Salaam Stock Exchange (DSE) plans to relax restrictions against foreign investors on the bourse before year-end as part of the measures to prepare for the East African integrated securities exchange market. Chief executive Gabriel Kitua said Thursday that they are working to increase participation of foreigners from the current 60% of the securities. However, he did not give a time frame. Tanzania currently reserves 40% of the total shares at the bourse to be traded by Tanzanians, which is set to drop.

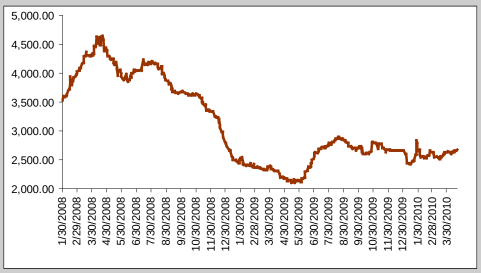
"In order to be in line with the ongoing integration of East African securities exchanges, we are working to reduce the limitations facing foreign investors on the DSE," said Mr Kitua. The DSE chief executive did not specify by how much the ratios would change. Tanzania rules are the most restrictive while Rwanda and Uganda, which are the most liberal, having no foreign investor restrictions on the ownership of listed securities.

The maximum participation by foreign investors in listed companies is capped at 60% in Tanzania and 75% in Kenya. Tanzania has been slow in opening up its economy to not only East African Community (EAC) but also other foreigners. Kenya has treated EAC citizens as locals since the Safaricom initial public offering. Mr Kitua could not explain the reason for the restrictions but the Tanzania government, among other things has been keen to control the flow of foreign exchange in its economy. Mr Joseph Kitamirike, who is the chairman of the East African Securities Exchanges Association, said that the restriction is a way for Tanzania to enforce its capital account rules and that the country needs to liberalise its capital account.

The heads of the EAC securities exchanges are working to reduce impediment against cross-border trading, encourage the expansion of stock brokers into all the countries and handle settlement and clearance challenges. They are also seeking to put up a joint trading platform for securities. Under the framework investors will only need to have one Central Depository Settlement account for all their transactions in the region. Technical and procedural restrictions have also made it time consuming and cumbersome to trade in equities, adding to the poor liquidity of shares and creating a negative perception of investing in the region. The heads of five exchanges were addressing the media ahead of a closed-door meeting at the Nairobi Securities Exchange boardroom yesterday to map out integration of the bourses. *(Business Daily)*

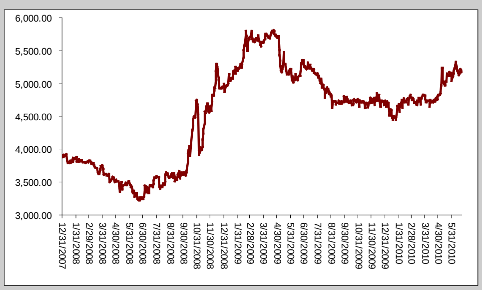
Zambia

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

Lusaka saw the week end in negative territory. The LuSe edged down 0.67% to 3,870.66pts. Market turnover stood at ZMK 1.27bn with the majority of trades from CEC (31%), SCZ (24%) and Zanaco (11%). Zanaco ended the week ZMK 4 lower at ZMK 156. Zsug picked up ZMK 5 at ZMK 290. Zamefa lost ZMK 118 at ZMK 480. CEC was down ZMK 1 at ZMK 669.

Corporate News

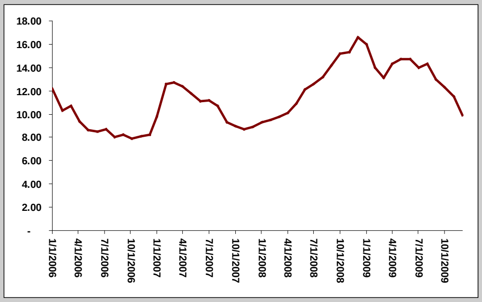
Astea Investment Limited plans to set up a limestone production plant in Masaiti to supplement the current demand of the commodity by the mining and agricultural sectors at a cost about USD8m. The company is expected to commence construction immediately the Zambia Environmental Management Agency (ZEMA) approval is granted. The project is expected to create 300 jobs at construction stage and 100 workers during operation. According to information contained in the company's Environmental Impact Statement report (EIS) submitted to ZEMA, the project will involve the construction of a vertical kiln in which limestone will be heated, fed and turned into lime. About 350 tonnes of limestone is expected to be produced per day.

The construction of the plant will begin with the creation of a foundation for the different structures after which the installation of the kilns and ancillary structures will proceed. The project will include the construction of a double vertical kiln, lime mill plant, electrification, fitting and welding. "The purpose of the project is to produce lime for supply to meet national and regional demand for the commodity by the mining industry. The current production levels in the country can't meet the quantities required by the market, the demand for crushed limestone in Zambia is estimated at a minimum of 30,000 tonnes per year," reads the EIS report.

The company adds that the demand for metallurgical grade burnt lime for new mines and mine expansion is expected to increase in Zambia and the Democratic Republic of Congo. The implementation of the project will have both negative and positive effects on the environment and the community such as accidental spillage of vehicle lubricants which may inadvertently contaminate the water, soil, noise and air pollution arising from the land clearing deposition of dust. Others anticipated effects include the potential to discolour public infrastructure due to the disposition of emitted dust. On the positive front, the project will create employment for the locals, skills development for the community and increased public revenue through various taxes. *(Daily Mail)*

Zambia Sugar Plc is this year expected to exceed 400,000 tonnes of sugar production for the first time since completion of the recent major agricultural and factory expansion project. According to the company's

CPI Inflation



Source: SAR

2012 annual report posted on the Lusaka Stock Exchange, a more mature cane crop with an increase in area harvested that includes full realisation of the Magobbo small-holder scheme will increase cane supplied to the mill during the coming year. The report adds that 2012/13 season commenced in the second week of April, and the factory quickly reached rated capacity. The company projects that with improved economic conditions, domestic market sales demand will be enhanced. Zambia Sugar further anticipates increased export earnings from the continued sugar deficit in the region coupled with higher realisations from European Union (EU) exports. “Weather conditions and movements in exchange and interest rates will continue to influence profits.

The effective control of operating costs will remain crucial as commodity prices increase globally and inflationary pressures persist,” reads the report. The company’s domestic market sales increased to 145,000 tonnes from 143,000 tonnes the previous year, with the balance of annual production being exported to the EU and nearby regional markets. It adds that the trading environment was characterised by sound economic fundamentals domestically, with growth in the agricultural, construction and mining sectors. The company’s export earnings benefited from a weaker Kwacha against both the Euro and US dollar coupled with strong sugar demand and improved pricing in regional markets. Quota-free, duty-free sugar exports to the EU increased significantly to 156,000 tonnes from 108,000 tonnes in the previous year. Zambia Sugar has continued to benefit from its well-established sugar marketing and distribution systems across the country. The company is the largest employer in Mazabuka district and has an extensive indirect financial impact on the surrounding community through the payment of salaries, wages and benefits to employees. It adds that K239bn in the 2011/2012 season was paid to outgrowers for cane delivered.

The company, through the Mazabuka Sugar Cane Growers Trust, has continued to support the Kaleya Smallholder Scheme which, together with the associated commercial farming operation, delivered a total of 231,000 tonnes cane to the mill during the 2011/12 season. The support provided to the scheme by the trust includes the funding of a three-year replant programme on 400 hectares to improve cane yields. It adds that the trust has instituted a minimum yield subsidy for a period of two years, provided grant funding towards irrigation infrastructure projects, and continues to provide bridging finance to smallholders where needed. Zambia Sugar is settler of the trust. The company has further enhanced its business linkages with local small and medium scale enterprises by partnering with the Mazabuka District Business Association through a preferential procurement arrangement aimed at promoting business development in the local community. *(Zambia Daily)*

Economic News

THE Government will re-issue Statutory Instrument (SI) number 33 of 2012 that introduced a ban on quoting of goods and services in dollars and other foreign currencies based on the Bank of Zambia (BoZ) Act of 1996. According to deputy central bank governor Bwalya Ng’andu, this is because the BoZ Act of 2012 does not exist. Dr Ng’andu said the Government would re-issue the SI in question but that all the contents would remain unchanged.

Recently, the Zambia Association of Manufacturers (ZAM) argued that the SI was supposed to be enacted as a guideline to the existing laws, stating that the BoZ Act of 2012 where the SI in question was based did not exist. But Dr Ng'andu said in Lusaka that the error would be rectified and that SI number 33 of 2012 would be re-issued based on the existing Act.

He emphasised that all domestic transactions should be settled in local currency, adding that the United States dollar should not be used as a hedging instrument. The objective of the SI is to reinforce the use of the Kwacha, which is Zambia's legal tender, in domestic transactions, as it is the trend in all other countries. "Business entities and institutions should now focus on how they will manage their transition period," Dr Ng'andu said. He was responding to Stockbrokers Zambia Limited's and Imara Securities' concerns raised during the seminar.

With regard to the minimum capital requirement, Dr Ng'andu said the increment in capital requirement was not meant to make any commercial bank collapse but to strengthen the financial base of the banks, thereby safeguarding the interests of depositors. "You cannot compete effectively with a low capital base and what we are trying to do is to develop an internal robust financial sector that is going to withstand the external factor. The increase will also make the banks more resilient to external and economic shocks. "We are not going to kill any bank; we have 19 registered commercial banks and we have engaged with the individual banks. I know for one that Stanbic has managed and we have engaged other banks," he said.

Dr Ng'andu said the two documents, the Central African Stock Exchange handbook 2012 and Imara African Banking Compendium should be weighed against the knowledge that the capital markets were a different kind of market. "Unlike other markets where participants deal in tangible goods, the raw material for capital markets is information."It is information that gives that transparency to the market which builds confidence in the minds of investors about the actions and motives of the players in the market," he said. Dr Ng'andu said without information, investors and analysts' capacity to make meaningful decisions would be impaired. *(Times)*

The Bank of Zambia says the recapitalisation exercise of commercial banks is not aimed at killing any banks in the country but to improve their capital base and resilience to international shocks. BoZ deputy governor of operations Bwalya Ng'andu says the central bank is of the view that commercial banks have inadequate capital considering that they have not played an active role in supporting economic activities in Zambia. "When you look at the economic activities taking place in Zambia be it in mining or construction sector funding comes from outside. We thought that banks should build their capacity to play an active role individually or through syndication to support national economic activities," he said.

He said this in Lusaka during the Stockbrokers Zambia seminar on market valuation of listed banks in Zambia and Africa at Taj Pamodzi hotel. In January this year, Government raised the capital requirement of commercial banks on a tiered basis, with different demands on local and foreign banks. The current ZMK 12bn (USD2.3m) requirement was raised to ZMK 104bn for local commercial banks and ZMK 520bn for foreign banks. Dr Ng'andu said over a period of time, local banks will be required to increase their capital base to the levels of foreign banks to compete effectively.

"This is not a bloodletting exercise, we will not kill any bank at all, and we are hoping that we might achieve some consolidation of banks. It's not the share number of banks that is important but quality of those banks," he said. Dr Ng'andu said it is vital that commercial banks build their capital to withstand shocks adding that any business that operates from a narrow capital base extracts as much money as possible from clients in every single transaction made.

Commenting on the Statutory Instrument number 33, Dr Ng'andu said its objective is to ensure domestic transactions are settled using the Kwacha, which is the country's legal tender. He said because of high inflation rates and instability in exchange rate, over the years, a practice was developed were people resorted to use of the dollar. He said it was not necessary for people to continue using the dollar as hedging instrument against fluctuations in exchange rates as the country now enjoys strong macroeconomic fundamentals. Dr Ng'andu said continued use of the US dollar on domestic transaction affects BoZ's ability to monitor monetary policy as it places undue demand on the dollar in the market. "We want to limit the use of dollar for imports and exports for international trade as this is the standard everywhere. I appreciate the fact that there will be transaction issues and difficulties for some companies but companies will have to deal with that," he said. *(Daily Mail)*

Conventium International Limited, a Germany -based company is planning several development projects with Zambia in textile and medical sectors. The company's managing director, Klaus Ehrhardt disclosed in an interview that his company has already engaged and done advanced feasibility studies with regard investing in medical and textile industries in Zambia. Mr Ehrhardt explained that in the textile sector, his company plans to buy cotton from the Zambian cotton growers for its own factories and spinning mills in Turkey before it could set up a modern textile facility in Zambia. Conventium promotes investments between Europe and Africa and is specialised in industrial, human and infrastructural development. "This move must be seen as the initial step in order to learn more about the Zambian structures. We also want to study the cotton supply levels among the local farmers before making any gigantic moves," Mr Ehrhardt said. He said his company wants to set up a sewing factory for women's casual garments such as T- shirts, leggings, skirts and sweat shirts. He said Conventium Limited wants to fulfil its vision to meet the growing demand for various clothing garments specially for women.

During its first phase of operation, Conventium Limited plans to produce 3 to 4m pieces of garments a year using 85 to 140 sewing machines. In the third phase, we plan to " set-up a fully integrated vertical textile complex, including spinning, knitting, weaving, day house for printing, embroidery, sewing packaging among other things,'' Mr Ehrhardt said. He said the decision to come up with a fully integrated textile complex would be beneficial and effective for his company because it would want to cut down on logistics and supply chain value. In the medical sector, Conventium Limited plans to set up a sustainable medical care structure with a hospital, day clinic and training facilities. " We plan to do this in collaboration with the Germany Africa

Foundation, German-based institutions and the private sector in Zambia," he said. With the medical project, they have already started engaging the private business partners in Germany and are in the process of going into major discussions between both the German and Zambian governments.

He said the vision of his company is to set up a modern medical infrastructure that would include the setting up of sustainable health facility with key-turn hospitals with training and development facilities. Mr Ehrhardt observed that like most other African countries, Zambia has huge potential to attract more investors also owing to that it is a peaceful country. Conventium specialises among other things in private funds and entrepreneurship, co-ordinating EU development funds and programmes, human development and in public and private banking. The company has branches in Turkey, Germany and South Africa. *(Zambia Daily)*

The Zambia Consumers Association and the Private Sector Development Association says more companies are expected to increase prices of goods and services to ease the costs associated to production following the increase in the minimum wage. Reacting to the recent increase in price of bread by ZMK 1, 500 by bakers in Ndola to meet the minimum wage, ZACA executive secretary Muyunda Ililonga says the increase in the price of bread by bakers was justifiable from the economic point of meeting wages. "We expect more companies to follow suit, Government should have consulted, the end results are that the majority of the business people will pass on the costs to consumers," he said. Last week, Labour Minister Fackson Shamenda announced an increase in wages for shopkeepers and domestic workers to a monthly minimum of ZMK 1.1m and ZMK 520, 000 respectively.

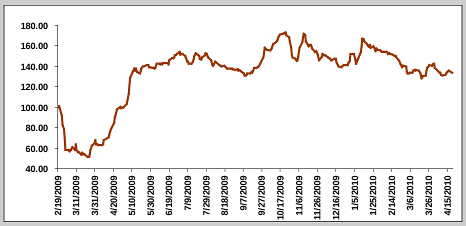
The minimum wage is a fulfilment of Government's promise of putting more money in people's pockets. But Mr Ililonga has advised the Patriotic Front government to thrive to reduce the high cost of living which saw the previous government pushed out of office. He said bread is a common food consumed by the majority of Zambians and also given to school going children. "Although nshima is our sample food, no parent sends their kids to school with nshima," he said. He also called on Government to address the existing cartels in the wheat sector which has blossom following the ban on importation of wheat. Mr Ililonga said millers should be free to import wheat and create competition in the market. "As consumers association, we see this as anti competition move which has pushed the price of bread up. There is need to lift the ban on wheat so that local producers don't pass their inefficiencies to consumers," he said. He also urged the farmers union to fight for lowering of the cost to doing business in Zambia and not calling for protection of some sector as consumers bare the costs.

He said there is need to create a win-win situation adding that producers should engage Government and address measures that add to the high cost of doing business. "We are in a liberalised market; we cannot afford to protect our industries…cartels in the wheat sector are a deterrent to consumer welfare," he said. In a separate interview, PDSA chairperson Yusuf Dodia said increase in minimum wages directly affects the cost to doing business in Zambia. Mr Dodia said increase in wages affects productivity of companies adding that in most instances the costs are pushed to consumers. "There is need to find ways of making our workers skillful so that they are highly paid and not through Government directive. We will soon start seeing the implications of the minimum wages, bread is just the beginning, we are yet to see an increase in security charges as security companies employ a lot of general workers," he said. *(Daily Mail)*

Zambian inflation will remain around 6% in 2012 in line with the government's target of 7%, the International Monetary Fund said on 19 July 2012. Zambia's inflation rate inflation quickened slightly to 6.7% in June from 6.6% in May and food prices are becoming a global concern because of a scorching U.S. drought. "Inflation is projected to remain close to its current level of around 6% in 2012," the IMF said in a statement issued late on Thursday. The IMF said the Zambian government should remain vigilant to inflationary pressures and tighten policy if needed. *(Reuters)*

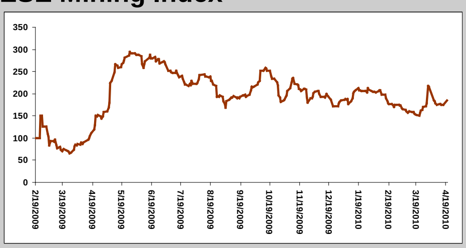
Zimbabwe

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 traded higher for both the Industrial and Mining Indices with activity largely being driven by foreign participation both on the buy and sell side. The industrial index gained 0.47% to close at 132.03 points while the mining index was up 14.71% to close at 105.61 points. The market traded mixed for the week ending 20 July 2012 with Total volume traded amounted to 68.45m shares valued at US$ 8.5m, whilst the foreign net inflow was US$ 0.2m down from US$ 3.1m. Major trades were in Delta, Econet, OK Zimbabwe and TSL. Radar traded 4.50c higher at 14.50c. Falgold was up 10c at 35c. Afrisun ended the week 0.05c higher at 0.70c. NTS lost 0.50c at 2c. Chemco was down 0.95c at 0.05c.

Corporate News

The Chinese majority owner of chrome miner and smelter, ZIMASCO has approached the government for an exemption from the country's economic empowerment laws, a deputy minister has confirmed. Under the country's economic empowerment programme, foreign companies are now required by law to transfer control of 51% of their Zimbabwe operations to locals. But government officials have previously indicated that investors from friendly countries such as China could be exempted from the requirement.

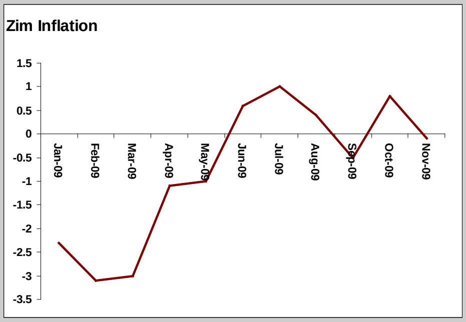
Deputy indigenisation minister Tongai Matutu recently told Parliament that Zimasco had submitted its plans for compliance with the law. "The position is that ZIMASCO has submitted its provisional indigenisation and economic empowerment proposal, that proposal has been under consideration and there have been negotiations going on about compliance issues," he said.

"However, the management of ZIMASCO has been arguing that since they are Chinese, they have been actually friends of Zimbabwe and therefore they should be exempted. They have also argued that they have got a five-year development plan which they believe should not be disturbed by bringing on board a new investor. "But nevertheless, I think the negotiations are going on and I would like to believe that a solution will be agreed upon and they will comply."

Sinosteel Corporation became the majority shareholder in Zimasco after purchasing 92% of Zimasco Consolidated Enterprises (ZCE) in 2007. But various share purchases since then have seen Sinosteel reduce its interest to 73%. Sinosteel recently injected USD 35m into the company for the refurbishment of one of the smelters at the Kwekwe plant.

"The investment from Sino Steel, which owns 73% of the company, will be used to rebuild furnace number two was received and work is currently underway," Zimasco's Marketing and Administration General Manager, Clara Sadomba said.

CPI Inflation



Source: SAR

"The restoration of the furnace will help increase output of high carbon ferrochrome from the current levels of 170 000 metric tonnes per annum to 230 000 metric tonnes per annum." Zimasco operates smelters in Kwekwe and Chrome mines in the nearby town of Shurugwi. *(New Zimbabwe)*

RIOZIM Limited says the toll refining agreement at its Empress Nickel Refinery with Swiss metal giant Centamentall AG has been terminated. According to the termination agreements, RioZim will immediately pay Centametall USD 7m and an additional USD 6,6m would be paid in instalments over a period of eight years without interest.

There have been disagreements at RioZim over the amount owing to external creditors for ENR for supplying nickel matte leading to the postponement of its annual general meeting.
It is understood both parties agreed after the costing structures of the project such as electricity was reflecting a loss for RioZim. A market report by Imara Securities says RioZim management told an analyst briefing last week that Centametall will also acquire the entire inventory at ENR. This is expected to impact positively on cash flows with an injection of almost USD 15m in deferred sales proceeds.

The inventory is estimated at approximately USD 70m of which approximately USD 20m is in refined form and the balance is in intermediate form. Due to poor operational performance ENR has accumulated a significant plant inventory. According to the Imara report, RioZim management said they would negotiate with BCL, a Botswana-based mining and smelting company for the supply of raw material (matte).

"Management say cost savings of up to 20% can be achieved at ENR through targeted investment in capital expenditure and process optimisation. "ENR has potential to generate revenue of approximately USD 200m annually and profits of between USD 15m and USD 17m," read part of the report. RioZim also said gold production at Renco Mine increased 55% from 40kg to 62kg in June. The company is targeting to produce 96kg by December 2012.

Meanwhile, RioZim, which is planning to restructure its current expensive debt through a syndicated loan of approximately USD 75m, is yet to hold its annual general meeting. It is understood that the ANG notice would be published this week ahead of the expiry of the six-month time limit as stipulated in the Companies Act. According to the Act, an AGM is supposed to be held within six months after the end of every ensuing financial year of that company or within not more than 15 months after the date of the last preceding such meeting of that month. RioZim which has its year-end in December postponed the AGM that was scheduled May 22, 2012.

However, the Securities Commission of Zimbabwe said if any company fails to hold the meeting within the stipulated time lines they can apply for an extension to the Registrar of Companies. SecZim said it would strictly enforce its rules and regulations, in particular the listing rules and best practice and encourage companies to disclose to shareholders in detail why such meetings have not been held as required by law. "Securities Commission and the exchange are in the process of carrying out a review process with in the intention of identifying those companies that have not complied and shall advise the investing public of the outcome," SecZim said. *(Herald)*

Econet Wireless is battling to recover about USD 80m in interconnection fees from NetOne and TelOne and has threatened to cut off its state-owned rivals if they fail to pay up. The debt was revealed by Econet CEO Douglas Mboweni Wednesday during submissions to the told the Parliamentary committee on Media Information and Information Communication Technology development. “One of the biggest challenges we have is that we continue to see non remittance of interconnection fees by our colleagues in the industry,” Mboweni said. “The figure is now an excess of USD 85m, some uncollected revenue we are taxed upon as Econet. I am just mentioning this so that you see the kind of pressure this kind of situation puts on us.” In terms of an interconnection agreement between the telecoms firms, TelOne and NetOne are obliged to pay fees for its traffic that terminates on Econet’s network and vice-versa. Interconnection agreements apply when a telecommunications provider carries traffic of another network and terminates it on its network.

“When it comes to interconnection, what normally happens is that when a call passes from for example from NetOne to Econet it passes through two networks it is generated in NetOne and then has to jump into an Econet structure, a standard practice that when it goes into our network we charge each other what we call interconnection fee and that fee is seven cents,” the Econet boss said. “What it presupposes is that when NetOne collect for example 18 cents or 20 cents for example from their subscriber, they have to pass seven cents to Econet and they remain with the difference, but what has been happening now is that they have been collecting the money and keeping the money to themselves. “It means that they have collected the money from their subscribers and simply not passed on the money. We have told them it is better to pay up instead of having disruption in connectivity.”

Econet is Zimbabwe’s largest telecoms company in terms of subscriber numbers while NetOne now ranks number three behind Telecel despite having been giving its operational licence ahead of its two rivals. NetOne and TelOne were formed after the government disbanded the former telecoms utility, the Post and Telecommunications Corporation (PTC).
Meanwhile Mboweni also said most of the company’s base stations around the run on generators due to electricity supply problems in the country. "72% of our base stations would be running on generators at any given time to keep the network reasonably operational. We have to ensure that the base stations are up and running or else there will be very bad connectivity," he said.

Mboweni said his company has invested USD 614m in infrastructure development between since the introduction of dollarization in 2009 adding Econet continued to play a key role in the country’s economy in terms of job creation. "Econet has contributed USD 400m to the fiscus. We have also created about 20,000 jobs indirectly and about 50 students on industrial attachment," he said. "We always aim to do better than the last achievement. The future lies in innovation if we cannot be innovative we die. "We also have to invest in infrastructure. There is no short cut in telecoms and between 2009 and 2012 Econet has invested USD 614m in infrastructure development. *(New Zimbabwe)*

Economic News

Justice Legal Affairs Minister Patrick Chinamasa says the country will hold any future referendums using the Referendums Act that was promulgated in 2000. In an interview at the weekend, Minister Chinamasa said there was no need for the country to come up with a new Referendums Act or to amend the current one because it was valid. This is contrary to utterances by Zimbabwe Electoral Commission Chairman Retired judge Justice Simpson Mutambanengwe that there was no law governing the holding of elections in Zimbabwe.

Justice Mutambanengwe last week said a referendum would only be conducted after the country comes up with a new Referendums Act. He said the current Referendums Act was promulgated in 2000 for the referendum held that year and was now invalid for future referendums. “It is not true for one to say there is no law. The law is there and it gives the ZEC the responsibility to conduct referendums,” said Minister Chinamasa. “The Referendums Act that is there is for all times and any impression that there is no law is wrong.” The Minister said unlike in general elections, one does not require to be a registered voter to vote in a referendum. “What is needed only is for one to go to a polling station and produce identification particulars in the form of national identity card, a passport or a driver’s licence,” he said.

He said it was ZEC’s responsibility to hold elections not the Register General’s office. “The issue is for ZEC to be ready and once the date is announced they should start preparing,” he said. Minister Chinamasa said no voting facilities would be set up for Zimbabweans leaving in the diaspora. He said the Ministry of Constitutional and Parliamentary Affairs had attempted to amend the Referendums Act without success.

“The Ministry of Constitutional and Parliamentary Affairs wants to amend the current law and they are proposing that we set up voting facilities for those in the diaspora but we have refused that. The Global Political Agreement negotiators have rejected that and will never accept that. No one will set up facilities for those outside the country’s borders,” he said. Constitutional and Parliamentary Affairs Minister Eric Matinenga had indicated last week that the whole Act needed to be revamped to make it suitable for current conditions ZEC has indicated that it needs over USD223m for the elections and a referendum. The referendum, according to ZEC, needs USD80m, while the rest is for elections. The country is this year expected to hold a referendum and subsequently general elections after the completion of the constitution making process. *(Herald)*

Tourist arrivals in Zimbabwe surged 18% in the 1st quarter of 2012 to 346 299, helped by the stabilising economic and political environment, as the country turns into a safe and competitive destination in the region. A 2012 1st quarter report produced by the Zimbabwe Tourism Authority shows that tourist arrivals in the 1st 4 months rose to 346 299, up from 294 198 recorded in the same period in 2011. The ZTA said the increase in arrivals was 13% above the projected average growth in arrivals in sub-Saharan Africa this year of 5%. Mainland Africa remained the major source market, accounting for 308 646 arrivals in the period, up 19% from 258 388 in the comparative period last year. South Africa maintained its position as the main source market in mainland Africa, representing a market share of 43%, a 2% growth from last year. Overseas arrivals increased 5% to 37 653, up from 35 810 last year despite general economic instability in the western world. Arrivals from America grew 28% to 9 901, while Europe's contribution increased 16% to 16 829 in the period. Europe contributed 46% of the overseas arrivals, followed by the Americas at 26%. Asia, Middle East and Oceania plunged 23%, 37% and 7% respectively.

However, ZTA sees arrivals from these regions increasing due to the recently-introduced new airlines flying into the country. The drop in arrivals from Asia was mainly due to a 52% slump in China's contribution, attributed to the unavailability of direct access previously provided by Air Zimbabwe. "This means our destination becomes more expensive to the Chinese through other connecting routes," said ZTA in the report. In terms of market share, Africa contributed 89%, followed by Europe at 5%, Americas 3%, Asia and Oceania at 2% and 1% respectively. National average hotel room occupancy levels grew to 42% during the period, 6% ahead of the figure recorded last year, while bed occupancy levels also rose to 31%, up from 27%. Lodge room occupancy levels grew to 42%, increasing from 36% recorded in the prior year in the comparative period, while bed occupancy levels also surged 5% to 30%.

Victoria Falls, however, recorded a 3% drop in both room and bed occupancy, a development attributed to a decrease in arrivals from its major source markets such as Japan, China, South Korea, UK and Germany. Kariba and Masvingo both recorded a 6% decline in room occupancy also attributed to falling numbers of foreign clientele. ZTA said the results of the first quarter both in tourist arrivals and accommodation utilisation bring positive prospects for the second quarter and beyond, given that the first quarter of the year is usually a low season. Positive trends are also expected to hinge on improved accessibility as more airlines continue to reach the country, including Air Namibia and Fly Emirates, which are already operating in Zimbabwe. However, Zimbabwe's air travel market share dropped by 14% from 17% last year, largely attributed to problems bedevilling Air Zimbabwe *(eturbonews)*

Finance Minister Tendai Biti will this afternoon present the Mid-Term Fiscal Policy Review Statement, amid indications of a significant downward revision in the budget presented last year. The minister has already indicated that the estimated USD 4bn budget was not feasible due to poor revenue inflows, particularly from diamonds. He had projected to collect USD 600m from the gems. In the five months to May this year, the Zimbabwe Revenue Authority missed revenue targets by USD 194m. This means the minister will this afternoon submit amended estimates of expenditure and a consequential Appropriation Amendment Bill. "The Government has noted a disappointing contribution from the diamond sector," economic analyst Mr Brains Muchemwa said last week. Little can be done to improve revenue collection, especially considering that the minister has already hiked mining sector royalties. Considering that our Government expenditure is skewed towards recurrent expenditure, the minister has very few options to stimulate growth." Initial Gross

Domestic Product was projected at 9,4% this year. But analysts said due to the poor performance of the agricultural sector, and the liquidity crunch adversely affecting economic sectors such as manufacturing and finance, the growth targets would be missed. The GDP growth would be in the range of between 5,5% and 6%, according to economists surveyed by Herald Business recently. Economists said the envisaged growth rate was not possible, without an active private sector and lively foreign direct investment. For instance, Government funded capital development projects remain largely unimplemented as compared with those managed by the Infrastructure Development Bank of Zimbabwe, which had shown higher capacity utilisation levels. “The outlook is, however, not totally bleak, as inflation has remained relatively stable,” said a local economic research firm.

Sector specific indicators are also encouraging, with the gold mining sector particularly doing well, supported by the positive bullion global price trend. The retail sector, despite low wages, also continues to witness some growth. “Solution to the liquidity crunch lies in a ‘grand bargain’ that raises corporate taxes, preferably through base broadening reform, and curbs the growth of entitlements such as public spending on political events such as elections, constitution and endless bailout of the rundown parastatals, whose expenditure bill accounts for 45% of the total GDP.” The minister is also expected to maintain the customs duty policy. In the last Budget, Minister Biti re-introduced duty on commodities such as cooking oil, maize meal, flour, rice and salt to support the domestic industry. In terms of recurrent expenditures, the wage bill for civil servants remains unsustainable. But economists say there is room for a salary review.

Several capital projects would remain underfunded, which will have a negative impact on utility performances in power generation, transport and water. With agriculture remaining the mainstay of the economy, Minister Biti is expected to unveil an Agriculture Financing Facility that has the potential to unlock additional funding arrangements by the private sector. Farmers need to start preparations for the 2012/13 agricultural season. Economists have also noted serious delays in the management of tax systems, which had compelled most business players to avoid or evade paying tax. “In this Mid-Term Budget Statement, we expect the Treasury to introduce the complete automation of tax services. This will lead to fast clearance of goods and reduce interface between taxpayers and the tax administrators,” Harare-based economist Mr Takunda Mugaga said. On the mining sector, analysts said royalties should be raised to an average of 12% from the current 7% for gold and to 15% for platinum from 10%. But some economists have argued that raising royalties to such levels would discourage future investments into the sector, which has been driving the economy *(Herald)*

Zimbabwe has so far discovered over 60 different minerals which are ready for exploration by all interested investors, a visiting Zimbabwean government official said on Tuesday. "Zimbabwe offers a huge opportunity for mining investors, including diamonds, iron, platinum, gold, nickel, coal and many others," Prince Mupazviriho, permanent secretary in the ministry of mines in Zimbabwe, told delegates at a two-day African Mining congress in Johannesburg. The Zimbabwean government official said alluvial mining of gold in Zimbabwe has a potential for high returns at reduced costs since the gold deposits lie just beneath the surface.

Mupazviriho said the minerals are diverse enough to accommodate all types of mining investors. "We have a huge potential for the platinum. The geology of Zimbabwe is highly conducive to nickel deposits. There are also huge deposits of chrome. The country's coal deposits are estimated at 20bn tonnes," said the government official. He challenged those who want to invest in mining to grab the opportunities available in Zimbabwe. However, the official alluded to the energy challenges to be faced in Zimbabwe, saying "the national electricity requirement is about 2,200 megawatts, but the country is only able to generate 1, 200 megawatts." Mupazviriho called on those who want to invest in energy in

Zimbabwe to take advantage of huge coal deposits and venture into thermal energy production. He said

Zimbabwe is also offering a number of incentives to mining investors. "There is 10% discount on mining taxes and rebate duty is guaranteed on all capital goods imported for mining development," he said. The Chamber of Mines of Zimbabwe also called on international investors to bring the latest exploration technology to Zimbabwe. "There is a lot of potential in the Zimbabwe mining industry. Zimbabwe has not been subjected to the latest exploration technology available and from that perspective there are a lot of opportunities in terms of exploration," said Winston Chitando, President of Chamber of Mines of Zimbabwe*(Shanghai Daily)*

The final draft of the new constitution for Zimbabwe is now complete and has been signed by all the party negotiators to the GPA and members of COPAC's management committee. Douglas Mwonzora, the MDC-T party spokesman and COPAC co-chairman, said principals to the GPA will receive a copy of the draft constitution for perusal before Friday. Zimbabweans have been waiting for a new constitution for almost three years. 'We could have handed them the document today (Wednesday) but we faced a slight problem in that Prime Minister Morgan Tsvangirai is in Japan on a government visit. The person who was supposed to receive it on his behalf, Vice-President Thokozani Khupe, has had bereavement in the family and is away attending a funeral,' Mwonzora said.

The moment Khupe is available COPAC will hand over copies of the drafts, a move described as merely symbolic by the MDC-T MP for Nyanga North. 'Handing the principals the draft is simply symbolic, it has no legal relevance really, it's a public relations exercise,' Mwonzora said, adding that COPAC was also ready to share the document with the media.

He stated that COPAC is now planning for the 2nd all stakeholders' conference, expected to be held in the next 30 days. 'We have not yet set a date but it will be staged in the next 30 days where stakeholders will interrogate the document. After that it will be sent to Parliament for gazetting in preparation for a referendum. 'The way things have gone, it is possible to have a referendum this year. In my respectful view, this could happen in October,' Mwonzora said.

The legislator, a lawyer by profession, said the constitution belongs to the Zimbabwean people, men, women, children and the old. 'If we use it properly, maintain it properly, improve it properly, it can become a powerful instrument for our collective liberation from oppression, human rights violations and all forms of indignities. The release of the proposed constitution ends months of political wrangling over the document, expected to replace Zimbabwe's current constitution which was drawn up when the country won independence in 1980.

The proposed constitution's most significant reforms are aimed at the country's political and legal systems. Under the new constitution much of the vast powers of the President have reportedly been transferred to parliament. Tens of millions dollars of donor funds have been spent on this constitutional exercise and 4,500 outreach meetings were conducted countrywide, gathering people's views on a new constitution. But there are clear indications the new charter is nothing more than a negotiated document between political parties. Analysts and civil society organizations are extremely concerned that ultimately the views gathered during the outreach exercise will count for nothing, as the parties have inserted into the constitution positions that are favorable to their political party agendas. *(SW Radio)*

ZIMBABWE'S year-on–year inflation slowed to 3,97% in June, helped by a moderation in the prices of fuel, food and non-alcoholic beverages , figures released by Zimstats this week show. Month-on-month inflation, however marginally gained 0,13% to 0,20% in June. Statistics show that annual inflation, as measured by change in the Consumer Price Index (CPI), last month shed 0,05% from 4,02% recorded in May, largely attributable to the downward movement of global crude oil prices, and the weakening of the South African rand against the US dollar. The current weak global economy has resulted in a drop in crude oil prices which have as at the beginning of the year exerted inflationary pressures on many oil-importing economies like Zimbabwe.

Year on year inflation in the transport sector went down by 1,01%, helped by a marginal 0,39% drop in fuel and lubricants prices. The month-on-month index for transport also declined by 0,15%. Food and non-alcoholic beverages inflation, which is prone to transitory shocks, stood at 4,79% year-on-year, and was up 0,54% to 0,29% month-on-month. Non-food inflation was up 3,61% year-on-year but shed 0,05% to 0,16% month-on-month. Food and non-alcoholic beverages, which have a weighted 31,93% on the all items index, rose marginally owing to a weaker rand, given that Zimbabwe currently imports most of her basic commodities from South Africa.

A breakdown of the food index shows that the price of fruits in the period under review went down by 4,49%, while that of vegetables was down by 0,61%. This was however diluted by the upward movement in prices of bread and cereals, up 1,58%, coupled with a rise in the prices of meat which went up by 0,76%. Inflation on housing, water, electricity, gas, and other fuels, which have a CPI weighting of 16,23%, rose 14,13% year-on-year and 1.26% month-on-month.

According to Zimstats, the CPI for the month of June rose to 101,84 compared to 101,63 in May this year and 97,95 in May 2011. Using the current CPI determination method and with the rand continuing to weaken, inflation was likely to remain subdued and the weak global economic growth was likely to ensure that oil prices remained depressed in the short- to medium-term, resulting in weaker inflationary pressures in most oil-importing countries like Zimbabwe.

Government's Medium Term Plan is targeting annual inflation to move within a band of 4% to 6% by 2015. It managed to meet the MTP inflation target last year, at 4,9% in December. The underperformance of the agricultural sector this year is expected to exert pressure on food inflation. Overall inflation is thus projected at an average of 5% in 2012, according to Zimstats. *(Independent)*

The mining sector's growth rate is projected to increase to 16,7% despite government revising downwards the economic growth target for this year due to underperformance of the other key sectors of the economy, Finance Minister Tendai Biti said. Presenting the mid-term policy statement review this week, Biti said the mining sector would continue to grow and surpass the previously projected growth of 16%, buoyed largely by positive performance of gold and platinum, despite fluctuating global mineral prices. Gold prices closed the year 2011 at around USD 1662 per ounce, rose to USD 1742,60 per ounce in February 2012, before marginally dropping to an average USD1 650 up to June. Platinum prices hovered between USD 1506 – USD 1655 per ounce during the first quarter, before gradually softening to USD 1458 and USD 1443 per ounce by May and June 2012, respectively.

Other key minerals also driving the sector were palladium, whose output was expected to marginally increase to 9 600 tonnes, compared to 8 800 tonnes previously projected, while chrome would rise to 750 000 tonnes from 620 000 tonnes. The diamond sector, which has largely been blamed for poor remittances to the fiscus, is however projected to increase output to 12 000 carats, up from 9 000 carats, while coal output is expected to drop by 21,9% to 2m tonnes.

Biti said the long overdue amendments to the Mines and Mining Act were expected to be finalised by end of this year and this was expected to improve the sector's operations. He said as part of enhancing local beneficiation of natural resources, government would continue to work on the recapitalisation of Fidelity printers to enable it to refine gold. "Fidelity should embark on gold refining and also seek for accreditation with the London Bullion Market Association" said Biti.

The minimum annual gold output required to join the association was 10 tonnes and the country's output since 2010 has been in excess of this threshold. Gold refining would enable Fidelity to capitalise on the existing infrastructure built over the years and also add value to the mineral, which is currently being exported in its raw form. Biti said government was looking for potential investors to raise USD50m to finance the refining of 1 100 kg of gold per month of per month. *(Independent)*

Notes

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