SECURITIES AFRICA

For week ending 27 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	27-Jul-12 Close	WTD % Change	YTD % Change
AOA	95.14	0.01	0.22
DZD	81.36	-0.75	8.13
BWP	7.67	1.70	4.03
CFA	527.29	0.73	6.58
EGP	6.05	-0.01	0.56
GHS	1.94	0.66	19.99
KES	82.76	0.19	-0.96
MWK	266.93	0.08	64.37
MUR	29.72	0.10	5.62
MAD	8.98	0.49	4.66
MZM	27,680.00	0.73	3.67
NAD	8.26	2.96	1.49
NGN	158.31	-0.82	-0.92
ZAR	8.34	2.30	2.07
SZL	8.28	2.94	1.64
TND	1.62	0.28	8.65
TZS	1,554.82	-0.20	-0.36
UGX	2,442.55	0.56	-0.19
ZMK	4,785.39	-0.50	-4.63

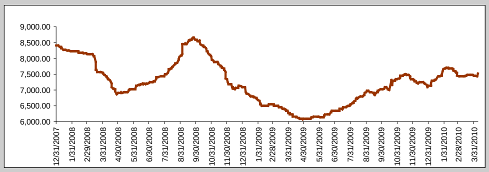
Source:oanda.com

African Stock Exchange Performance:

Country	Index	27 July 2012	WTD % Change	WTD % Change USD	YTD % Change	YTD % Change USD
Botswana	DCI	7,320.10	-0.09%	-1.76%	5.01%	0.94%
Egypt	CASE 30	4,783.12	-1.74%	-1.73%	32.04%	31.31%
Ghana	GSE All Share	1,021.17	0.44%	-0.22%	5.38%	-12.18%
Ivory Coast	BRVM Composite	142.61	0.00%	-0.72%	2.69%	-3.65%
Kenya	NSE 20	3,870.51	0.79%	0.59%	20.76%	21.94%
Malawi	Malawi All Share	5,991.88	0.00%	-0.08%	11.59%	-32.11%
Mauritius	SEMDEX	1,749.51	0.38%	0.28%	-7.35%	-12.29%
	SEM 7	337.53	0.71%	0.61%	-3.65%	-8.78%
Morocco	MASI	9,773.19	-0.90%	-1.39%	-11.23%	-15.18%
Namibia	Overall Index	889.00	-1.22%	-4.06%	6.08%	4.53%
Nigeria	Nigeria All Share	23,292.80	0.86%	1.69%	12.36%	13.41%
South Africa	Top 40	30,508.00	1.44%	-0.84%	-4.65%	-6.59%
Swaziland	All Share	274.73	0.00%	-2.86%	2.34%	0.70%
Tanzania	DSEI	1,441.12	0.00%	0.21%	10.58%	10.98%
Tunisia	TunIndex	5,266.50	1.78%	1.49%	11.53%	4.57%
Zambia	LUSE All Share	3,828.85	-1.08%	-0.58%	-8.18%	-3.44%
Zimbabwe	Industrial Index	133.53	1.14%	1.14%	-8.45%	-8.45%
	Mining Index	111.18	5.27%	5.27%	10.41%	10.41%

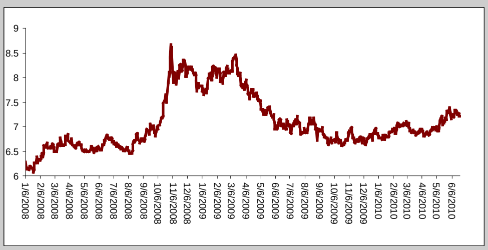
Botswana

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 lost -0.09% to close at 7,320.10pts points. NAP was down 4.78% WoW at 219t. Choppies lost 0.61% at 162t. Banking stocks ABCH and Barclays also ended the week in the red, down 0.22% and 0.28% respectively while Stanchart traded 0.32% higher at 935t. Chobe increased by 0.78% to end the week at 257t. RDCP was up 0.29% at 680t. Primetime rose by 0.51% at 196t.

Corporate News

No Corporate News this week

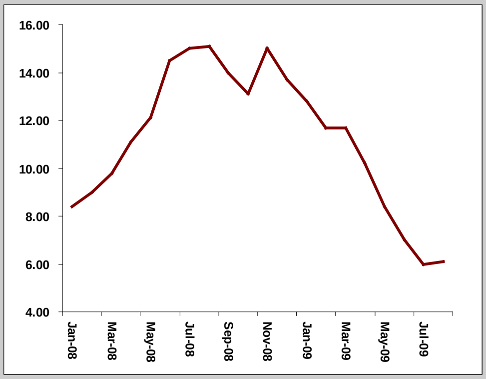
Economic News

The recently released figures by Statistics Botswana (SB) revealed that the mining sector that accounts for more than third of the national output went down by 7.8% in the first quarter of this year. Diamond production this year is reportedly expected to follow weakening market trends. However, according to the Daily news, compared to the 16.1% recorded in the last quarter of 2011, the decrease is an improvement. Debswana was also reported to be unlikely to reach its target of producing 24m carats this year mostly because of the less demand from its biggest customers lately. Meanwhile, statistics reportedly also showed that construction recorded the biggest growth of 19% followed by the water and electricity sector. *(Gazette)*

Sovereign ratings agency, Standard & Poor's (S&P) yesterday affirmed Botswana's credit ratings as stable due to government's maintenance of a strong balance sheet, a well-managed minerals-based economy, and a long record of political stability. In a statement S&P said although Botswana's narrow economic base is still a worrisome trend, the country's track record of prudent economic policies and high transparency are strong by emerging market standards. "The stable outlook balances the economic challenges that the government of Botswana faces against still strong government and external balance sheets. "We think these balance sheets will be maintained as Botswana continues to record fiscal and current account surpluses, with only intermittent and generally brief exceptions when diamond prices and customs union revenues are low.

"However, the country's narrow economy, incomes that are among the lowest in the 'A' category, high unemployment, and a high incidence of HIV/AIDS are key credit constraints," reads the report. Apart from a downgrade in 2009 during the economic recession, Botswana has perennially scored favourable ratings with the world ratings agency both on economic outlook and currencies. The economy has recovered from its 2009 contraction, and S&P forecasts real GDP

SECURITIES AFRICA



Source: SAR

per capita growth to expand at about 3% per year in 2012-2014, just under its pre-downturn rate, provided that demand for diamonds grows at least modestly. After the large fiscal deficits of 11.5% and 6.1% in the years ending March 31, 2010 and 2011, rising revenues and real expenditure cuts resulted in a smaller fiscal deficit of about 3.1% of GDP in 2011-2012. "We forecast that Botswana will run a surplus of 0.9% in the year ending March 31, 2013, thanks to high customs revenues from SACU, which are already known but are accounted for with a lag, as well as strong growth in other revenues and prudent expenditure management. We anticipate that, if diamond demand is close to prior trends and spending moderates, Botswana will record small fiscal surpluses averaging about 1.8% of GDP in 2012-2015," adds the report.

Largely due to the BWP 2.5bn payment from SACU, government forecasts a surplus for the 2012/13 financial year of BWP 1.15bn, which is also about 0.9% of forecast GDP. Fiscal deficits over the past three years reduced the government's net asset position to just one percent of GDP in 2010, but it has begun to rise with the stronger fiscal performance, and the agency expects it to reach 7% of GDP by 2014. The country's net external asset position has weakened, but remains substantial at about 90% of current account receipts and compares favourably with peers, the agency says. The current account has also moved back into surplus after a deficit of 5.7% of current account receipts in 2009, and S&P forecasts small surpluses from 2012 to 2015. "We do not expect gross external financing needs to exceed 60% of CARs and usable reserves during the forecast period, which implies a favourable external liquidity position," S&P projects.

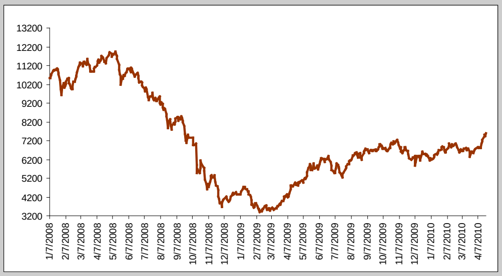
Addressing Parliament recently, Finance Minister Kenneth Matambo said subscriptions to the world's top economic rating agencies has enabled Botswana to measure her competitiveness and formulate policies that help attract foreign direct investment. "The annual subscriptions paid by Botswana ensure that the country is reviewed on an annual basis to enable us to measure the country's competitiveness and formulate policies that would assist Botswana to attract foreign direct investment," he said. Apart from S&P, Botswana also subscribes to Investors Service Moody's. Matambo said government pays P960,000 (USD 128 800) in total annual fees to the two agencies for the subscriptions. *(Mmegi)*

The country's potent to be one of the leading coal producers can translate into more good news for diversifying Botswana's economy as one of the end products of the commodity is oil production. According Dr Keith Jefferis, an economist with E-consult, coal can be processed to produce oil or a range of industrial chemicals. Sustained high oil prices should make such an operation viable. Jefferis told Gazette Business that, "producing oil from coal is expensive, hence it can only be done if the product (oil) has a high price to cover production costs. Therefore, for Botswana to be able to start oil production, it would require a private investor that can see a profitable opportunity, as well as finance for the very high capital investment required." However, the economist does not see this happening in the near future. He said environmental risks are probably the most serious concerns associated with the industry. As coal can be processed to produce not only oil but also a variety of industrial products, Jefferis noted that the production process could be adjusted to a degree to produce chemicals that the market demands. "This should be seen as a possible long-term opportunity rather than as something that is likely in the short to medium term.

The investment costs are extremely high," said the economist. Jefferis also noted that Botswana has one of the highest levels of solar irradiation in the world. "Opportunities for large scale solar power generation, using either photovoltaic (PV) or concentrated solar power (CSP) technology. Falling costs will soon make solar power competitive with coal," he explained. As all De Beers global diamond supplies will be aggregated in Gaborone and DTC sights will take place in Gaborone, he said this should create spin-off opportunities in diamond and non-diamond related activities. "Other trading platforms are emerging (e.g. tenders), including government-owned Okavango Trading Company, attracting related activities (financing, broking, gemology, freight, security)." Botswana Chamber of Mines chief executive officer Charles Siwawa also noted of a possibility adding that the coal can be converted to liquids through the existing technologies available across the world. He further told Gazette Business that, "although it is capital intensive, that does not necessarily mean it is not feasible, however, the payback period could be longer than the normal period of other projects." Meanwhile, Siwawa said no real assessment has been carried out yet for the strength, weaknesses, opportunities and threats (SWOT) analysis on the product. *(Gazette)*

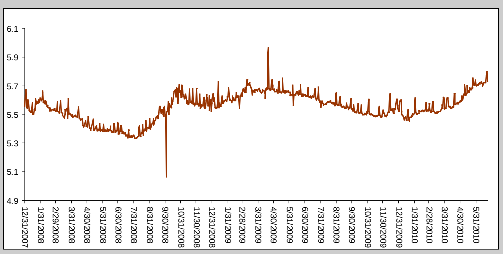
EGYPT

Cairo Alexandra Stock Exchange



Source: Reuters

EGP/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The market ended the week in the red with the Case-30 down 1.74% at 4,783.12pts. Egyptian Financial Group-Hermes Holding closed the week at EGP 10.75. Citadel dipped by 4% to closed at EGP 2.93. OCI was down 1% at EGP 2.77. Mobinil lost 2% to end the week at EGP 123.02. SODIC gave-up 3% to EGP 16.19.

Corporate News

Egyptian private equity firm Citadel Capital's first-quarter net loss widened by 43% from a year earlier to USD 26.4m, dragged down by fees paid to refinance some of its debt and losses at engineering and construction arm ASEC. It said assets under management had risen 4.9% to USD 4.4bn in the 12 months to the end of March 2012. The company said that during the quarter it had paid USD 9m in fees to access a USD 150m credit facility with the U.S. government's Overseas Investment Corporation (OPIC). During the quarter, Citadel drew down USD 81.3m from the facility. "Setting aside the net effect of one-time fees related to Citadel Capital's refinanced debt and the OPIC-backed facility, the firm would have recorded a 9% narrowing of its consolidated loss," the company said in an emailed statement.

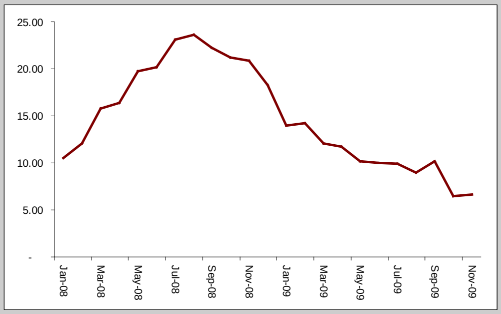
The OPIC funds would be used to improve the terms and tenors of some of its loans and help the business plans of some of its portfolio companies, it said. The private equity firm, which focuses on the Middle East and Africa, said ASEC Holding had also been hurt by production stoppages, widening Citadel's portion of ASEC's net loss by 61% year on year to USD 10.7m. Work at a number of ASEC's cement factories was shut down for repairs and maintenance during the quarter, and its construction arms had suffered because of Egypt's weak economy, Citadel said. Citadel's share was trading 0.3% higher at 11.00 a.m. *(Egypt.com)*

Economic News

Egypt's overall budget deficit will rise 12.5% to LE135bn in the fiscal year that began on 1 July, according to a draft budget posted on the Finance Ministry's website on Sunday. The deficit represents 7.9% of projected gross domestic product, down from 8.2% a year earlier, the ministry said. Total expenditure will climb to LE533.8bn from LE476.3bn in 2011/12, the ministry added. *(Egypt.com)*

Prime Minister Kamal El-Ganzouri's government has announced a series of measures to combat the country's electricity shortage. Energy

CPI Inflation



Source: SAR

demand during peak times is around 3000 megawatts more that can be comfortably supplied and the additional demand is forcing up the cost of production, according to Minister of Energy Hassan Younis. Power cuts have occurred with increasing regularity as soaring temperatures force Egyptians to use fans and air conditioning. There is a planned electricity swap deal with Saudi Arabia, whereby each country will borrow from the other during hours of peak demand, Younis added. New power stations will soon be opened according to an official at the energy ministry.

A new power station at Damietta (around 300 km north of Cairo) and another at Abu Kier in Alexandria governorate have received investment worth LE12bn and will generate an additional 1800 megawatts of energy. The hot summer weather could cause the national electricity grid to lose up to 12 to 15% of its capacity and lead to an electricity crisis, an official source at the Egypt Electric Holding Company (EEHC) said on Wednesday. The government's plan also includes energy conservation through energy-saving lamps to replace wasteful incandescent ones. *(Egypt.com)*

Egypt's central bank sold 1.9bn Egyptian pounds in five and ten-year bonds on Sunday, less than the 2bn pounds it had initially sought, the central bank of Egypt said. The bank sold 1bn pounds of the reopened five-year bonds and 900m pounds of the reopened ten-year bonds. The coupon for the five-year bonds was 16.55% and yields ranged from 16.54% to 16.58% compared with 16.52-16.61% at the last auction on July 9. The ten-year coupon was 17%, with yields from 16.99% to 17.04% compared with 16.95 to 17.045% at the last auction. Settlement will take place on July 24. Government bonds are sold by the central bank on behalf of the Finance Ministry. *(Egypt.com)*

Egypt's cash-strapped government has been borrowing from the central bank on a large scale over the last 12 months, an unusual measure that indicates it may be running out of options to finance its persistently high budget deficit. The borrowing has helped the army-backed interim cabinet to keep the economy running during the delicate transition to democracy, but shows the sheer scale of the task the new government will face as it tries to resolve Egypt's daunting financial problems. "Central banks don't lend to the government on that kind of a scale, except when there's no choice," said an economist based outside of Egypt, who did not want to named because of the sensitivity of the issue. A popular uprising last year hammered the economy by chasing away tourists and foreign investors and sparking a series of worker strikes for higher wages. Gross domestic product growth slowed to around 2% in the 2011/12 financial year from 5% or more in previous years.

The military-backed government in June 2011 rejected a loan that the IMF had offered to help it over the crisis and instead turned to the local market to finance its deficit, now running at 8.2% of GDP. This has pushed the lending ability of local banks to the limit and caused the government's cost of borrowing to soar. In June the interest rate on 364-day treasury bills surged to nearly 16% from only 10.44% immediately before the uprising that unseated Hosni Mubarak. In October, Egypt's then Finance Minister Hazem el-Beblawi warned that the local market's ability to lend to the government had almost reached its limit. But in a draft budget published on Sunday, for the fiscal year that began this month, the government said it expects the budget deficit to grow by 12.5% to EGX 135.0bn (USD 22.26bn). A quarter of state expenditure would go to pay the interest on debt, which will rise 26%. Information about direct government borrowing from the central bank appears on the bank's website, which shows its "net claims on government" rising by EGX 71.7bn (USD 11.8bn) to EGX 186.4bn during the fiscal year that ended on June 30.

This is equivalent to well over half of last year's EGX 120bn budget deficit and to about 4.5% of total GDP. Over the previous 5 years the net claims on government figure had remained relatively unchanged. "If the central bank didn't do it, interest rates would have gone through the roof," said an economist at an international lending agency. This type of borrowing at such high levels is unsustainable in the long term. It also makes it tougher for the government to build political momentum to reduce its deficit and risks stoking more inflation, economists say.

The central bank did not reply to an email seeking comment. Until now, the creation of Egyptian pounds caused by the central bank's lending has been balanced by a simultaneous decline in foreign reserves, which is the other side of money supply. But once Egypt depletes its reserves, any further lending to the government would be pure monetary creation. "It's not sustainable in a non-inflationary way," said an analyst with a Cairo-based investment bank. "After they run out of net foreign assets then all you have is this growth in net domestic assets. This risks triggering stronger inflationary pressure." The government has been selling its foreign reserves to support the Egyptian pound, partly out of concern that a more expensive dollar would increase the cost of imports and boost inflation already running at about 8% a year, fuelling more political discontent.

During the 2011/12 fiscal year, reserves fell by USD 11bn, an amount roughly equal to the amount of money the central bank lent to the government. Of the remaining USD 15.5bn in reserves, only about USD 8bn is in liquid cash or negotiable securities, economists say. The drain shows little sign of abating. Despite large one-off inflows of dollars in May and June, reserves barely increased. During those two months, Egypt received at least USD 1.5bn in loans from Saudi Arabia and USD 1.5bn from the sale of dollar-denominated treasury bills. It also gained USD 500m from an annual revaluation of the central bank's holdings of gold and collected at least part of the proceeds from the USD 3.15bn sale of shares in telecoms operator Mobinil to France Telecom. The government's borrowing and its determination to keep the currency pegged to the dollar also raise questions as to how independent the central bank is and whether fiscal rather than inflationary concerns are driving its policy, economists say. But a banker with knowledge of central bank thinking compared the operation to quantitative easing in the United States, and said the amounts were still small enough to be within the safety range of monetary creation. *(Reuters)*

Egypt's central bank left interest rates unchanged on 26 July 2012, prevented from cutting borrowing costs in support of a weak economy by worries over the local currency and state finances. The bank said there was a risk that growth rates could slow further because of Egypt's political transformation, weak investment and the challenges facing the euro zone. All seven economists in a Reuter’s survey forecast that Thursday's meeting would conclude with overnight rates unchanged at 10.25% for lending and 9.25% for deposits. "Nothing fundamental has changed that would make them cut or increase rates," said Hirsh of Capital Economics. "The economy is very weak and inflation pressure subdued and falling and the currency is still under pressure."

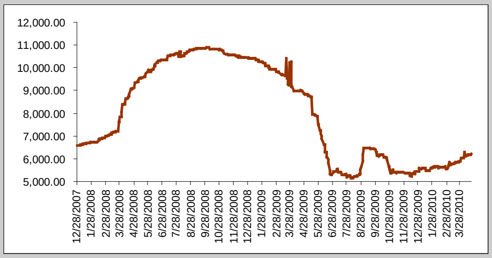
The Egyptian pound has come under pressure since a popular uprising last year hammered the economy by chasing away tourists and foreign investors and sparking a series of worker strikes. The government has been selling its foreign reserves to support the pound, partly out of concern that a more expensive dollar would increase the cost of imports and boost inflation. The uprising also sent government borrowing costs soaring to historic highs as local banks shouldered almost the entire burden of lending to the government. The central bank - which also left its discount rate unchanged at 9.5% on Thursday and the seven-day repo rate at 9.75% - raised borrowing costs for the first time in more than two years last November. That helped support the currency and drew more money into local currency deposits, giving banks more resources to continue lending to the state.

Egypt's gross domestic product growth slowed to around 2% in the 2011/12 financial year from 5% or more in previous years. Economists see growth of around 3% in the year to June 30, 2013. Recovery is being hampered by a continued lack of political stability which has kept foreign investors away and dampened prospects for effective monetary stimulus. "The current political transformation may continue to have ramifications on both consumption as well as investment decisions, adversely weighing on key sectors within the economy," bank sub-governor Rania al-Mashat said in a statement. This, coupled with risks to a global economic recovery from the euro zone's problems, "pose downside risks to domestic GDP," she said. Urban consumer price inflation, the most closely watched indicator of prices, has slowed in recent months, easing to 7.2% in the year to June from 8.3% in May. *(Reuters)*

SECURITIES AFRICA

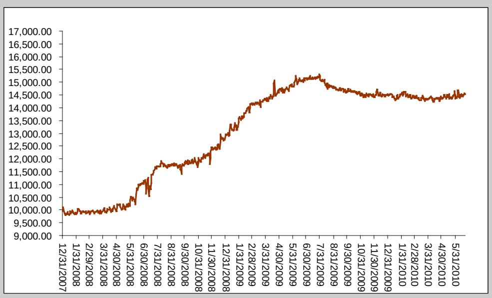
Ghana

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

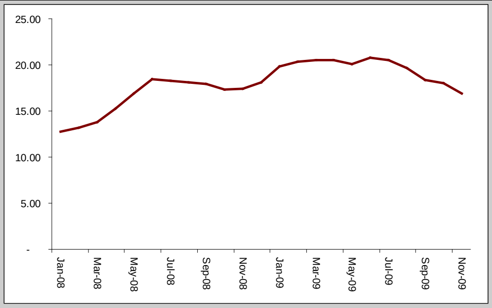
The GSE All Share Index edged up 0.44% to 1021.17pts. Value traded increased by 24.58% to GHS 1,679,123 compared to GHS 1,347,864 the previous week. CPC led the gainers ending 100% higher at GHS 0.02. CAL was up 3.33% at GHS 0.31. FML traded 2.55% higher at GHS 2.55. GOIL rose by 2.04% at GHS 0.50. MLC gave-up 10% to end at GHS 0.09. ETI was down 8.33% at GHS 0.11. Total edged down 6.74% at GHS 18 while SG-SSB closed 2.17% in the red at GHS 0.45.

Corporate News

Tullow Oil, a U.K. explorer with most of its licenses in Africa, said its TEN fields off Ghana have a greater proportion of crude than previously estimated. The Tweneboa, Enyenra and Ntomme fields may be 70% crude, the London-based company said in a statement. They may contain 360m barrels of oil equivalent, it said. “Initially we thought that area might be quite gassy, but actually the appraisal program has shown it to be predominantly oil,” Chief Operating Officer Paul McDade said by telephone. “We are targeting sanction of the project towards year-end.” Tullow has extended exploration in Ghana after starting to pump oil from its Jubilee field in 2010. The country, West Africa’s biggest economy after Nigeria, has lured other international companies including Italy’s Eni SpA (ENI) as aging deposits elsewhere are depleted. The total resource estimate at TEN is lower than Tullow’s original forecast, Morgan Stanley said in a report.

Tullow may also face delays in state project approval following the death of President John Atta Mills yesterday, Morgan Stanley said. Tullow fell 6.3% to 1,284 pence in London, the lowest price since Nov. 25. Tullow last year estimated the TEN fields would require at least USD 4bn in investment to produce as much as 125,000 barrels of oil a day. The company and its partners, including Anadarko Petroleum Corp. (APC) (APC) and Kosmos Energy Ltd. (KOS) (KOS), are holding tenders for contractors to help develop the deposits. Oil-service costs have risen as exploration companies expand the search for crude and venture into harder-to-reach areas. “We are in a tight market and we certainly see the tightness of the market as we go through the tender process,” McDade said, declining to disclose the latest cost estimate at the TEN fields. Tullow also operates in Uganda, where it expects to invest USD 8bn to USD 12bn in oilfield development with partners Total SA (FP) and Cnooc Ltd. (883), it said today. That’s in line with a previous forecast of about USD 10bn.

An export pipeline will cost an estimated USD 2.5bn to USD 5bn depending on the route, which may cross neighboring Kenya, it said. In Kenya, Tullow plans to relinquish some exploration licenses in a “low prospective area” where oil resources are less likely, Exploration Director Angus McCoss said today in a phone interview. “There is a continuous discussion ongoing with the



Source: SAR

government on how we manage our acreage," he said. Tullow's first-half net income rose 63% to USD 567m as sales reached USD 1.2bn, it said in today's statement. At Ghana's Jubilee field, Tullow expects to start gas supplies to Ghana National Gas Co. next year after local pipelines are built, McDade said. "They are making some progress within Ghana," he said. "In the meantime, we are taking the Jubilee gas and putting it back into the reservoir, effectively storing it." Separately, Tullow said it's increasing interests in Blocks LB-16 and LB-17 in Liberia. The company is buying Anadarko's stakes, Barclays Plc wrote in an e-mailed report. *(Bloomberg)*

Ghana Oil Company Limited (GOIL) held its 43rd Annual General Meeting at the auditorium of the College of Physicians & Surgeons, Accra on 25 July, 2012. The Board of Directors presented its report for the year 2011 performance of the company to its shareholders. Presenting the highlights of the financial year under review to the shareholders, the Board Chairman of GOIL, Prof. William A. Asomaning said, "as a result of prudent management of resources and savvy business deals entered into, your company impacted positively on the financial performance for the period under review, turnover increased by 30% over last year, from GHc514.36m to GHc617.67m. A combination of greater volumes sold and higher prices accounted for this increase". "Profit after tax was GHc 7,888m, representing a 25% improvement over the profits of 2010. Dividend payout at GHc0.014 per share totalled GHc2.94m and amounted to 37% of profit after tax, which is in line with the company's policy of paying not less than 30% profit after tax as dividend.

"Tax contributions to the government as taxes & dividends, increased by 32% over the contributions of 2010 to stand at GHc65, 083m. The share price kept its value over the year, and increased to Ghc0.32 from Ghc0.30. This was a remarkable vote of confidence from the GSE when stocks generally were on the decline", the Board chairman added. The Managing Director of GOIL, Mr. Patrick Akorli said, "the year 2011 was a period when the re-branding efforts were in incubation. The results are very apparent now and we expect the performance to reflect the positive reactions in the coming years". "Our Company is very aware of the huge challenges facing the industry. We are also aware of the opportunities which exist, and are striving to take good advantage of them." "The re-branding efforts, and the GSE seem to suggest we are on the right path, and after the AGM, the shareholders have re-affirmed their belief in the way the Company is being directed. The future is indeed, very bright," the GOIL Boss concluded. *(My Joy)*

Economic News

Brazilian Ambassador to Ghana, Madam Irene Vida Gala, has announced her Government's plans to make available a USD 96m loan facility to boost small-scale and rural farming in Ghana. She said the facility would go into purchasing agricultural equipment and tools to be distributed to farmers so as to increase food production and subsequently improve the country's bread basket. Madam Gala said this when a team from the Food and Agricultural Show (FAGRO) paid a courtesy call on her recently to invite her to participate in the 2012 FAGRO. This year's FAGRO is on the theme: "Linking Farmers to the Appropriate Market: a Value Chain Process". It is scheduled for August 23rd to 25th, 2012 at the Efua Sutherland Children's Park in Accra.

The FAGRO is a marketing and networking platform that brings together actors in the agricultural sector to promote and expand agricultural activities in the country to contribute meaningfully to development of the sector. The Brazilian Ambassador said part of the facility would be used to build the competences of small-scale farmers to reduce the importation of food and address food security concerns. She noted that for the first time, fifteen (15) Brazilian companies would be participating in the FAGRO with various agricultural products such as; machinery, feeds for fish, cattle and other animals. “Our main aim is to advertise the Brazilian companies that will be participating and help them to understand that there are many possibilities and opportunities of doing business in Ghana and to understand the level of Ghana’s agric sector and build a sound and strong business relationship in Ghana” she said.

Madam Gala stressed on the need for Ghana to invest massively in technology to transform the agricultural sector, saying there would be a big change in the country in the next 30 years if focus was placed on technology. “Many Ghanaians are hardworking and ready to work, but where to focus their effort is the challenge. But Brazil sees Ghana really going up and up and up”, she emphasized. Miss Alberta Nana Akyaa Akosa, FAGRO Exhibition Director, said FAGRO as an agricultural networking and marketing platform, would help to strengthen the long standing relationship between Ghana and Brazil in the agricultural sector and expressed the hope that it would grow from strength to strength to promote bilateral and economic cooperation between the two countries.

She said FAGRO 2012 expects to draw local and international participants to create opportunities for them to form a strategic partnership that would help them to expand their agri-businesses. “We are again excited about the Business-to-Business (B2B) session that will be on-going at the FAGRO grounds between Brazilian companies and Ghanaian companies and use the platform to encourage individuals and companies who will be interested in the B2B sessions to contact the FAGRO secretariat”, she stressed. *(Ghana Web)*

Ghana has seen a smooth transition of power after the sudden death of its president, but as the nation mourns attention is already turning to who will replace him as the ruling party's candidate in a December vote. Vice-President John Dramani Mahama was sworn in hours after the announcement of the death through sudden illness on Tuesday of 68-year-old President John Atta Mills. This ensured that the West African oil, gold and cocoa producer, a former British colony once known as the Gold Coast, avoided the kind of messy political transitions that have plagued other states in a coup-prone region. Ghanaians congratulated themselves on the seamless handover. Mahama, 53, a historian, former minister and communications expert, is expected to bring a steady hand to a fast-growing economy, one of Africa's newest oil producers. But questions over who will now step into Mills' shoes as the candidate to keep his governing National Democratic Congress (NDC) in power in December's elections will inject some uncertainty into the political outlook.

Analysts say this could drive down the Ghanaian currency, which has lost about 17% against the dollar this year as the country's oil-fuelled boom sucks in capital and consumer imports and drives up demand for dollars to pay for them. Traders said the cedi was relatively stable on Wednesday at 1.9550/1.9600 to the dollar. "Political disruption is likely to be internal and will focus on who is the

NDC's presidential nominee," said Azim Datardina, Ghana analyst at Africa Risk Consulting. Mills, seeking a second term despite having suffered for years from undisclosed health problems, had already won his party's nomination to run against the opposition New Patriotic Party's Nana Akufo-Addo, defeating a divisive challenge from the wife of still influential former president Jerry Rawlings. "This was certainly the wrong time for him to go considering that we have elections right around the corner," Rawlings told the BBC. "Quite frankly, had he been advised and done something wiser earlier, I think he could have survived for another six or seven months," he said.

Some analysts expect Nana Konadu, Rawlings' wife whom Mills crushed in the NDC primaries, to claim an automatic nomination. But Alban Bagbin, Ghana's health minister and a member of the NDC legal team, said the party would hold an extraordinary meeting to pick a new candidate for what is expected to be a tight race for the presidency. "Most likely is a new nomination contest with a number of high-profile challengers who earlier balked at opposing Mills. A likely candidate is John Mahama," said Africa Risk Consulting's Datardina. Flags flew at half mast on Wednesday as the nation began a week of national mourning for Mills, who had served as president since winning a 2008 presidential contest that won plaudits for going down to the wire but remaining peaceful. "I am personally devastated - I've lost a father, I've lost a friend, I've lost a mentor and a senior comrade," Mahama said in his first comments after being sworn in before a sombre parliament on 24 July 2012 evening. "The fine gentleman that he was, President Mills rightly earned the title 'Asomdwehene' (King of Peace). He brought a distinctive insight to Ghanaian politics. He remained humble, honest and modest throughout his years in public service."

That sense of loss was shared by ordinary Ghanaians too. "I didn't know him personally but he's everybody's father and a peacemaker," said Peter Fiave, a 70-year-old who went to parliament to witness the swearing-in of Mahama. Tributes poured in from around the globe from heads of state including U.S. President Barack Obama, who had feted Ghana under Mills as a model and "good news story" for Africa. Rivals were quick to praise the nation's handling of the sudden loss. "We are showing a maturity that must encourage all Ghanaians," said opposition NPP Chairman Jake Obetsebi-Lamptey. Mahama, fresh from a U.S. tour to promote a recently published personal memoir on Ghana's history, is widely expected to maintain current policies in his caretaker role. Yet, amid the plaudits for his predecessor, he will inherit the same struggles Mills had faced in managing Ghanaians' high expectations over the flow of crude from the country's Jubilee oil field since 2010, and in tackling corruption scandals that have dogged the NDC administration. "Given the above, recent momentum has favoured the NPP.

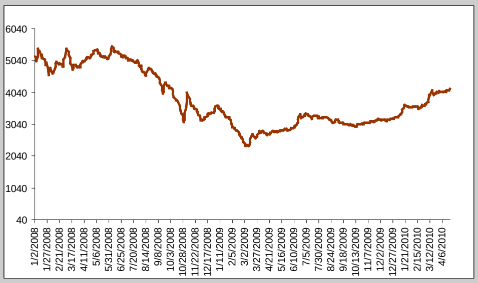
Ghanaians also have a history of evicting the ruling party at the ballot box in favour of the opposition," Standard Bank said in a research note on Wednesday. "Much will hinge on the manner in which the NDC is able to swiftly elect a replacement presidential candidate. Infighting already poses a significant threat to party unity, and any signs of an exacerbation of these tensions will favour the opposition," it said. Former president Rawlings offered a glimpse of the kind of bad blood that exists within the party when he appeared to criticise Mills' achievements in office in the BBC interview. "Considering that the cancer affected both his eye and his ear, he couldn't sustain more than three hours per day. So it was naturally going to affect his performance," Rawlings said. Ahead of Mills' death, most analysts had expected a year of election spending testing Ghana's reputation for improved economic management. The government last week sought parliament's permission for extra spending. "We think heightened uncertainty will result in some foreign investors taking a wait-and-see stance, which would imply a slowdown in FX inflows, which in turn would be negative for the already troubled cedi," Renaissance Capital said. "We think another 5-10% depreciation is likely by (the end of 2012)," it said. *(Reuters)*

Standard & Poor's Ratings Services said today that the death of President Atta Mills as the result of illness will have no immediate impact on its ratings and outlook on the Republic of Ghana (B/Stable/B). Ghana's well-established democracy ensured a relatively smooth transition from Mr. Mills to Vice-President John Mahama. Under Ghana's constitution, the vice-president is sworn in as the new president if the incumbent dies in office; soon after Mr. Mill's death on July 24, Mr. Mahama was sworn in. Ghana remains one of Africa's most stable democracies; both major parties have relinquished power after losing elections. Even though Ghana's last presidential election result in 2008 was very close--less than 1% of the vote separated the winner from the loser--former president Mr. John Kufuor stepped down in strict adherence to the constitution, enabling a smooth transition of power.

The new president, Mr. Mahama, has promised policy continuity. While it remains unclear whether Mr. Mahama will represent the governing National Democratic Party in Ghana's elections, which are scheduled for December of this year, it is likely that the party will not significantly alter its economic policy stance. Meanwhile, the leader of the opposition, Mr. Nada Akufo-Addo has highlighted that the orderly transition was a demonstration of Ghana's mature democratic system and temporarily suspended campaigning out of respect for the former president. The ratings on the Republic of Ghana continue to be constrained by our view of the country's fiscal management, which has contributed to large fiscal deficits as well as supplier arrears. The ratings are supported by strong GDP growth, strengthening oil production volumes, and a track record of political stability. *(Reuters)*

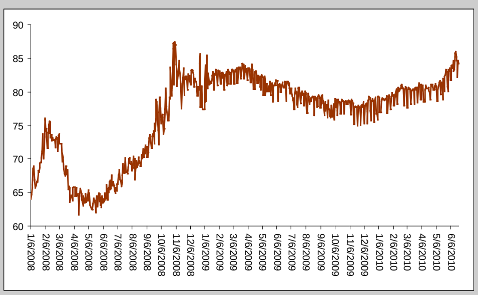
Kenya

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	-2.188	-2.33
GDP based on PPP per capita GDP	1,750.82	1,817.49	1,902.47
GDP based on PPP share of world total (%)	0.091	0.093	0.094
GDP based on PPP valuation of country GDP(USD bn)	62.826	66.353	70.647
GDP (current prices)	841.95	944.07	1,094.40
GDP (Annual % Change)	2.486	4.024	4.972
GDP (US Dollars bn)	30.212	34.466	40.64
Inflation- Ave Consumer Prices(Annual % Change)	12.00	7.77	5.00
Inflation-End of Period Consumer Prices (Annual %)	11.50	7.19	5.00
Population(m)	35.83	36.51	37.13

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The NSE 20 increased by 0.79% to end the week at 3870.51pts. Heightened traded was noted on the banking sector which accounted for 44.4% of the week's turnover as Equity Bank and KCB released their 1H12 results. KCB traded 3.2% higher at KES 24.25 while Equity Bank was up 2.3% at KES 22.50. Safaricom held steady at KES 3.90. Access Kenya traded 7.5% higher at KES 5.05. CIC Insurance lost 2.2% at KES 4.50. Bamburi rose by 0.6% at KES 180. EABL shed 0.4% at KES 226.

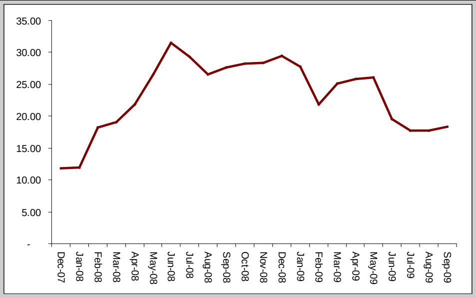
Corporate News

Safaricom has introduced a new promotion aimed at encouraging consumers to talk more on its network and in return enjoy up to 75 per cent discount on their calling rates. The promotion comes at a time when Safaricom's market share has come under increasing pressure from its rivals. The mobile operator on Monday unveiled the promotion dubbed Wakenya Tuongee. Safaricom subscribers will now pay KES 4 for the first minute of their call, KES 3 for calls between 1 and 2 minutes and KES 2 for the calls that last between 2 and 3 minutes. Calls that last for more than 3 minutes will be charged at KES 1. The promotion runs from the 24th of July to 23rd of August 23 2012,

Safaricom's Chief Executive Bob Collymore said the promotional offer has been informed by the need to reward loyal customers by allowing them to communicate longer. "One of the outstanding attributes at Safaricom is our customer focus. And so on a periodic basis we always review our customer propositions with a view to enhancing the Safaricom experience for our customers." The Chief Executive Officer explained that the Wakenya Tuongee promotion has also been informed by insights that indicate that a majority of customers talk for less than two minutes. The promotion is aimed at encouraging customers to talk more with their families, friends and business partners.

The Wakenya Tuongee promotion will only apply to Pre-Paid customers making Safaricom-to-Safaricom calls from 6am to 6pm. Customers will be required to subscribe to the it by dialing *777# to enjoy the promotion which will be charged on a per second billing basis.

The usual calling rates for customers calling other networks within Kenya and international calls will remain. With over 19m subscribers, Safaricom remains the market leader in the telecommunications sector. But the latest data from the Communications Commission of Kenya (CCK) shows that Safaricom further lost its market share, albeit marginally to it rivals. The near free call rates charged by mobile firm Essar Telecom's yuMobile lifted its subscriptions by 14.5 per cent, the highest growth, in the first three months of the year.



Source: SAR

All operators however registered growth in subscription numbers. The results are for third quarter of the financial year 2011/12, January to March. YuMobile has slashed its calling charges to a flat rate set up fee of Sh5per day for the first minute of calls made within the network every day and its subscribers can call within its network for free. *(Business Daily)*

Kenya's NIC Bank has priced its KES 2.07bn cash call at KES 21 a share, a 43% discount to the 18 July closing price, it said. NIC, a second-tier lender known for asset financing which also operates in neighbouring Tanzania and Uganda, said it will invest the proceeds in local and regional expansion as well as in technological systems. Dyer & Blair research analyst Eric Munywoki said he expected the issue to be fully subscribed, mainly due to the discount. The price was set against the closing level, KES 36.75, the day before the issue was approved by the market regulator, and on Monday the shares traded up 0.7% at KES 37 by 1122 GMT. "The bank is also trading at a lower price to earnings (PE) ratio compared with the industry," Munywoki said. NIC's PE was 5.43 compared with the industry's average of 7.72, he said. The bank picked its subsidiaries, NIC Capital and NIC Securities, as the joint lead transaction advisers for the issue, in which 98.7m shares will be offered at a ratio of 1 for 4 shares held. The issue will be on sale from August 27 to September 7. Kenyan lender, Diamond Trust, is selling shares in a rights issue to raise USD 22m. *(Reuters)*

Kenya's TransCentury reported on Tuesday a 241% leap in pretax profit for the first half of this year to KES 564.14m (USD 6.70m), boosted by oil and gas clients. TransCentury attributed the jump in earnings to growth in its power infrastructure and engineering divisions, which operate in 12 countries across Sub-Saharan Africa. Founded just over 10 years ago as an investment club, the firm has grown into a specialist infrastructure company with interests in power, transport and engineering thanks to rapidly growing demand for energy and infrastructure in the region. "We are seeing increased activity from our oil and gas, mining and power clients across the region, particularly in Eastern Africa following the significant discoveries of oil and gas," TransCentury said in a statement. The company said turnover rose 56% to 7.1bn shillings. TransCentury's main engineering business is Civicon, a firm it invested in last year. TransCentury also has a stake in Rift Valley Railways, which is in the middle of a USD 287m investment programme to rehabilitate the dilapidated Kenya-Uganda railway *(Reuters)*

Kenya's East African Cables recorded a 57.5% growth in pretax profit in the first half of this year, driven by exports and new products, it said on Tuesday. The electric cables maker said exports to neighbouring states would continue to be a key driver of earnings. Profit rose to KES 392.82m (USD 4.67m) in the six months to 30 June, up from KES 249.33m during the same period last year. The Nairobi-based business said revenue for the period inched down to KES 2.25bn from KES 2.35bn as a result of lower world metal prices. The company is controlled by a Kenyan specialist infrastructure firm, TransCentury, which also manufactures transformers and switchgear. *(Reuters)*

Cement manufacturer Athi River Mining grew its half year net profit by 25% in the first half of the year on increased sales and said its new plan in Tanzania will lift second half performance. The company's net profit stood at KES 550m in the six months to June compared to KES 441m in a similar period the year before as sales rose 37% to KES 5bn. Its Dar Es Salaam plant, which will have a production capacity of 1.5m tonnes per year, is expected to start operations next month and contribute to the company's performance in the fourth quarter. "The turnover growth was driven by over 60% increase in sales of Rhino Cement during the year," ARM said in a statement. The company also deals in fertilizer, sodium silicate and lime.

The company said it is optimistic of a good performance in the second half of the year due to anticipated reduction in interest rates, stable currency and continuing demand for cement from the infrastructure sector. Its Dar Es Salaam plant, which will have a production capacity of 1.5m tonnes per year, is expected to start operations next month and contribute to the company's performance in the fourth quarter. ARM did not declare an interim dividend in the first half. Shares in ARM gained 0.5% to 201 at the close of trading on Tuesday.

The share has risen 31% 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 1.7% to KES 57% over the same period. ARM is expected to access the USD 50m (KES 4.2bn) convertible loan from Africa Finance Corporation (AFC) in this quarter to fund its expansion plans. The cement firms have relied heavily on demand from the infrastructure and individual home builders in the wake of high interest rates that reduced activities in residential construction sector. *(Business Daily)*

The Lonrho Group will make a re-entry into Kenya's hotel business with the construction of a 200-room hotel, seven years after it sold its hospitality industry interests to a consortium led by Saudi Arabia's Kingdom Hotel Investments (KHI). Lonrho, which is listed at the London Stock Exchange, sold five hotels including Norfolk Hotel, Mount Kenya Safari Club and The Ark for about USD 60m (now KES 5bn) to KHI and Fairmont Hotels & Resorts that manages the hotels. The Kenya Tourist Development Corporation (KTDC) said Lonrho is one of the five multinational firms that are establishing five-star hotels in Kenya this year to capture the growing travel market.

The hotel will be called Lansmore Hotel and its comes at moment when the company has reduced its interests in Kenya, especially with the sale of a 49% stake in Fly540 to a British investment firm in a deal worth KES 7.2bn. "Kenya is emerging as a fast growing hotel investment destination with international chains such as Best Western, Radisson Blu, Park Inn and Three Cities — branded hotels, all under construction — and a 200-room Lansmore Hotel, Lonrho's new brand, on the drawing board," said Marianne Ndegwa, the chief executive of KTDC in a statement on Tuesday. Lonrho's London office confirmed to the Business Daily its planned hotel, but declined to give specifics on the worth of the investment and location.

It has other hotel interests in Africa including Hotel Cardoso in Mozambique, Grand Karavia in Democratic Republic of Congo, Leopard Rock Hotel & Championship Golf Course in Zimbabwe and easyHotel of Johannesburg. "Lonrho Hotels is now committed to establishing luxury and easy hotels in the high growth destinations of Africa," reads a section of the chain's website. The plans by Lonrho come at a time when Kenya's hotel industry is witnessing significant activity, with several hotels already opened and more set to be opened in coming months. The Belgium-based Rezidor Hotel Group is expected to open the five-star Radisson Blu in Upper Hill, Nairobi, in early 2014, according to its website. However, while Kenya was placed ninth in leading in investment in the hospitality sector, it is still far behind countries such as Egypt, which has 19 hotels coming up this year, and Nigeria that has 43 hotels coming up.

"If you compare Sub-Saharan Africa with the rest of the world, there is a dramatic shortage of international branded hotels. I expect the rapid growth in hotel development to continue apace for several years yet," said Jonathan Worsley, chairman of Bench Events that organises AHIF, a hotel investment conference to be held in Nairobi this September. Just this week, Nairobi was ranked as the 13th fastest-growing destination city as emerging markets beat developed countries. The city is expected to have a 10% growth in visitor numbers this year, ahead of developed markets such as Singapore (9.9%) and Seoul (9.8%). *(Business Daily)*

Centum Investment Company plans to sell its stakes in some of the companies it owns in a bid to make profits and raise funds for new investments. The company says it doesn't have the cash to fund the KES 6.8bn it needs by year-end to invest in four new companies in power, telecoms, financial services and manufacturing sectors in Kenya, Uganda, and Rwanda. Centum says selling the stakes is one of the means it will use to raise the funds, besides issuing a corporate bond and joint ventures with other investors. "(We seek) to maximise the value of our current portfolio through several initiatives including exiting some of our more mature investments," the company said in its latest annual report.

It has significant but non-controlling stakes in nine firms including Longhorn Publishers (35%), AON Minet Insurance Brokers (21.5%) and UAP Holdings (24.2%). During the year ended March, the company sold its 22% stake in Carbacid Limited for KES 418m, earning an equivalent return of 190% from the two-year investment, including KES 1.2bn worth of dividends. In the previous year, it raised KES 5.8bn from the exit of other investments. *(Business Daily)*

Investment firm TransCentury has cut its reliance on East African Cables (EA Cables) for profit growth as new investments in engineering sector helped grow its half-year net profit six-fold. The Nairobi bourse-listed investment company said its net profit for the six months to June grew to KES 326m compared to KES 53m in the same period a year earlier. Its sales grew to KES 7.1bn from KES 4.5bn and this was linked to the firm's acquisition of Civicon (an engineering and transport firm) last year and increased production of cables, transformers and switchgear. The new investments and the turnaround of some of its subsidiaries like Tanzania's Tanelec have reduced the contribution of EA Cables to the revenues of the investment firm to 32% from 51% in June last year. "The net profit grew six-fold… driven by strong earnings growth in power infrastructure and specialised engineering," said the firm in a statement.

TransCentury bought a majority stake in Civicon, which has operations in Kenya, Rwanda, South Sudan and Uganda, where it has built roads, petroleum refineries, breweries and laid oil pipelines. The deal helped the firm diversify its business, which has been concentrated in the power sectors, especially with East African Cables, where it has a 63% stake.

Civicon's contracts include the KES 3.2bn deal to rehabilitate access roads for the Lake Turkana Wind Power Project, upgrade of Kenya Petroleum Refineries Limited and KES 2.6bn constructions of an oil terminal in Mombasa. Its client base includes East African Breweries, KenGen and Tullow Oil. "The earnings cycle of TransCentury has been hugely influenced by the performance of EAC, but this is slowly shifting to other companies," say analysts at Kestrel Capital. TransCentury is also counting on increased rail use with the upgrade of Rift Valley Railways (RVR), where it has a 34% stake. *(Business Daily)*

Kenya's biggest bank by assets, KCB, and its largest bank by depositors, Equity, expect to increase earnings in the second half of the year as lending picks up due to falling interest rates, the banks said. Lenders in east Africa's largest economy faced a tough first half due to high interest rates, which crimped growth in loan books and increased non-performing loans, after policymakers adopted a tightening monetary stance in the final quarter of last year. Despite the high lending rates, KCB posted a 48% leap in its first half 2012 pretax profit to KES 8.5bn (USD 100.77m), while Equity recorded a growth of 29% to KES 7.62bn, thanks to growth in net interest income. The chief executives of both banks said they were optimistic that earnings for the second half of the year would be higher. Martin Oduor-Otieno, CEO of KCB cited growth in the bank's five subsidiaries in neighbouring countries and a falling cost-to-income ratio while James Mwangi, the CEO of Equity, pointed to improving economic fundamentals in Kenya. Year-on-year inflation has fallen more than 900 basis points since last December, while the shilling has stabilised against the dollar this year, prompting policymakers to embark on an easing cycle earlier this month. Analysts said the banks had performed impressively in the first six months of this year, given the tough economic environment. "Loan growth was much slower than last year but what is encouraging is that non performing loans (NPLs) are still within control despite the higher interest rates," said Judd Murigi, a research analyst at African Alliance.

"The outlook is pretty good with more aggressive loan growth. NPLs remain a risk because of the loan factor but we will see good loan and deposit growth due to declining interest rates." Equity said its ratio of nonperforming loans to its total loans had crept up to 3.2% during the period from 2.8% last year, causing it to raise its NPL coverage to 73% from 52%. "During hard times, you need to have the capacity, the resilience to deal with any challenges that may arise," Mwangi said. On the other hand, KCB's chief executive Oduor-Otieno said there was a possibility of increased defaults by borrowers who took loans when interest rates were high. Average base rates for commercial banks peaked at about 25% in the first six months of this year, although they have since fallen to around 23%.

"To try and cushion ourselves against any deterioration in the performance of the loan book, we have taken up more provision in this half of the year," said Oduor-Otieno. Equity increased its net interest income by 55% to KES 11.28bn in the first half, while KCB raised its net interest income by just over a third to KES 14.31bn. One analyst said he expected KCB's share price to rise when the market reopens on Friday, thanks to the robust earnings growth. "We already saw demand on the share before the results, and I think demand, from across the board, will be pent up tomorrow," said Vimal Parmar, head of research at Kestrel Capital.

The shares closed at KES 24.25, unchanged from Wednesday's close and up 44% in the year to date. Shares in Equity are some of the most frequently traded on the Nairobi bourse mainly due bets by investors that its focus on the low segment of the market, which is a large portion of the population, will continue to pay dividends. *(Reuters)*

Economic News

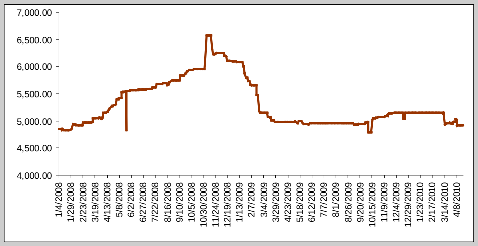
Oil and natural gas company Marathon Oil Corp said it will expand into Kenya by acquiring an interest in two onshore exploration blocks licensed to Africa Oil Corp. Marathon will pay USD 35m to buy a 50% working interest in Block 9 and a 15% stake in Block 12A in northwest Kenya. Marathon Oil said it could operate Block 9, which covers 7.5m gross acres, if any commercial discovery is made. Block 12A is about 3.8m gross acres. Tullow Oil Plc, which owns a 65% interest, operates the block. Africa Oil holds a 20% interest. Marathon will spend upto USD 43.5m to fund Africa Oil's share of expenditures in the blocks over the next three years. The companies expect the farm-out agreement to close in the third quarter. Marathon Oil and Africa Oil have also agreed to pursue exploration activities in Ethiopia, subject to necessary Government approvals. Marathon Oil shares, which have fallen about 25% in the past 5 months, were down 3% at USD 25.75 on Monday morning on the New York Stock Exchange. *(Reuters)*

The Nairobi Securities Exchange (NSE) and the Central Depository and Settlement Corporation (CDSC) have proposed to start using electronic records at the central depository as the official proof of shares replacing physical certificates from November 30, this year. This means that all investors at the NSE will be required to convert all shares held in paper form to electronic accounts which will also be used for corporate actions such as the distribution of bonus shares and share splits.

The move to a fully electronic process - also known as dematerialization - started in 2004 after the CDSC was formed allowing for the surrender of physical certificates with an electronic record of holdings through a process known as demobilization. “The impact of dematerialization will be that with effect from the dematerialization date, share certificates shall no longer be recognized as the prima facie evidence of ownership of shares and this will be replaced with the electronic record at the depository,” said a statement from the CDSC and NSE. According to the CDSC, 80.95% of the shares available for trading at the NSE are already in electronic form. *(Business Daily)*

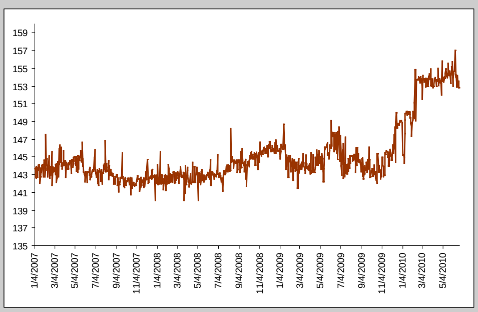
Malawi

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 Malawi All Share Index held steady at 5991.88pts. Market turnover stood at USD 908k. Trading was recorded in 5 counters only, namely BHL, ILLOVO, NBM, NBS and NICO during the past week. All counters to trade were at last week's levels.

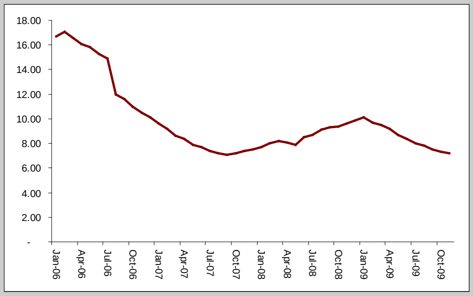
Corporate News

No Corporate News this week

Economic News

No Economic News this week

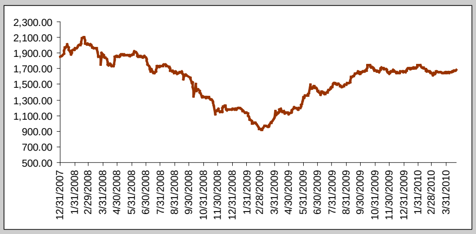
CPI Inflation



Source: SAR

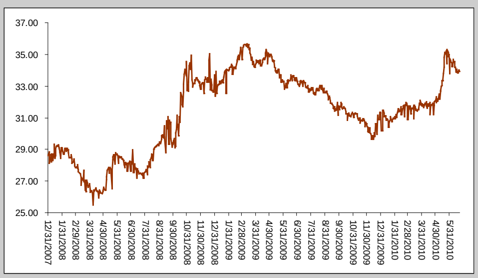
Mauritius

Mauritius Stock Exchange



Source: Reuters

MUR/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

CPI Inflation

Stock Exchange News

The market ended the week in positive territory with the Semdex and the Sem-7 up 0.38% and 0.71% higher at 1,749.51pts and 337.53pts. On the banking front, MCB lost 0.6% at MUR 166. SBM was also down 0.6% at MUR 82. On the levels of Investments, Terra traded 1.3% higher at MUR 39. ENL was down 2.4% at MUR 20.10. The SEM approved the listing of up to 318,492,120 ordinary shares of ALTEO and the shares will be available for sale on the admission date of 31st July 2012

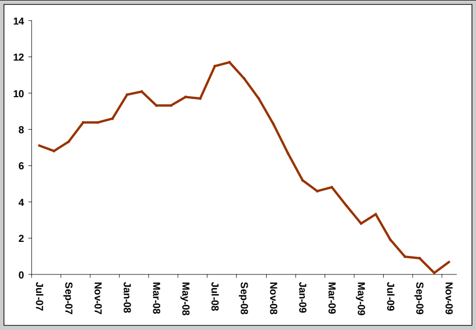
Corporate News

Mauritius-based luxury hotel group Sun Resorts made a pretax loss for the first half of the year and warned tough trading conditions are likely to continue, blaming a strong MUR and fewer tourist arrivals from Europe. Sun Resorts swung to a pretax loss of MUR 21.4m (USD 688,100) in the first six months to June 30, down from a profit of MUR 40.9m a year earlier. Sun Resorts said the next quarter would remain difficult as the growth in tourist arrivals is expected to be subdued given the tough trading conditions and a shrinkage in the air access capacity to Mauritius.

The hotel group said the rupee strength and the cost of the air fare to Mauritius remained major issues for the company's financial performance. The euro zone's debt woes have hit the island's tourist industry, which generates about 10% of Mauritius's gross domestic product. European tourists account for two thirds of arrivals. "The depreciation of the euro and the Rand against the Rupee in this quarter did not help although we have noted a slight adjustment in the rupee exchange rate this month," Sun Resorts said in a statement. Earnings per share fell to 0.04 rupee from 0.60 rupee a year earlier *(Reuters)*

Economic News

Mauritius' trade deficit widened 23.5% in May from a year earlier to MUR 7.87bn (USD 253.46m), driven by an increase in the cost of machinery and transport equipment, official data showed. The trade deficit in May last year was MUR 6.37bn. The value of imports climbed 13.4% to MUR 14.34bn, the cost of machinery and transport equipment increasing to MUR 3.41bn from MUR 1.92bn. Exports rose 3.2% to MUR 6.47bn on the back of higher revenue from sales of food and live animals, Statistics Mauritius said in a statement. Britain was the main buyer of goods from Mauritius in May, accounting for 20.3%, while India supplied 28.1% of the island nation's imports. *(Reuters)*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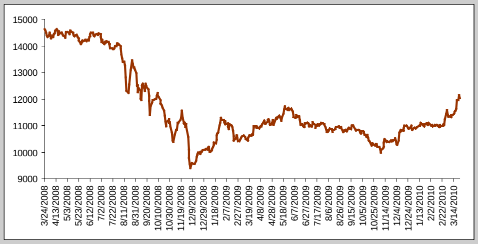
Source: SAR

SECURITIES AFRICA

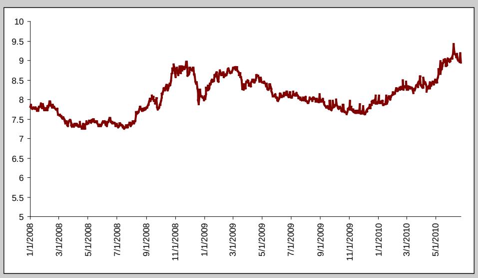
Morocco

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

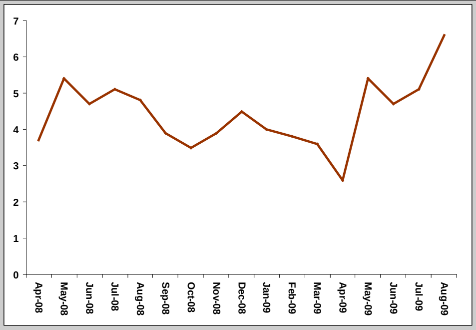
The Moroccan market closed on a negative note with the MASI and the MADEX shedding -0.90% and -0.87% to close at 9,773 and 7.983 points respectively. The best performing stocks were SNEP (+6.00%), NEXANS (+5.99%), INVOLYS (+5.8%), PROMOPHARM (+5.44%) and DISWAY (+5.41%). On the losing front we had SONASID (-5.98%), MEDIACO (-5.85%), and SOFAC CREDIT (-5.77%).

Corporate News

No Corporate News this week

Economic News

No Economic News this week.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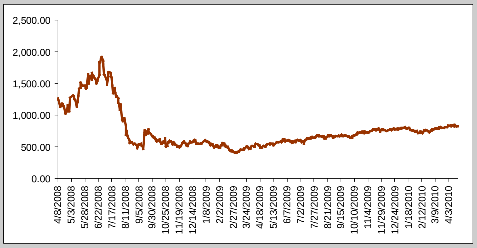
Source: SAR

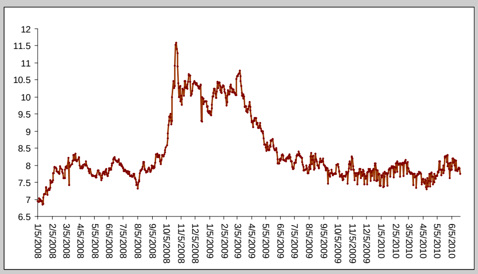
Namibia

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 Index lost -1.22% at 889 points. On the NSX local and DevX, MMS (+7.14%) led the movers followed by BVN, up +2.55% to NAD 15.00 and NAD 11.25 respectively. The other gain was recorded in FNB (+1.32%). MEY was the main shaker after losing -50% to close at NAD 1.00 followed by EOG which shed -1.69% to NAD 0.58.

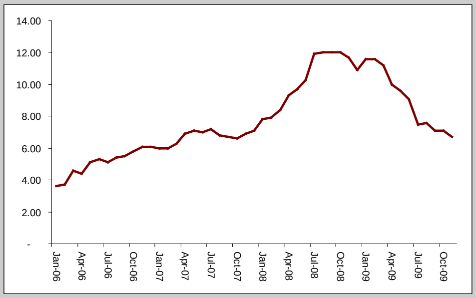
Corporate News

No Corporate News this week

Economic News

No Economic News this week

CPI Inflation

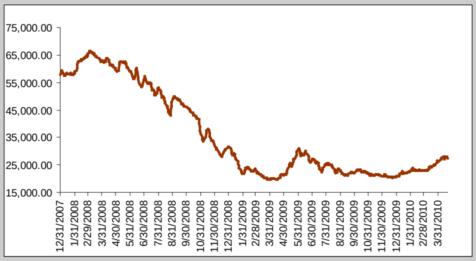


Source: SAR

SECURITIES AFRICA

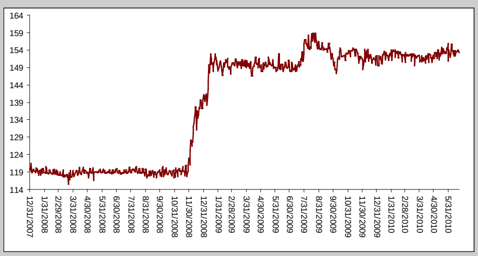
Nigeria

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

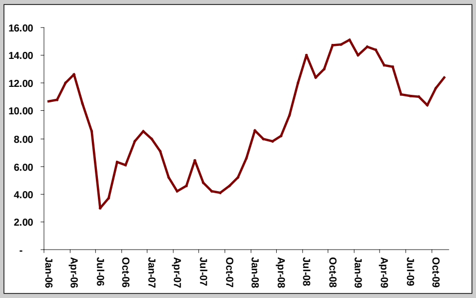
The NSE All Share index gained +086% to close at 23,292.80 points. Portland & Paints gained +26.43% to close at NGN 2.87 while Ikeja Hotel was up +17.27% to close at NGN 1.29. Other notable gains were recorded in ASL (+1.81%) and AG Leventis (+1.05). On the losing front we had Eterna(-17.99%), RT Briscoe (-12.87%) and Inter. WAPIC (-8.33%). Market turnover amounted to NGN 11.881m with Transcorp and First Bank dominating.

Corporate News

Nigerian Breweries Plc, has earmarked the sum of EUR 78m (NGN 15bn) for the construction of new brewing house and can line in Aba, Abia State. This was disclosed by the Brewery Manager, NB Plc, Aba branch, Ukeje Udah, during a courtesy visit to the state Governor, Theodore Orji, recently. Udah said Abia State was considered to be the safest state in the country, where such investment could be made. When fully on stream, the new brewing house and the canning line will offer employment opportunities to youths, as well as, create other direct and indirect jobs for the people of the state, even as it had intervened in other states' economic sectors. He, however, remarked that the Aba Brewery that came into being in 1957 was affected by the civil war and thanked the governor for providing businesses in the state including the conducive operating environment in addition to ensuring adequate security, which he said, at a point became their greatest challenge. "If the criminals had over taken the state most of us would have lost our jobs, thank you sir for saving our jobs," he said.

Udah noted that the present administration has been doing a lot in the area of road construction especially in Aba, "those of us, who live and operate in that commercial city know what your government has been doing, since we work and live in that place." According to him, NB Plc has been fulfilling its social responsibility gestures in the state, such as sponsoring of various sporting events, building and donating school blocks and invited the governor to commission the new six classroom and library block the brewery has built at Ahiaba in Obingwa LGA. Apparently elated by the giant strides recorded by NB Plc, the governor beckoned on it to consider acquiring the Umuahia based Golden Guinea Breweries Plc that has been distressed over the years and expressed the state's gratitude for their contributions to its (state) development indicating that he will want to personally commission the said classroom and library block. "We have the moribund Golden Guinea brewery in Umuahia, You can start brewing your famous Heineken beer there, what we want is a group that will reactivate it." *(Guardian)*

CPI Inflation



Source: SAR

A new organisational structure and investment profile has been unfolded by Flour Mills of Nigeria Plc, under its strategic market enhancement agenda. Under the new arrangement, Mr. Ed Jackson has been appointed as the new managing director of Food Division, to oversee the food manufacturing division and be responsible for flour and rice milling, sugar refining, pasta products and other processed foods, all wholesale and retail sales, distribution and logistics operations including BAGCO operations. Also, Paul Gbededo has been appointed as the new managing director of Flour Mills' Agro-Allied business to handle all fertiliser, animal feeds, oil crushing, poultry and farming activities, including backward integration schemes at Kaboji, Sunti and other locations, as well as, the processing of cassava into flour, sweeteners and starches. The Chairman of Flour Mills Group, Mr. George Coumantaros said that Jackson has 30 years experience in developing and implementing strategies in the food industry.

"We are completely committed to delivering on our promise to provide our customers and consumers across all of Nigeria and throughout West Africa with the highest quality food products at affordable prices. It is the Golden Penny promise. To this end we have invested NGN 70bn over the past 10 years in food manufacturing assets and have plans to invest another NGN 100bn in the next five years. "Realising that building its upstream value chains that link Nigerian farmers with industrial process is becoming more important to Nigeria's future prosperity, Flour Mills has also deployed of some of its most talented executives to drive these investments," he said. Group Managing Director, Dr. Emmanuel Ukpabi said as part of the company's ongoing strategic review, it now focuses on establishing profitable ventures that are crucial for the Nigerian economy and society. Ukpabi stated, "Gbededo's extensive agro-allied experience and track record in creating value in this important sector makes him the ideal person to drive our efforts in support of the Government's Agricultural Transformation Agenda. "We have spent NGN 10bn over the past 10 years in agro-allied investments and have plans to invest another N30bn over the next five years. With 40% of the Nigerian GDP in agriculture and 70% of all Nigerian employment in this sector, it is our top priority to drive." He said that the future of Nigeria depends on those companies willing and able to invest in the country's manufacturing sector. *(Guardian)*

Union Bank of Nigeria Plc is risking delisting following its violation of listing rules, which required quoted companies to have minimum of 25% held by the investing public. The listing rules of the Nigerian Stock Exchange stipulate that for a company to remain listed, 25% of its shares must be controlled by the investing public. However, THISDAY checks showed that only 16% of the Union Bank shares are held by the investing public, while the remaining 84% are not available for trading as they are being held by Union Global Partners (core investors) and the Asset Management Corporation of Nigeria (AMCON). Market sources even hinted that the more troubling situation is that of Dangote Cement Plc, which has only 6% shares with members of the investing public.

Dangote Industries Limited holds 94% of the Dangote Cement Plc. It was gathered that Dangote Cement was initially given a waiver during its listing and promised to release another 20% to the investing public. However, market experts attributed the development to the inability of the Nigerian Stock Exchange (NSE) and Securities and Exchange Commission (SEC) to enforce the market rules in this regard. Commenting on the situation, an investment expert said: "Union Bank has 84% shares with core investors and AMCON. The shares are listed but in reality not available to the market. More troubling is Dangote Cement, which only made 5% available, with a waiver which has since lapsed."

Officials of NSE and SEC declined to comment on the matter as they neither picked calls made to them nor responded to the text messages sent by THISDAY. A stockbroker, who was shocked to learn about this development, said the regulators should look into the matter and address it immediately. "If what you are telling me is correct, it is a serious matter because it is a breach of post-listing rules that must be addressed. It shows that the regulators are not fully enforcing the rules as expected," he said. Union Global Partners initially controlled 65% of the Union Bank shares. But the holding was to be reduced via a right issue, which did not succeed. This made the core investors to even increase their stake in the financial institution last month by buying part of the AMCON holdings. Also, in a bid to consolidate its control of the bank, the core investors have begun its restructuring, which will lead to the exit of the Chief Executive, Mrs Funke Osibodu. She is to be succeeded by Mr. Emeka Emuwa, who is the current managing director of CitiBank Nigeria Limited. *(This Day)*

Lagos State Government at the weekend unveiled a new deal with Dangote Cement Plc and Lafarge Cement WAPCO Plc. The collaboration is to ensure undisrupted supplies of cement products to the construction firms billed to handle various infrastructural projects, which the state government would embark on in the future. The state government also put the number of jobs created through infrastructural renewal between 2007 and 2012 at 148,000, which it said, were created by the Ministry of Works and Infrastructure alone apart from those created through the Ministries of Environment and of Health. Commissioner for Works and Infrastructure, Dr. Obafemi Hamzat revealed the details at a media session in the state secretariat, Alausa, where he said the state government had started looking into cement mix as an alternative method in road construction; taking cognisance of the terrain of the state.

Hamzat explained that Governor Babatunde Fashola had engaged both Dangote Cement Plc and Lafarge Cement WAPCO Plc to guarantee the stable supplies of cement to the state's contractors, noting that the two cement manufacturing giants had promised to meet the requirements of the state's contractors. He said: "We are looking into the use of concrete now that we have a lot of cement in the country. We have met Dangote and Lafarge to see how they can assist us with our contractors. There was a time Governor Fashola mentioned that a lot of our contractors are complaining because of the cost of importation."

He lamented the cost of cement importation as one of the reasons responsible for high cost of road construction and urged the Federal Government "to restore the rail so that it can be an alternative route. It is a miracle that our road lasts this long. We are looking into the use of concrete mix now that we have enough cement". Speaking also on job creation, Hamzat said, "As the last count between 2007 and 2012, the state government has created about 148,000 jobs. That does not include what we have done in 2012 because we allow it to lapse for 6 months before we collate data. The truth is that those are the direct jobs, which generate indirect jobs. *(This Day)*

Oando Plc ('Oando") is pleased to update all stakeholders that a closing date of July 24, 2012 has been set for the proposed acquisition by Exile Resources Inc. ("Exile") of the upstream exploration and production division of Oando and certain related matters in exchange for 100,339,025 post-consolidation common shares in the capital of Exile. Upon completion of the acquisition, Oando will own approximately 94.6% of Exile.
Oando, Nigeria's leading indigenous integrated energy group listed on both the Nigerian Stock Exchange and the JSE Limited, and Exile, a Canadian public company whose common shares are currently listed on the Toronto Stock Exchange (TSX) Venture Exchange (TSX-V), had previously executed a definitive master agreement dated September 27, 2011, providing for the Acquisition and Restructuring and other incidental matters.

As previously announced, upon completion, Exile proposes to undertake a series of transactions in connection with the Restructuring pursuant to a plan of arrangement which involves, among other matters:

(a) The consolidation of all of the outstanding common shares of Exile on the basis of one new Common Share for every 16.28 old Common Share then outstanding.

(b) The issuance to the shareholders of Exile on record as of the close of business on July 23, 2012 of two share purchase warrants of Exile held immediately prior to the Arrangement: one share purchase warrant exercisable to acquire one post Consolidated Common Share of Exile at an exercise price of Cdn$1.50 per share for the period of 12 months and the second share purchase warrant exercisable to acquire one post Consolidated Common Share of Exile at an exercise price of Cdn$2.00 per share for a period of 24 months (together with the Cdn$1.50 warrants);

(c) The change of name of Exile to "Oando Energy Resources Inc." ("OER");

(d) The appointment of two additional directors to the board of directors of Exile - Messrs Omamofe Boyo and Olapade Durotoye; and

(e) The appointment of Mr. Jibril Adewale Tinubu as a new director and Chairman of OER at closing the Restructuring.
Exile received conditional approval for the listing of the post-Consolidated Common Shares and the Warrants on the Toronto Stock Exchange (TSX) under the symbol "OER". Final approval is subject to OER fulfilling all of the listing requirements of the TSX.

Oando Plc refers all stakeholders to the management information circular of Exile dated as of November 28, 2011 and the press releases of Oando dated August 3, 2011 and October 13, 2011 and Exile dated December 29, 2011; January 3, 2012; and January 30, 2012. *(FBN)*

British soap and shampoo maker PZ Cussons Plc said its fiscal-year profit fell on higher raw material costs and worsening conditions in Nigeria and Australia. The maker of Imperial Leather soaps and Carex anti-bacterial hand washes, said profit before tax fell to GBP 48.5m (USD 75.23m) from GBP 108.1m a year earlier. PZ Cussons said its full-year pretax profit included GBP 43.8m in exceptional costs related to a supply chain optimisation project, acquisitions in its beauty care division and a write down of one of its Australian home care brands. The company said in June that profit before exceptional items for the year would be lower, citing rising input costs, social and economic unrest in Nigeria and tough conditions at its home care business in Australia.

Revenue increased about 5% to GBP 858.9m. Revenue from Africa, which accounts for over 40% of total revenue, grew 7%. However, sales from Africa in the second half were hurt by the social unrest in the north of Nigeria and the impact of scrapping a fuel subsidy in the country, the company said. Nigeria, Africa's most populous country and PZ Cussons's largest market, has been rocked by religious violence and an eight-day strike against the removal of an USD 8bn fuel subsidy in January. Revenue from Asia fell 10% hurt by difficult trading conditions in its Australian home care category, the company said. The company counts Australia in its Asia segment. The company's London-listed shares, which have shed 10% since the start of the year, fell about 3% to 316.30 pence on Tuesday morning. *(Reuters)*

Nigeria's Stanbic IBTC Bank said on 25 July 2012 its half-year pretax profit rose 8% to NGN 5.86bn (USD 37m), compared with NGN 5.39bn in the same period a year ago, lifting its shares almost 2%. Gross earnings at the local unit of South Africa's Standard Bank climbed NGN 45.6bn during the period, from NGN 31.2bn last year, it said in a filing with the Nigerian Stock Exchange. Stanbic closed at NGN 7.16 per share on 25 July 2012 up 1.85% from NGN 7.03 at 24 July 2012's close. *(Reuters)*

Nigeria's Nestle said on 25 July 2012 its half-year pretax profit rose 24% to NGN 11.52 bn (USD 72 mln), compared with NGN 9.27bn in the same period a year ago. Revenue at the local unit of the world's biggest food group Nestle SA climbed NGN 56.68bn during the period, from NGN 44.62bn last year, it said in a filing with the Nigerian Stock Exchange. Nestle shares traded flat on 25 July 2012 to end at NGN 490 (USD 3.06).(*Reuters)*

Nigeria's Zenith Bank said on 25 July 2012 its half year pre-tax profit rose 36.34% to NGN 50.16bn (USD 312.17m), from NGN 36.79bn in the same period last year. First half gross earnings rose to NGN 151.10bn, compared with NGN 123.19bn a year ago, while the bank's loan portfolio jumped by 8.77% to NGN 972.24bn versus NGN 893.83bn the pervious year. Zenith stock was trading at NGN 14.67 per share on the Nigeria exchange, 0.20% lower than the previous day's closing price.*(Reuters)*

Skye Bank has raised its return on equity (ROE) target for 2012 to 17% from 15%, the lender said on 26 July 2012, after the measure hit 15.6% in the first half of the year. The mid-tier lender last week announced a 36% year-on-year increase in half-year pretax profit to NGN 9.9bn. It expected its ROE target to reach 18% within the next three to five years, the bank said. The lender said it was seeking approvals to include a USD 100m debt it raised recently in its capital structure. Skye has started a process to raise an additional USD 150m debt, which it planned to conclude this year, it said. It said loan growth will top 25% in 2012. *(Business Day)*

Stanbic IBTC Bank has assured capital market operators and its

shareholders that their stake in the group will remain unchanged when its impending holding company structure is finalized. Mrs. Sola David-Borha, chief executive officer of Stanbic IBTC Bank, during a presentation on its fact behind 2011 financials at the Lagos floor of the Nigerian Stock Exchange (NSE) on Wednesday, said the clarification had become necessary in order to allay concerns of shareholders and capital market operators who may be worried about the potential impact of the restructuring on the bank. "The proposed restructuring will result in no adverse changes to the rights and ownership of existing shareholders of Stanbic IBTC. I wish to state categorically that the value of your investment will not be adversely affected by the change in legal structure.

For example if a shareholder owns 1% of the bank he will own 1% of the new holding company." She added that "the number of shares held by a shareholder will however change as four out of every five shares will be cancelled. The shareholder will be paid 50 kobo for each share cancelled and the remaining share will be converted to a share in the holding company." The proposed share cancellation means that excess capital will be returned to shareholders, David-Borha said, adding that the share capital of the bank will be reduced by a total of NGN 7.5bn as a result of cancellation of 15bn out of the current 18.75bn ordinary shares. The holding company will have 10bn issued and fully paid up shares of 50 kobo. Shareholders of the bank will become shareholders of Stanbic IBTC Holdings with the same proportionate ownership, save for adjustments for fractional shares, which will be converted to cash.

Subsequently, Stanbic IBTC Bank will become a wholly owned subsidiary of Stanbic IBTC Holdings PLC and will apply to the CBN for a commercial banking license. The new structure, David-Borha stated, is such that shareholders will benefit from the entire business. In addition, the bank's retail depositors will not be exposed to the risks associated with the non-banking activities of the remainder of the group. All customers of Stanbic IBTC and its subsidiaries will continue to enjoy the services currently provided through the other subsidiaries. David-Borha said Stanbic IBTC Bank will transfer all of its shares in its five subsidiaries to Stanbic IBTC Holdings PLC. The operating subsidiaries of Stanbic IBTC Holdings PLC are Stanbic IBTC Bank (including Stanbic Nominees Nigeria Limited), Stanbic IBTC Pension Managers Limited, Stanbic IBTC Asset Management Limited, Stanbic IBTC Stockbrokers Limited, Stanbic IBTC Trustees Limited, Stanbic IBTC Ventures Limited, Stanbic IBTC Capital Limited and Stanbic IBTC Investments Limited. Stanbic IBTC Capital Limited and Stanbic IBTC Investments Limited are newly incorporated companies. *(Vanguard)*

Economic News

Some provisions in the long delayed Petroleum Industry Bill (PIB), which was sent to the National Assembly last week and whose passage is needed to unblock billions of dollars of stalled investment into exploration and production, are raising concerns among stakeholders and industry critics. The 223-page PIB includes plans to partly privatise and list the state-owned Nigerian National Petroleum Corporation (NNPC), tax oil companies' profits at up to 50% for deep offshore, and give the oil minister supervisory powers over all institutions in the industry. Industry sources, however, say that the prospects of attracting large investments under the proposed PIB terms are seriously at risk as all new deepwater, most gas and several Joint Venture (JV) oil projects are no longer economic. “The fiscal balance between royalties, taxes and enablers is lost with this bill due to excessively high royalty rates and a higher aggregate tax burden,” said an industry source. “The NNPC JV funding issue is also not resolved, while the stability and sanctity of contracts is significantly challenged,” the source added.

The deepwater fields hold the greatest prospects for attaining Nigeria’s stated goal of growing its daily oil production above 3m barrels per day since oil and gas production from existing fields are declining, meaning new investments are required. Since 1993, of the 33 licenses awarded for deep offshore, only 6 projects have been developed, mostly due to the more onerous fiscal terms. According to industry sources, Nigeria can raise its production by 48% to about 3.8m barrels a day of oil and condensates by 2020, with total new investments of USD 110bn, if the uncertainty of the PIB is removed and the pre-PIB terms are maintained. Without the new investments, production would fall by 41% by 2020 to 1.3m barrels per day, they said.

Oil majors and stakeholders are also worried that the PIB, which plans to replace all existing oil and gas legislation, is extremely complex and lacking in clarity with regard to its expected mode of implementation, leading to enormous investor uncertainty. “There is an apparent disregard for previous investments and existing contracts,” said an industry source that declined to be named. “With proposed new terms, none of the planned new PSC investments is economically viable as deepwater fields require incentives to be viable,” the source said. BusinessDay investigations show that the current JV oil terms are already one of the world’s highest, and sources say the PIB, if implemented as is, will further erode Nigeria’s competitiveness. Nigeria currently has one of the highest government take (as a percentage of net revenue) at 94% pre-PIB, which is expected to move to 96% post-PIB. This compares with Ghana at 52%, Kazakhstan 61%, Russia 65%, UAE 77%, and Angola 83%.

Industry stakeholders also suggest that the Federal Government’s aspiration to energise the gas sector may not materialise with the current PIB terms. “The draft PIB is a bold attempt to kill the development of small to medium sized gas fields,” Austin Avuru, managing director of SEPLAT Petroleum Development Company Limited, said at the Centre of Petroleum Information Round Table held in Lagos, weekend. Nigeria has made some progress in the gas sector in recent times. Gas production has tripled over the last 6 years, while about USD 20bn has been invested in the upstream gas sector since 2007. Two independent gas-fired power plants (Afam and Okpai) have also been built.

Sources say that with the PIB terms left as they are, 73% of new gas production would be uneconomic and up to USD 23bn in new investments would be at risk. The fiscal terms, low prices and lack of infrastructure are the major impediments to new investments, with gas production projected to fall by 56% from current levels to 0.7m barrels of oil equivalent per day by 2020. The prospects for job creation in the oil and gas sector would also be negatively impacted as stakeholders predict employment in the sector will be 40% lower than it would have been with pre-PIB terms, mostly as a result of a 60% drop in investments. In 2012, there were 660,000 people employed in the sector. By 2020, the number is expected to fall to 440,000 if the current terms are maintained, according to sources. *(Business Day)*

The Assets Management Company of Nigeria (AMCON) has projected a robust profile for the nation's deposit banks, after the successful bailout of the distressed financial institutions by the company. Already, the government has initiated a committee that would script a new investment policy in the country, to institutionalise the gains of AMCON's operations. The Director-General of AMCON, Mustapha Chike-Obi, made the disclosures in a chat with The Guardian's Editorial Board, in Lagos, last week. Specifically, Chike-Obi said three banks in the country are expected to make respective profits in excess of NGN 100bn this year, based on the new healthy profile of the financial institutions. Also, "the transaction on Union Bank's shares, which has attracted a lot of speculations, is going to bring USD 500m (NGN 80bn) into Nigeria's economy, at a time a lot of investors abroad are taking money out of their banks."

The AMCON boss told the forum that the era of bank failure is over. "Before this year, the highest profit any bank had made was NGN 48bn. Zenith Bank, Guaranty Trust Bank and another bank will be making over NGN 100bn profit each, in a sustainable manner and they are making extensive provisions because they want to be conservative." He added: "We have fulfilled our mandate to buy non-performing loans from the banks and in area of capitalisation of the affected banks and the financial institutions have now been positioned for sustainable growth. "We have, meanwhile, hired the best people to run the banks. Mainstreet Bank, for example, is now making profit and hopefully, we will sell it at a good price for Nigeria and to people, who will make it a good institution for Nigerians. It must therefore, be clear to Nigerians now that we have no hidden agenda."

He described the rescue mission of AMCON as one of the most strategic and successful in history, "and as you may have seen, Spain has decided to adopt the Nigerian rescue system, even if they don't give us the credit, going by the current strategy evolving over there." According to him, "AMCON's impact on the economy is extremely large. 30 to 40% of all big companies are in AMCON. It is a very big foot-bridge. "In terms of balance sheet, AMCON is very large. Currently, we are close to NGN 8tn. The running of AMCON therefore, needs to be transparent and this we have been striving to achieve." Chike-Obi said the draft of the investment policy would be ready within the next six weeks, which may railroad AMCON's venture into infrastructure projects, among other things.

The investment drafting committee include Mr. Yemi Cardoso as Chairman; Director-General of Debt Management Office, Abraham Nwankwo; Yvonne Ike; Yakubu Yuguda; among others, with the Central Bank of Nigeria's counsel as secretary. "It is a well-rounded body and we will have an investment policy soon through which we will address some critical national issues needing attention. It is very important that we do not just buy treasury bills and bonds, but we need to do things that are really important, like infrastructure fixing," he added. Chike-Obi pointed out that AMCON has a limited life span and the operations have been structured to reflect its expected diminishing profile. *(Guardian)*

Nigeria faces further decline in the oil revenues, as the sluggish global economy persists, analysts at Standard Chartered Bank have said. In a report entitled: Nigeria: Reconstructing GDP, Ms Razia Khan, Head, Africa Research at Standard Chartered, said the Gross Domestic Product (GDP) appears to be slowing from its heady pace ahead of a pronounced decline in prices of oil. She noted that the average daily oil production fell to only 2.35m per day, down from 2.51m recorded a year earlier. The expert said should the oil production levels go close to 2m barrel per day, the country's oil break even price needs to rise as high as USD 88 per barrel before meaningful growth can be achieved. She said the country's oil sector contracted an estimated 2.32% year-on-year in first quarter, attributing the problem to the prevalent cases of oil bunkering or trade in stolen in oil. Ms Khan said the loss of revenue is beginning to have a meaningful fiscal impact on the economy because the country has overshot its budget for this year assumption of 2.45ms per barrel.

This, she said, made the government to withdraw an estimated NGN 839n (USD 5.24n) from the Excess Crude Account (ECA) between January and May, this year to boost monthly statutory oil earnings. According to the report, the withdrawal from the ECA is not negotiable, despite the fact that the country's crude oil export (Bonny Light) remains well above the USD 72 per barrel benchmark stated in the Budget. On non-oil export, she noted that agriculture, which accounted for 40% of the country's GDP grew at its weakest rate in seven years in first quarter, increasing by only 4.15% yearly. She listed other sectors showing a clearer slowdown to include wholesale and retail, noting that growth in the two areas has fallen to 8.35% and 11.3% on annualised basis. It said the country's worsening security situation, the impact of the New Year fuel subsidy adjustment, and possible disruption to the supply of goods and services may have accounted for the problems. "Indeed, Nigeria's Fast Moving Consumer Goods (FMGG) sector was the first to record meaningful lower growth in turnover. The sectors that have contributed the most to the economy's relative slowdown, such as agriculture have traditionally accounted for less than 2% of total bank lending," she added. Ms Khan said the country must reduce recurrent spending where necessary, recalibrate its expenditure, continues its oil subsidy programme among others to foster growth. *(Nation)*

Top African oil producer Nigeria's exports are set to fall to an 11-month low of 1.81m barrels per day (bpd) in September, a provisional loading programme showed on 24 July 2012. The west African country will ship a total of around 55m barrels of oil in September compared to around 68m in August, it showed.(*Reuters)*

Private Sector operators in the country have cried out that the high returns offered by government bonds and treasury bills pose enormous threat to their businesses. Director General of the Lagos Chamber of Commerce and Industry (LCCI), Muda Yusuf, told THISDAY that funds that should be available for the financing of enterprise and business in the country have been tied up in government bonds and treasury bills, which fund managers, prefer to hold because of their security. "Which bank would subject its funds to the vagaries of the manufacturing and production in Nigeria when the safe haven of treasury bills and government bonds will easily give them up to 17 per cent returns?" the LCCI chieftain asked.

"Unfortunately, no economy grows simply because the public sector has mopped up all the credit available in the system to finance the bogus cost governance," he stressed. Stressing that one of the biggest challenges which operators of the real economy faced was lack of access to finance at reasonable and affordable rates, Yusuf called on government to seek ways to free up the funds in the use of the productive sector in order to spur the much-needed economic growth in the country. According to him, the credit situation in the country is made by far more difficult by the fact that government treasury bills and bonds have returns of between 13 to17 per cent.

“The consequence is that available funds have been mopped up by government. It is clearly more attractive now to invest in government securities than invest in ventures that would create jobs. Even banks now would rather buy treasury bills and government bonds than give loans to investors. “This credit and interest rate structure would continue to create distortions in the economy, which will only perpetuate the phenomenon of jobless growth and further depress the stock market,” the LCCI boss stressed. He also lamented the many challenges which have made doing business in Nigeria not only difficult for already existing businesses but also deterred new entrants from considering Nigeria as a choice of investment destination *(This Day)*

The Federal Government has given approval for the collection of a USD 5bn worth administrative fine imposed on the Shell Nigeria Exploration and Production Company, SNEPCo, for the December 20, 2011, oil spill from its deepwater facility, Bonga, despite threats by the company to resist it. *(Vanguard)*

The Federal Government is set to build a coal power plant worth USD 4bn in Benue State, the Chairman of Pacific Energy, Mr Adedeji Adeleke, has said. He made this known during the official commission ceremony of the Electric Training Centre in Olorunsogo Power Plant, built by SEPCO lII and Pacific Electric Power, in Ogun State, which was contracted to SEPCO in 2007. The chairman said that the coal power plant when completed is capable of generating 120 megawatts, adding that the ground breaking of the power plant is scheduled to hold soon. It is believed that when the country’s power sector is fully privatised by the end of 2012, it will create more opportunities for growth and socio-economic development.

He noted that when the privatisation process is completed, the country will hit 20,000MW as promised by the Federal government. Not only does Nigeria have huge coal deposits in Enugu, Kogi, Gombe and Benue states, it also has the world’s cleanest type of coal. Mr James Olotu, the Managing Director of Niger Delta Power Holding Company, NDPHC, owners of Nigerian Independent Power Projects, NIPP, said that the new Electric Power Training Centre, will go a long way in educating Nigerians in various aspects of electricity technology. He said that SEPCO has been a power booster company to Nigeria’s electricity generation that has created jobs opportunity for Nigerians. At the inception of the current administration, Olotu said government began to seek avenues to enhance power infrastructure capacity in the country, through bilateral investment between Nigeria and China.

“As at today, four turbines have been commissioned with the capacity to deliver 500MW into the national grid subject to availability of gas. Human capacity development and transfer of technologies are key to efficient, effective sustainable development of industry and commence and it is important to our future growth,” he said. Olotu, gave the assurance that the training centre will boost the cordial relationship existing between Nigeria and the Republic of China. *(Vanguard)*

The Central Bank of Nigeria (CBN) left its benchmark interest rate on hold at 12% on Tuesday as expected but took measures to tighten liquidity to

support the weakening local naira currency. Nigeria's monetary policy committee (MPC) chose to raise banks' cash reserve requirement to 12% from 8% and reduce net open foreign exchange positions to one percent from three percent to support the naira. Eleven analysts polled by Reuters last week had expect the central bank's MPC to keep its benchmark rate unchanged for a fifth meeting running. The naira has been hit by a fall in the price of oil, Nigeria's main export, and global risk aversion and has weakened by almost 3% against the dollar since April. The naira closed at 160.7 against the U.S. dollar on Tuesday, outside the central bank's 150-160 target trading band. Currency weakness is aggravating inflation as Nigeria imports 80% of what it consumes.

Consumer inflation rose to 12.9% year-on-year in June, up from 12.7% in May. The central bank expects it to peak around 14% later this year. Central Bank Governor Lamido Sanusi said on Tuesday there were serious risks to growth in Africa's second largest economy due to weaker global economic growth, lower oil output, a worsening security environment and high government spending. Sanusi also said Nigeria was unprepared for a potential oil price slump because government was spending the country's savings, which are stored in the excess crude account. Nigeria's economy grew 6.17% in the first quarter this year, down from 7.68% in the fourth quarter last year. The economy is projected to grow at 6.5% this year, down from 7.4% in 2011. The central bank has kept rates on hold since November, after six successive hikes last year, including a 275 basis point rise in October to 12%, to ward off speculation on the naira. The naira fell 4.5% against the dollar last year. *(Business Day)*

Coordinating Minister of the Economy and Minister of Finance, Dr. Ngozi Okojo-Iweala, yesterday, disclosed that the Federal Government had resolved to rebuild Nigeria's depleting Excess Crude Account, ECA, which recently went down to USD 3.6bn to USD 10bn by the end of this year. She also disclosed that Nigerian economy remained vulnerable, and buffers needed to be built up, saying: "Foreign reserves have risen slightly from USD 32.9bn at the end of 2011 to USD 37.7bn (June 2012) but have declined recently on the back of global developments. She said the reserve stands at USD 36.37bn, but government's target is to keep the reserves at USD 50bn by the end of the year." From right: Alhaji Aliko Dangote, President, Dangote Group; Mr. Kennedy Uzoka, Deputy Managing Director, UBA; Mrs Ngozi Okonjo-Iweala, Minister of Finance and Mr Folusho Phillips, Chairman, Nigerian Economic Summit Group, NESG, during the NESG CEO's forum with the Minister of Finance, in Lagos, yesterday. Photo: Lamidi Bamidele. Okonjo-Iweala revealed that government was determined to recover subsidy money oil as the Federal Government would punish those who fraudulently defrauded the economy after its investigation is completed.

The Federal Government has discovered NGN 422bn as fraudulent payment to oil marketers from the N1.7 trillion total subsidy paid on fuel imports in 2011. Speaking on the state of Nigeria's economy in Lagos, yesterday, at a dialogue with the Nigerian Economic Summit Group, NESG and Organised Private Sector, OPS, she said government would recover the money because it was a major leakage. Okonjo-Iweala said the 5% of the country Growth Domestic Product, GDP, being spent on fuel subsidy was not sustainable and the government was trying to reduce the amount. While briefing the OPS, on the state of the economy, the minister said a committee on forbearance package for stockbrokers had been set up to advise government on various options of intervention to safeguard the capital market.

In her words: “ I am very passionate about the capital market. It is unfortunate that the capital market is yet to rebound, but the Federal Government has limited resources to pump into the market. “Every sector of the economy is clamouring for one form of intervention or the other. So, government is mindful of all these, and will in the short run intervene in sectors that are in grave need. “Government is working on reviving the market through forbearance package to market operators; review of taxes, stamp duties, and other charges. It is also concerned with increasing number of listed companies and increasing pension fund investment. “A committee on the forbearance has been set up and the members include: government agencies, such as Ministry of Finance, DMO, AMCON, SEC, CBN, and the operators in the capital market. The committee was given three weeks deadline to submit its recommendations on the modalities for the forbearance package.”

While commenting on Building Economic Buffers, she said, “Thecountry needs a strong buffer against external shocks and one area of providing this is to grow the Excess Crude Account and the Sovereign Wealth Fund (SWF). USD 1bn has been earmarked for investment in this fund. We need to save and we need buffer to safeguard our economy.” Okonjo-Iweala noted with dismay the myriad of challenges plaguing the country, ranging from global economic slowdown on oil price volatility, security, corruption, etc, saying that such challenges may have adverse impact on Nigeria’s economy if not properly handled.

She announced that the Federal Government has taken some decisive and specific steps to tackle the country’s economic problems. Some of the steps, she revealed, include streamlining of the budget to achieve fiscal consolidation, halting spending on unsustainable manner, lowering of the country’s domestic debt payment from NGN 852bn per annum to NGN 100bn this year and improving on the country’s investment climate.

On the issue of JP Morgan account, she said, “ The NNPC owns the account and it is the CBN that operates the account for on behalf of government. So the issue that people should be interested is whether money accrued to Nigeria is being remitted and not necessarily who operates the account.” The minister also said that the Federal Government has embarked on a programme to diversify the economy and grow the country’s Gross Domestic Product (GDP) while also creating jobs for the teeming youths. She disclosed that the country’s economy grew by 7.63% last year, expressing her happiness that the economy is not contracting going by myriad of problems confronting it. According to her, “We are happy that the economy is growing. But we are not satisfied with the growth. It is not inclusive. It is not creating jobs. We have over 1.8m job entrants every year. The quality of that growth is not what we want. The biggest thing to do now is to diversify the economy massively.”

On the impact of the global economy on Nigeria, Okonjo-Iweala lamented that trade financing has been thrown off balance while remittances from Nigerians in the Diaspora has come down to 10% of GDP from over 12% two years age. According to the minister: “The supply of trade finance is 40% lower than what it was. That means risks are now higher.” She also announced that Foreign Direct Investments (FDIs) has lowered to USD 6.5bn in 2011 from USD 8.5bn in 2010, saying that investors are now seeking for less risky environments since there is now a fierce competition for the available funds. The minister decried the attitude of the banks to lending, especially to the small and medium enterprises and said that a situation where banks lend at over 22% is not healthy for the economy."People should borrow at sustainable rates to grow the economy and open up the system for jobs creation," the minister said. *(Vanguard)*

Nigerian presidential committee said on Tuesday that fuel traders fraudulently collected 382bn naira last year in subsidy payments for fuel that was never delivered. The probe commissioned by President Goodluck Jonathan is the latest in a string of investigations into a petrol import subsidy that is rife with corruption and a massive drain on state finances. "The first (step) is the recovery of the 382bn naira," AIG Imokhuede, the head of the committee told reporters at the presidential villa after submitting the report to Jonathan. "The next is possible criminal investigation and prosecution of the OMT (oil marketing and trading companies) ... also, the external auditors and any government functionaries who served will be further interviewed to determine the roles if any in the issues that were discussed." Imokhuede did not name specific companies but some of the world's largest oil traders import petrol into Africa's most populous nation, along with marketers owned by some of the richest and most powerful Nigerians.

Nigeria is among the top 10 crude oil exporters in the world but due to decades of corruption and mismanagement it has to import most of its refined fuel needs. Nigeria scrapped subsidies on gasoline imports on January 1, potentially saving the country over USD 6bn. But more than a week of strikes and protests erupted across the country against the higher cost of motor fuel, forcing the government to partially reinstate them. Nigerian legislator Farouk Lawan led a parliamentary probe into the subsidy earlier this year, uncovering USD 6.8bn in fraudulent payments over three years. But now his committee's report is being called into question over allegations Lawan demanded, and took part of, a USD 3m bribe from one of Nigeria's richest oil tycoons to remove him from the list of fraudsters. Lawan's lawyer said he took USD 500,000 offered by the tycoon, but only in order to expose him, saying he disclosed it to parliament and left the cash with parliament.

Lawan's report not only highlighted the fuel traders crimes but also pointed the finger at high level politicians, including Oil Minister Diezani Alison-Madueke. Jonathan's probe has focused on oil companies rather than government officials. The Finance Ministry has held off subsidy payments until probes into marketers have been completed, prompting anger from importers and risking fuel shortages. People queued for petrol at inflated prices in Nigeria's oil-producing Niger Delta on Tuesday. Nationwide fuel shortages and a spike in prices risks further public unrest. Fuel union Jetty and Petroleum Tank Farm Owners of Nigeria (JEPTFON) is shutting down fuel distribution facilities this week and another labour group, the Depot and Petroleum Marketers Association (DAPPMA), threatened to join them within 48 hours if government did not pay outstanding subsidies.

The subsidy is stretching Nigeria's finances and draining oil savings. The minister of state for finance said in June Nigeria only had 370bn naira left to pay subsidies, out of the 888bn in the 2012 budget. The central bank has said the subsidy budget will run out well before the end of the year, which means they will need to raid savings to pay for it. Powerful state governors have said they will take the federal government to court for what they call "illegal" over-budget subsidy payments. (Reuters)

THE Federal Government has unfolded plans to import 18 cassava processing plants from China, as part of efforts to add value to the commodity. The Minister of Agriculture and Rural Development, Dr. Akinwunmi Adesina, who disclosed this when the President of China Bank of Development, Mr. Wang Weidong led a delegation to his office in Abuja, said that the government is also in the process of acquiring 100 integrated rice mills from the far East Asian country. Adesina disclosed that the rice and cassava processing mills are worth USD 1.2bn noting that negotiation is on going between Nigeria and China Export-import Bank on the financing deal.

He said that the cassava and rice processing mills would be installed in different parts of the country, as it will contribute to reduce food import dependent profile of the country. “Nigeria spends USD 3bn yearly to import rice and President Goodluck Jonathan wants that to be reduced through local rice production and processing,” he said. The minister noted that due to advancement of rice production in China, Chinese rice farmers produce 12.5metric tons per hectare, as against the 2.5mt per hectare produced in Nigeria. He, however, solicited assistance from the Chinese government in boosting rice production in Nigeria. While urging the China Development Bank to increase its financing from the current USD 300m to USD 3bn, he said the Nigerian government is willing to partner with the development bank.

He said; “We can co-invest in the 100 rice mills, the 18 high quality flour processing mills and in hybrid rice, you can scale up your support for us on rice, I will like to see China co-operating with Nigeria in the areas of Biotechnology, power generation for rice and cassava processing mills and in the area of rural development, so as to erase rural poverty.” The assistance, according to him could be achieved through the International Poverty Reduction Centre in China. Weidong remarked that China and Nigeria are agro-based countries assuring that the Chine government would render the needed assistance. He said some of the other areas Nigeria and China could partner are farmland development and the production of fertiliser and use, just like in the Chinese jute system. Lauding the Agricultural Transformation Agenda of the Federal Government, he said the bank would discuss marketing strategies for Nigeria’s agricultural products in China.*(Guardian)*

Nigeria's state-oil company said it was owed USD 7bn in government fuel import subsidies, debts which would wipe out savings supposed to protect Africa's second biggest economy from oil price dips. Nigeria's Excess Crude Account , where it saves oil revenues over a benchmark price of USD 72 a barrel, held USD 6.9bn on 19 July 2012, not enough to pay NNPC's subsidy claims, let alone a string of other fuel importers' debts. Nigeria's Central Bank Governor Lamido Sanusi said risks to Africa's second biggest economy from high government spending, worsening security problems and lower oil output were "ominous." "As at the end of May 2012 NNPC had unpaid (subsidy) claims of NGN 1.134tn," Fidel Pepple, spokesman for the Nigerian National Petroleum Corp (NNPC), said Two fuel import unions have threatened to strike this week over unpaid subsidies, risking fuel shortages in Africa's most populous nation, an issue which has prompted public protests in the past.

People are already queuing for hours to get petrol at inflated prices in some regions in the oil-producing Niger Delta in the south of the country. Nigeria is among the top 10 crude oil exporters in the world but due to decades of corruption and mismanagement it has to import most of its refined fuel needs. NNPC said it had 46 days of fuel supplies and it would do its best to meet demand despite "limited resources." "Yes we are concerned about the shortages but just to put it on record NNPC has been the only organisation importing products since January when the fuel subsidy issue began," Pepple said. The finance ministry declined to comment on the missed subsidy payments but has previously said it is waiting for the results of probes into fuel importers before resuming payments. Several investigations into the import subsidy were launched after President Goodluck Jonathan attempted to remove the support on January 1, before partially reinstating it after more than a week of protests over increased motor fuel costs. Nigeria's anti-corruption agency will charge 12 fuel traders on Wednesday over allegations they illegally collected a combined 11bn naira in subsidy payments for fuel they never delivered, it said in a statement. The 12 individuals from seven companies charged are all from low-level Nigerian firms, although the Economic and Financial Crimes Commission (EFCC) said more than 100 other marketers were being investigated. The presidential committee said on Tuesday fuel traders collected USD 2.38bn last year in fraudulent subsidy payments. *(Reuters)*

Nigeria is seeking to build a USD 60bn war chest to fight off a possible downturn arising from a gathering global economic storm. Finance minister and co-coordinating minister for the economy, Ngozi Okonjo-Iweala, who announced this in Lagos on Tuesday, acknowledged growing worry over collapsing oil prices, rising inflation and a fall in investment flows into Nigeria. “We acknowledge that there is concern about the direction of the global economy, and we are doing something about this by seeking to build a buffer for the Nigerian economy like we did in the past,” she told her guests in Lagos. The plan is to grow the Excess Crude Account (ECA) from the current USD 4.9bn to USD 10bn and raise the level of the nation’s foreign reserves to USD 50bn within one year. According to the minister, the expected USD 10bn ECA fund should cover the nation’s imports over a three-month period.

The game-plan is to scare away or discourage international currency speculators from having a go at the naira in time of an economic storm. “If they (speculators) see that our buffer is thin, they may be tempted to attack our currency and that will be very harmful to our economy,” the minister said. The minister revealed that her focus remains to cut Nigeria’s dependence on oil, contain fiscal deficit and ensure continuing stability of the local currency. She also listed other areas of attention to include port reforms, power privatisation and the need to provide more guarantees to prospective private producers of power. Okonjo-Iweala confirmed the plan of the Federal Government to establish a sinking fund to retire some of the maturing FG bonds, cut the level of government borrowing and open up the credit space for the private sector to thrive. She admitted that at 25%, lending rates remain one of the greatest stumbling blocks to economic growth in Nigeria, but she was also quick to add that the efforts being made by the government were being appreciated abroad and pointed to ratings upgrade as proof of this.

Oil exports account for over 95% of Nigeria’s foreign exchange revenues and about 85% of government revenues, though they make up only 15% of Gross Domestic Product (GDP), meaning the economy is vulnerable to external shocks. The naira has been hit by a fall in the price of oil, Nigeria’s main export (which is down nearly 27% since mid-March), and global risk aversion and has weakened by almost 3% against the dollar since April. Nigeria’s benchmark bonny light crude traded at USD 105.4 per barrel at 11.36 Eastern Time yesterday. It had traded as high as USD 128 per barrel in March. The ECA, which held USD 20bn prior to the 2007 global economic crisis, helping to cushion Nigeria against slowing growth, has been mostly depleted despite record high oil prices in recent years. The government spent NGN 1.44tn (USD 8.8bn) in the first half of 2012, of which NGN 1.036tn was on recurrent expenditure, the largest component of which was on fuel subsidies. Nigeria's economy grew 6.17% in the first quarter of this year, down from 7.68% in the fourth quarter last year. The economy is projected by the International Monetary Fund (IMF) to grow at 6.5% on average this year, down from 7.4% in 2011. *(Business Day)*

Italian oil services company Saipem said on 26 July 2012 it had won an onshore contract in Nigeria worth more than USD 800m. In a statement, the company said the contract is part of the SSAGS gas project which envisages facilities located 65 km south-east of Warri, in the Delta State. The project is expected to be completed in 32 months. *(Reuters)*

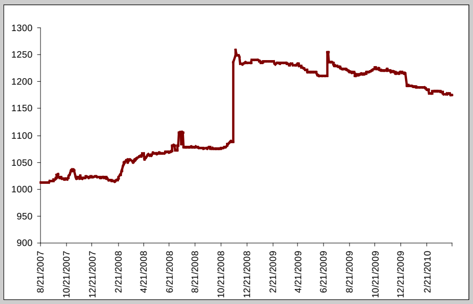
Royal Dutch Shell Plc, operator of Shell Petroleum Development Company (SPDC) of Nigeria, Thursday said it would invest about USD 4bn with its joint venture partners in two oil and gas projects in the country. This is coming as the Federal Government said it would conclude the renewal of expired oil leases for Shell, Chevron and Total by next month. SPDC operates as a joint venture of Royal Dutch Shell, Eni, Total and the Nigerian National Petroleum Corporation. Chief Financial Officer of Royal Dutch Shell Plc, Mr. Simon Henry, told reporters in London that the partners would develop the Forcados-Yokri project and the Southern Swamp associated gas gathering project. Forcados-Yokri and Southern Swamp associated gas gathering projects will pump 100,000 barrels and 85,000 barrels of oil equivalent per day at peak, respectively.

Southern Swamp will "collect gas, reduce flaring, while there is associated oil production and it will produce gas for domestic use for power," said Henry, adding that both projects "are very strategic" for Nigeria. Henry said the company had already found investors for four licences in its effort to reduce its geographical spread across the country. The Forcados-Yokri fields are located in shallow waters in the western Niger Delta. Shell had stated recently that it planned to invest about USD 3.5bn in a natural-gas project in Imo State in the South-east. The company is also working on 17 gas projects worth USD 6billion in the country. Shell is still looking for buyers for its two oil and gas exploration licences in the African nation. In a related development, the Federal Government will in the next three weeks conclude the renewal of oil leases for Shell, Chevron and Total.

Briefing the chairman and members of the House of Representatives Committee on Petroleum (Upstream) yesterday in Lagos, the Director of the Department of Petroleum Resources (DPR), Mr. Osten Olorunsola, stated that the agency was working on the renewal of shallow water leases. "If you recall, ExxonMobil was signed off in March. We are still working on Shell, Chevron and Total, which should be over, hopefully, in the next three weeks," he said. The DPR boss disclosed that out of the 388 acreages in the country, 173 had been allocated to 85 companies that are involved in the upstream business, while 215 were yet to be allocated to investors. He noted that 70% of the 315 oil fields in these 173 acreages are producing oil and gas, while about 30% of the fields are still going through exploration and appraisal stages. *(This Day)*

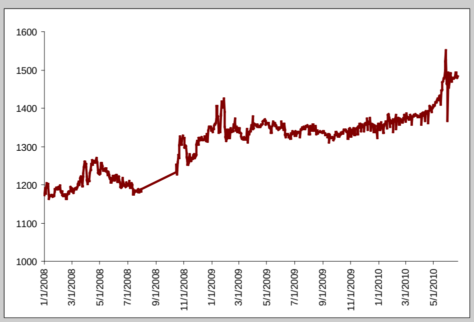
Tanzania

Dar-es Salaam Stock Exchange



Source: Reuters

TZS/USD



Source:SAR

Economic indicators

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

Source: World Development Indicator

CPI Inflation

Stock Exchange News

The DSEI remained unchanged at 1,441.12 points. SWISS, led the gainers after gaining +1.72% to close at TZS 1180, followed by TBL which added 0.80%, to close at TZS 2520. While CRBD was the only shaker after shedding -2.08% to TZS 117.50.

Corporate News

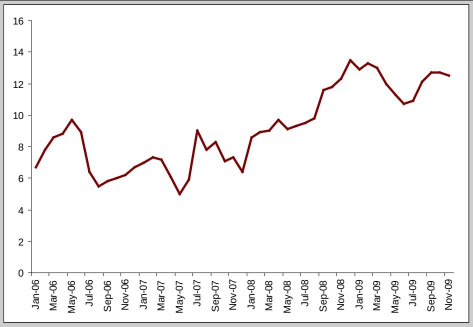
The Tanzania Telecommunication Company Limited (TTCL) plans to enter into business cooperation with the Japanese company NEC Corporation aimed to provide communication to 'last mile connectivity'. Communications, Science and Technology minister Prof Makame Mbarawa told the House on Wednesday when tabling his budget estimates amounting to 70.108bn/- for the financial year 2012/2013. Prof Mbarawa said that the stage reached was the result of the investment conference for Southern Africa Development Community members held in Japan where his ministry attended and presented highlights on areas for communication investment.

He said that in ensuring that TTCL does not often fall into payment problems when providing services to government institutions the firm has established a system of collecting debts as per services provided. Prof Mbarawa said currently the company was collecting telephone bills at 96% and the aim was to reach 100%. He said TTCL through the national optic fibre has managed to extend its internet network by connecting giant customers such as National Microfinance Bank, Bank of Tanzania, Prevention and Combating of Corruption Bureau and Ministry of Finance, among others. However, the Parliamentary Infrastructure Committee advised the company's management to be careful when entering into contracts with other firms, so that they could be beneficial to the company as well as the nation. *(IPP Media)*

Economic News

The European Union and Tanzania yesterday signed a set of grant agreements totaling EUR 126m. EU has been supporting Tanzania since 1975 in which a total of EUR 1.8bn was granted. The agreements were signed at the State House in Dar es Salaam by the EU's Commissioner for Development, Mr Andris Piebalgs and the Minister for Finance, Dr William Mgimwa. The signing ceremony was witnessed by President Jakaya Kikwete and the President of the European Commission, Mr Jose Manuel Barroso. The EU president, who is on a three-day visit to Tanzania, will also inspect various development projects financed by EU.

They include the CCBRT hospital in the city and other projects in Mbeya. Mr



Source: SAR

Barroso and his delegation are expected to travel to Mbeya tomorrow for similar exercise. Mr Barroso also expressed sorrow, on behalf of the EU, on the boat disaster that occurred on Wednesday in Zanzibar waters, claiming more than 68 lives. He described it a tragic event. The six agreements will help rehabilitate more than 200 kilometres of roads and provide drinking water for 500,000 people, improve sanitation infrastructure and services for some 140,000 inhabitants; strengthen democratisation and good governance. The EU has also confirmed to support the country's Northern Corridor Agriculture Development in efforts to support food security in the country. The first financing agreement totaling EUR 45m will go to the improvement of road transport network in the country. The second financing under MDG Initiative, worth EUR 51.51m, is for water programmes in Lindi, Sumbawanga and Kigoma towns. The third financing agreement, amounting to EUR 22m will support the improvement of rural roads. The objective is to support the decentralization strategy in improving connectivity and accessibility to markets and service facilities.

The fourth financing agreement amounting to EUR 3m will be for programmes to support Non-State Actors in Zanzibar with objective to strengthen democratization, good governance and support civil society initiatives on accountability, participatory development and policy advocacy. The fifth agreement worth EUR 2.5m is for programme to support National Authorising Office for managing EU portfolio in the country. While the last financing agreement of EUR 2.5m is for technical cooperation facility aimed at providing flexible instrument for capacity development and policy and expert advice. Speaking after the signing of the protocols, President Jakaya Kikwete praised the EU for its continued support to Tanzania. "We are committed to increase cooperation and dialogue between our two sides," he said. He explained that the visit by the EU president was meant to reinforce the political dialogue and to strengthen economic cooperation between Tanzania and the European Union. President Kikwete said that the signature of the East African Community (EAC), the Economic Partnership Agreement with EU is also high on the agenda of discussions as Tanzania's commitment will be instrumental to reaching agreement soon. He expressed his appreciation to the historical, socio-political and economic cooperation between EU and Tanzania.

"The EU is one of our key development partners both in terms of magnitude of financial support and commitment to our development initiatives," said President Kikwete. He showered praise on EU's decision to consider using the country's national development strategies and plans to develop future financing programmes rather than developing a separate strategy as it has been the case in the past. He added that: "This is a commendable decision and would like to thank you for recognising that our development strategy documents are sound and could be relied upon." According to him, the country's biggest challenge was in addressing the supply side constraints which are inhibiting achievements of significant poverty reduction especially in rural areas where majority of population live.

He also requested during the programming of the 11th Economic Development Fund, that the European Commission consider road transport subsector, rural infrastructure and General Budget Support (GBS) as focal sectors in order to assist the government to address the challenges. President Barroso praised the country's leadership saying Tanzania has become one of EU's main partners in Africa. "Tanzania is playing an increasingly important role in the stability, inclusive and sustainable economic growth of the whole region. "President Kikwete also is most respected in the world, he brings to the international community new impetus of leadership from Africa." According to him, EU wants to deepen regular political dialogue with Tanzania and further increase our cooperation in areas like energy, anti-piracy, counter terrorism or migration-issues which are of great concern both for Africa and the EU. "I am also pleased to further increase our development cooperation by launching new programmes that will encourage inclusive and sustainable growth and help us to make even more of a difference in the fight against poverty," he remarked *(Daily News)*

Tanzania expects its 2012/13 (June/April) coffee output to rise 72% to 55,000 tonnes, helped by good rainfall, regulator Tanzania Coffee Board (TCB) said on 23 July 2012. Tanzania produced a little over 32,000 tonnes of coffee in the 2011/12 season, lower than a previous forecast of 45,000 tonnes due to drought. The board expects favourable weather in coffee-producing regions to boost output as the first coffee auction of the season kicked off last week. "We expect to harvest around 55,000 metric tonnes of coffee in the 2012/13 season because of better rainfall patterns compared to the previous season," TCB chief auctioneer and liquorer Desideri Mboya told Reuters by telephone from the northern Tanzanian town of Moshi where the auctions are being held.

"Farmers will enjoy better prices this season because of an expected increase in both the output and quality of the crop. We've started the new season on a high note, with local prices being even higher than those at the terminal market." The country's coffee usually follows a naturally alternating crop cycle in which a low output year is normally followed by a high output year and vice versa. Africa's fourth-largest coffee grower mainly produces arabica coffee and grows some robusta coffee. Beans thrive in the north, south and west of the country in areas around Mount Kilimanjaro and Lake Victoria. At the first auction of the season, TCB said 14,264 60kg bags were offered at the latest sale and 14,117 bags were sold. East African coffee is normally packed in 60kg bags, but prices are quoted for quantities of 50kg. "There was high demand for coffee on the first auction day of the season, with almost all the coffee on offer sold.

We expect prices to rise in the coming auctions as high quality coffee beans come into the market," said Mboya. "Robusta prices opened at the same levels as the previous auction last season, but mild arabica prices fell due to declining prices of the beans at the world market." All the robusta coffee offered at the auction was bought. "Average prices were above the terminal market by USD 2.52 per 50kg and USD 13.26 per 50kg for mild arabica and robusta respectively," TCB said in its auction report. Benchmark grade AA sold at USD 203.00-USD 211.00 per bag, from USD 152.00-USD 242.40 per bag at the last sale in March. The average price was USD 208.80 per bag, compared with USD 213.07 per bag previously. Grade A fetched USD 160.60-USD 209.00 per bag, from USD 151.00-USD 200.00 per bag at the last auction. Its average was USD 187.76, from USD 164.21 previously. The auction was held on Thursday and TCB issued the results on Friday. The next auction will be held on July 26. *(Reuters)*

The Egyptian private sector has shown more interest to invest and trade with its Tanzanian counterpart as trade between the two countries last

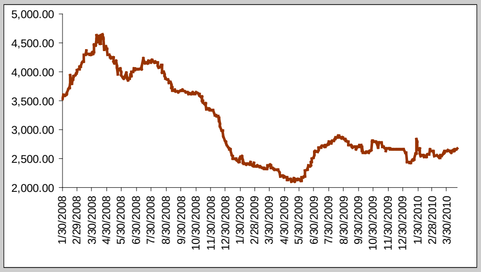
year stood at USD50m, Egypt's Ambassador to Tanzania, Hossam Moharam, said in Dar es Salaam. The ambassador made the remarks at the occasion to mark Egypt's 60th Revolution anniversary, a milestone that has changed Egypt from a monarchy to a republic on July 23, 1952. He said Egyptian has grown to become a strong and dynamic economy, producing world class quality goods and services, making its businesses to look for investment areas in other parts of the world. "Although the Egyptian private sector has shown an intense interest to invest and trade with Tanzania, there are also efforts to develop direct links between the NGOs in both countries," Moharam said. "As Egyptians we will continue to work closely together to strengthen both business and economic links as well as consolidate the bond of friendship for the mutual benefit of the two countries," he noted.

Elaborating on bilateral relations between two countries, he said: "as for Egypt and Tanzania, our bilateral relations witnessed an unprecedented development following the visit of our foreign affairs minister in January of this year.' During his visit, he launched a cooperation programme named "the Egyptian Initiative for Development in Nile Basin countries," he said. "Several programmes of cooperation reflecting the principles of African solidarity stemming from the programme, are being executed now in different fields including digging water boreholes, solar energy, agriculture, medical assistance, training and several others that keep me happily busy even during the weekend," he added. Meanwhile, Rajabu Gamaha, Deputy Permanent Secretary, in the Ministry of Foreign Affairs and International Cooperation has urged Tanzanian businessmen to explore business opportunities existing in Egypt so as to strength the long time relationship and cooperation that exists between the two countries and peoples. *(IPP Media)*

Tanzania's current account deficit is projected to increase to around 15% of national output in the 2011/2012 (July-June) fiscal year due to a surge in oil and gas imports, the government said in a letter to the IMF. The 2010/2011 current account deficit was around 9.5% of GDP, according to the letter dated 21 June. The document was made public by the IMF late on 25 July 2012. The letter also said the East African country's external shortfall would come back down to around 14.5% of GDP in the 2012/13 fiscal year, banking on new hydro-electric power generation to slash fuel imports. *(Reuters)*

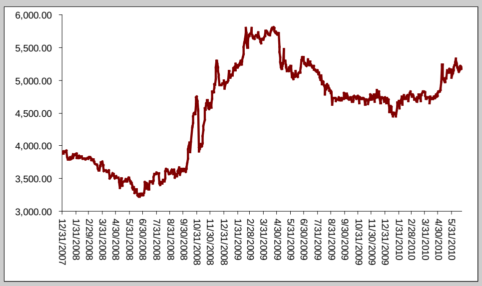
Zambia

Zambia Stock Exchange



Source: Reuters

ZMK/USD



Source:SAR

Economic indicators

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

Source: World Development Indicators

Stock Exchange News

The LuSE index fall by +1.1% to close at 3,828.85 points. Stanchart, Sugar led the gainers after adding +0.95% to ZMK 290 followed by AELZ which rose +0.18% to ZMK 3,411 and Lafarge (+0.03%). CECZ was the biggest loser after shedding -2.19% to ZMK 670 followed by BATZ, down -1.13% to ZMK 1,582 and Investrust (-0.59%).

Corporate News

No Corporate News this week

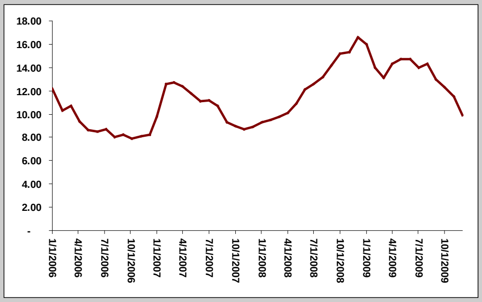
Economic News

GOVERNMENT says it is likely to meet a target of USD 1bn worth of foreign direct investment (FDI) from India this year. Ministry of Commerce Trade and Industry permanent secretary Stephen Mwansa says Government is committed to promoting trade and investments between the two countries as evidenced by various meetings held with various Indian businessmen. Mr Mwansa says Government will ensure that it benefits from the line of credit estimated at USD 5.4bn from India to Africa. Mr Mwansa was speaking at First National Bank (FNB) Zambia and the Indian Business Council of Zambia (IBCZ) networking dinner at Taj Pamodzi Hotel on Friday night. He, however, said that the bilateral trade between Zambia and India has not performed to Government's expectations, adding that trade decreased from USD 239m in 2008 to USD 163m in 2010.

Mr Mwansa urged the business community to take advantage of trade preferences and escalate the levels of trade between the two nations. On the investment frontier, Mr Mwansa said India has been the largest source of FDI with Konkola Copper Mine investing USD 1.5bn in the copper mine, associated concentrate and smelters. He said Tata Group has invested USD 200m in Kabwe tannery, USD 8m in the renovation of Taj Pamodzi Hotel while Varun Beverages, Indo Zambia, Nava Bharat, Bharti Airtel and Zesco and Tata Africa joint Venture partnership have all invested colossal amounts of money in the country.

Meanwhile Indian High Commissioner to Zambia Ashok Kumar said India has invested so much in Zambia to promote development and job creation. Mr Kumar said investing in key sectors such as mining is key to promoting trade and investment in the country. "We have invested in mines like KCM, Maamba Collieries and so on, we want to help in developing Zambia by putting in more investments, not just in the mining sector but in other sectors as well," he said. And FNB chief executive officer Sarel Van Zyl said FNB plans to extend its presence in Africa and India through innovative technology- driven banking

CPI Inflation



Source: SAR

solutions designed to deliver convenient and accessible banking solutions to individuals, entrepreneurs and commercial enterprises. FNB in collaboration with IBCZ organised a networking event on July 19, 2012 to enable visiting business delegates from Chemicals and Allied Products Export Promotion of India (CAPEXIL). The delegates are currently attending a multi-product buyer-seller meet-cum- exhibition in Lusaka, to fraternise with prominent Zambian business establishments. *(Daily Mail)*

The assets for the banking industry in Zambia have gone up by 8% in the last five months to May 31, the Bank of Zambia (BoZ) has disclosed. BoZ governor Michael Gondwe said the banking industry's total assets grew by 20% to ZMK 27,765bn as at December 31, 2012 and has posted a further growth of 8% in the last five-month period ended May 31. Dr Gondwe said the financial sector's capital adequacy and liquidity positions have remained satisfactory, while earnings and asset quality have improved. He noted that the strong economic performance registered had been supported by a satisfactory overall financial performance and conditions of the financial sector. In a speech read for him by acting BoZ director- non bank financial institutions supervision department Gladys Mposha during the opening of the Zanaco Acacia corporate branch in Lusaka, Dr Gondwe said as the economy continues to grow and per capita income increases the demand for financial services from both the corporate sector and the general public would grow rapidly.

He said Zanaco's wide branch network would reposition the bank, and strengthen its capacity to respond to the growing demand for financial services. Dr Gondwe said the Government introduced a number of measures which included the central bank's review of the capital adequacy framework which resulted in the increase of the minimum capital requirement for commercial banks. The move is aimed at strengthening the size of the capital buffer and of the loss-bearing equity of commercial banks to build resilience and stability within the financial system in accordance with international provisions. "This move has generated considerable debate nationally. "But suffice to say that one of the key lessons from the global banking crisis of 2007 to 2008 was that the minimum capital requirements for banks must be raised," Dr Gondwe said.

He said financial inclusion remains a key strategy for the Government because of its potential to contribute to the alleviation of poverty and social-economic development for the poor and excluded rural and peri-urban population. "Financial inclusion is, therefore, about financial markets that serve more people with more products at lower cost," he said. Dr Gondwe said recent surveys indicate that Zambia still ranks among the least financially inclusive countries in the Southern Africa Development Community region. *(Times of Zambia)*

AFRICAN Development Bank (AfDB) has projected Zambia's economy to grow by 6.9% in 2012 picking up to 7.3percent in 2013. This will be due to sustained expansion in agriculture, construction, manufacturing, transport and communications sectors. The inflation rate is expected to remain single digits at 8% in 2012 and 8.5% in 2013. This information is contained in a statement availed to the Daily Mail recently by AfDB , that however, the country remains vulnerable to external shocks with a sluggish global economic recovery concern for its key mining export. "The outlook for the Zambian economy remains favourable in the medium term, underpinned by robust growth and single-digit inflation. “The economy is projected to grow 6.9% in 2012, picking up to 7.3% in 2013, while inflation should remain in single digits, at 8.0% and 8.5% respectively,” reads the statement.

Zambia’s growth slowed to 6.6percent in 2011 from 7.6percent in 2010, mainly because of a weaker mining sector performance. The main contributors to growth were agriculture, manufacturing, transport and communications, wholesale and trade, and construction, which collectively accounted for more than 70% of gross domestic product. AfDB indicates that inflation is projected to remain in single digits, reflecting prudent monetary policy, while the objective of exchange rate policy is to maintain external competitiveness. It says the increasing domestic revenue collection remains a priority for the medium term and large infrastructure developments will require additional resources. It says infrastructure investment is expected to boost growth by up to 2 percentage points per annum.

The country is still vulnerability to external shocks and a sluggish global economic recovery, which could reduce demand for exports. The bank notes that maintaining investor confidence is a key to issue after the government reversed the privatisation of Zambia’s telecoms company. It says the high youth unemployment and slow progress in poverty reduction may also overshadow the gains made from strong growth and limited inflation. It however, says that the medium-term economic outlook appears favourable, underpinned by sustained expansion in agriculture, construction, manufacturing, transport and communications and by a rebound in mining. *(Daily Mail)*

The kwacha is expected to be unchanged this week and trade in the range of ZMK 4,800 to ZMK 4,900 amid the volatility that has characterised the markets this month. According to Barclays Bank Zambia daily brief, the kwacha on Tuesday hovered within the range of ZMK 4,830 and ZMK 4,870 on the bid and the wholesale market. The bank says the kwacha is likely to remain unchanged into the end of the week. “We anticipate that the kwacha will trade within the band of ZMK 4,800 to ZMK 4,900 into the end of the week amid the volatility that has characterised the markets this month,” reads the statement. It says the trading session opened with the kwacha trading at ZMK 4,830 and ZMK 4,850 per dollar.

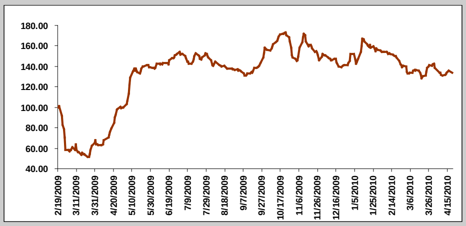
The bank says the foreign currency demand flows drove the kwacha to its weakest levels of the day at ZMK 4,870 and ZMK 4,890, before settling at a close of ZMK 4,860 and ZMK 4,880 per dollar. On the international front, the rand firmed against the dollar on Tuesday, tracking global markets that were cheered by signs of improvement in Chinese manufacturing data, while government bonds improved from weaker levels from the previous session. And Standard Chartered Bank Zambia daily newsletter says the local unit was expected to trade between ZMK 4,765 and ZMK 4,785. “We saw moderate flows from the corporate front. Unless we see significant inflows or demand, the Kwacha is likely to hold these current levels,” reads the statement. *(Daily Mail)*

Zambia's inflation slowed to 6.2% year-on-year in July from 6.7% in June, the Central Statistics Office said on Thursday. "The decrease is attributed to lower price levels recorded in July 2012 for some food and

non-food items," it said in a statement. Africa's biggest copper producer also recorded a trade surplus valued at ZMK 114bn in June from a surplus of 278 billion in May 2012, the CSO added. *(Reuters)*

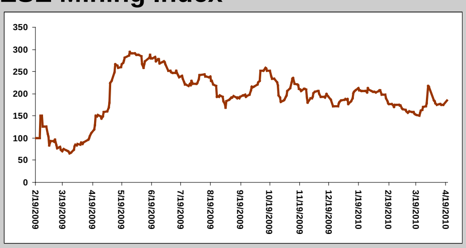
Zimbabwe

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 industrial index rose by 1.14% in the week closing at 133.53, while the Mining Index was up +5.27% to 111.18 points. Star Africa and Apex led the movers after gaining +64.84% and 25.00% to close the week at USD 0.015 and USD 0.0005 respectively. Other gains were recorded in Rio Zim up +21.28% to USD 0.57 and Meikles which put on +14.00% to USD 0.171. TN Bank and Art led the losers after shedding -33.31% and -16.67% to USD 0.20 and USD 0.005 respectively. Other notable losses were recorded in Lifestyle (-11.11%) and Cairns (-5.88%)

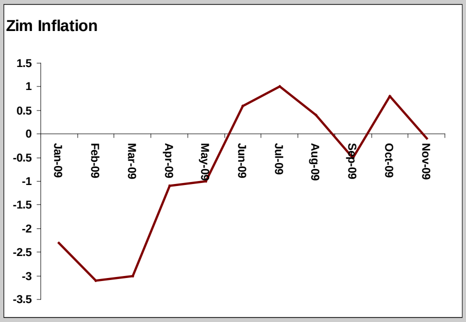
Corporate News

Econet Wireless says the Universal Services Fund is no longer necessary as telecommunications companies are expanding their networks to cover the whole country. Telecommunications companies in the country are obliged to contribute 2% of their gross monthly earnings to the Postal and Telecommunications Regulatory of Zimbabwe-managed USF. The fund was established to finance telecommunications projects in outlying areas, which the telecommunications companies were under-servicing. Econet, which is bitter over its contributions to the fund which were lost during the hyperinflation period, argues that the fund was no longer relevant as companies were investing in infrastructure to spread services to all areas.

Econet chief executive officer Mr Douglas Mboweni told the Parliamentary Portfolio Committee of Media, Information and Communication recently that operators should retain the funds for deployment into equipment and infrastructure. "As an operator we are building infrastructure in the rural areas anyway, so we are basically of the view that the USF is probably no longer as relevant as it was in the past because we are already doing the work that it was supposed to do anyway," he said. Mr Mboweni accused Potraz of sitting on contributions that were made to the fund between 1998 and 2008 while inflation was galloping before the adoption of multiple foreign currencies. "We are quite emotional when it gets to the money we paid during the period from 1998 to 2008. "We kept paying money into the USF only to be told after dollarisation that it was all gone. Not a single site was built using that money," he said.

He added that it was wise for the funds to be kept by the operators who would then quickly deploy the monies towards useful project unlike what Potraz did before the adoption of multi-currencies. Meanwhile, Econet has contributed over USD 30m to the fund since the introduction of multiple currencies in 2009. Mr Mboweni alleged that Government-owned telecommunications entities were not contributing to the fund. TelOne and NetOne are struggling due to failure by the Government to inject capital into the companies. Mr Mboweni said the playing

CPI Inflation



Source: SAR

field should be levelled to ensure that the rule is applied to all the companies. Potraz has announced that it intends to construct eight base stations using the money from the fund in areas where there is limited access to connectivity, especially in game parks *(Herald)*

A foreign investor last Friday bought a block of 27,9m Tobacco Sales Limited shares valued at USD 2,4m on the Zimbabwe Stock Exchange. Lynton-Edwards Stockbrokers executed the deal at USD 9 in normal trades. The transaction involved foreign investors on both sides. Turnover for the day increased 64% to USD 4,1m compared with USD 2,5m recorded in the previous day. Volumes rose to 38,4m shares from 8m shares recorded last Thursday. Foreign participation remained buoyant as foreign trades accounted for 94% of the purchases and 88% of the sales. "There were foreign buyers trying to sell and it could be that they have secured a buyer," said a ZSE dealer. TSL has a total of 345,9m shares in issue. Closefin Investments, with 28,8%, Vanac Investments, 25% and Old Mutual, 11,6% are the majority shareholders in the conglomerate. Closefin Investments is led by businessman Mr Washington Matsaire. They acquired Vanac's 25,4% stake in the group, becoming the majority shareholder.

Investors believe the company is strong, going forward, after it said plans are at an advanced stage to establish a tobacco grower scheme as the group targets growth in profitability next year. In its financials for the six months ended April 30, 2012, the group said it had restructured to focus on sustainable growth in the medium to long term. In the short term, the company is expecting an improved profit performance as the initiatives under implementation make their full impact. Meanwhile, last Friday's trades in the industrial index failed to maintain the upward momentum gained over the previous three consecutive days, slipping 0,18% to 132,03 points. However, week-on-week, the index was 0,36% higher.

The mainstream index was dragged down by widespread losses in banking stocks while gains in Econet and Innscor failed to liven up the market. Econet inched up USD 2 to USD 425, while Innscor pushed up USD 0,99 to close at USD 57. Barclays traded 3,13% softer at USD 3,1, CBZ gave up 1,96% to USD 10, NMB lost 4,35% to USD 1,1 while Trust eased 0,99% to USD 1. Seed producer SeedCo also lost 3,41% to settle at USD 85. Other notable losses were seen in NicozDiamond, Zimplow and Lifestyle Holdings. The mining index, however, posted further gains in last Friday's trades to close 3,65% higher at 105,61 points spurred by RioZim, which rose 17,50% to USD 47, albeit on thin trades. Week-on-week, the consecutive gains resulted in a significant 16,18% jump. *(Herald)*

Over 90% of Bindura Nickel Corporation (BNC)'s trade creditors have accepted the group's settlement plan, but management is still to get the nod from Zesa, Zimra and staff, chief operating officer Batirai Manhando said yesterday. Manhando said BNC was in discussions with Zesa and Zimra, adding he was optimistic the talks would yield positive results. He said he was encouraged by the positive reaction by staff to offers presented. To date, BNC has received acceptance from many staff members, but Manhando said that more acceptances were required. He indicated he might consider a short extension to the deadline for staff to respond. Manhando urged the remaining staff to take advantage of the opportunity presented to them that would benefit not only individual staff members, but allow the organisation to restart its Trojan Nickel Mine.

The move would result in knock-on benefits to the community and the country as a whole, he said. Should Zesa, Zimra and staff not take the settlement plans offered by BNC, Manhando said the company faced the risk of liquidation. The company's shareholders approved all resolutions required to implement the envisaged transactions which were put to the vote at an extraordinary general meeting in Harare three weeks ago. The transaction involves a rights issue for USD 21m whereby all shareholders were given the opportunity to invest in BNC. Mwana Africa currently owns 52,9% of BNC's total issued share capital.

Sources close to BNC indicated that Mwana's shareholding could drop to below 50%, if all shareholders followed their rights to invest and a large portion of staff and creditors accepted shares as part of their packages. However, until all the responses were received from shareholders, creditors and staff on the number of shares they would take, the final shareholding in BNC to post the rights issue and restructuring would remain uncertain.

Although shareholders have given the green light, the rights issue can only proceed if BNC reaches a consensus with creditors and with staff on the settlement of retrenchment and backpay costs. Manhando said the response from trade creditors was encouraging and, while discussions were still underway with Zesa and Zimra, he felt confident a workable solution could be reached. In the event of liquidation, he said, staff and creditors stood to receive much less than they were being offered in the settlement packages. "Liquidation would mean everyone loses," Manhando said. While it was understandable that creditors and staff were disappointed not to be receiving their payouts completely in cash, the reality was the company did not have sufficient funds to pay everything in cash and fund the restart.

He said: "The offers made to staff and creditors include a mix of cash, shares and assets which at least ensures these stakeholders receive something while ensuring the first phase of the BNC restart is viable." Finance minister Tendai Biti last week said the government had granted BNC a special dispensation which allowed the mining company to import equipment duty free. "In the case of Bindura Nickel Mine, the government has accorded the company National Project Status and accordingly extended fiscal incentives, which will allow duty-free importation of equipment, thereby facilitating the resumption of operations before the end of year," he said. *(News Day)*

Zimbabwe Stock Exchange (ZSE) listed mining concern RioZim has announced plans to convene an annual general meeting (AGM), three months after the initially scheduled meeting was postponed after it emerged the company's financial statements were in a shambles. RioZim yesterday announced that its 56th AGM is slated for August 17 2012 at the company's head office in the capital. The meeting will among other issues consider the financial results and the re-election of non-executive directors. "Subject to requirements of the ZSE in relation to the issue of shares for cash, to renew until the next annual general meeting, the authority granted to the directors at the annual general meeting held on May 24 1994 to issue or agree to issue up to 10% of the unissued shares of the company without the same being first offered to the ordinary shareholders, as the directors may from time to time in their discretion think fit," reads part of the meeting's agenda.

Meanwhile, there were reports that the mining group was seeking USD 200m in the coming year as it planned to list RioGold offshore. New RioZim chairperson Harpal Randhawa told the Zimbabwe Independent last week, Rio Gold was in discussion with a number of other local gold companies to consolidate assets and build a company with a critical mass of production assets, advanced stage projects and blue-sky potential. It is this company that would seek a listing on international bourses in order to raise USD 100m to USD 150m for expansion projects. The group, according to reports, has also mandated Afreximbank to arrange a USD 75m three-year syndicated facility to refinance bilateral agreements of around USD 50m and to provide growth capital of USD 25m for operations and projects. RioZim owes its creditors, mainly local financial institutions funds in excess of USD 50m amid indications that the mining company has already started repaying the banks. *(News Day)*

CAMBRIA Africa Plc's secondary listing on the Zimbabwe Stock Exchange remains doubtful after the Reserve Bank of Zimbabwe Exchange Control queried the valuations of the transaction to control 100% in Celsys Limited. Sources close to the deal said yesterday the central bank was unhappy with the cash price being offered by Cambria for Celsys shares. The RBZ had not responded to questions from Herald Business at the time of going to print. According to the pre-listing statement, Celsys shareholders were offered one Cambria share for 686 Celsys shares. Those who opted for cash are being offered US0,003c for every Celsys share, a rate which is being queried by the central bank. "We understand other regulatory authorities have given the transaction the green light, except for the RBZ, which is said to have questioned the cash price of US0,003c per share," said the source.

As of yesterday Celsys was valued at USD 640 000 and has 1,5bn shares in issue. The cash offer price represented a 15% premium to the last practicable date February 29, 2012. Cambria was expected to list on the Zimbabwe Stock Exchange on June 22 through a reverse listing of Celsys Limited. It offered to buy out Celsys minorities in line with the provisions of the Companies Act after assuming controlling 60% stake. The Securities Commission of Zimbabwe and the Zimbabwe Stock Exchange are said to have appended to the deal after the High Court approved the Scheme of Arrangement.

Analysts yesterday said the deal was expected to sail through given that shareholders and minorities had agreed on the Scheme of Arrangement, which was also approved by the High Court. The analysts said there was a danger of reversing the deal, which would work against Celsys shareholders. Initial expansion plans at Celsys were primarily funded by Cambria through a shareholder loan of approximately USD 4,5m which remains payable to date. "If the deal is reversed, Celsys would be made to repay the USD 4,5m loan and that would be very difficult for them. "There would be no company to talk about because all the assets would be taken over," said a local analyst. *(Herald)*

Delta Corporation Limited will commission two new packaging plants at its Harare and Bulawayo depots before the end of this year. Delta Corporation chief executive Mr. Pearson Gowero told shareholders on Wednesday that the Harare plant would be commissioned next month at the Southerton depot while the Bulawayo line would be launched in the last quarter of the year. He said the company wanted to ensure that it meets demand during the festive season. “New packaging line at Southerton will be commissioned mid-August and the new PET (plastic) line in Bulawayo will be commissioned in November,” he said. “This will substantially reduce the supply pressure during peak periods while enhancing efficiency and productivity across the sustainable metrics,” he said. The Southerton bottling line would be the third since the country adopted multiple foreign currencies in 2009.

Mr. Gowero said the new plants would increase production by 400 000 hectolitres per year. “We will increase annual production to 600 000 hectolitres from the current 200 000,” he said. He said the company was not exporting any of its products at the moment. “We are not formally exporting at the moment although some of our products find their way into the region,” he said. Mr. Gowero bemoaned failure by local sugar refiners to meet the bottlers’ grade forcing them to export. “Currently, we are importing sugar because local companies cannot produce the quality we want. It’s not due to a shortage because local refiners are also exporting,” Mr. Gowero said. Delta says the improvements in trade execution through investment in cold drink and merchandising equipment and point of sale material had resulted in the market share position remaining at well above 95% by volume in the lager beer business. *(Herald)*

Economic News

Island Power Limited, a Mauritian power company, is set to build, operate and maintain a 50MW power plant in Mutare. The Zimbabwe Energy Regulatory Authority last week said the power company had made an application to generate and supply electricity in the country. The energy regulator said the proposed plant would generate electricity using a hydrogen reactor. “The application has been made in terms of the provisions of the Electricity Act,” said Zera. Zera has already invited representations on the proposed project. Hydrogen can be extracted from water using a process called electrolysis. When hydrogen and oxygen from the air are mixed in a chamber the mixture produces electricity, heat, and water. It is efficient because it does not use fossil fuels and does not produce greenhouse gases.

During the first half of the year Government has licensed a number of independent power producers to boost power production in the country. Zimbabwe has got an installed capacity of 1 960MW and producing 1 200MW against a national demand of 2 200MW. Zesa faces operational challenges including under- capitalisation compromised by debt, billing and collection challenges as well as lack of financial resources. The power utility is also burdened by lack of specialised skills and tools required for planning and forecasting energy needs. Analysts last week said the investment is welcome given the serious power shortages the country is facing. Economic slowdown has also been attributed to electricity shortages thus a 50MW plant for Mutare would improve capacity utilisation within the environs. “This is the idea of mini-power plants to feed industries in selected areas like the Mutare industry in this instance.

An additional 50MW to the nation is quite commendable,” said an analyst.

Harare alone requires about 400MW thus an additional 50MW would be a boost for a small city like Mutare. This development comes at a time when Government is working on a number of initiatives to increase power generation in the country. According to the country's economic blueprint, the Medium Term Plan, power generation at Kariba would be increased from the current 750MW to 1 050MW by 2015 while at Hwange power generation is expected to go up from 920MW to 1 520MW. The additional 300MW at Kariba require USD 771m and construction takes about three to four years. The three thermal power stations Harare, Bulawayo and Munyati are also expected to increase power generation. Meanwhile, electricity growth was revised downwards to 4,5% from 4,9% due to continuous breakdowns and intermittent generation at all small thermal stations attributed to costly transport and aged equipment. *(Herald)*

Reserve Bank Governor Dr Gideon Gono has warned banks to brace for an upward review of minimum capital thresholds when he presents his Mid-Term Monetary Policy Review Statement at the end of this month. Dr Gideon Gono hinted that he might review upwards the minimum bank capital levels in line with global trends to hedge against the risk of bank failures as happened in other countries. “I do not want to pre-empt my monetary policy review statement, but there is going to be a capital increase. Brace for some tough times because I want to leave banks on a strong platform never seen before. Adequate capital has become a source of competitiveness,” he said. Currently, commercial banks are required to have a minimum capital of USD 12,5m, merchant banks USD 10m and asset management companies USD 500 000. As of June 2012, 23 out of 24 operational banking institutions (excluding POSB) were in compliance with the minimum capital levels while all asset management firms were compliant. Dr Gono was addressing the 43rd edition of the Institute of Bankers of Zimbabwe Winter Banking School in Nyanga.

He said adequate capital served as the last line of defence for depositors in the event of bank failures. Risk of failure remains inherent in the sector, as affirmed by problems that forced Genesis to surrender its licence and saw Interfin being placed under curatorship. Dr Gono, in the last 16 months of his second term, has said he wants to leave the sector in a stronger state than most countries in Africa, except (probably) South Africa and Nigeria. “We want a much stronger environment where banks can do more to support industry and also do greater business. We want stronger financial institutions that can withstand any shocks,” he said. He said banks could merge to meet the new capital thresholds as “peace and stability in the banking is what we require for more revenue and economic stability”. “When you borrow, you are able to borrow in line with your capital levels. Your overheads (when merged) will be spread out and you won't need two Mercs for CEOs,” he said.

The dynamic nature of the financial landscape, regulatory requirements, increasing competition and economic uncertainties have all placed pressure on banks to be adequately capitalised. Dr Gono issued a stern warning to the bank chief executives to urgently lower bank charges as they were hurting ordinary users of the banking system, especially low- income earners. “You have a gun-toting governor who wants to make sure that by the time the gun is taken away (from him), the job would have been done. I urge banks to lower their charges,” he said. But bankers have often argued that high charges were a reflection of "little volumes", depriving them of sufficient revenue to meet the ever increasing and high cost of operations. Dr Gono bemoaned a situation where, for instance, civil servants earning about USD 250 a month lost up to 14% of their salary to charges after just two withdrawals on their accounts. He said banks should swiftly move to lower charges to attract more deposits. Most banks are making a significantly higher proportion of the revenue from fees and charges as opposed to standard practice, where most of their income should come from funded income.*(Herald)*

The European Union (EU) announced that it will suspend most of its sanctions on Zimbabwean leaders and organisations as soon as the country holds "a peaceful and credible" referendum on a new constitution. The announcement was made after a meeting of European foreign ministers in Brussels. The ministers said a referendum would "would represent an important milestone in the preparation of democratic elections that would justify a suspension of the majority of all EU targeted restrictive measures against individuals and entities." However, Agence France-Presse reported an unnamed EU official as saying that President Robert Mugabe would not be among the more than 100 individuals against whom sanctions would be lifted.

"There is no question of lifting sanctions against Mugabe or anyone involved in continued abuses of human rights, incitement to violence, etc - that is simply not up for discussion," AFP quoted the official as saying. The foreign ministers said the EU was encouraged by progress made in implementing the agreement under which Zimbabwe's unity government was established.The government's steps "to improve the freedom and prosperity of the Zimbabwean people" justified lifting immediately some restrictions, which would allow the EU to work with the government in developing new assistance programmes. The ministers said respect for human rights had improved, but "significant areas of concern remain." *(All Africa)*

Treasury says it will set up a Special Purpose Vehicle to deal with the Reserve Bank of Zimbabwe debt and its broader recapitalisation strategy for the central bank. This comes as economic analysts have criticised the Ministry of Finance for not indicating any specific strategy for recapitalising the RBZ as the USD 100m fund, jointly funded by some international financial institutions and a regional financier, remains on the cards with the inter-bank market crippled. "It is proving that the Government cannot help the situation at the apex bank as each and every passing policy statement remains a 'promissory note' to capitalise the central bank," said economist Mr Takunda Mugaga. Recapitalisation of the RBZ is expected to enhance the stability of the local financial services sector, which the International Monetary Fund recently said was prone to "systemic risks". Finance Minister Tendai Biti said although he had not announced it during the Mid-Term Fiscal Policy Review Statement, Government was working on mechanisms to improve the functions of the central bank.

"We want to recapitalise the RBZ, but we cannot do that without bifurcating the USD 1bn debt. To this extent we are going to create an SPV to deal with the bank's debt: only after that will we be able to recapitalise it," he said. The SPV is expected, among other things, to find out how the debt was accrued, audit and absorb it. However, an analyst who chose to remain anonymous said the earliest such an instrument would be operational would be around mid-2013. "Considering that the SPV will be introduced through an Act of Parliament, the normal legislative process follows that it could be operational in at least 18 months time." But it is not clear at what stage the process would be at the moment.

The Government has made available to the RBZ a USD 100m fund for its function as a lender of last resort. The lender of last resort role was revived in February last year after RBZ received funding from Treasury. The central bank had last performed that role in 2008, leaving banks vulnerable in the event of problems in the sector. A lender of last resort is an institution, usually a country's central bank, which offers loans to banks or other eligible institutions that are experiencing financial constraints, are considered high risk or are near collapse. *(Herald)*

Contributions by the mining sector to local banking deposits remain minimal despite accounting for over 50% of the country's export earnings, raising doubts on the compliance by mining firms to a directive to bank locally, official figures have shown. Statistics from the Finance ministry show that on a month-on-month basis, deposits in the last five months grew by an average of 3%, reaching USD 3,58bn at the end of May from USD 3,1bn last December. Growth in deposits was spurred mainly by receipts of resources from tobacco sales and the repatriation of excess balances from Nostro accounts as required by the Reserve Bank of Zimbabwe. However, deposits remain skewed in favour of four banks (out of 25) which hold more than 60% of total revenue. "The major sources of bank deposits are services (26%), financial organisations and investments (13%), households (17%), and distribution (11%)," reads part of the Mid-Term Fiscal Review.

"The mining sector, despite being the major export earner, continues to be among the least sources, contributing only 3%." During the period under review, loans and advances increased by 39% from USD 2,74bn in January to USD 3,029bn by May 2012, translating to a loan to deposit ratio of 84% compared to 87% last year. This, the ministry said, reflected over-exposures of some banks, a situation that has resulted in high non-performing loans. According to the Mid-Term Review, the financial sector, although resilient and projected to grow by 23%, faces a number of challenges related to capitalisation, liquidity and credit risks. "A number of banks remain weak, with high credit risks, deteriorating asset quality and high non-performing loans. The uneven distribution of deposits also compound the liquidity challenges in the banking sector. "Current vulnerabilities in the sector have eroded confidence, particularly in smaller banks, resulting in a flow of deposits to bigger banks, which are perceived to be stable," Biti said.

While several weak banks have met the capital requirement, the Finance ministry said credit risks remained high, particularly for small banks that have low capital buffers. "Asset quality also has deteriorated reflecting unsound lending practises and poor risk management. Loan origination from weak banks remains strong, funded by unstable short-term deposits," the Mid-Term Fiscal Review said. "Consequently, non-performing loans increased from 7,55% in 2011 to 9,9% in June 2012 against the internationally accepted Basel 11 threshold of

5%. “This, therefore, raises concerns over quality of corporate governance and effectiveness of supervision within the financial sector.” *(News Day)*

The government and the Tobacco Industry Marketing Board (TIMB) are exploring ways of decentralising the he marketing of the crop to the provinces to reduce transportation costs for farmers, Finance Minister Tendai Biti has said. Currently, four auction floors – Boka Tobacco Auction Floors, Tobacco Sales Floors, Zimbabwe Leaf Tobacco and Millennium Auction Floors – are licensed to auction the crop but all of them are based in Harare, meaning farmers must incur huge transportation costs. However, presenting his mid-term fiscal review recently, Biti said the government and the industry were looking at ways of easing the transportation burden to farmers. “Government together with TIMB are exploring alternatives for decentralising the marketing of tobacco to provinces and districts following concerns related to high transportation costs and congestion at the current auction floors,” he said.

Meanwhile the TIMB said the current selling season would close on Friday with the revised target of 133m kgs having been surpassed. "TIMB advises that the final day of the 2012 flue cured tobacco auction sales is February 27 with final deliveries being accepted on Thursday July 26," the TIMB said in a statement Tuesday. "All growers are advised to complete their grading and baling operations well before the final sale day. Contract sales will continue until further notice. Dates of clean up sales will be announced in due course.” Initial projections had put this season’s crop at 180m kgs but this was revised downwards due to a decline in the hectarage planted caused by funding constraints.

However, TIMB chief executive Andrew Matibiri said they were expecting an even higher output next season. “This shows that tobacco is still coming through. We have an idea on how much we are to revise upwards as the (current) tobacco season ends,” he said. Latest figures from TIMB show that 134m kg of tobacco valued at USD 496,3m was delivered to the country’s auction floors as of last Friday, a 45 percent increase on the USD 343m recorded during the same period last year. *(New Zimbabwe)*

The government has announced new cotton producer price for the lowest and highest grades in a bid to end the current impasse between farmers and buyers. Agriculture Minister Joseph Made said USD 0.77 per kg will be paid for grade D cotton, USD 0.79 for grade B while USD 0.81 and USD 0.84 for grades B and A respectively. He warned that ginners who did not comply with the new prices risked losing their licenses. "We are not seeking any negotiations. This is the price for the 2011/12 season and no farmer should be paid less. Ginners who do not comply with this position will have their licences cancelled. This is final and there is not going to be any debate,” he said. "Farmers who have already sold their crop at low prices should be paid their balance. We are making it clear that companies should not continue underpaying farmers when they have to meet all operational costs.

Farmers’ organisations welcomed the government’s intervention and said they were now waiting to see if the ginners would pay the new prices. Said Zimbabwe Commercial Farmers Union vice president, Maideyi Maswi: “These better prices will cushion farmers from the problems they have been experiencing and hopefully they will be able to go back to the land next season. Buyers said they were still to come up with a co-ordinated response to the government’s position.

Farmers had held onto their crop after rejecting the USD 0.36 and USD 0.50 per kg offered by Merchants who blamed a depressed global cotton market for the price slump. Made insisted that ginners had to pay for the cost of production.

“Ginners are the industry and they should know the impact of not having a farmer; the impact of a farmer not being able to go back to the land. (They) are the ones who contract farmers and control prices of inputs, so they should pay the cost of production,” he said.“The burden has been put on the farmer as there is no mark-up on the price, but just the cost of production.” Cotton production is expected to rise from 250,000 tonnes last year to about 280,000 tonnes in 2012. *(New Zimbabwe)*

Zimbabwe has paid USD 15m to Zambia, part of the USD 70m it owes its neighbour as contribution to the construction of Kariba South Power Station. The 25-year-old debt also includes proceeds of the sale of assets belonging to former Central African Power Corporation disbanded in 1987, where Zimbabwe reportedly benefited more. CAPCO was running the Kariba power project for the two countries during Federation of Rhodesia and Nyasaland era. Speaking during the 16th Zimbabwe/Zambia Joint Permanent Commission meeting in Masvingo on Wednesday, Foreign Affairs Minister Simbarashe Mumbengegwi, said the payment of the USUSD 15m would unlock more areas of co-operation in the energy sector between the two countries. “As our population and industries continue to grow, so does the need for energy requirements. The energy sector is a key enabler for the economic growth in both Zimbabwe and Zambia, hence the need for more co-operation in that area.

“The settlement agreement regarding the debt signed on February 9 this year wherein Zimbabwe committed to settle the principal amount of USD 70,807m by March 31, 2014 was indeed an important milestone in cementing our relations in the energy sector. “Zimbabwe has since paid USD 15m under the agreed payment plan,” said Minister Mumbengegwi. The debt is threatening the construction of the USD 4bn 1,600 MW Batoka hydropower project along the Zambezi River. The massive project will alleviate power deficiencies in the two southern African neighbours. Minister Mumbengegwi said the Batoka hydropower project implementation team that was formed after the signing of the CAPCO debt settlement agreement should speed up its work so that work on the hydropower plant could begin. Zambian Foreign Affairs Minister Given Lubinda emphasised the need for increased co-operation between his country and Zimbabwe in the energy sector.

Minister Lubinda said the settlement agreement on the ex-CAPCO assets would pave way for increased co-operation in bigger projects in the energy sector between the two countries. He was happy that a committee to steer the implementation of the Batoka power project involving companies from his country and Zimbabwe was formed. The two foreign affairs ministers had also earlier on witnessed the signing of two memorandums of understanding (MoUs) in Science and Technology and Small to Medium Scale Enterprises (SMEs). Minister Mumbengegwi signed the MoU on Science and Technology on behalf of Zimbabwe, while Minister Lubinda signed on behalf of Zambia. SMEs and Co-operative Development Minister Sithembiso Nyoni signed the MoU on SMEs on behalf of Zimbabwe, while Minister Lubinda signed for Zambia. The CAPCO was dissolved and had its assets subsequently sold in 1987 following a decision to split the utility. Zambian officials said the Batoka hydropower project is conditional on Zimbabwe completing the payment. *(Herald)*

The Confederation of Zimbabwe Industries (CZI) says this year it will shift from the usual industrial capacity utilisation to a more regional-based analytical assessment to gauge the competitiveness of local companies among their regional peers. CZI chief executive officer Clifford Sileya on Wednesday told journalists that the confederation will overhaul the annual study on the manufacturing sector, amid concerns from organisations that previous studies were distorted. “The problem is political. Some of the countries have indigenisation, but it has not been badly received as it has been like here,” Sileya said. “Our politicians shoot from all angles like night cowboys. “The survey will shift from capacity utilisation to competitiveness, as we will now have to compare ourselves to the region. “Our industries need a lot of financing. Our machines are obsolete as they are old. Some of the equipment was bought before the current managing directors were born. “Some machinery was bought in the 1950s and some even before that.”

He said local industries needed USD 2bn to be capitalised, but prospects of raising the required funding were bleak as a result of the poor perception about the political situation in Zimbabwe. Business leaders are meeting for the CZI annual general meeting expected to craft strategies for the financially-starved manufacturing sector. The sector is hamstrung by a plethora of problems - obsolete machinery and stiff competition, especially from regional peers. “The problem is that Zimbabwe is starved of foreign direct investment (FDI). There are no FDI’s to talk about in Zimbabwe,” he said. “Our politics affects everything because of perceptions, but perceptions are realities of things on the ground. “Even if you negotiate, you get promising noises which never materialise.

The last manufacturing survey showed that the average capacity utilisation, which in 2008 dropped to about 10%, had improved to 57% largely driven by strong performance of the beverages sector. Sileya said some sectors were operating at 0%, warning failure by the inclusive government to source long-term financing could collapse some sectors. Last week, Finance minister Tendai Biti revised the country’s growth forecasts from 9,4% this year to 5,6% as a result of a decline in agriculture, discord within the inclusive government and problems associated with the implementation of the country’s indigenisation laws. *(Newsday)*

The curtain comes down on the 2012 tobacco selling season today with clean-up sales set for mid next month. As of Tuesday this week, a total of 138,2m kgs of the flue-cured crop valued at USD 509,3m had gone under the hammer at the country’s four auction floors. According to Tobacco Industry Marketing Board (TIMB) figures, this year’s deliveries were 8,6% more than 127,2m kgs valued at USD 349,6 that was sold in the same period last year. The crop was sold at an average price of USD 3,68 per kg compared to USD 2,75 per kg on the same period last year. The USD 509,3m earned so far indicated a 46% increase from USD 349,6m during the same period last year. Close to 1,8m bales had so far been sold compared to 1,6m sold during the same period last year. To date, 80 437 bales have been rejected compared to 114 004 bales discarded at the same time last year. Last week, TIMB chief executive officer Andrew Matibiri said the decision to end the season was necessitated by dwindling deliveries.

“The TIMB board advises all stakeholders that the 2012 auction flue-cured tobacco marketing season will close on Friday July 27 2012 with final deliveries being accepted on July 26 2012," he said. He, however, said contract sales would continue until further notice. "Nonetheless, contracted growers are advised to finalise the grading and marketing of their tobacco," Matibiri said. Tobacco deliveries for the 2012 auction season surpassed the revised target of 133m kgs two weeks before the close of the marketing season. The initial output target of 180m kgs was revised downwards early this year following a decline in the planted hectarage caused by lack of funding. *(News Day)*

Notes

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