SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

**PAN-AFRICA**

# WEEKLY AFRICAN FOOTPRINT

***This Week's Leading Headlines Across the African Capital Markets***

**TRADING**

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



## AFRICA STOCK EXCHANGE PERFORMANCE

| | | | | WTD % Change | | | YTD % Change | |
|---|---|---|---|---|---|---|---|---|
| Country | Index | 3-Jun-16 | 10-Jun-16 | Local | USD | 31-Dec-15 | Local | USD |
| Botswana | DCI | 10181.07 | 10171.58 | -0.09% | 2.98% | 10602.32 | -4.06% | -1.01% |
| Egypt | CASE 30 | 7617.88 | 7756.30 | 1.82% | 1.81% | 7006.01 | 10.71% | -2.44% |
| Ghana | GSE Comp Index | 1753.52 | 1753.35 | -0.01% | -0.72% | 1994.00 | -12.07% | -13.69% |
| Ivory Coast | BRVM Composite | 304.70 | 309.28 | 1.50% | 3.31% | 303.93 | 1.76% | 5.97% |
| Kenya | NSE 20 | 3801.31 | 3833.42 | 0.84% | 0.61% | 4040.75 | -5.13% | -4.01% |
| Malawi | Malawi All Share | 12823.24 | 12827.16 | 0.03% | -2.75% | 14562.53 | -11.92% | -17.24% |
| Mauritius | SEMDEX | 1756.11 | 1755.94 | -0.01% | 0.72% | 1,811.07 | -3.04% | -1.12% |
| | SEM 10 | 339.76 | 339.34 | -0.12% | 0.61% | 346.35 | -2.02% | -0.08% |
| Namibia | Overall Index | 998.28 | 973.85 | -2.45% | 2.75% | 865.49 | 12.52% | 17.15% |
| Nigeria | Nigeria All Share | 27634.48 | 27232.62 | -1.45% | -1.36% | 28,642.25 | -4.92% | -4.79% |
| Swaziland | All Share | 357.67 | 358.24 | 0.16% | 5.49% | 327.25 | 9.47% | 13.98% |
| Tanzania | TSI | 3875.36 | 3885.06 | 0.25% | 0.17% | 4478.13 | -13.24% | -14.44% |
| Zambia | LUSE All Share | 4943.07 | 4812.39 | -2.64% | -4.18% | 5734.68 | -16.08% | -13.42% |
| Zimbabwe | Industrial Index | 104.30 | 96.51 | -7.47% | -7.47% | 114.85 | -15.97% | -15.97% |
| | Mining Index | 25.77 | 26.24 | 1.82% | 1.82% | 23.70 | 10.72% | 10.72% |

## CURRENCIES

| | 3-Jun-16 | 10-Jun-16 | WTD % | YTD % |
|---|---|---|---|---|
| Currency | Close | Close | Change | Change |
| BWP | 11.03 | 10.70 | -2.98 | 3.18 |
| EGP | 8.86 | 8.86 | 0.01 | -11.88 |
| GHS | 3.85 | 3.88 | 0.72 | -1.85 |
| CFA | 586.70 | 576.43 | -1.75 | 4.14 |
| KES | 99.11 | 99.34 | 0.23 | 1.18 |
| MWK | 665.35 | 684.38 | 2.86 | -6.04 |
| MUR | 34.26 | 34.02 | -0.72 | 1.99 |
| | | | | |
| NAD | 15.58 | 14.79 | -5.06 | 4.12 |
| NGN | 197.21 | 197.01 | -0.10 | 0.14 |
| SZL | 15.58 | 14.79 | -5.06 | 4.12 |
| TZS | 2,143.75 | 2,145.40 | 0.08 | -1.37 |
| ZMW | 10.44 | 10.61 | 1.60 | 3.17 |

## Botswana

### Corporate News

*No Corporate News This Week*

### Economic News

*No Economic News This Week*

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## Egypt

### Corporate News

**Egypt's Commercial International Bank (CIB) has dropped plans to sell its investment bank CI Capital to Beltone Financial after failing to win regulatory approval, sources told Reuters on Thursday.** In February CIB signed a deal to sell CI Capital to Beltone, a unit of billionaire Naguib Sawiris's Orascom Telecom Media and Technology Holding, for 924 million Egyptian pounds ($104 million). Naguib Sawiris said at the time he planned to merge CI Capital with Beltone Financial, which OTMT bought last year, to create one of Egypt's largest investment firms. But the deal has hit a series of delays. The Egyptian Financial Supervisory Authority said in April that the acquisition was delayed pending the resolution of a court case and other issues. Sawiris's bid for CI Capital was also challenged in February when a unit of the state-owned National Bank of Egypt made a counter offer. It later withdrew. Sawiris said in March the deal was being held up by national security concerns and criticised the state for meddling in business, saying this would discourage investors. There was no immediate comment from EFSA or the companies involved on the failure of the deal.*(Reuters)*

### Economic News

**Business activity in Egypt shrank for the eighth straight month in May but at a lesser extent than previous three months, a survey showed on Sunday.** The Emirates NBD Egypt Purchasing Managers Index (PMI) for the non-oil private sector recorded 47.6 points in May after 46.9 points in April, remaining below the 50-point mark that separates growth from contraction. Egypt has been struggling to revive its economy since a popular uprising in 2011 and subsequent political upheaval that has driven both investors and tourists away, depriving it of the foreign currency it needs to import raw materials. "It's definitely encouraging to see signs that the downturn has started to ease, as tentative as those indications may be," said Jean-Paul Pigat, Senior Economist at Emirates NBD. "The survey also continues to point to fundamentally weak demand conditions across the economy, which in light of the ongoing FX shortage, is likely to persist as we head into the start of FY2016/17," he added. The new orders subindex improved from the previous month but remained below the crucial 50 point. It reached 46.9 points in May from 45.5 points the previous month. "New business fell at approximately one-fifth of survey participants, with high prices linked to currency depreciation mentioned as a key contributing factor," Markit, which compiled the data, said in a report. The rate of decline also eased in the output subindex, which reached 46.5 points in May from 45.5 points in April. Egypt has been wrestling with a currency crisis that economists blame on an over-valued pound. The central bank had devalued the pound to 8.85 per dollar from 7.73 in March and announced it would pursue a more flexible exchange rate. It later firmed up the pound to 8.78 per dollar. Economists say it is still over-valued. The survey showed declines in employment continued in May, although at the slowest pace since February, with the related subindex rising to 46.3 points in May from 45.5 points the month before. President Abdel Fattah al-Sisi has pledged to reduce the jobless rate to 10 percent over the next five years. It stood at 12.8 percent in December, according to the government, but analysts believe it may be much higher. The economy grew around 4.2 percent in 2014/15 and is expected to grow around 5 percent in 2015/16. *(Reuters)*

**Egypt's central bank injected $15.694 billion into the country's banks from November through April through both regular weekly dollar auctions and exceptional auctions, a statement from the country's presidency said on Tuesday.** During the same period, Egyptian banks provided $33.7 billion worth of foreign currency to meet the demands of importers, the statement said. It followed a meeting between President Abdel Fattah al-Sisi and central bank governor Tarek Amer. Egypt, which relies heavily on imports, has faced a dollar shortage since the popular uprising in 2011 drove away tourists and foreign investors, major sources of hard currency. Since lifting restrictions on foreign currency deposits and transfers earlier this year, flows of foreign currency into domestic banks have increased ten-fold, Amer said. The country's net foreign reserves stood at $17.52 billion at the end of May, less than half the $36 billion it had before the 2011 uprising. Egypt has depended on dollar grants from Arab Gulf allies to meet much of its dollar needs. Earlier this month, Egypt got the first $500 million tranche of a $2.5 billion grant from Saudi Arabia. *(Reuters)*

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**Egypt's Finance Ministry will issue $700 million in one-year dollar-denominated treasury bills to local banks and foreign financial institutions on June 14, the central bank said in a statement on Thursday.** The auction deadline is June 13 and the maturity date for the issuance is June 13,2017, the statement said. The government has turned mainly to the local money market to finance its publi c deficit since a popular uprising in early 2011 that deterred many foreign investors.*(Reuters)*

## Ghana

### Corporate News

**Ghana's oil output is expected to average 110,000 barrels per day in 2016, similar to last year, as output is ramped up at Tullow Oil's Jubilee Field, a senior government official said on Monday.** Production at Jubilee was interrupted earlier this year due to technical problems but output resumed last month, said Thomas Mba Akabzaa, chief director at the ministry of petroleum. Africa-focussed Tullow Oil restarted output at 30,000 bpd in May. “The estimated average production for the year is 110,000 barrels per day for 2016, including from production loss," Akabzaa told Reuters on the sidelines of an oil and gas conference. He said first production at the new Tullow operated TEN offshore field was expected on 17 August and that four unnamed firms searching for oil in the Tano Basin had lost their exploration licenses after failing to meet the necessary requirements. "In Ghana, at the end of 2015, (several) new petroleum agreements were signed. However, as I speak about 80 percent are yet to meet 20 percent of their work program requirements for 2015 largely as a result of the difficulty in raising the required funding," he told delegates. Sharply lower global oil prices, which fell below $40 dollars in January from almost $100 in 2014, has seen oil companies scale back projects and reduce head count. In Ghana, government negotiations with Tullow helped save 100 jobs in the petroleum industry, after the firm initially flagged 130 jobs were on the line, said Akabzaa. *(Reuters)*

### Economic News

**Ghana plans to issue a 10-year syndicated $2 billion bond before year end to clear legacy debt among its power utilities, a senior government official said on Tuesday.** The lion's share of the proceeds of the bond was meant for power generation company, Volta River Authority, with the rest spread between GRIDCo and the Electricity Company of Ghana, said the chief director in the petroleum ministry, Thomas Akabzaa. *(Reuters)*

**Electronic fraud constitutes more than 80 percent of all complaints and fraud cases the central bank receives, data from the Consumer Reporting Unit of the Central Bank's Financial Stability Department has shown.** Millison Narh, First Deputy-Governor of the central bank, calls the situation “mind-boggling”, and cautions that banks should step up their risk assessment to curtail the surge. The situation could cause “reputational damage”, not only to banks but “may have systemic implications that could even lead to blacklisting of the country by the outside world,” Millison Narh told risk officers of the banks in Accra. Electronic fraud, he said, cuts across all the traditional risks associated with banking; including credit, operational, market, liquidity and others. “The country was blacklisted for money laundering and it took a lot of work to get us out of that challenge. It affected most of the correspondent relationships between local and foreign banks,” he said at the opening of Ghana International Bank's Risk Management in Banks and Implications for Capital programme in Accra. “Though the world is moving to electronic banking, the associated risk could be enormous. I therefore charge the facilitators to delve a little more into these areas and try to elicit more discussion so we can find solutions to some of the issues we have identified.” Albert Antwi-Boasiako-Principal Consultant at e-Crime Bureau, a cyber security company, told the B&FT that the banking industry is losing about US$250,000 weekly due to cyber-crime and banks, and even the regulators cannot keep up. The financial industry in Ghana, he said, is overwhelmed by cyber-attacks, a reason the industry must invest more to educate users of online banking and conduct proper security assessments of banking apps and tools before rolling them out. “Email fraud is targetting SMEs a lot. SME emails are hacked and fictitious invoices are generated that lead to the payment of monies to fraudsters. With customers not fully prepared for Internet banking, there is a huge vulnerability or risk in the sector.”

Banks and other financial institutions, Mr. Antwi-Boasiako said, need to conduct security assessment of apps and tools used by mobile payment service providers before integrating them into their core operating systems. “The reason these cyber-related activities are growing at an alarming rate is the fact that institutions haven't made the necessary budgetary investment in cyber security. ‘On one hand there is an increment in the rate at which cyber crime is being committed in the sector. but on the other hand there is low investment in cyber security from industry players," he added. Mr. Antwi-Boasiako said banks and other financial institutions cannot fight cybercrime alone, asking them to constantly educate their customers on how to keep their online banking platforms safe from hackers. "For example, if you use online banking and you visit a pornographic website [which could be virus-infested] and later visit your online banking platform your online credentials can be intercepted, and that is obviously beyond the bank's capabilities. "This is the user problem. This means you need to educate users of the online banking platforms about some of these implications. User-awareness and education must be extended to cover electronic security so that consumers will be protected," he said. Ghana is not alone in facing the menace of electronic fraud. In February 2016, instructions to steal US$951million from the central bank of Bangladesh were issued via the SWIFT network – a platform that provides a network that enables financial institutions worldwide to send and receive information about financial transactions in a secure, standardised and reliable environment. Five transactions issued by hackers, worth US$101million and withdrawn from the Bangladesh Bank account at the Federal Reserve Bank of New York, succeeded. Some US$20million of the amount, traced to Sri Lanka, was recovered; while another US$81million, traced to the Philippines, is yet to be recovered. The Federal Reserve Bank of New York successfully blocked the remaining amount of US$850million at the request of the central bank of Bangladesh. *(Ghana Web)*

**The International Monetary Fund (IMF) World Economic Outlook, 2016 has put Ghana's Gross Domestic Product (GDP) per capita for 2015 at 1,340.4 dollars representing 5.9 per cent increase over the 2008 figure of 1,266.1 dollars.** A statement signed by the Communications Minister, Dr Omane Boamah, shows that Ghana's current per capita income is also higher than that of Cote d'Ivoire (US$1,314.7), Senegal (US$913.0) and Kenya (US$1,338.5). It said human development was a more encompassing and comprehensive way to conceptualise development as it put people first, hence government acknowledged the gains made over the last few years in major human development indicators. "Ghana achieved the Millennium Development Goal 1 target of reducing the proportion of poor people by half by 2015 in 2013 - a clear two years ahead of the deadline. A recent World Bank study; Poverty Reduction in Ghana: Progress and Challenges, supports this," the statement said. However, other recognised benchmarks show significant improvements owing largely to the unprecedented investments into critical sectors such as health, education, and water provision. The statement said in terms of education, Ghana had the highest school enrolment rate in West Africa with over 90 per cent of eligible school children currently in school. And as of the 2014/15 academic year 9,202,894 pupils/students were enrolled in 57,293 educational institutions from kindergarten to tertiary level indicating 30.74 per cent over enrolment in the 2008/9 academic year, it said.

The statement said: "Today Ghanaians are living longer and healthier lives than any other period in our history and Ghana's life expectancy at birth has increased from 56 years in 1990 to 58 and 60 years in 2000 and 2008 respectively, (World Bank, 2015; World Health Organisation, 2016)." It said government continued to invest heavily to improve the coverage and content of existing social welfare programmes while rolling out new social interventions to assist vulnerable groups in society. With the Human Development Report in 2015, Ghana was placed in the Medium Human Development Category with a score of 0.579 higher than Nigeria (0.514), Kenya (0.548), Senegal (0.466) and Cote d'Ivoire (0.462) who all co-signed the Low Human Development Category by their respective scores, it said. "This current score of 0.579 (57.9 per cent) is ahead of all its West African neighbours except for Cape Verde." it said. "It is clear from the facts stated that in various facets of our national life, Ghana is making significant strides and moving in the right direction with reasonable speed," the statement quoted President Mahama as saying. "President Mahama's Government is encouraged by these positive developments and deems it as a call to do even more to bring further improvements in the lives and well-being of all Ghanaians. We shall continue to pursue The Agenda for Transformation to change more lives and transform Ghana," it said. The index is a composite indicator of health status, educational attainment (social development) coupled with per capita income (economic performance) and remains one of the most credible measures for human development across countries and regions worldwide. *(Ghana Web)*

## Kenya

### Corporate News

**Kenyan private sector activity expanded at a slightly slower pace in May than the previous month as companies' costs remained high, a survey showed on Monday.** The Markit CFC Stanbic Kenya Purchasing Managers' Index (PMI) edged down to 54.0 last month from 54.8 in April, although it remained well above the 50.0 mark that denotes growth. "The PMI has expanded much more softly than previous quarters. The recent easing of the monetary policy stance is thus a good move in order to kick start economic activity," said Jibran Qureishi, regional economist for East Africa at CFC Stanbic Bank. The central bank cut its benchmark lending rate by 100 basis points to 10.5 percent on May 21. The PMI in May was below the overall series average of 55.0 but broadly in line with the trend since the start of 2015, at 54.3, Markit said. "Costs for firms have also been on an upward trend over the past couple of months despite the stable exchange rate, as attracting labour has become more competitive, forcing firms to outbid each other," said Qureishi. *(Reuters)*

**KK Security, a Kenyan company that provides security services in seven countries, is considering listing or selling a stake in the company to help it expand.** The company, which is based in Nairobi and has annual revenue of more than 100 billion shillings ($100 million), is banking on increased business from the oil and gas industries in its existing markets in Kenya, Uganda and Tanzania, Chief Executive Officer James Omwando said in an interview June 3. It also plans to set up operations in Zambia and Zimbabwe within two years, he said. "Oil and gas will be a large sector starting in two years," Omwando said. The company already works with Tullow Oil Plc, which has discovered oil in Kenya's northern Turkana region, and BP Plc in Tanzania, where an estimated 58 trillion cubic feet of natural gas deposits have been found. Countries in East Africa have faced increased attacks by Islamist militants in recent years as al-Qaeda-linked insurgents in Somalia have carried out raids in Kenya, Uganda and Djibouti. The number of crimes reported to Kenyan police rose 4.4 percent last year, according to Kenya National Bureau of Statistics data.

KK generates about 50 percent of its revenue in Kenya, where demand for security services has increased since al-Shabaab attacked the upmarket Westgate shopping mall in Nairobi in September 2013, killing at least 67 people. The company employs almost 22,000 people, provides services to foreign embassies, international non-governmental organizations and corporate clients. It competes with units of West Sussex, England-based G4S Plc and San Francisco-based Wells Fargo & Co. and also has operations in the Democratic Republic of Congo, Burundi, Rwanda and Malawi. "The Westgate terror attack created a need and most of our clients increased their security both in terms of numbers and access control technology such as CCTV," Omwando said. Kenya has nearly 4,000 private security companies with more than 400,000 employees, according to KK.
Of that number, only 110 are regulated by either the Kenya Security Industry Association or the Kenya Private Security Association. President Uhuru Kenyatta last month signed a new law, the Private Security Act, that will help improve regulation, Omwando said. "We need to have a regulation body that cuts across the board that implements security standards," Omwando said. "The implementation of the new Act would be very good for the industry."*(Bloomberg)*

**Kenya's Centum Investment said on Wednesday its pretax profit rose 23 percent to 10.9 billion shillings ($107.9 million) in the year to the end of March 2016, helped by rising investment income.** The company, which invests in listed and private firms and real estate, said in a statement its investment income more than doubled to 24.17 billion shillings from 11.83 billion shillings in the same period in 2015. Centum's earnings per share rose to 11.75 shillings from 10.45 shillings and it said it will pay a dividend per share of 1.00 shilling for the same period. It did not pay a dividend for the full year to end March 2015. *(Reuters)*

**Shareholders of National Bank have decried the delay in the planned rights issue, approved in the 2013 AGM- which was to boost the bank's objectives in the transformation program.** Speaking at the bank's annual general meeting at the KICC, shareholders urged Treasury and NSSF- the two major shareholders in the bank-to move fast and agree a way forward so not to delay the rights issue any further. Shareholders, in the meantime, have approved request by the management of Bank to turn to other sources of capital, including sourcing debts from international funds and partners. The shareholders gave a nod to the retention of Deloitte and Touche as auditors as well as endorsed recent changes by the bank's board and management expected to strengthen corporate governance. "National Bank, in spite of the serious capital shortfalls has established a profitability and growth trend since 2013. Loan facilities that resulted to our 2015 loss on account of heavy provisions against loan loss are fully secured and the management is reporting positive gains in the recovery process. This, and the report of a profitable first quarter, herald good tidings," said Chairman Mohammed Abdulrahman Hassan. READ MORE National Bank profits fall but board bullish on future NBK confirms exit of suspended CEO Ahmed, two other senior officials Wilfred Musau, acting Managing Director and Chief Executive while responding to shareholders query on earnings said measures are already in place to ensure better performance from all divisions. "The management of National Bank is confident to deliver on objective of our transformation program which is to be a leading profitable tier one digital bank. With the approval from shareholders to source capital elsewhere, we can fully realize the potential of our transformation program," he said. *(Standard Media)*

**Kenya's biggest telecoms company Safaricom is joining up with a local software firm to launch a ride-hailing company to take on Uber as it seeks new sources of revenue, its chief executive said.** Safaricom, which is 40 percent owned by Britain's Vodafone, and Nairobi-based software developer Craft Silicon will launch the app called Littlecabs in the next three weeks, Safaricom CEO Bob Collymore told Reuters in an interview. "It is effectively a rival for Uber," he said. "It is a local competitor which will be cheaper and better for the local community." Uber operates in several African countries, including Kenya where it launched in early 2015, drawing customers by offering lower prices and cutting out haggling over fares. But regular taxi drivers have complained about its impact on business.
In March, the Kenyan authorities charged six men with attempted murder and malicious damage to property over an attack on an Uber taxi driver in February. Safaricom will help develop the application, offer the network connectivity, put Wi-Fi in vehicles that will be signed up on Littlecabs, and use its mobile-phone based financial service M-Pesa to process payments, Collymore said. Safaricom remains focused on its core businesses of offering calls, texts, Internet access and M-pesa but Collymore said it was seeking new sources of revenue. "The direction of the company is to become a platform," he said, citing partnerships with local banks that use M-pesa to lend money on mobile phones.

Safaricom has had a three-year partnership with M-Kopa, a company that connects customers to solar electricity, and is about to invest in a firm involved in education and another that helps jobseekers, Collymore said. "When M-Pesa was launched it wasn't launched as a big thing. It was just launched as a thing that was right in the edge. Now it is 20 percent of (Safaricom's) revenue," he said. Littlecabs is unlikely to grow to that level but would offer a new revenue source and develop skills in the local community, he said. Safaricom expects its earnings to rise in the financial year to next March on the back of increased data usage driven by the youth segment and higher sales of smart phones. Revenue from calls rose 4 percent in the financial year ending March 2016, bucking the trend in other markets where voice revenues are falling. Collymore said political protests, which have led to clashes between demonstrators and police, could dampen the outlook. "It is not a question of who is right and who is wrong; these pictures are not helpful for investments," he said. *(Reuters)*

## Economic News

**UK-owned Helios Investment Partners impending takeover of Telkom Kenya has re-ignited speculations over a possible reunion with Equity Group in mobile money markets.** The Competition Authority of Kenya has cleared the African-focused private equity firm's bid to acquire 70 per cent stake in debt-ridden Telkom Kenya, which trades as Orange, from France Telcom for undisclosed fee. Helios has registered Jamhuri Holdings as its investment vehicle in Telkom. "It is notified for general information of the public that the Competition Authority of Kenya has authorised the proposed acquisition of 70 per cent of the issued share capital of Telkom Kenya Limited by Jamhuri Holdings Ltd," CAK director general Kariuki Wang'ombe said in a May 10 notice, which was published in Kenya Gazette on Friday. London-based Helios is synonymous with Equity Bank's meteoric growth from 2008. The PE firm, with offices in Nairobi and Lagos, completed progressive sale of its 24.99 per cent stake in Equity last August for a reported $500 million (about Sh51 billion) from initial $178.7 million (about Sh11.2 billion at the time) investment. "We hope as soon as they complete (acquisition), we could explore our partnership, but remember Orange Money is powered by Equity," Group chief executive James Mwangi said on November 16, 2015. "Essentially what we will do is to enhance the existing relationship."

CA approved the proposed sale on condition France Telcom pays up Sh1.5 billion outstanding frequency fees – Sh300 million of which was settled in April. Safaricom, through a High Court case on November 25, 2015, said it was owed Sh639 million. "We have all the final approvals which include the Cabinet and I'll say very shortly, probably two weeks or thereabouts (the sale will be closed)," Treasury CS Henry Rotich, the custodian of the government's 30 per cent shareholding in Telkom Kenya, said on May 23. Helios' deal with France Telcom, made public on November 9 last year, now awaits clearance of debts owed to Communications Authority and Safaricom, among others. When he officially announced the exit of Helios from Equity on September 17, 2015, at Crowne Plaza Hotel, CEO James Mwangi said the PE firm was instrumental in the lender's exponential growth strategy, adding: "We will be working on other partnerships in future." Helios, formed in 2004, also has shareholding in Wananchi Group (undisclosed), Afsat Communications (about 55 per cent) and horticultural firm Flamingo Holdings. *(Star)*

**Kenya's revenue from its tourism sector dropped 2.87 percent last year to 84.6 billion shillings ($837.21 million), its tourism minister said.** Visitor numbers and earnings have plunged in the past four years as al Shabaab militants from neighbouring Somalia launched attacks on Kenyan soil in retaliation for Kenya's military intervention. Showing the depth of the fall, tourist arrivals fell from 1.8 million in 2011 to 1.18 million last year. The country earned 98.9 billion shillings in 2011 compared with the 84.6 billion shillings last year. Najib Balala said the sector was on course for a recovery in 2018, in line with government plans, but cautioned that violent protests against the country's electoral body could curb arrivals. "A lot of people I meet are saying Kenya is maturing but when they see the incidents of the last weeks, they say we are going backwards," he told Reuters on Monday. "My concern is that, the efforts and the road map is working very well, I don't want the political noise to interrupt that programme." Tourism is one of the main hard currency earners for Kenya. President Uhuru Kenyatta's government wants to bring in 3 million visitors a year according to its manifesto when it was elected in early 2013. Efforts to revive the sector include boosting security, opening new source markets such as Nigeria and Poland and increased budgetary allocations to the sector. Visitors are expected to rise by a third this year to 1.6 million and to recover to 1.8 million in 2018, matching a record high set in 2011.*(Reuters)*

**Malawi**

### Corporate News

*No Corporate News this week*

### Economic News

*No Economic News this week*

**Mauritius**

### Corporate News

*No Corporate News this week*

### Economic News

**Mauritius year-on-year inflation rose to 0.8 percent in May from 0.2 percent in the previous month, the statistics office said on Tuesday.** *(Reuters)*

## Nigeria

### Corporate News

**The Managing Director of Julius Berger Plc, George Marks, has enjoined Nigerians to be patient with President Muhammadu Buhari's strategic economic reform policies, stressing that even in the most developed economies of the world, serious reforms take minimum of two years to begin to bear fruit.** Marks, who expressed what he considered his "rational and well-founded optimism that Nigeria will overcome its economic challenges", called for reasonable patience from all citizens and stakeholders for the government's economic reform agenda. "The economic horizon is good for the country as the prospect for stability and growth remains positive," he said. At the 2016 Investor Relations Forum held earlier event in Lagos, the company announced that despite the systemic challenges it encountered during the 2015 financial year, the business of Julius Berger Nigeria Plc remained profitable." The company noted that with the presidential assent to the 2016 budget and its high implementation ratio, Nigeria's economy is set for a positive turnaround. Speaking at the review of business and operations in 2015, as well as, outlook for 2016, at the investor relations forum held at the Radisson Blu, Lagos, the MD and Financial Director, Wolfgang Kollermann, said Julius Berger was committed to assisting in the infrastructure development of Nigeria. Marks disclosed that the group has efficiently and effectively managed available resources to generate profits and maintain a solid liquidity position as it distributed dividends. While giving details of the operational facts and figures as well as strategies to shareholders, the MD listed the macroeconomic challenges the firm faced, including fallen crude oil prices, revenues and external reserves, higher interest rates, scarcity of foreign exchange and unstable exchange rate regime. "These contributed to an extremely volatile business environment, which ultimately affected most companies," he said, pointing out that the consequence was a net fall in gross domestic product from 6.3 percent in 2014 to 4 percent in 2015 as well as a rise in unemployment and underemployment.

He added: "Businesses, especially construction industry whose infrastructural development works always have a strategic multiplier and diversification effect on the economy; now expect a proactive economic stimulus programme, governed by targeted revivalist policies. "The Federation of Construction Industry (FOCI), now earnestly seeks a bailout programme for the sector. Struggling FOCI member-companies, now work below 30 percent capacity as clients' inability overheads and suspension of works on numerous projects." Hinting at a slight downsizing of staff embarked upon by the firm, Marks noted that Julius Berger retains a necessary percentage of its capable employees, which it continues to train across functions and specialties both in Nigeria and outside the country. He maintained that the business trajectory of Julius Berger Nigeria Plc as a brand remains good and workable, stressing that with the expected Economic stimulus programme of the Federal Government, the reconstruction of the Northeast, implementation of a National Integrated Infrastructure Master Plan and the Nigerian Industrial Revolution Plan among other palliative measures, the firm plans to implement a business strategy that focuses on participation programmes as the preferred partner. Earlier the Financial Director of the firm, Kollermann, showed with facts and figures how Julius Berger's profitability was sustained, pointing out that the management "proactively and rationally developed stringently targeted and efficient measures to alleviate the effects of the economic down turn and mitigate potential adverse consequences. According to Kollermann, "the net result of the tough, but pragmatic measures adopted to attain cross-operational efficiency was that Julius Berger still achieved a positive result", adding that while turnover in the period was N133.8bn or a decrease of 32percent, the cost of sales during the same period reduced by about 31 percent, proportionate to the turnover and reflecting efficient management of project direct cost.

On the gross profit margin, the Financial Director noted that the firm is financially healthy despite a slight decrease by 3 percent compared to the previous year; this he said, "shows that the company has been able to maintain a certain threshold in the profit to sales ratio." He disclosed that during the year a VAT audit upon application by the management yielded the sum of N4bn to the company, remarking that while the net current assets of the company rose from N19.2bn to N48.5bn in the year, liabilities reduced. "The company's assets therefore, can sufficiently cover its liabilities in the short term, and the company has the capacity to invest in short-term expansion and diversification. The company against all odds also has been able to maintain its traditional dividend payout to shareholders. These successes have been achieved with the active collaboration and cooperation of shareholders, employees and stakeholders," Kollermann declared. *(Guardian)*

# WEEKLY AFRICAN FOOTPRINT

*This Week's Leading Headlines Across the African Capital Markets*



**Oando Plc yesterday secured a N94.6 billion facility from nine local banks to enable it restructure its debt positions and improve earnings.** The financing, coordinated by the mandated Lead Arranger, Access Bank Plc, is a five-year Medium Term Note (MTN) given at the Nigeria Interbank Offered Rate (NIBOR) plus 200 basis points, to assist the company meet its financial obligations in the low crude oil price environment. In a statement, Oando Plc said it has substantially reduced its debt profile in the last 24 months, and the new loan facility would enable key restructuring of its remaining debt. Group Chief Executive of Oando Plc Wale Tinubu said: "In a bid to return to profitability in 2016, I am happy to announce the successful completion of the restructuring our overall debt profile into a N94.6 billion Medium Term, five-year consolidated facility, with a three-year moratorium on principal. This is the pivotal leg in our group restructuring plan of growth; via the upstream business, deleverage; via the disposal of $350 million in assets' value in 2016, and our return to profitability in 2016, driven by our dollar earning oil export and trading activities". Continuing, he said the company now stands diversified with higher weighted dollar denominated earnings, an optimised and restructured balance sheet with lower cost of capital and longer tenors. "With the upturn in global oil prices to levels above $50 per barrel, we now look forward to the successes of 2016, having ridden out the storm". Other banks in the financing deal include Diamond Bank, Ecobank, First City Monument Bank, Fidelity Bank, Stanbic IBTC Bank, United Bank for Africa Plc, Union Bank and Zenith Bank. Speaking on behalf of the participating banks, the GMD/CEO of Access Bank Plc, Herbert Wigwe said Medium Term Loan (MTL) facility would allow Oando to optimize its balance sheet towards greater efficiency. "As we all know, Oando is the largest indigenous oil and gas player in the Sub Saharan Africa and this MTL facility would allow it to optimize its balance sheet towards greater efficiency and improve its working capital. This combined with the synergy of Investment by HVI into its downstream operations, will see Oando's growth and development really take off," Wigwe said.

Oando has pledged to continue to exercise strong financial discipline, and the transaction further signifies the steadfast commitment from local banking institutions to support the sustained growth and development of the Nigerian oil and gas sector in spite of the rigid economic climate. Oando has navigated the ups and downs of the cyclical market by adapting quickly and being fiscally innovative to enable its business operations run as normal. In the Upstream, Oando posted a profitable first quarter 2015 in spite of the crude downturn, reinforcing investor confidence in its operations and asset portfolio. It also achieved significant operational milestones. The company's Proven and Probable Reserves have increased from 420.3 Million Barrels of Oil Equivalent (mmboe) to 445.3 mmboe and maintained net output at 54,520 barrels of oil equivalent per day (boepd) and the commencement of production at Qua Iboe. Additionally, proactive fiscal measures resulted in a cash windfall of $283 million from the reset of oil hedges. The hedge adoption effectively ensures Oando Energy Resources (OER) receives income approximately pegged to a pre-agreed price until 2019, and enables it to conveniently service its debt obligations, which are denominated in both naira and Us dollar, regardless of oil prices and without foreign exchange exposure.

In the Midstream, Oando Gas & Power (OGP) posted a N5.1 billion Profit After Tax last year and recently announced the development of a multi-billion Naira mini-LNG facility in Ajaokuta, Kogi to serve industrial clusters in the North. The company which provides gas and power solutions to over 170 industrial and commercial customers is also concluding the 10km Ijora to Marina expansion of its Greater Lagos pipeline network to increase supply capacity, while providing a cheaper power solution for industries and commercial enterprises along the axis. OGP inaugurated its expanding Compressed Natural Gas (CNG) programme in 2013, and is also spearheading several long term projects including a 400km South-West to North-West gas pipeline and a Central Processing Facility (CPF) which will serve as the primary gas gathering and processing hub in the Niger Delta. In cooperation with the Rivers State Government, OGP is constructing a 8km build out of the Central Horizon Gas Company pipeline franchise within the Trans-Amadi area in Port Harcourt ensuring cost-savings across board, economic development, and environmental awareness.

Together with Helios and Vitol (HV Investments), Oando will soon conclude a strategic partnership to potentially create Africa's largest Downstream company. HV Investments' equity buy-in into Oando's Downstream business will be for a consideration of $276 million, and will vastly increase Oando's Downstream operations and retail footprint. Already the largest indigenous supply and trading player in the sub-Saharan region, Oando has increasingly focused on efficacy in the reception of products at its newly completed jetty in Apapa, Lagos. The jetty will allow 45,000 DWT vessels to berth and discharge their products without lightering and demurrage, and will enable cost-savings across the industry in excess of $120 million per annum and lead to higher margin volumes with an estimated $36 million expected annually in revenue. The novel infrastructure, the sector's first in decades, will provide a more efficient and timely platform for product receipt to all marketers via its half-kilometer subsea pipeline, and a 16" 3km onshore line capable of delivering over three million tonnes a year. *(The Nation)*

**The recent trend of retrenchment of workers in the financial services sector on Monday extended to Skye Bank Plc, which sent 175 of its employees into the labour market.** The bank confirmed the development in a statement through which it explained that the affected workers failed the year 2015 appraisal exercise. The statement explained that a combination of factors was taken into consideration in the annual exercise, which ranged from low productivity to disciplinary issues, adding that the affected employees were duly exited in line with the bank's staff exit policy. The statement read in part, "The staff disengagement exercise is coming a year after the bank's successful integration with the erstwhile Mainstreet Bank, which it acquired in October 2014; the integration exercise described by analysts as a landmark in Nigeria's banking industry has significantly improved Skye Bank's ICT capacity and helped strengthen the bank's service delivery. "The bank extended its appreciation to the affected staff for serving the bank, describing them as members of the family who will always be accorded deserving respect in their future dealings with the bank." According to the statement, Skye Bank is adjudged by the Central Bank of Nigeria as one of the systemically important banks with over N1.3tn balance sheet, and has over 400 branches.

The PUNCH had exclusively reported last week that Diamond Bank Plc retrenched over 200 members of its workforce, while Ecobank Nigeria sacked over 1,040 of its employees, in response to the difficulties in the economy. FBN Holdings, the parent company of First Bank of Nigeria Limited, had recently said it would cut down the number of its employees by 1,000. As a result of the development, the Minister of Labour and Productivity, Dr. Chris Ngige, on Friday directed the banks to stop the retrenchment exercise. The minister further directed that all the retrenchments done in the past four months should be put on hold pending the outcome of a proposed stakeholders' summit for employers and employees of the banking, insurance and financial institutions scheduled for the first week of July. "Following the high spate of petitions and complaints from stakeholders in the banking, insurance and financial institutions, I hereby direct the suspension of the ongoing retrenchment in the sector pending the outcome of the conciliatory meetings in the industry," Ngige had said. *(Punch)*

**For customers and members of the general public who reside in the Gbagada area of Lagos State, First City Monument Bank (FCMB) has announced the opening of a branch for business in the area with effect from Monday, June 13, 2016.** Located at Ifako, Gbagada Street, Lagos, the bank said the move was in line with its expansion plan to extend its reach and make its operation accessible to its customers and members of the general public. A statement from FCMB explained that the location of the branch took into consideration convenience for FCMB customers and other people living in Gbagada, Shomolu, Anthony, Ogudu, Oworoshoki, Bariga, Akoka and the environs. Responding to questions on the opening of the new FCMB branch, the Vice President, Branch Management and Trade Services at First City Monument Bank (FCMB), Mr. Oluwakayode Adigun said: "We are pleased to establish a presence in the neighbourhood, as part of our continued retail drive. This is not just another branch as each of FCMB's new branches brings with it, something special in terms of structure, aesthetics and above all, the excellent customer experience, to be provided by an excellent team of service professionals, who will not only serve you in the traditional manner, but also assist with mobile and internet banking registration and basic tutorials. The branch also offers numerous self-service options such as cash depositing and withdrawal ATMs, and self-service terminals for routine requests and transfers ."

FCMB said it plan to grow this year substantially in retail banking by adding over 600,000 customers to the existing 3.2 million at the start of the year. Retail banking revenues and profitability are also expected to grow strongly in spite of the challenging economic environment. Smart branching and technology will play an equally important role in attaining this objective. The Group Chief Executive/CEO of the bank, Mr. Ladi Balogun said: "With a robust product suite for businesses and individuals and our award winning service culture, we are intent on leveraging these capabilities by investing extensively in channels to reach more customers. Today, our customers are embracing alternative channels such as mobile at an impressive rate, whilst many still need the reassurance of an experienced banker and the infrastructure a branch offers. The Gbagada branch gives this reassurance. It will not only serve the immediate community but also serve as a hub for the deployment of alternate channels such as agent location, ATMs POS and mobile banking across a wider radius." *(This Day)*

# WEEKLY AFRICAN FOOTPRINT

*This Week's Leading Headlines Across the African Capital Markets*



**Shares in Nigeria's Oando rose sharply on Tuesday after the oil firm said it has secured $475 million debt restructuring deal with a group of local banks and that it hoped to return to profit this year.** Shares of Oando, which is also listed in Johannesburg and Toronto, climbed the maximum 10 percent allowed on the Lagos stock exchange to 6.72 naira by 1048 GMT, erasing losses so far this year. The shares fell 63.4 percent last year. The company secured the five-year loan facility from 10 domestic lenders under plans to restructure its finances and it will sell assets worth $350 million this year, it said late on Monday. *(Reuters)*

**Unity Bank Plc has forged a strategic alliance with Black Trituium, an equity and investment fund manager, in an effort to reposition the financial institution, the company looks set to make significant equity investment in the lender.** The strategic alliance will particularly, seek to expand the bank's business model, boosts capital base and raise its retail strategy, while meeting the investment objectives of Black Trituium. Black Trituium is known for managing funds for individuals and institutions, including trade associations, like the Trade Union Congress of Nigeria. Already market sentiments have swung in favour of the planned alliance as it appears a unique opportunity for the bank to broaden its customer base, investor constituent and stakeholder value on a sustainable basis. Besides, given the current economic outlook and banking industry challenges, "this strategic alliance is a proactive response that guarantees value in investment, with immediate benefits, to enhance the capacity of the lender, as well as meet the needs of the banking public," a source close to the deal confided in The Guardian. The source also said that the alliance is also aligned with government's initiatives towards driving growth in the real sector through Small and Medium Enterprises and retail products, with particular focus on agriculture sector.

Coincidentally, TUC said it has concluded plans to unveil an economic development plan worth $1 billion, which would include strategic investments into different sectors of the economy and loans for members. TUC President, Comrade Bobboi Bala Kaigama, at the 10th triennial national delegates conference in Abuja, said by such move, the body and its members can take advantage of existing investment opportunities in lucrative areas such as financial services, power, housing, agriculture, oil and gas, infrastructure among others. "For far too long, we have left our future in the hands of others. This trend must stop. TUC leadership has worked with seasoned investors and globally respected consultants to develop a TUC Economic Development Plan. When the plan is fully implemented, the TUC will become an economic force to reckon with. "TUC has set up a $1 Billion TUC Economic Development Fund as a vehicle to actualize the TUC Economic Development Plan. This fund will be used to make strategic investments into the different sectors of the economy," he said. *(Guardian)*

**UAC of Nigeria PLC (UAC) has concluded plans to restructure the operations of three of its subsidiaries.** The companies are UACN Property Development Company Plc, Livestock Feeds and Portland Paints and Products Nigeria Plc. Besides, the company paid a total dividend of N1.92 billion, culminating to 100 kobo per share due to every shareholder of the firm for the 2015 financial year. Addressing shareholders during the 2015 yearly general meeting held in Lagos yesterday, the Chairman of the company, Dan Agbor explained that the fund would be used to boost the company's operational expenses, purchase of new machines, improve production facilities and enhance working capital. "Against the backdrop of an extremely challenging economic and business environment in 2015 and the need to conserve funds so that we can participate in the Rights Issues to be undertaken by three of our subsidiaries. "The objective of the capital raising proposals that were presented to the shareholders at the yearly general that took place on the 23rd of September 2015 was to attract a strategic investor or investors and obtain equity control that would be used to drive growth in certain subsidiaries. Following your approval of a one for 12 rights issue of 160,072,032 ordinary shares, your Board and Management made all necessary arrangements to launch the Issue. "Unfortunately, however the weak performance of the Nigerian capital market has made it impossible to raise the requested capital on optimal terms and at the end of March 2016, a decision was taken by the Board to discontinue the Rights Issue. Your Board and Management will now undertake the needed investment and financial restructuring of those subsidiaries using internally generated funds", the Chairman said.

Reviewing its performance, Agbor noted that the company posted group revenue of N73.I billion which was down by 14.6 per cent when compared to N85.6 billion achieved in the previous year while group profit after tax stood at N5.2 billion, lower than N10.9 billion posted in the previous year. The shareholders commended the board for payment of dividend, amid harsh operating environment, urging them to reduce their expenses and the number of unclaimed dividend in the list. Specifically, the Secretary General, Independent Shareholders Association of Nigeria, Adeleke Adebayo stressed the need for the company to reduce the number of its unclaimed dividend list by making it public. He also urged the management to do everything within its powers to increase the dividend payout in the current financial year. *(The Guardian)*

**Consumer goods group, PZ Cussons, which generates a quarter of its profits in Nigeria, has warned shareholders that it will take a one-off hit of £17m due to the foreign exchange shortage in the country.** The company also warned that it expected conditions to remain "challenging in Nigeria with a range of potential outcomes for the new financial year dependent on the translational and transactional impacts of any movement in the naira exchange rate." This came just as UAC of Nigeria Plc said the Central Bank of Nigeria's delays in announcing details of its proposed flexible foreign-exchange system were holding back business decisions because of confusion over future costs. "They should have done it yesterday, rather than tomorrow," the Chief Executive Officer, UAC, Larry Ettah, told Bloomberg in an interview in Lagos on Wednesday. He added, "We are hopeful that if flexibility is introduced, it will help to bring clarity in terms of costing. People don't like uncertainty." According to Ettah, the UAC is suffering from an increased "blended cost" from suppliers that use the black market to obtain dollars while the company struggles to get greenbacks on the interbank market.

He said it had been difficult for the company to "replenish inventory at cost-competitive rates" and to keep up with royalty remittances to overseas partners. Flexibility in Nigeria's foreign-exchange market "will bring transparency in pricing and allow us to plan in the future," Ettah said. "If you look at the cost of raising those funds and also the amount you'll end up raising, it's simply cost ineffective," Ettah said. PZ Cussons said there were low levels of dollar liquidity in the country, adding that its costs of operating in Nigeria had gone up due to the additional cost of funding naira from the secondary market, Financial Times reported. The group said it was focusing on securing materials for its key products, while it was trying to keep pricing competitive in an economy that is suffering from soaring inflation. Meanwhile, the naira gained closed at 365 against the United States dollar at the parallel market on Thursday. The local currency had closed at 371 against the greenback on Wednesday. The local currency, which has been under continued pressure owing to the delays by the Central Bank of Nigeria in unveiling its proposed flexible exchange rate policy, had been falling persistently in the past few days. Before retreating on Thursday, the local currency had fallen to 355, 357 and 361 respectively this week.
According to foreign exchange dealers, the naira appreciated slightly on Thursday because black market operators from neighbouring countries including Niger and Republic of Benin are bringing dollars to sell in Nigeria to cash in on the fall of the local currency. The CBN Monetary Policy Committee had a few weeks ago said it would abandon its naira peg to the dollar and introduce a flexible currency regime.
It has not said how this will work and this has unsettled investors who are worried about getting caught in the middle of a devaluation. The delay has, however, caused the stock market to record huge losses after recording landmark gains following the announcement of the plan to adopt the policy.*(Punch)*

**The Dangote Group has become the latest corporate organisation to join the African Export-Import Bank as a class B shareholder.** The Group, according to information released by Afreximbank and made available to our correspondent, completed the process of acquiring equity in the bank on May 30 this year with a "substantial investment." Afreximbank is an international financial institution, headquartered in Cairo, Egypt, whose primary objective is to promote and finance trade within the African continent and trade between Africa and other continents. Welcoming the investment of Dangote Group, President of Afreximbank, Dr. Benedict Oramah, stated that it was "a strong vote of confidence in the bank by, arguably, the largest indigenous corporate organisation in Africa." "The massive investment the Dangote Group is making across Africa makes it a partner of choice in the delivery of our intra-African trade strategy. Working with the Dangote Group, we will build supply chain financing across Africa that could reach $1bn in the short term, promoting intra-regional trade and growth of short and medium enterprises, and creating much needed jobs," Oramah said. The President, Dangote Group, Aliko Dangote, said, "I consider Afreximbank as a good vehicle for fostering regional integration in Africa, which aligns with our vision and mission for growth and development across the continent."

Afreximbank has four classes of shareholders divided into A, B, C and D, which are made up of a mix of African governments, central banks, regional and sub-regional institutions, private investors, African and non-African financial institutions, export credit agencies and non-African private investors. Class "A" shareholders are African states, central banks and public institutions, including the African Development Bank;

while Class "B" is made up of the continent's financial institutions and private investors. Class "C" shares are held by non-African investors, mostly international banks and export credit agencies, including Standard Chartered Bank, HSBC, Citibank, China Exim Bank and Exim India. Class "D" shares, a tier approved in December 2012, are fully paid par value shares that can be held by any investor. Oramah described Dangote as an enigma who was assiduously working towards the unification, growth and development of the African continent. *(Punch)*

## Economic News

**Nigeria's government has recovered $9.1 billion in stolen money and assets, its information and culture minister said on Saturday, as its corruption crackdown continues against the backdrop of the country's worst economic crisis in years.** President Muhammadu Buhari, elected last year largely on his vow to fight corruption, has vowed to recover "mind-boggling" sums of money stolen from the oil sector and said public coffers were "virtually empty" when he took office last May. Since then the country has endured an economic crisis caused by the sharp fall in global oil prices, making the need to recoup lost money more acute. Crude sales account for around 70 percent of national income. In a statement, Information Minister Lai Mohammed said cash and assets recovered between May 29 last year, when Buhari took office, and May 25 this year totalled $9.1 billion. The government has said it plans to generate 3.38 trillion naira ($17 billion) this year from non-oil sources to help fund the $30.6 billion budget signed into law by Buhari last month. It was not immediately clear how much outstanding money in total is still being sought by the government. "All these are monies recovered from individuals and entities who had either hidden, stolen, diverted or were in possession of monies belonging to the nation," the minister's special adviser, Segun Adeyemi, told Reuters.

"These recovered funds include monies withheld by past government officials, monies kept in private accounts, monies diverted to private pockets and monies in possession of government officials not disclosed after leaving government." The information minister told Reuters he could not name any individuals from whom money had been recovered for legal reasons. He said some of the money came after companies that had failed to pay taxes were forced to do so retrospectively. The ministry also said a total of $321 million was yet to be recovered from Nigerians in Switzerland, the Britain, the United States and the United Arab Emirates or their assets held in those countries. Last month Buhari urged other countries and the United Nations to speed up the process of repatriating stolen money held abroad, which he said was becoming "tedious". *(Reuters)*

**The odds are stacked against Nigeria as it looks to raise debt on the international markets for the first time in almost three years. Finance Minister Kemi Adeosun is leading a team of officials that will meet bond investors at London's five-star Corinthia Hotel on Tuesday at a time when Africa's biggest economy is on the verge of a recession, oil production has fallen to about a three-decade low, and the budget deficit has swelled to a record.** Yields on Nigeria's existing dollar debt are almost twice as high as those for Kazakhstan and Colombia, two other developing-nation oil producers. While they're interested in plans to revive growth, investors said they will also demand to know when and how the central bank will end capital controls and a currency peg that has starved the country of dollars and slowed foreign investment to a trickle. Tapping the offshore bond market this year is crucial for Nigeria to fund a budget of 6.1 trillion naira ($31 billion) meant to stimulate the economy, according to Rand Merchant Bank. "They will be under immense scrutiny," Nema Ramkhelawan-Bhana, an analyst at RMB, FirstRand Ltd.'s investment-banking unit, said from Johannesburg on June 2. The Eurobond market, which Nigeria may tap for as much as $1 billion, is "an avenue of financing they're in desperate need of. It's going to be a tough week for the finance ministry," she said. Nigeria has sold dollar bonds twice, the last time in mid-July 2013, when it raised $1 billion of five- and 10-year debt. Yields on its $500 million of securities maturing in July 2023 fell one basis point to 7.52 percent by 8:03 a.m. in London on Monday. They've dropped 1.16 percentage points this year, meaning the bonds have gained 8.3 percent, compared with the average of 9.6 percent for high-yielding emerging-market sovereign dollar-debt tracked by Bloomberg.

Bond investors blame Nigeria's rigid foreign-exchange regime for draining reserves, which have fallen to a more than 10-year low, and hindering the economy, according to Bank of America Merrill Lynch. The second-biggest U.S. bank by assets says Nigerian Eurobonds would rally more if the government allowed the naira to weaken. Central bank Governor Godwin Emefiele has fixed it at 197-199 per dollar since March 2015, even as other oil exporters from Angola to Kazakhstan have let their currencies drop. Forward contracts suggest it will fall 43 percent to 285.5 in three months and to 328 in a year. The black-market rate has plummeted to around 355 as the central bank runs out of the foreign-currency that companies need to import raw materials and equipment. The economy contracted for the first time since 2004 in the three months through March, and a recession is imminent, the central bank said on May 24. "Feedback from our clients suggests that the removal of the naira peg would be a positive catalyst for the dollar bonds," Oyin Anubi, a London-based economist at Bank of America, said in an e-mailed response to questions on June 3. "The dramatic slowdown in economic growth combined with uncertainty on foreign exchange and risks to oil production means that this is a difficult time to invest in Nigeria." The government has said it plans to raise about $10 billion of debt in 2016, half of it externally, to plug a fiscal deficit estimated at 2.2 trillion naira, or 2.1 percent of gross domestic product. With oil revenue, which made up two-thirds of the total in 2014, having plunged along with crude prices, the government is banking on a steep rise in the tax take from other sectors. Yet Adeosun said last week that Nigeria might fail to reach its revenue targets as the economy slows. The budget gap may reach 4.3 percent of GDP, according to Anubi. All this means that while Nigeria is also trying to raise dollar debt from the World Bank and the African Development Bank, the Eurobond market has taken on added importance. Tapping it will be tougher without a change in currency policy, according to Exotix Partners LLP. "Under the current policy mix, those figures are unlikely to be achieved," Alan Cameron, an economist at Exotix in London, said by phone on May 31. "Given the right policy mix, it's possible. Currency reform is just the first in a range of measures that could unlock investment and boost growth." *(Bloomberg)*

**The World Bank is downgrading its 2016 global growth forecast to 2.4 per cent from the 2.9 percent pace projected in January. The move is due to sluggish growth in advanced economies, stubbornly low commodity prices, weak global trade, and diminishing capital flows.** According to the latest update of its Global Economic Prospects report, commodity-exporting emerging market and developing economies have struggled to adapt to lower prices for oil and other key commodities, and this accounts for half of the downward revision. Growth in these economies is projected to advance at a meager 0.4 percent pace this year, a downward revision of 1.2 percentage points from the January outlook. "This sluggish growth underscores why it's critically important for countries to pursue policies that will boost economic growth and improve the lives of those living in extreme poverty," World Bank Group President Jim Yong Kim said. "Economic growth remains the most important driver of poverty reduction, and that's why we're very concerned that growth is slowing sharply in commodity-exporting developing countries due to depressed commodity prices."

Commodity-importing emerging markets and developing economies have been more resilient than exporters, although the benefits of lower prices for energy and other commodities have been slow to materialise. These economies are forecast to expand at a 5.8 per cent rate in 2016, down modestly from the 5.9 per cent pace estimated for 2015, as low energy prices and the modest recovery in advanced economies support economic activity. Among major emerging market economies, China is forecast to grow at 6.7 per cent in 2016 after 6.9 percent last year. India's robust economic expansion is expected to hold steady at 7.6 percent, while Brazil and Russia are projected to remain in deeper recessions than forecast in January. South Africa is forecast to grow at a 0.6 percent rate in 2016, 0.8 of a percentage point more slowly than the January forecast. A significant increase in private sector credit – fueled by an era of low interest rates and, more recently, rising financing needs – raise potential risks for several emerging market and developing economies, the report stated. "As advanced economies struggle to gain traction, most economies in South and East Asia are growing solidly, as are commodity-importing emerging economies around the world," World Bank Chief Economist and Senior Vice President Kaushik Basu said. "However, one development that bears caution is the rapid rise of private debt in several emerging and developing economies. In the wake of a borrowing boom, it is not uncommon to find non-performing bank loans, as a share of gross loans, to quadruple." *(This Day)*

**With N120 billion already disbursed to power sector operators by the Central Bank of Nigeria (CBN) as part of its Development Finance intervention, there are about N93 billion more waiting for the appropriate time and tranche structure.** The intervention tagged Nigerian Electricity Market Stabilisation Facility (NEMSF), was scripted to support operators to the tune of N213 billion in 2014, by CBN, in conjunction with the Bankers Committee- a forum of all the chief executives of banks in Nigeria, headed by serving apex bank governor.
Besides, the intervention is also a follow up to commitments it reached with stakeholders, particularly the Bankers Committee, to address

debts owed by generating companies to gas suppliers. Already, a breakdown of CBN's interventions programmes showed that the Real Sector Support Facility (RSSF) received N300 billion; the Micro-Small and Medium Enterprises Development Fund (MSMEDF) got N220 billion; the Nigeria Incentive Based Risk Sharing System for Agricultural Lending (NIRSAL) got N75 billion; and the Nigeria Electricity Market Stabilization Fund received N213 billion. Others include the Nigeria Export-Import Bank (NEXIM) support at N50 billion for the Export Refinancing and Restructuring Facility; and the Non-oil Export Stimulation Facility that received N500 billion. CBN Governor, Godwin Emefiele, said the fourth disbursement of the intervention fund marked a major milestone in the effort of the bank, in collaboration with the Federal Government to achieve a contract based electricity market in the country. At the event, a fresh lifeline came the way of electricity Distribution Companies (Discos), Generation Companies (Gencos) and gas providers, as CBN disbursed N55.46 billion to the operators.

The development marked the resumption of the development financing scheme by CBN for the sector, which was suspended as a result of costs and pricing issues among Discos, Gencos and gas providers. Meanwhile, the operators have expressed gratitude for the support and concern of government over their financial inability that has challenged their operational efficiency, but asked for increased disbursement.
A source close to the Niger Delta Power Holding Company Limited told The Guardian that the company got less than N9 billion, while it was looking for N23 billion to smoothen operations and maintain its multiple power stations. The source said the company has about six or seven power plants, amid gas supply challenges, which its price has remained an issue; sizeable workforce under its employ; recurring insurance payment; and power sector tariff that is impacting on revenue. While commending the efforts aimed at assisting the sector operators, the source said it would have been better had the tranche been bigger, such that allocations could increase, but hoped that subsequent one would come soon, as well as raised up. Also at the event, the Power Purchase Agreement (PPA) Activation by Nigerian Bulk Electricity Trading Plc (NBET) was signed to signal activation of industry contracts for power generation under a Contract Based Market. However, Emefiele noted that one year into the progamme as at February 2016, N64 billion or 30 per cent of the facility earmarked has been disbursed to 18 participants- five distribution companies (N41.06 billion); seven generating companies (N18.46 billion); and six gas companies (N5.24 billion). These companies committed to using the funds to upgrade/refurbish their equipment and acquire new ones so as to improve service delivery. The facility was given at 10% interest rate and repayment has commenced.

The latest intervention, which brings total disbursement to N120.2 billion, include 24 industry participants- three Discos; 14 Gencos, NIPP inclusive; one service provider; and six gas companies to further address the challenges of the sector. New entrants into the scheme are two Discos- Benin and Jos; and eight generating companies that include two IPPs- Agip/Okpai and Shell; and six NIPP plants-Alaoji, Geregu, Ihovbor, Olorunsogo II, Omotosho II and Sapele II. A further breakdown of the disbursement a showed that total disbursements to date to Discos will now become N49.73 billion; Gencos, N54.29 billion; gas companies N15.73 billion; and service providers, N0.46 billion. "Our review of the fund utilization and reports of impact by beneficiaries revealed that the intervention resulted in the restoration of a total of 905MW of power into the grid as a result of facility turn around maintenance, contribution of over 25 per cent of the annual capital expenditure budget for the sector. "Specific reports from Gencos revealed that there was execution of capacity recovery programs in three hydro power stations- Intake under water repair project, overhaul of Unit IV, and compliant metering/supplementary protection at shiroro dam; overhaul of 2G6 at Jebba Hydro and rehabilitation of three units at kainji Dam under permitted utilizations of the facility. "A total of 300MW capacity increase was reported as a result of fund utilization towards rehabilitation of both plants. Others were Rehabilitation of seven gas turbines at three major thermal power plants- Geregu, Transcorp Ughelli, and Ibom Power Plants," Emefiele said. He added that the intervention has also enabled Discos to provide bank guarantees to Nigerian Electricity Bulk Trader (NEBT), purchase of over 171,071 units of meters comprising both maximum demand and single-phase meters.

It also helped in the rehabilitation of over 332kms of 11KV lines and 130km of 0.45KV lines; 70,310 No 500 KVA transformers procurement and construction of 34 new distribution substations and acquisition of 1 mobile injection substation under confirmed permitted utilisation by the initiative. The direct development intervention of CBN in the nation's real sector was estimated at about N1.4 trillion, by February 2016, which at various times was accompanied by sustained credit stimulation efforts to enthrone a regime of "reasonable rates" in banks and for the good of small businesses. The bank noted that the country has no choice now than to support real sector activities, as oil economy has crashed, reiterating that beside the primary roles of monetary, price and financial stabilities, the challenging economic issues globally have necessitated the adoption of developmental angle in regulating the system by emerging and developed economies, which it has also keyed into. Of course, the Federal Reserve Bank of the United States and Bank of England have at various times directly intervened in boosting the fortunes their economies by injecting funds, subsidising rates and promoting the growth of different sectors. For Emefiele, the far-reaching objectives of CBN's implementation of the schemes and programmes for real sector was on the back of inherent potentials like huge employment capabilities, high growth opportunities, significant accretion to foreign reserves, expansion of the industrial base and apparent diversification of the national economy. "The real sector as you know, is the engine of every economy, as it facilitates the production of raw materials, which add value to the domestic economy and consequently serves as a source of wealth creation and income generation to the productive population, the real sector also provides effective linkages among crucial sub-sectors such as agriculture, manufacturing, power, financial services among others," he said. *(Guardian)*

**Nigeria plans to continue to engage with international investors as it explores fundraising options, Finance Minister Kemi Adeosun said on Thursday after a non-deal roadshow in London earlier this week.** The one-day event, which took place on Tuesday, was attended by 65 representatives of European and global fund managers, said Adeosun adding that the event was aimed at updating existing bond holders on the government's economic strategy. Adeosun was joined by officials from the Debt Management Office and central bank. *(Reuters)*

## Tanzania

### Corporate News

**DAR ES SALAAM Stock Exchange (DSE) primary offer of its shares was concluded last week with brokers optimistic that they will be oversubscribed.** The bourse put on offer of 15 million shares at 500/- each to raise 7.5bn/- with a green shoe of 5.0 per cent. Stock brokers said the oversubscription was expected since the amount the bourse wants to raise was small compared to investors' appetite. Zan Securities Chief Executive Officer, Mr. Raphael Masumbuko, said the oversubscription was obvious since a single pension fund or some mutual funds could buy the IPO at a go. "I see oversubscription on my eyes," Mr. Masumbuko said. He added: "If you analysed the first right issue of CRDB Bank some pension funds - actual two - put enough money equivalent to DSE IPO." "So in reality if the heavy weights (wholesale investors) can buy the DSE at one go … there will be oversubscription," Mr. Masumbuko told the 'Daily News.' Other brokers had it that DSE public offers was expected to hit a jackpot as both short and long term investors have already shown growing appetite. Orbit Securities General Manager, Juventus Simon said the demand since day one of IPO was good after the would-be investors understood the bourse revenue generation philosophy. "They (investors) have understood well DSE's income philosophy. The selling trend was going at pleasing pace," Mr. Simon said "we expect good subscription." Orbit Securities is the sponsoring broker of the IPO that paves the way for the demutualisation process.

DSE will be the third exchange in Africa to self-list after Johannesburg and Nairobi and some investors thrust to buy share based on the success of two bourses in Kenya and South Africa. Mr. Simon said previously many investors failed to understand income source of DSE thinking it may raise conflict of interest with other listed firms. "But we have educated them that the bourse income is much separate from the listed firms… that the exchange generates its revenue by collecting various fees," Mr. Simon said. The DSE has mainly three business segments namely listing fees, transaction fees and other stock exchange related services such as data selling. The name itself (DSE) assists on selling of the share. Since the exchange champions for transparency self-listing implies that the exchange will be crystal clear on their activities. Already, DSE is expecting a hefty profit next year as the performance and activities of the bourse continues to increase. Earlier, the bourse CEO Mr. Moremi Marwa told the 'Daily News' that the projections of the remaining nine months of this year suggest a profit of 1.4bn/-. "We anticipate a profit rise next year…since prospects are good," Mr. Marwa said, without mentioning the actual estimated profit figure. *(Daily News)*

### Economic News

**CHINA Export-Import Bank (China Eximbank) has pledged to support the government realize the dream of transforming the nation to a semi-industrial economy by 2025 and raise employment in the industrial sector to 40 per cent.** The bank's Deputy Managing Director, Zhang Shuo, issued the pledge when she met the Permanent Secretary in the Ministry of Foreign Affairs and East Africa Cooperation, Dr Aziz Mlima in Dar es Salaam yesterday. In their meeting, Ms Zhang said China Exim bank was ready to support implementation of big strategic projects including construction of the Central Railway to the standard gauge level, according to a statement from the Ministry Foreign Affairs and East African Cooperation. She said the bank had already approved funds for implementation of various development projects such as construction of Mpigaduri Port in Zanzibar and the Dar es Salaam - Arusha via Chalinze high voltage power transmission line. She said the bank has established $1 billion investment and industrialization programme to help accelerate Africa's industrialization and enhance trade between the continent and China. The programme is part of plan announced by President Xi Jinping of China, to dedicate $60 billion towards Africa's industrialization in the next 10 years.

Tanzania is among other African countries that will benefit from the programme where it has planned to use the funds for construction of infrastructure development projects of roads, railways, and electricity at the Bagamoyo Export Processing Zone (EPZ) area. Ms Zhang said the objective of her mission to Tanzania was to discuss technical issues with various stakeholders so that implementation of envisaged projects started immediately. She said she was pleased with her visit because the stakeholders she met have shown government commitment to implementation of the projects. Dr Mlima thanked China for supporting government efforts to speed up growth and development in the country. He said the government would make sure that the projects would be implemented without hindrance. Exim Bank of China has provided loans for major development projects including a 1.2 billion US dollars to finance construction of natural gas pipeline linking Mtwara gas field to Dar es Salaam and Kinyerezi III and IV power generation plants at Kinyerezi in Dar es Salaam. *(Daily News)*

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## Zambia

### Corporate News

**Vodafone Group said on Monday it will launch its high-speed mobile data services in Zambia jointly with unlisted telecoms provider Afrimax, tapping growing demand for data-heavy services on the continent.** The companies plan to provide high-speed 4G data services under the Vodafone Zambia brand and will also open retail stores in Africa's second largest copper producer. Telecoms and Internet companies are expanding in Africa to take advantage of the growing demand for data-heavy services as more affordable smartphones encourage consumers to browse the internet, stream videos and download applications. Vodafone, the world's second-largest mobile operator, has a presence in several countries in Africa, while Netherlands-based Afrimax had previously said it had raised $120 million to fund the expansion of a high-speed broadband network in Africa. Vodafone also partnered with Afrimax in 2014 to launch data services in Uganda as part of an agreement by the two firms to jointly expand their businesses in sub-Saharan Africa. *(Reuters)*

**THE Government has awarded a petroleum exploration licence to Tullow Oil Zambia over block 31 for explorations in Luapula and Northern Provinces following an open bidding process.** Tullow Zambia is one of Africa's leading Independent oil and gas companies which was founded 30 years ago. Speaking during the signing ceremony in Lusaka yesterday, Mines Minister Christopher Yaluma said the process signified Government's commitment to transparency and fairness in awarding exploration blocks for oil and gas. "Block 31 is among other blocks with high potential for oil and gas due to its location within the rift area where oil exploration has proved successful in countries like Kenya and Uganda," Mr. Yaluma said. The Minister said his ministry appreciated and recognised Tullow Oil's experience and success in the rift valley and was confident that successful exploration would be replicated in Zambia. And Mr. Yaluma said Government had commenced reviewing the petroleum: exploration and production Act of 2008, with special focus on fiscal terms and other relevant clauses in the Act, to enhance and support the oil and gas exploration in Zambia. He said this would help the country become more competitive in this sub sector in the region. Witnessing the signing ceremony was British High Commissioner to Zambia Fergus Cochrane-Dyet, Minister of Justice Ngosa Simbyakula, Works and Supply Minister Yamfwa Mukanga and Minister of Commerce, Trade and Industry Margaret Mwanakatwe. Tullow Oil Plc vice president exploration Ian Cloke said the petroleum exploration licence the company has been awarded, presented an exciting opportunity. Dr Cloke said, over the course of the next two years, the company had committed to undertaking geological and geochemical studies, passive seismic as well as a Full Tensor Gravity (FTG) survey. He explained that if Tullow would be successful in identifying promising prospects, the company would agree with the Government to progress with the exploration programme. Dr Cloke said the company could potentially spend at least US$69 million over the period. *(Times Zambia)*

### Economic News

**THE kwacha's depreciation against major currencies has continued as pressure on the local unit has remained despite improved dollar inflows, according to financial market players.** And FNB Zambia says the short-term outlook for the kwacha remains weak as the macroeconomic fundamentals are still challenging. Sustained demand for the dollar has seen the local unit trade above K10.50 after it broke the K10 psychological barrier three weeks ago. According to Cavmont Bank, the kwacha has come under pressure in the opening week of June despite improved dollar inflows from corporate sellers. "On Wednesday, the kwacha continued to come under pressure against the US dollar despite improved in?ows being seen from corporate sellers. The local unit opened at K10.46/K10.51 but was later seen being quoted at K10.49/K10.54 during noon trading from increased strong dollar demand from importers and interbank players," Cavmont stated in a market report. "On Thursday, the kwacha edged closer to the K10.60/$1 barrier against the US dollar owing to increased demand for the greenback which has continued to outstrip supply. The currency pair was trading at K10.50/K10.55 in early trade but was later seen being quoted at K10.52/ K10.57. The kwacha closed at K10.54/K10.59, K0.04 weaker than the day's opening level."

And in a treasury update, FNB Zambia stated that the short-term outlook for the local currency remains weak owing to the challenging macroeconomic fundamentals. "The short-term outlook for the kwacha remains weak. Fundamentals for the unit continue to be weak, causing a structural imbalance in the forex market. While demand has reduced in the past months, it is the supply side that has seen a major reduction. Mines are not selling nearly as much as they did before the slump in copper prices. Now that support is firmly at K10.50, we are more likely to see higher levels," stated FNB Zambia. "Continued strong dollar demand has put the local unit on the back foot. Trades are now going through on the other side of K10.50. Although we are seeing two-way flow, the weight is leaning toward the demand side." Around mid-morning yesterday, the kwacha traded at K10.42 and K10.62 against the dollar, according to a Zanaco treasury update. i*I*
*(Post Zambia)*

# WEEKLY AFRICAN FOOTPRINT

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TRADING

## Zimbabwe

### Corporate News

**Hippo Valley Estates, the local unit of South African sugar processor Tongaat Hullet reported an annual loss of $8, 5 million from an after tax profit of $7,3 million last year as production declined 11 percent.** Sugar production for the year to March 31 dropped to 204,000 tonnes from 228,000 tonnes due to a 15 percent decline in deliveries from private farmers and poor growing conditions. Capacity utilization dropped to 64 percent from 71 percent last year. The group incurred an operating loss of $6, 2 million from a profit of $16, 2 million last year. Revenue for the year amounted to $116, 8 million compared to $146, 8 million last year. An attributable loss of 4, 4 cents per share was recorded for the year compared to earnings of 3, 8 cents per share achieved in the prior year. Sugar exports fell 45 percent to 98,000 tonnes largely as a result of lower production volumes. Of these 9,000 tonnes were exported into the regional markets while 74,000 tonnes and 150,000 tonnes s were exported to the European Union and the United States respectively. Export revenues were also negatively impacted by lower international sugar prices. Total industry sugar production for the 2016/17 season is estimated between 379,000 tonnes and 440,000 tonnes compared to 412,000 tonnes produced in the 2015/16 season. *(Source)*

**OK Zimbabwe reported an 88 percent decline in operating profit at $1,3 million for the year ended 31 March 2016 compared to $10,7 million in prior year as the increasingly competitive retail sector contends with declining consumer spend.** Profit after tax and finance charges fell by a massive 91 percent to $700,000, from $7,5 million previously. OK Zimbabwe, the country's largest retail group, is often considered a bellwether for the nation's economy. Earnings Before Income Tax Depreciation and Amortisation (EBITDA) was 48.9 percent down, at $9 million from $17,7 million in the prior year. Finance Director Alex Siyavora told analysts at a briefing late Monday that the 5.4 percent decline in revenue to $437,5 million was a result of reduced volumes and price markdowns. Gross margin was at 16.1 percent compared to 17.8 percent in 2015 largely on product mix and significant mark-downs during promotions and obsolete stock. Siyavora said overheads went down 3.3 percent as staff costs dropped 10 percent while some service providers extended reduction in charges and tariffs. Stock turn down was at 47 days against internal standard of 30 days. In the prior year, it was at 41 days. Capital expenditure for the year was at $4,4 million compared to $11,3 million in prior year. Chief executive Willard Zireva described the results as disappointing and pointed out that the environment is likely not to change in the near term hence the company will continue to leverage different platforms to achieve growth. He said the company will ride on the Kawena project to sustain product availability from South Africa, at the same time expanding its financial services contribution.

Zireva sought to allay fears of imminent basic food shortages amid the ongoing banknote shortage in the country, saying products such as cooking oil, which had started to run out amid panic buying, had started to re-appear on the shelves. The company, he said, will spend in excess of $5 million towards refurbishments and new store developments. Two new stores were opened in the year; OK Mart Mutare and OK Zvishavane. Zireva said instore bakeries, which now total 32 and back off bakeries at eight, will continue to be an area of key focus. OK management acknowledged the increasingly competitive retail sector, where South African retailer Pick n Pay continues to expand, while Meikles is rolling out its Megastore brand. The entry of Botswana's Choppies has also eaten into OK's market share, especially in the low end segment. Wholesalers-cum-retailers such as N Richards and Metro Peech, as well as informal traders selling basic foodstuffs have also mushroomed over the past few years. The financials also showed OK cut 491 jobs, nearly 12 percent of its total workforce, in the past financial year. The group now employs 3,690 workers. *(The Source)*

**Zimbabwe has set a Tuesday deadline for the country's second largest ferrochrome producer Zimbabwe Alloys to hand over half its chrome claims or risk having them seized, according to a letter seen by Reuters.** The Southern African nation holds the world's second largest deposits of chrome, which is smelted to produce ferrochrome, a raw material used in the making of stainless steel. Zimbabwe's mines minister last year asked Zimasco, a unit of China's Sinosteel and Zimbabwe Alloys (ZimAlloys), which owned 80 percent of all chrome mining claims, to release some ground for distribution to new investors. Sinosteel's Zimasco said in April it had ceded half its mining claims to the government. Francis Gudyanga, a senior official in the mines ministry, said the government wanted to redistribute ZimAlloys claims to new firms as per rules it issued in October and accused the company of failing to heed the demands. "Despite repeated efforts to have a common understanding you have remained evasive with regards to this matter," Gudyanga said in a letter dated May 30 addressed to the company previously owned by Anglo American until 2005. "Therefore we will be giving you up to the 7th of June 2016 to present the claims to be handed over to the Ministry or risk the claims being acquired at our discretion or without notice." Gudyanga could not be reached for comment on Tuesday. ZimAlloys acting chief executive Kudakwashe Mahobele confirmed receiving the letter and said if the company complied, it would mean giving away nearly 20,000 hectares of ground. Mahobele said ZimAlloys was consulting its shareholders on how to respond to the government's letter. *(Reuters)*

**Zimbabwe's largest seed maker SeedCo on Thursday reported a three percent increase in annual profit to $15, 4 million.** Following an equity partnership with Limagrain — the largest seed company in Europe and the fourth largest in the world — SeedCo has accelerated its expansion drive into Africa, where they now operate in Botswana, Kenya, Malawi, Tanzania and Zambia. The group's turnover was flat on prior year at $96 million, despite reduced government spending on inputs as well as the effects of the el Nino-induced drought in the sub-region. Finance costs were down 39 percent $1, 9 million due to access to cheaper loan facilities.

Presenting the company's results on Thursday finance director John Matorofa said a decline in government input support programs slowed business for the company which hugely depends on government for business. Trade receivables, money owed to the business by its debtors, stood at $42 million at the close of the year, a 10 percent decline due to government business being done by through financing structures and improved debt collection. "Zimbabwe cut its input support scheme by 68 percent while Zambia and Malawi cut their programs by 38 percent and 16 percent respectively," he said. Out of the $42 million trade receivables Zambia, Malawi and Botswana owe the group the $14 million which is expected to be settled by the end of the first half of the year. Going forward Matorofa said the company was looking to expand its operations in East Africa which had shown potential. "The future of the business lies in East Africa. Tanzania and Kenya continue on an impressive growth trajectory. We have barely scratched the surface but we are confident of the potential". *(The Source)*

## Economic News

**The International Monetary Fund (IMF) says it is assessing the impact of Zimbabwe's plans to introduce local bond notes, a measure that has caused a run on banks amid fears of the return to a local currency.** Zimbabwe expects its first loan since 1999 from the IMF later this year, after meeting targets under a 15-month IMF staff monitored programme, an informal agreement between a government and IMF staff to monitor implementation of economic reforms. However, Zimbabwe's response to a deep liquidity crunch now threatens what progress Zimbabwe has made, with companies reporting a sharp slowdown in businesses as spending collapses. IMF deputy spokesman William Murray said on Friday the institution would engage Zimbabwe on its latest measure to introduce local bond notes, which are to circulate alongside a basket of foreign currencies. "We are currently assessing the implications of the measures on the economy, including the more recently announced issuance of bond notes; and we'll engage in further discussions with the authorities with regard to their strategies. So, we're going to have more discussions with the Zimbabweans on this strategy," he said at a press briefing in Washington.

Zimbabwe's cash shortage is the result of weak external inflows and a decline in commodity prices, Murray said. The food import bill had made the situation worse, he added. "More recently the situation has been aggravated by the drought afflicting Zimbabwe. The Government had to increase its food imports to mitigate the impact of crop failures on its people and the strengthening of the multi-currency system through the conversion of export earnings to euro and rand." The Reserve Bank of Zimbabwe (RBZ) has drawn criticism for its handling of the cash crisis. Governor John Mangudya announced the introduction of the bond notes on May 4 which are scheduled to start circulating in October, saying they were part of a package of measures to boost exports and increase cash inflows. However, a strong public backlash has seen RBZ make at least three subsequent tweaks on the measures, further denting confidence. The five-month gap between the bond notes announcement and their planned October introduction has also left banks open to a run on deposits by clients who fear the return of a local currency unit, despite RBZ's assurances this would not happen. *(Source)*

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**TRADING**

**The Infrastructure Development Bank of Zimbabwe (IDBZ) is aiming to offload some of its government shares to boost its capital base which now stands at $48,5 million.** IDBZ is seeking to offload shares to its minority shareholders that make up 1%, but have access to additional and foreign lines of credit, IDBZ chief executive officer Thomas Sakala told NewsDay in an interview, adding government will offload part of its shareholding through a rights issue. The Reserve Bank of Zimbabwe accounts for 13% shareholding in IDBZ. "With the rights issue programme, we are opening up to existing shareholders government shares which they can buy in order to increase our capital," Sakala said through the bank's acting chief marketing and public relations officer Priscillah Zvobgo. The minority shareholders are Fidelity Life Assurance, Finnish Fund for Industry Co-operation, The African Development Bank, German Investment and Development Company, Netherlands Development Finance Company and the European Investment Bank. These minority shareholders are well-oiled institutions with access to lines of credit that can boost the capital base of the IDBZ. IDBZ last week received $20 million fresh capital from government. The financial institution currently has a medium term strategy, which will run from 2016 to 2020, premised on the country's economic blueprint ZimAsset. Under this strategy, the bank has developed a roadmap which will see it achieve a capitalisation level of $250 million by 2018.

As government remains the current shareholder, reaching the $250 million might prove difficult due to competing interests while revenue continues to shrink. IDBZ was setup as a means of providing credit to key sectors of the economy, namely, towards infrastructure projects. "From its improved capital position, the bank has set up a project preparation and development fund facility with an immediate allocation of $2,5 million. This is projected to be boosted to $5 million by the beginning of 2017," Sakala said. "The absence of bankable projects with up to date feasibility studies confirming overall project viability partly explain the slow uptake of the mega deals concluded in the recent past by the country's leadership." He said it is hoped that these internal resources will be complemented with support from external resources to attain a level of $10 million in the near future. *(News Day)*

**The Zimbabwe Stock Exchange is cutting jobs and will soon announce a strategy to generate additional income after revenue fell by half in 2015 and has shown little sign of recovery this year, its chief executive officer said.** Zimbabwe has suffered deflation for the past 18 months because of a fall in consumer demand and the economy is half the size it was in 2000. Cash shortages in a country that primarily uses the U.S. dollar have forced banks to limit withdrawals and made it difficult for companies to pay salaries. "The continuing low trades and lack of approval of new products has necessitated the need to review our cost structure," said Albany Chirume, the bourse CEO, in an e-mailed response to questions. "Human capital is one of the major costs." The exchange, which has operated in the capital of Harare since 1951, has 63 listed companies with a total market value of $2.86 billion and had trades worth $2331,759 on Monday , data on its website shows. The biggest company on the exchange is Delta Corp., part owned by SABMiller Plc, with a market value of $865 million. Units of Barclays Plc and British American Tobacco Plc also trade on the exchange. While the total market value of companies traded on it is smaller than that of exchanges in South Africa, Nigeria and Kenya and several others in sub-Saharan Africa, the Zimbabwean bourse is larger than hose in Ghana and Zambia. Chirume declined to give the number of job cuts. The exchange wants to open markets for debt and for small and medium-sized companies, Chirume said. "Cost reduction as a strategy has its limitations," Chirume said. "The strategies for both cost reduction and income generation will be announced shortly." *(Bloomberg)*

**Zimbabwe could lose the equivalent of four months of mining output this year because an acute dollar shortage has led to delays by banks in processing payments for imports of spare parts and supplies, the Chamber of Mines said on Monday.** The problem affects the entire mining sector, which includes gold, nickel, chrome, diamonds and coal. Zimbabwe ditched its own dollar in favour of the U.S. currency in 2009 to try to put a lid on hyper-inflation and prevent a complete meltdown of the economy. But shortages of U.S. bank notes that started in March have worsened and the central bank has unnerved depositors with plans to introduce local notes. Toindepi Muganyi, president of the Chamber of Mines, told a parliamentary committee that banks were taking 10 to 20 days to clear payments for imports by mining companies "with potential production loss of up to four months." "This will remain a huge potential risk to the outlook," Muganyi said. Mining earned more than half of Zimbabwe's $2.7 billion in foreign earnings in 2015 and a loss of output would damage a sector struggling with depressed commodity prices. The central bank says cash shortages are caused by the illegal export of dollars and lower exports at a time when Zimbabwe's imports are growing, resulting in the trade deficit growing nearly tenfold in the last decade. Charity

Jinya, president of Bankers' Association of Zimbabwe, told the same committee that adopting the rand of South Africa, Zimbabwe's largest trading partner, would stem the outflow of dollars. "We would recommend that the South African rand be used as the main transacting currency. This would reduce concentration of risk on the U.S. dollar," Jinya said. Zimbabwe was importing smaller value U.S. dollar notes to discourage the illegal export of money from Zimbabwe, Jinya said. The central bank on May 4 imposed curbs on imports and set limits on cash withdrawals to ease shortages.*(Reuters)*

**Zimbabwean President Robert Mugabe said on Thursday the introduction of local bank notes by the central bank later this year, which he called a "surrogate currency", would help prevent foreigners taking greenbacks out of the country.** He also said the shortage of U.S. dollars in the economy would be overcome soon, although he did not elaborate. In the grip of its worst drought in a quarter century that has left 4 million people facing food shortages, the southern African nation is also running out of cash, forcing the central bank to impose limits on imports and withdrawals from banks. But Zimbabweans are worried that the central bank's plan to introduce banknotes, or "bond notes", in October to ease the dollar shortage could open the door to rampant money printing, as happened in 2008 when inflation hit 500 billion percent, wiping out people's savings and pensions. Since January 2009 the country has used foreign currencies including the U.S. dollar, British pound and Chinese yuan after dumping its own currency that had come to symbolise a decade of economic collapse. Mugabe said the introduction of bond notes would discourage criminals from coming to Zimbabwe to "fish" for dollars. "They will have to deal with bond notes as a surrogate currency, surrogate to the U.S. dollar that we hold in our reserves," he told a meeting of his ruling ZANU-PF party. The 92-year-old leader said the U.S. dollar had become too attractive for neighbouring countries who are increasing their exports to Zimbabwe following the collapse of their own currencies due to a fall in commodity prices and a strengthening of the greenback. Mugabe, however, said only increasing Zimbabwe's exports would bring about a long-term solution to the country's economic problems. He said the current shortage of dollars would not last long. "Cash shortages are being felt across the board by our people, who cannot easily access their savings and earnings," Mugabe said. "This is a temporary problem which should be behind us soon, sooner rather than later." *(Reuters)*

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