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:

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	3-Mar-17	10-Mar-17	WTD % Change Local	WTD % Change USD	31-Dec-16	YTD % Change Local	YTD % Change USD
Botswana	DCI	9111,65	9120,69	0,10%	0,16%	9700,71	-5,98%	-4,55%
Egypt	CASE 30	12310,49	12853,27	4,41%	-4,13%	12344,00	4,13%	7,14%
Ghana	GSE Comp Index	1868,19	1874,76	0,35%	2,60%	1689,09	10,99%	2,13%
Ivory Coast	BRVM Composite	285,91	281,85	-1,42%	-1,08%	292,17	-3,53%	-3,37%
Kenya	NSE 20	3196,79	2963,08	-7,31%	-7,09%	3186,21	-7,00%	-6,16%
Malawi	Malawi All Share	13672,69	14036,44	2,66%	2,68%	13320,51	5,37%	4,51%
Mauritius	SEMDEX	1917,37	1917,76	0,02%	-0,08%	1808,37	6,05%	7,47%
	SEM 10	368,02	368,10	0,02%	-0,08%	345,04	6,68%	8,12%
Namibia	Overall Index	1110,61	1091,07	-1,76%	-2,90%	1068,59	2,10%	5,46%
Nigeria	Nigeria All Share	25012,08	25238,01	0,90%	0,87%	26 874,62	-6,09%	-9,12%
Swaziland	All Share	383,38	383,38	0,00%	-1,14%	380,34	0,80%	4,14%
Tanzania	TSI	3525,41	3525,41	0,00%	-0,13%	3677,82	-4,14%	-7,12%
Zambia	LUSE All Share	4249,87	4328,27	1,84%	2,03%	4158,51	4,08%	6,18%
Zimbabwe	Industrial Index	134,48	135,36	0,65%	0,65%	145,60	-7,03%	-7,03%
	Mining Index	55,68	53,66	-3,63%	-3,63%	58,51	-8,29%	-8,29%

CURRENCIES

Cur-rency	3-Mar-17 Close	10-Mar-17 Close	WTD % Change	YTD % Change
BWP	10,38	10,37	-0,06	1,52
EGP	16,20	17,65	8,91	2,89
GHS	4,71	4,60	-2,19	-7,98
CFA	622,83	620,66	-0,35	0,17
KES	100,91	100,68	-0,23	0,91
MWK	717,09	716,94	-0,02	-0,82
MUR	34,10	34,14	0,11	1,34
NAD	13,06	13,21	1,17	3,29
NGN	313,04	313,14	0,03	-3,23
SZL	13,06	13,21	1,15	3,31
TZS	2186,83	2189,78	0,13	-3,11
ZMW	9,63	9,61	-0,18	2,02

SECURITIES AFRICA

WEEKLY AFRICAN FOOTPRINT

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana will cut corporate tax by up to 77 percent for investors in a mining town southeast of the capital, the trade and industry minister said on Tuesday, part of a package to attract them to a region hit by the collapse of BCL Mine. BCL Mine was put under provisional liquidation in October last year resulting in close to 8,000 jobs being lost in the Selebi-Phikwe region of 50,000 people. Minister of Investment, Trade and Industry Vincent Seretse said the measures include fiscal incentives, government off-take, provision of land and a one-stop service centre. The fiscal incentives include five percent corporate tax for the first five years, 10 percent corporate tax thereafter and zero customs duty on imported raw materials. Corporate tax in Botswana stands at 22 percent while companies in manufacturing and financial services and those registered in the Innovation Hub pay 15 percent corporate tax. *(Reuters)*

At least 17 companies have expressed an interest in operating Air Botswana as the government embarks on its latest drive to privatise loss-making state companies. The transport department invited expressions of interest last month, saying it was open to proposals on various forms of privatisation of the national airline including joint ventures, ownership, franchising and concessions. "At least 17 companies have expressed interest but for now I cannot say who they are or what model of privatisation did they propose," Transport Minister Kitso Mokaila said on Thursday. He added: "We have roped in the International Air Transport Association to help us assess them with the intention of getting the one that has the most suitable model for Botswana. From there we will then go to tender." As well as four domestic routes, Air Botswana provides cargo and air passenger services to Cape Town and Johannesburg from Gaborone, Francistown and the tourism hubs of Maun and Kasane. Financial losses, blamed on a large workforce and an aging fleet, have prompted a five-year turnaround plan that includes cutting costs and cancelling unprofitable routes. Previous offers from Comair, South Africa's Airlink and Air Mauritius have fallen through. Botswana, whose main source of wealth is diamonds, has more than 30 state-owned enterprises, most of them loss making, in industries ranging from tourism and power to housing and finance. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

TRADING

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Egypt

Corporate News

EFG Hermes expects a deal for its renewable energy platform Vortex to buy a portfolio of solar power assets in Britain for 470 million pounds ($576.8 million) from Sun Edison's Terraforma (TERP.O) to close in May or June, a senior executive said on Monday. The deal formed part of the bank's plan to grow Vortex's assets to 2 gigawatts in the next few years from 820 megawatts currently, Karim Moussa, chief executive of the investment bank at EFG Hermes, told Reuters. The bank said in January it had agreed to buy the portfolio from Sun Edison. It includes 24 solar parks and has a combined 365 megawatts of power and an estimated useful life of around three decades, it said at the time. The bank would look to add to the portfolio after a period of six to 12 months, said Moussa, who is also head of asset management and private equity at the Egyptian bank. "For the six to 12 months we will be looking to consolidate our assets rather than make another investment," he said. "Our last investment was 470 pounds so it's a lot to digest for us. Malaysian utility firm Tenaga Nasional Berhad (TENA.KL) (TNB) is funding half of the 170 million-pound equity portion of the transaction. The remaining 50 percent will be underwritten by EFG Hermes which plans on eventually holding 5 percent of the equity, consistent with previous transactions undertaken by Vortex. *(Reuters)*

Economic News

Germany has offered Egypt $500 million to support its economic programme and medium-sized and small businesses, the Egyptian ministry of investment and international cooperation said on Friday. "It was agreed with the German side (that they would) provide $250 million to support the economic programme ... as well as $250 million to support several other sectors, including micro-enterprises and small and medium-sized enterprises, " it said in a statement. The support will come in the form of grants and concessional funds, a government official told Reuters. The German offer came during a visit to Egypt by German Chancellor Angela Merkel. *(Reuters)*

Economic activity for Egypt's non-oil private sector accelerated the most since 2014, a sign that growth may be recovering after authorities abandoned currency controls and secured a $12 billion IMF loan deal. The Emirates NBD Purchasing Managers' Index for the whole economy climbed for the third month in a row to 46.7 in February from 43.3 in January. The New Orders sub-index rose to 44 from 39.2. While readings below 50 indicate the economy is still in contraction, the magnitude of the gain signals an improvement in business confidence after policy makers floated the pound in November to ease a crippling dollar shortage. The New Export Orders sub-index was the highest level since Aug. 2015, data show. "This suggests that the recent devaluation of the Egyptian pound is already having a positive impact on external demand, and this should continue to improve in the coming months," Dubai-based Emirates NBD said. "Overall, there are signs of stabilization in the non-oil private sector." Companies taking part in the survey reported an increase in input costs in February, driven by "higher purchasing prices and, to a lesser extent, staff costs," Emirates NBD said. The Egyptian pound has lost about 40 percent of its value since the float, causing annual urban inflation to accelerate to 28 percent in January. Stocks have surged, with the benchmark EGX30 index gaining more than 44 percent in local currency terms since Nov. 3. Authorities have cited rising dollar inflows in the banking system and an influx of foreign investments in government debt as other signs the reform plan is working. They expect the economy to expand four percent in the current fiscal year, which ends June 30, down from 4.3 percent last year. The PMI survey showed the degree of optimism among companies improved to an eight-month high. "Companies expect market conditions to improve, thereby boosting output over the coming year," Emirates NBD said. *(Bloomberg)*

Remittances from Egyptians abroad increased by 20 percent year-on-year in the three months following the country's November currency float, totalling about $5 billion, a central bank statement said on Monday. Remittances for the month of January were up 23 percent year-on-year, reaching $1.6 billion, the statement said. The central bank floated the Egyptian pound on Nov. 3, aiming to unlock foreign currency inflows and crush a black market for dollars that had discouraged people from channelling foreign currency through the banking system. *(Reuters)*

<u>Ghana</u>

Corporate News

No Corporate News This Week

Economic News

The operator of Ghana's sole oil refinery said the planned capacity of a proposed second plant could be doubled as the West African nation targets exports to neighboring countries. Tema Oil Refinery will complete studies next year to build a 200,000 barrel-a-day plant in the port city, 30 kilometers (19 miles) east of the capital, Accra, Managing Director Isaac Osei said in an interview. Output at the existing 45,000 barrel-a-day plant has been slashed by an explosion at its crude distillation unit in January. "We need that refinery to strategically position ourselves to service other countries, especially land-locked countries,"Osei said in Tema. He declined to say how much the plant will cost or how it will be funded. Nations in the region such as Togo, Burkina Faso and Mali have no oil-refining capacity. Former President John Mahama said in May that a new plant would be designed with a capacity of 100,000 barrels a day. Ghana's output of crude, which started in 2010, is forecast to reach more than 240,000 barrels a day by 2021. Osei, 65, was appointed in January following the election of President Nana Akufo-Addo the month before when his New Patriotic Party defeated the National Democratic Congress. The NPP has pledged to accelerate growth by investing in infrastructure and processing commodities that are produced locally such as oil. For now, production from the existing Tema refinery has been limited to 28,000 barrels a day, Osei said."The broken furnace has been isolated and works on other components are under way," he said. *(Bloomberg)*

Banks in Ghana registered a negative 4.3 percent for the 2016 financial year, according to the latest Financial Stability Report from the Bank of Ghana (BoG). This is, however, an improvement from a negative growth of 7.4 percent recorded during the same period last year. According to the report, the year-on-year growth of the industry's net interest income declined from 35.2 percent in December 2015 to 17.1 percent in December 2016. The industry's income before tax registered an annual growth of 0.9 percent for the period ending December 2016 compared with a year-on-year contraction of 3.1 per cent in December 2015. The industry's profitability indicators moderated in 2016 compared with 2015. Profitability indicators, namely return on equity (ROE) and return on assets (ROA) fell during the period under review. The banking industry's ROA decreased from 4.6 percent in December 2015 to 3.8 percent in December 2016 while the ROE declined from 22.1 percent to 18.0 percent over the same comparative periods. But the industry remained solvent in 2016. The industry's capital adequacy ratio stood at 17.8 percent as at end-December 2016, above the 10.0 percent statutory requirements of the Bank of Ghana. The industry's Risk-Weighted Assets to total assets, however, declined from 71.8 percent in December 2015 to 63.7 percent in December 2016 partly due to the tight credit stance adopted by banks during the year. On composition of banks income, interest income from loans remained the main source of income for the banking industry in 2016. Interest income from loans constituted 50.7 percent of total income compared with 51.5 percent in December 2015. Interestingly, banks relied more on investments as a source of income with the share of investment income in banks' total income increasing from 29.3 percent in December 2015 to 33.5 percent in December 2016. The proportion of fees and commission in total income, however, declined to 10.6 percent in December 2016 from 11.6 percent recorded in the corresponding period last year.

For operational efficiency, the banking industry cost to total assets ratio increased marginally from 15.2 percent in December 2015 to 15.3 percent in December 2016. The cost to income ratio also increased to 87.7 percent in December 2016 from 84.1 percent in December 2015, indicating a general decline in efficiency during the period. On a whole, the Central Bank noted that the Ghanaian banking industry continued to be safe and sound, although marginal declines were recorded in some key financial soundness indicators during 2016. It stated that a major source of concern for the banking sector was the rising non-performing loans. However, this was addressed as the year

closed and the NPL ratios have started declining. Liquidity indicators also remained above the acceptable thresholds while industry solvency met the minimum regulatory requirements. It concluded that the outlook for the industry remained positive and the continued repayment of the energy sector SOEs debts owed banks and bulk oil distribution companies (BDCs) was expected to boost performance further. *(Ghana Web)*

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Kenya

Corporate News

Kenya media company Standard Group swung into profit in full year 2016 after posting a loss the previous year, helped by falling operating costs and slightly higher revenues, it said on Saturday. Standard said in a statement that it made a pretax profit of 269.48 million shillings ($2.63 million) last year after losing 395.8 million shillings in 2015, while revenues were up 7 percent to 4.82 billion shillings. Standard, which publishes newspapers, owns a radio and television stations, websites and does outdoor advertising, said total operating costs fell 6 percent to 4.41 billion shillings. Its earnings per share rose to 2.14 shillings from a loss per share of 2.95 shillings in 2015. Its board recommended that no dividend be paid out to allow for more investments in its broadcast business. *(Reuters)*

Bidco Africa, a maker of soap and edible oils, is investing $200 million in a new plant and acquisitions over the next five years and it aims to raise its annual revenue in Kenya to $1 billion, its chief executive said. The family-owned firm, which made $250 million in Kenya last year, has plants in Kenya, Uganda and Tanzania and just opened a fourth in Madagascar. The company earns extra revenue from export sales around Africa and other lines of business such as farming. Its five-year growth plan is focused on boosting revenue from sales in Kenya. CEO Vimal Shah said the company will open a second plant in Kenya this year to produce drinks and food such as breakfast cereals. "There will also be buying out companies. We will look at joint ventures," he told Reuters in his office in Thika town, 45 km from the capital of Nairobi, on Thursday. Bidco was established by Shah, his brother and father, and is one of the leading manufacturers in the East African country, employing 5,000 people. The new plant will add another 500 jobs, said Shah. He dismissed concerns about slowing economic growth in sub-Saharan Africa. Regional growth last year is estimated at 1.7 percent last year, the slowest in two decades. "The cycle of urbanisation and population increase is not stopping for Africa," Shah said. But he said investors must be patient and ride out economic slowdowns. Many African economies are suffering from lower global commodity prices. "Africa needs long-term capital, not short-term capital. We are long-term players," Shah said. *(Reuters)*

Oil marketer KenolKobil has recorded a 19.7 per cent growth in net profit in the year ended December, helped by higher sales and lower finance costs. The company's net earnings in the period stood at Sh2.4 billion compared to Sh2 billion the year before. This came as sales jumped 19.5 per cent to Sh103.4 billion, coinciding with an improvement in the gross profit margin from 6.7 per cent to seven per cent. "The management has been quite aggressive and focused to solidify the company's position in the markets we operate in so as to guarantee the shareholders good returns in future," Kenol said in a statement. "The group added a total of 30 retail network stations in the year." KenolKobil also benefited from 45.5 per cent drop in finance cost to Sh354.6 million from Sh651.3 million. The lower interest expenses came despite loans rising 57.2 per cent to Sh7.3 billion. *(Nation)*

The High Court has allowed the Capital Markets Authority (CMA) to proceed with investigations of Ernst & Young, which has been accused of helping to cook Uchumi Supermarkets' books together with the retailer's former managers. A forensic audit report by KPMG showed that Uchumi's accounts for financial years 2010 to 2014 and an information memorandum for its 2014, Sh895 million rights issue — prepared by E&Y as the retailer's auditors at the time — contained misleading information. The regulator on August 31, 2016 wrote a show cause letter to E&Y as part of an inquiry that also sought to establish the audit firm's role in Uchumi's affairs. E&Y however filed a case against CMA and the attorney-general asking the court to terminate the show cause process fearing potential enforcement actions from the regulator. High Court Judge John Mativo on Monday issued a judgement rejecting E&Y's application, paving the way for CMA to proceed with its investigations of the audit firm. "As stated above, I find that the petitioner moved to court rather too early acting on apprehension, but as at this point in time I find that the steps already taken by the first respondent (CMA) are in conformity with the law and no breach of a fundamental right or threat had taken place or has been sufficiently proved," the judge wrote in the judgement. "In conclusion I decline to grant any of the reliefs sought in the petition. Each party shall bear its costs for this petition," the judge said.

Potential enforcement actions that E&Y could face include fines and being required to compensate investors who acquired Uchumi shares

based on the discredited prospectus. Jamii Bora Bank has already sued E&Y seeking to recover the Sh451 million it invested during Uchumi's rights issue, arguing that it acquired the shares on the basis of information approved by the audit firm and which contained misrepresentations. The Capital Markets Act states that where it is not practicable to compensate investors, financial penalties are to be paid into the Investor Compensation Fund. The law provides for a fine not exceeding Sh30 million for companies that make "false, misleading, or deceptive statement in a prospectus; or omit information or a statement from a prospectus which is required under this Act to be included." Uchumi has accused its former external auditor and management team of exaggerating the retailer's financial position to the tune of Sh1 billion. E&Y said in its petition that it did not participate in CMA's inquiry nor was it given an opportunity to participate prior to the decision and issuance of the show cause notice. The audit firm added that there was no fair hearing. The judge rejected E&Y's argument, saying the regulator moved procedurally and within the law. *(Nation)*

Kenya Electricity Generating Company (KenGen) is in plans to supply electricity directly to consumers. The move aims to cushion KenGen from risks associated with the current single buyer model where Kenya Power buys all the power generated in the country for resale to retail consumers. The firm said it was awaiting the enactment of Energy Bill, currently in Parliament, before it comes up with a concrete plan on how to go about talking directly to customers. The Bill has provisions for more players in the wholesale and retail electricity market, giving KenGen an option to sell bulk energy to multiple customers. Competition The move is likely to see Kenya Power start getting competition in servicing the lucrative bulk market. Currently, KenGen's role is limited to production of electricity. ALSO READ: Increased power generation to boost KenGen profits As though to reassure Kenya Power, KenGen chief executive Albert Mugo said the firm would only target new large consumers of electricity and keep off from clients already signed up by the power utility company. "The Energy Bill has provisions that will enable us to supply power directly to large consumers. We are looking at large consumers that are close to our generating facilities who we can connect with electricity without incurring distribution and transmission costs," he said. KenGen is particularly keen on firms that will be operating at its planned industrial park in Olkaria, Naivasha. Eng Mugo, who spoke at an investor briefing in Nairobi yesterday, said the firm would still continue supplying Kenya Power for distribution to its more than five million customers as per the existing contracts that are in place. "We will continue selling to Kenya Power... we have contracts and we will get into new contracts.

What we are looking at are new and large customers," he said. During the briefing, Mugo told investors that KenGen expects to post better performance over the second-half of the 2016/17 financial year. KenGen's profits declined during the first half to December 2016, reporting a 17 per cent drop in profit after tax during the period. KenGen's profit after tax declined to Sh4.6 billion in the six months, compared to Sh5.6 billion over a similar period in 2015. This was on account of shutting down of its diesel generators in Garissa and Lamu, following the completion of a transmission line connecting the two counties to cheaper hydroelectricity. Additionally, non-traditional revenue streams – sale of geothermal steam and commercial drill – performed dismally due to technical hitches and low demand. ALSO READ: KenGen half-year profits dip to Sh4.6b as revenues shrink According to Mugo, the results were impacted by the decommissioning of Garissa, Lamu and Embakasi Gas Turbine Thermal power plants and pending receipt of revenue from commercial drilling services. "Although the decommissioned plants reduced our revenues in this interim period, we expect to deepen use of renewable energy in the grid to the benefit of electricity customers and new industrial investors since these power plants used expensive fuel to run. This has no doubt helped the country manage the use of thermal power plants during this period of drought," he said. KenGen also expects to begin construction of Olkaria V geothermal power station by end of March this year. *(Standard Media)*

Cement maker Bamburi Group has reported flat growth in its after-tax profit, citing falling demand in domestic and regional markets as well as rising competition. The Nairobi Securities Exchange-listed company recorded a profit after tax of Sh5.89 billion for the year ended December 2016, a 0.3 per cent rise over the profit recorded during a similar period last year. The company's turnover fell to Sh38 billion from Sh39.2 billion in 2015. Bamburi said the group had suffered due to lower demand for its products, despite having implemented cost-management measures in Uganda and Kenya. "Overall, there was a marginal reduction in volumes into inland Africa export markets and intense competition particularly in the individual home-builder segment impacting prices in some markets," the firm said. However, Bamburi reaped the benefits of mega infrastructural projects in the region with rising demand from this market segment in Kenya, Uganda and

Rwanda. Bamburi shareholders are set to get a final dividend of Sh6 per share, bringing the total 2016 payout to shareholders to Sh12 per share. In 2015 Bamburi shareholders took home Sh13 per share. Bamburi says it will focus on innovation to grow profitability. The Group is also planning to increase capacity in both Uganda and Kenya in projects that will be completed next year.

East African cement firms are going through tough times. Data from the Kenya National Bureau of Statistics (KNBS) indicates reduced cement demand from housing and construction sectors. According to the figures, as of the third quarter of 2016, year on year growth of cement construction fell to 5.3 per cent from 11.5 per cent in 2015. Companies in the sector have been warned that continued expansion despite this bleak outlook could lead to idle capacity. Currently, the estimated plant utilisation rate is 61.7 per cent. However, Dyer & Blair Investment Bank predicts that this will fall to 45.4 per cent in 2018. Kenya accounts for 53.2 per cent of the 21.1 million tonne installed capacity in East Africa. Savannah Cement also plans to increase its capacity while Indian firm Cemtech Sanghi is expected to build a 1.2 million tonnes plant in West Pokot. *(Nation)*

Economic News

A plan by Kenya to borrow about $750 million through a syndicated loan is on track, a senior Treasury official said on Tuesday, dismissing concerns about delays in the process. The government picked Standard Chartered, Standard Bank, Citi and Rand Merchant Bank to lead the loan back in January. Banking sources in Nairobi told Reuters a plan to sign and issue the mandate for the loan last month had been postponed. "We are progressing as planned. No change of mind," Kamau Thugge, principal secretary at the Treasury, told Reuters when asked to comment on the loan. He did not offer more details. The East African nation said it would raise 150 billion shillings ($1.46 billion) from external commercial sources, to partly plug a fiscal deficit equivalent 9.7 percent of GDP in its year to June 2017 budget. *(Reuters)*

Kenya's latest jump in inflation is unlikely to kick off second-round effects or mark a substantial change in core inflation, its central bank governor told Reuters, hinting the spike was unlikely to lead to a monetary policy change in March. Patrick Njoroge also said he remained concerned that feeble private-sector credit growth could drag on the economy in the longer term and that "the jury is still out" on the cap imposed on commercial banks' lending rates last year. Data released last week showed Kenya's inflation surging to 9.04 percent year-on-year in February from 6.99 percent a month earlier -- well above the central bank's medium target range of 2.5-7.5 percent in the medium term. Food price inflation, jumping 16.5 percent due to a shortage of vegetables from some of Kenya's drought ravaged regions, had been the sole driver behind the increase, Njoroge said. "It is unlikely to have a substantial impact on overall inflation," said Njoroge, adding the overall number formed less of a basis for monetary policy or for financial pricing. He added monetary policymakers in general would always let initial shocks filter through before looking at further impact. "This is a judgement that the monetary policy committee needs to make, but on the whole I would be very surprised (if) there were significant second order effects from that." Kenyan policymakers, who kept interest rates at 10 percent in February, hold their next meeting on March 27.

Speaking in an interview on the sidelines of the Climate Bonds Initiative conference late on Monday, Njoroge said sluggish private sector credit growth could cast a cloud. Credit growth started to slow down at the end of 2015 after the central bank toughened supervision and stood at 4.3 percent in December -- far below the double-digit growth rate the central bank considers ideal. "I am concerned about it in the long-term if it stays at these low levels," said Njoroge, adding the bank had collected evidence to establish the structural or cyclical reasons at play. "It will have an impact on growth over the next few months or over the next half year." Stalling private sector growth and rising inflation have added to the challenges for President Uhuru Kenyatta who is expected to run for re-election against his main rival Raila Odinga in August by touting a strong economic performance. Data released last week showed private sector activity barely grew last month as slower credit growth and an ongoing drought weighed on output, hiring and sales. Looking at the interest rate cap for commercial banks' lending rates, Njoroge said the availability of credit was a concern for the central bank, especially for small and medium-size enterprises. In autumn of 2016 and with bad debts surging, legislators introduced a law to cap commercial banks' lending rates at 4 percentage points above the benchmark interest rate in a move opposed by Njoroge. While average lending rates had come down from 17.7 percent in August

2016 to 13.7 percent in December, this did not reflect the availability of credit, said Njoroge. "The jury is still out," he said. "And this will be a problematic thing throughout." Speaking of the Kenyan shilling, Njoroge acknowledged the currency had come under pressure between November and January due to a dollar rally fuelled by Donald Trump's victory in the U.S. Presidential election. Over the last month, Kenya had seen strong inflows due to receipts from exports and foreign investments, he said. "On the whole, the FX market has been very balanced with inflows and outflows, and therefore I would be very surprised if there were huge movements." *(Reuters)*

The Capital Markets Authority (CMA) is working on a tax framework for securities lending and borrowing that will ensure the product will not distort normal trading at the NSE once it goes live. CMA chief executive Paul Muthaura said Thursday that the CMA is working with The Treasury to ensure that there is tax neutrality for those looking to borrow or lend stocks. This is mainly to those looking to do margin trading or short selling— so that they don't enjoy a tax advantage over normal board traders. Securities lending and borrowing is a system in which traders borrow shares that they do not already own, or lend to other investors the stocks that they own but do not intend to trade on immediately. Uneven taxes in a securities market can cause distortion by driving activity to one segment at the expense of the other. "With regards to a facilitative tax framework, we are in engagement with the National Treasury with a view to ensuring that there is tax neutrality for all SLB transactions in line with international best practice," said Mr Muthaura. "The framework itself is already with the Treasury awaiting passage and we remain hopeful that it will be adopted as part of the budget statement for this year which will be presented in the next coming weeks." Under short selling, savvy investors are able to sell borrowed shares or bonds in the hope of a future price drop that will allow them to buy back the same stock at a profit.

Short selling will only be carried out by regulated persons, as per draft regulations released by the CMA in October 2016. Speaking on the side-lines of a capital markets stakeholders forum on market liquidity in Nairobi, Mr Muthaura said significant progress has been made in putting in place the SLB framework. "We have had a number of meetings with the National Treasury budget team and they have recognised the opportunity presented by introduction of SLB," he said. The CMA and other players in the market are banking on the introduction of short selling to increase the liquidity in the market, especially on the corporate bonds segment. Corporate bonds lag behind government securities in terms of activity in the market, accounting for less than half a per cent of total bond turnover at the NSE. *(Nation)*

Tea prices at the Mombasa auction dropped by Sh14 this week after remaining flat in the previous two weeks, defying the ongoing drought that had been touted to increase the price of the beverage due to low volumes. The price declined to Sh272 per kilogramme down from Sh286 in the previous sale held last week. "Out of 105,840 packages (6,845,000 kilos) available for sale, 94,800 (6,128,053 kilos) were sold with 10.43 per cent going unsold," the East African Tea Traders Association (EATTA) said in a statement. According to EATTA, Pakistan Packers, Afghanistan and Egyptian Packers were active buyers while Yemen and other Middle East countries came in at lower levels. Russia, Kazakhstan and Sudan were also active buyers, while the UK and Iran were quiet during the auction. Somalia was active but at the lower end of the market. Tea production has dropped in factories with the regulator saying that the volumes are down 40 per cent at the moment. The decline is attributed to the ongoing drought that has ravaged most parts of the country. The Tea Directorate said that most factories are currently operating below their installed capacity. Kenya's export earnings from tea declined by 3.6 per cent in 2016 compared with the previous year in what the authority attributed to increase in volumes at the auction. According to the directorate, earnings dropped from Sh125 billion in 2015 to Sh120 billion last year. *(Nation)*

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

No Economic News This Week

Nigeria

Corporate News

The House of Representatives investigating the huge debts owed to the Pipelines and Products Marketing Company (PPMC) by oil marketers has heard that the subsidiary of Nigerian National Petroleum Corporation (NNPC) is being owed about N7.6 billion by Oando Plc, and Conoil. The committee at the resumption of sitting frowned on the development, attributing it to a lack of clearly spelt out penalties for those who default on payments. The lawmakers lamented that many of the marketers were guilty of continuous and deliberate breach of the 15-day credit line for lifted products. The Hon. Mahmud Gaya – led committee therefore directed Oando with a debt of N4.5 billion to PPMC, to expediently honour its agreements, or risk being cut off oil supplies. Similarly, Conoil, which owes N3.1billion to the PPMC, was directed to pay at least 50 percent, failing which, the oil firm would also be stopped from accessing oil products. Gaya also gave the assurance that the terms of accessing oil supplies from the PPMC by oil marketers would be reviewed to prevent the marketers from holding on to public funds. "Because there is no well spelt terms on penalties for default, we found out that Conoil was last penalised for default in 2012, for instance. We discover that a revolving credit facilities given to Conoil allowed it to owe with credit line for two weeks but it has defaulted for over two months since the end of December 2017. Yet, it continues to lift products from PPMC," the Chairman said. "Is it fair to owe such a huge amount of Nigerian money? The country cannot move forward when this is happening. It is not impossible that they deliberately divert the money to other businesses since they know there is no penalty," Gaya declared. Meanwhile, Hon. Jarigbe Agom Jarigbe (Cross River PDP) who moved the motion that mandated the investigative hearing, appealed to the federal government to urgently clear the subsidy debts owed to the marketers. The marketers at last week's hearing had claimed they were being owed about N300 billion in subsidy payments for 2014-2015 by the government. The Group Chief Executive Officer (GCEO) of Forte Oil Nigeria, Mr. Akin Akinfemiwa, at the hearing put the subsidy outstanding claims owed his company at N13.8 billion.

Jarigbe, speaking with THISDAY in an interview, said the committee set up by the government over the debts, should do its best to ensure that the debts are settled, to avoid a cascading effect on the economy. "Government should do everything to settle the debts so our economy does not get affected. The oil marketers also have to be encouraged, they are part of our society and economy" he added. The lawmaker noted that while the committee cannot go beyond its mandate, which is to ensure oil marketers clear their debts to PPMC, the companies can petition or lobby relevant House committees to facilitate the payment of their subsidy claims. Jarigbe however frowned at the practice where some of the oil marketers lift products from the PPMC under the 15 credit agreement, sell the products, and fail to pay for the products. "Some do not honour the throughput agreements. The government stores products in their tank farms, they sell the products, and then refuse to pay. Some take loans at MPR rates, but fail to repay the loans," he observed. *(This Day)*

TRANSNATIONAL Corporation of Nigeria, Transcorp Plc has expressed confidence of improved earnings for the future. The President of Transcorp Plc, Mr. Emmanuel Nnorom, disclosed to news men over the weekend in Lagos that the company's expansion strategy has started yielding fruits as the Federal Government's intervention in recent time on Foreign Exchange, forex continues to impact on the operations of the company. Analysing the constraints that impacted its business in the year 2016, he said "Devaluation impact affected cost of debt service, gas costs and unrealised losses for foreign currency loan that we took. (2015:N18.7billion and 2014:N6.06 billion).There was loss of generation due to gas outages following pipeline vandalisation. Utilisation of available capacity dropped to 55 per cent from 65 per cent in 2015. Generated power dropped from 280MWH from 471MWH. Another problem we had was continued delay in collections with outstanding currently at N48billion. Attendant impact on working capital and finance cost." According to him "We are likely to see improved earnings in 2017 as forex problem continues to be addressed and also improved supply of gas as we have experienced since February this year. We have not heard of pipeline vandalisation for some time now and we hope it will be sustained given the commitment of the federal government to develop the Niger Delta region. Stability in the Niger Delta might aid moderate crude oil production to defend the naira. Foreign borrowing to shore up reserves may address forex liquidity."

Nnorom disclosed that the Board of Directors of Transcorp Hotel has recommended 40kobo per share dividend to be distributed to the shareholders if approved at the next Annual General Meeting (AGM) in March, 2017. Commenting on the company's performance for the 2016 financial year, he said "Gross revenue increased by 46 per cent largely due to increased electricity tariffs for Transcorp Power in February 2016 and upward review of room rates . Cost of sales ("COS") increased by 78 per cent Year on Year, YoY largely due to increased gas tariffs in February 2016. In addition, inflation impact on input cost affected cost of sales in the Transcorp Hotels. Administrative expense increased slightly by 8 per cent due to inflationary pressure in various cost items. "Our net finance cost increased by 127 per cent YoY due to unrealised exchange loss of N18.70billion reported on USD loan following devaluation of Naira against USD. Exchange rate closed at N304.5/$1 in 2016 compared to N196/1$ in 2015. This affected our our earnings as we recorded profit/loss after tax of N -1,127 billion in 2016, from N2,032 billion in 2015, representing -155 per cent decline . *(Van Guard)*

Nigerian stocks fell 1.72 percent on Monday to a more than a 10-month low, dragged down by losses at its biggest listed company, Dangote Cement. The Lagos bourse stock index dropped to 24,581 points, a level it last touched last April. Dangote Cement, majority-owned by Africa's richest man Aliko Dangote and accounting for a third of total market capitalisation, fell 7.03 percent to 149.15 naira per share. *(Reuters)*

According to the audited financial results released to the Nigerian Stock Exchange (NSE) yesterday, Access Bank Plc recorded revenue of N381.3 billion, showing an increase of 13 per cent above the N337.4 billion in 2015. Net interest income rose by 32 per cent from N105.4 billion to N139.1 billion, while non-interest income grew marginally by 3.5 per cent to N134 billion, from N129 billion the previous year. Credit impairment charges stood at N22 billion, up by 54.3 per cent from N14.2 billion, while operation expenses rose by 10.1 per cent to N160.35 billion, from N145.6 billion. Profit before tax (PBT) grew by 20.4 per cent to N90.3 billion, from N75.0 billion, just as the bank ended the year with a PAT of N71.4 billion, up 8.5 per cent from N65.9 billion in 2015. Access Bank grew its deposits to 2.256 trillion, showing an increase of 28.8 per cent from N1.756 trillion, just as loans and advances rose to N1.855 trillion, from N1.409 trillion. Shareholders are to receive a final dividend of 40 Kobo per share bringing the total dividend for the year to 65 Kobo per share. Commenting on the results, Group Managing Director/Chief Executive Officer, Herbert Wigwe said: "The full year 2016 results demonstrate the effective execution of our strategy underpinned by a robust risk management framework.

With strong business fundamentals, our position in the top tier was further consolidated in the industry." He noted that Access Bank's robust and proactive risk management practices and focus on high quality corporates ensured that the bank maintained an non-performing loan (NPL) ratio of 2.1 per cent, well below the industry average, whilst retaining a healthy balance sheet growth. Prudential ratios remained strong and well above the regulatory limits with capital adequacy and liquidity ratios of 21.2 per cent and 43.6 per cent, respectively, consequently allowing the necessary headroom for growth. Wigwe said: "We remain cautiously optimistic about the macroeconomic environment in 2017, nonetheless, our objective of delivering sustainable shareholder value remains unchanged. We will also continue to maintain our proactive and disciplined risk management practices and leadership in sustainability initiatives, whilst positioning ourselves strategically to take the lead in the markets we play." *(This Day)*

Shell Nigeria Exploration and Production Company (SNEPCo) halted production at Nigeria's Bonga oil field on March 4 for maintenance that will last at least a month. SNEPCo said in a statement that Bonga, which has capacity to produce 225,000 barrels per day (bpd) of oil and 150 million standard cubic feet (scf) of gas, is expected to resume production at some point in April, without giving further details. Market sources had expected work on the field because there were no exports planned in March, compared with typical exports of roughly 200,000 barrels per day (bpd). Bonga produced an average of 192,500 bpd of oil in 2015, according to the latest annual data from Nigerian state oil company NNPC. *(Reuters)*

Stanbic IBTC Holdings Plc at its fourth annual general meeting held tuesday reiterated its commitment to deliver outstanding value to clients and stakeholders. Approved by shareholders at the event was the 2015 financial statement of accounts. Stanbic IBTC had in a statement to the Nigerian Stock Exchange on December 21, 2016, disclosed that following the resolution of the dispute with the Financial

Reporting Council of Nigeria, its 2015 audited financial statements had been signed off by the external auditors, Messrs. KPMG Professional Services and can now be made public. Chief Executive, Stanbic IBTC Holdings Plc, Mr. Yinka Sanni, said despite a slowing economy, the institution remained in very sound financial shape. Sanni emphasised that the institution remained on track to maintain its long-term strategic growth and profitability objectives by, prioritising asset quality through diligent and systematic approach to risk management. "Our strategy of building a franchise capable of generating sustainable returns to our shareholders remains in place. Our continued investment in building a cost-efficient and customer-friendly organization, underpinned by our growing customer base, innovation and customized financial solutions should continue to ensure better earnings and indeed very positive outcomes for all stakeholders. Our customers and stakeholders are the epicentre of our existence and will remain so," he stated.

During the meeting, shareholders approved a dividend as recommended by the Board of Directors, as well as re-elected retiring directors and appointed additional ones. The group, in the financial year ended December 31, 2015 posted gross earnings of N140.027 billion, up from N130.654 billion from 2014. Profit before tax stood at N23.651 billion during the period, while profit after tax was N18.891 billion. Total assets decreased to N937.6 billion by December 2015, while customer deposits was largely flat at N493.5 billion during the same period. "Our balance sheet remains strong and we believe it will get stronger in the coming years. We will continue to deliver exceptional service and value to our customers, together with profitability and growth in a sustainable manner", Sanni said. *(This Day)*

Economic News

Nigeria's trade balance turned positive in the fourth quarter of 2016 after exports rose by more than half, the national bureau of statistics said on Saturday, the first positive reading since the same quarter a year ago. But Africa's largest economy shrank 1.5 percent over the course of the full year due to lower oil revenues and a shortage of hard currency, its first annual contraction in quarter of a century. With limited manufacturing capacity, Nigeria imports most of what it consumes. Fourth-quarter imports rose 46.4 percent from the previous year to 2.31 trillion naira ($7.6 billion), the statistics bureau said. But exports more than compensated for that rise, jumping 53.5 percent in value terms from a year earlier to 2.98 trillion naira, the statistics bureau said. The balance of trade for the fourth quarter was 671 billion naira. The net trade balance stood at minus 290 billion naira ($953 million) for all of 2016. *(Reuters)*

Nigerian private sector activity expanded for a second straight month in February, driven by a rise in new business despite a fall in export sales, a survey showed on Friday. The Markit Stanbic IBTC Nigeria Purchasing Managers' Index (PMI) rose to 52.2 last month after rising to 51.9 in January, the strongest reading since December 2015. A reading above 50 denotes growth. Economists expect Africa's biggest economy to slowly emerge from its ongoing recession this year, buoyed by improved government spending and dollar availability. "The faster than anticipated recovery in the economy may not be unrelated to the fact that survey respondents continue reporting an expansion of output, perhaps due to increased supply of FX needed for import activity and domestic investment," said Ayomide Mejabi, Economist at Stanbic IBTC Bank. The central bank has increased forex sales on the official market in recent days after effectively devaluing the naira for individuals, offering to sell them dollars at about half the premium charged on the black market. Nigeria's economy suffered its first annual contraction in over two decades last year amid galloping inflation owing to lower oil income and a dollar shortage as the country battled a recession. Mejabi said output prices continued to rise in February, but the pace was significantly slower and fell to their lowest level since January 2016. On Wednesday central bank's PMI report said private sector activity slowed in February as new orders and production levels fell due to a shortage of hard currency that made it difficult for companies to source raw materials. The Stanbic IBTC Markit report said an overall increase in new business led to a rise in purchasing activity as companies added to their inventory at a faster rate and that growth occurred despite a fall in new export sales. *(Reuters)*

The Egyptian Ambassador-designate to Nigeria, Mr. Assem Hanafi, has expressed concern over the low trade volume between his country and Nigeria, calling for aggressively measures to improve the situation. He expressed his country's willingness to increase the volume and value of trade with Nigeria, adding that there was the need to explore huge potential in both countries. Speaking in Abuja during a courtesy

visit to the President of the Abuja Chamber of Commerce Mr. Tony Ejinkeonye, he blamed the problem of low trade volume between both countries on the culture and tradition of African countries in not importing from within Africa but from Europe and America. Hanafi, however, said: "My target is to see ways and means to boost trade and investment between Nigeria and Egypt, two biggest countries in Africa with huge potentials and population. "The volume of trade between Nigeria and Egypt is not very big and this is another sad story of intra African trade relations. That is why I am here to promote our trade relations." He said: "The intra African trade only constitutes 15 per cent of the overall African trade with outside.

So we are eager to multiply the current volume which approximately is $100 million plus, it not something really reflecting the potential of the markets of both countries. He said: "So we need to see the comparative advantage which African countries can offer to one another and to fill this gap. Once we succeed I think it will encourage others countries to follow suit though it may take time, we have a long way to go but it will yield the desired fruits." He said both countries has had excellent political relations, sports and culture but economic relations needed further boost. He said Egypt was considering exportation of light vehicles, medical supplies, manufacturing products to Nigeria, adding that there currently exist market for Nigerian products such as ginger sugarcane and other agricultural products. Nevertheless, Ejinkeonye said the chamber was looking to increase economic activities between the two countries. He said: "Egypt and Nigeria are two economic giants in Africa, so we believe that if the two countries work together they can leverage on their enormous potentials to grow the economy. "Egypt is a power house in Africa so also Nigeria. We look at the trade volume and how to increase it as well as boosting the economic relations. "What we just arrived at is to engage more possibly in trade missions between the two countries. "We have also invited them to our September trade fair; they also invited us to theirs which is aiming at strengthening the Small and Medium Enterprises (SMEs) of both countries." *(This Day)*

Nigeria will open up its government-owned airports to private investment, the minister of aviation said on Monday, as the capital's airport prepares to close for repairs after years of neglect. All government-owned airports will be offered to investors who have "the wherewithal, the know-how, the technology, the capacity, the ability, the finance to put up huge fantastic edifices as airports with everything including hotels, just the way you see them abroad," said Hadi Sirika, Nigeria's aviation minister, at a news conference in the capital of Abuja. Sirika did not specify when the government airports would be opened to investment, or provide any other details. Abuja's airport is set to close for six weeks for repairs on the runway, after it had become so damaged that international carriers were pulling their services or warning they may soon have to. Two days before the repairs begin, workers were still needing to fit electrics, seating and toilets to a new terminal at Kaduna, which will handle the capital's air traffic but lacks capacity. *(Reuters)*

Nigeria's central bank provided on Monday $367 million to the interbank foreign exchange market at forward rates, it said in a statement. The Central Bank of Nigeria said it sold $144 million for 45-day forward contracts and $223 million for 60-day contracts - part of a pattern of such sales in recent weeks. The move "was in line with the bank's determination to ease the foreign exchange pressure on various sectors through forward sales under the new flexible foreign exchange regime", the statement said. Nigeria's interbank forex market traded $540,000 in early deals at 375 naira per dollar, near a record low exchange rate hit last November, Thomson Reuters data showed on Monday. In February the central bank effectively devalued the naira for private individuals, offering to sell them the currency at around half the premium charged at the black market, in a bid to narrow the spread on the unofficial market. *(Reuters)*

A currency devaluation may do little to fix Nigeria's problems unless it follows the examples of emerging market peers Egypt, Argentina and Russia and embraces floating exchange rates. Grappling with recession, widespread dollar shortages, a budget funding gap and international lenders' reluctance to provide loans, Nigeria has moved tentatively to devalue its currency. The naira traded as low as 375 per dollar on Monday versus the official rate of 305, although that was still far stronger than black market levels around 450. Such crises have occurred time and again in emerging markets, as countries are forced to ditch currency pegs, often after weeks or months of resistance that drains central bank coffers and sends the economy into a tailspin. But as Nigeria itself shows, currency reform cannot be half-hearted. Last June, authorities devalued the naira by 30 percent only to then return it to its straitjacket. Within days, dollar hoarding and currency black markets re-appeared and a stock market rally quickly fizzled. "The critical issue for Nigeria is a move to proper currency flexibility, not

devaluation per se. The June 2016 devaluation demonstrates that," said Hasnain Malik, head of frontier markets strategy at Exotix in Dubai. "The majority of foreign institutional investors...cannot allocate new money to Nigeria if it is going to be trapped by capital controls." But analysts reckon Nigeria will again opt to weaken the naira while refraining from a free float and retaining curbs on capital moving in and out of the country. That will inevitably draw comparisons with Egypt, which is starting to reap the benefits of last November's move to unshackle the pound and loosen its curbs on the free movement of capital.

Other countries that have made the switch to free-floating currencies without capital controls in recent years are Argentina in 2015 and Russia in 2014. "A devaluation will happen in Nigeria, but a float is quite unlikely, and a float is the ideal scenario," said George Birch Reynardson, fund manager at Somerset Capital which holds just one Nigerian stock in its portfolio. Reynardson sold most of his Nigeria holdings last November but was able to repatriate the proceeds only last week. While devaluation could temporarily ease dollar shortages, he said "no one really has any interest in investing there."Nigeria's economic frailties were laid bare by the mid-2014 oil price collapse. Before that it had basked in the 'Africa Rising' hype gripping investors. In mid-2013, foreigners held $11.6 billion or a quarter of total Nigerian debt and some $10.3 billion in equities. Much of that money fled after capital controls were imposed in 2015. By last October, daily equity trading volumes were a third of their 2013 levels, with foreigners' share dwindling to half from 70 percent, stock market data showed. That will fall further if index provider MSCI fulfils its threat to drop Nigeria from its frontier equity benchmark. The country has already lost its place in the GBI-EM emerging debt index, a benchmark for funds managing about $200 billion. Malik says Egypt shows why Nigeria should bite the bullet on currency reform. The Egyptian pound crashed 50 percent after the float and inflation has hit decade-highs. But the currency has subsequently bounced 20 percent off lows, bank deposits are growing and remittances have jumped a fifth year-on-year in the three months after devaluation. And Egyptian stocks and bonds - investor favourites before the 2011 Arab Spring - are luring buyers again. Russia and Argentina, while still enduring hardship, are also receiving buoyant capital inflows, with the latter rejoining mainstream equity and bond indexes this year. "What Egypt does show is that foreign capital is comfortable pricing risk and returning to a market when there is a liquid, functioning foreign currency market for all," Malik added. Unlike Egypt, Nigeria will not accept an International Monetary Fund programme. It lacks Russia's reserves war chest and President Muhammadu Buhari lacks the appetite for the orthodox economic policies his Argentine counterpart has implemented since 2015. But on the plus side, Nigerian government debt is 15 percent of annual economic output, a sliver compared with 86 percent in Egypt, according to IMF data. Its current account is also almost in balance, putting it in a better position than Egypt, where the IMF expects to see a 5 percent deficit this year. Most crucially, the naira may not be as out of kilter with its real fair value as the pre-devaluation pound. Renaissance Capital, for instance, suggests the naira's fair value is around 365 per dollar in today's money, based on an analysis of a 20-year history of inflation-adjusted exchange rates measured against trade partners' currencies. The naira's black market discount is due to a "crisis of confidence, RenCap said. So an initial post-devaluation overshoot may be followed by a bounce once the central bank clears the dollar demand backlog. Somerset's Reynardson notes also that unlike Argentina, Egypt and Russia, Nigeria's 20 percent inflation level probably already reflects effects from a weaker naira because companies have been passing on higher input costs from black market exchange rates."If there is a float as well as a devaluation, I think foreign investors will definitely come flooding back in," he said.*(Reuters)*

Nigeria expects the economy to climb out of recession and grow 2.19 percent this year, the budget ministry said on Tuesday, unveiling a reform plan that includes selling assets and hiking a luxury goods tax. The new Economic Recovery and Growth Plan 2017-2020 says gross domestic product (GDP) is expected to grow an average of 4.62 percent a year until 2020, and hit 7 percent that year. Africa's biggest economy is in its first recession in a quarter of a century, brought on by low oil prices which have slashed government revenues, weakened its currency and caused inflation to rise. The government released a much-awaited raft of measures to reform the economy and diversify it away from over-reliance on oil. International lenders including the World Bank have urged it to present such a plan before granting the country a budget support loan. The plan aims to ramp up oil production to 2.5 million barrels per day and for Nigeria to become a net exporter of refined petroleum products by 2020. Production in February was 1.65 million barrels per day, according to a Reuters survey of OPEC crude oil output. The country is currently reliant on imports of fuel, with limited domestic refining. The goal is to increase export earnings and government revenues by an additional 800 billion naira ($2.63 billion) a year.

Under the plan, the government also expects to earn 35 billion naira ($115 million) from the sale of some national assets, including oil joint ventures, and reducing stakes in other oil and non-oil assets. The central bank will aim to achieve a market-determined exchange rate regime, the plan said, as pressure mounts to let the naira currency float freely. That has been one of the World Bank's requirements before it will grant a loan of at least $1 billion, sources have told Reuters. Inflation is seen at 15.74 percent in 2017 and 12.42 percent next year. In January it hit 18.7 percent, its highest level in more than 11 years. The government said it would review and possibly remove a ban on accessing foreign exchange for 41 goods and services. Nigeria hopes to improve tax collection to raise 350 billion naira per annum, in part by boosting a luxury goods tax to 15 percent in 2018 from its current rate of 5 percent. The goal is to increase the overall tax to GDP ratio to 15 percent from 6 percent between 2017 and 2020. In the agriculture sector, Nigeria wants self-sufficiency in rice by 2018 and in wheat by 2019 or 2020, and hopes to be a net exporter of rice, cashew nuts, groundnuts, cassava and vegetable oil by 2020, according to the plan. *(Reuters)*

The National Bureau of Statistics (NBS) said the value of the total trade at the end of 2016 was N17. 35 billion. The NBS said that the figure was 6.5 per cent higher than the value recorded in 2015. The bureau announced this in a report on" Merchandise Trade Intensity Index/Re-exports for fourth quarter'', released in Abuja. Tomatoe sellers at Mile 12 market The report, however, stated that Nigeria's external trade in the fourth quarter of 2016 was valued at N5.28 billion. "The export component stood at N2.98 billion while the import component stood at N2.31 billion leading to a trade surplus of N671 billion. "Trade by sector showed that crude oil exports had the largest share of the total trade, accounting for N2.43 billion or 45.9 per cent trade in fourth quarter. "The second major contributor to total trade by sector was manufactured goods with N1.17 billion or 22.1 per cent of total trade,'' it stated. The report stated that manufactured goods were followed by the non-crude oil products, which was also a major contributor to total trade in the quarter under review. "The non-crude oil products stood at N1.15 billion or 21.8 per cent while Agricultural goods accounted for N212.7 billion or 4 per cent. "Raw material goods accounted for N309 billion or 5.9 per cent and Solid mineral goods stood at N13.1billion or 0.3 per cent of total trade in the quarter.''

The report stated that Nigeria's export intensity in the months of October, November and December 2016 was the highest for South Africa with export intensities of 8.9, 7.3 and 4.1, respectively. It stated that export intensity in the fourth quarter was also intense with India with export intensities of 5.8, 5.8 and 1.7 for the last three months of 2016. " Spain and Netherlands also had high export intensities with export intensities of 4.8, 2.9 and 2.0 for Spain and 2.2, 1.5 and 2.2 for the Netherlands. "Although United States was one of Nigeria's major trading partners, its export intensity was low with 0.6, 0.6 and 0.2 for the last three months of 2016.'' Meanwhile, the report stated that Nigeria imported mainly from China with total imports of N404.1billion or 17.5 per cent of total imports. It stated that China was followed by Belgium with N356.46 billion or 15 per cent while import trade with Netherlands which was the third highest was valued at N230 billion or 10 per cent. " The remaining trading partners contributed relatively lower proportion of the total import trade. "United States accounted for N205.6 billion or 8.9 per cent while India accounted for N113.9 billion or 4.9 per cent,'' the report stated. *(Van Guard)*

Nigeria's telecoms regulator and central bank governor intervened on Thursday to try and help Etisalat Nigeria resolve debt restructuring talks with its lenders, after the company missed a payment on a $1.2 billion loan. A banking source told Reuters on Wednesday that the Nigerian affiliate of Abu Dhabi-listed telecoms company Etisalat, had given notice to its Nigerian lenders that it would miss a payment in February. Debt talks were triggered 10 days ago but the two sides have not been able to agree on terms. One of the lenders, Access Bank said on Thursday that it was owed 40 billion naira ($131 million) by Etisalat Nigeria. The consortium of 13 banks had asked Etisalat to convert loans from its parent into equity and inject fresh capital into its Nigerian unit. The Nigerian Communications Commission (NCC) said in a statement that it was worried about the negative impact the issue could have on Eitisalat subscribers and the industry, and wanted to prevent a possible takeover of Etisalat by the banks. NCC Chairman Umar Danbatta met with central bank Governor Godwin Emefiele to try and find a solution and ordered Etisalat Nigeria and the banks to meet again on Friday. It gave no details. "NCC was worried about the fate of the over 20 million Etisalat subscribers and the wrong signals this may send to potential investors in the telecom industry," it said in the statement.

Emirates Telecommunications Group (Etisalat) owns a 40 percent stake in its Nigerian affiliate, which accounted for around 3.7 percent of the group's revenue in 2013. Etisalat Nigeria signed a $1.2 billion medium-term facility with 13 Nigerian banks in 2013, which it used to

refinance an existing $650 million loan and fund a modernisation of its network. Banks involved in the loan deal include: Zenith Bank , GT Bank, First Bank, UBA, Fidelity Bank, Access Bank, Ecobank, FCMB, Stanbic IBTC Bank and Union Bank. Access Bank's Chief Executive Herbert Wigwe told an analysts' call on Thursday that Etisalat had converted a shareholder loan to the Nigerian arm to equity to free up cashflows and that it may need to bring in fresh equity. As well as the loan from banks, Etisalat also entered into a sale and lease-back of its phone towers with tower firm IHS Nigeria to free up cash. Analysts worry that IHS, which has Etisalat as its second-biggest customer, may be affected too. JP Morgan analyst Zafar Nazim said in a note on Thursday that on Wednesday it downgraded IHS bonds due 2021 because of Etisalat Nigeria as it was uncertain whether the company could keep up with lease commitments. Nazim also said it was unclear whether Etisalat's parent firm would recapitalize the Nigerian operations given its small market share in the country, but added that a quick resolution to the loan issue would boost IHS bonds. *(Reuters)*

Nigerian stocks climbed to a 16-year high in dollar terms on Thursday after a sharp drop in the value of the naira currency undervalued equities. Stocks have risen 86 percent so far this year in dollar terms to levels last seen in 2001, according to Thomson Reuters data. They are down 7 percent in naira terms year-to-date. However, stocks rose to their highest level in a week in naira terms on Thursday, a day after the Nigerian government said it was determined to overcome its first economic recession in a quarter of a century. The naira has been trading at around 305 since last August, supported by a series of central bank interventions after the currency lost a third of its official value against the dollar last year. *(Reuters)*

The Federal Government is targeting an increase of N800bn in oil revenue in the next three years, according to the Economic Recovery and Growth Plan. The projection is based on an increase in the crude oil production volume from 2.2 million barrels per day to about 2.5 million barrels per day. This is expected to be achieved as a result of the restoration of peace in the Niger Delta following series of consultation by the Acting President, Prof. Yemi Osinbajo, with stakeholders in the region. Osinbajo, had recently as part of efforts to douse the tension in the region, visited some states in the Niger Delta region. While the 2017 budget proposal pegged the crude oil production volume at 2.2 million barrels per day, the disruption of oil installations in the Niger Delta region has made it difficult to achieve the production volume. Oil production, according to government figures, is between 1.6 million barrels per day and 1.8 million barrels per day.
But the ERGP document explained that the efforts of the government in restoring peace to the Niger Delta region would result in an increase in oil revenue by 176 per cent in 2017 and then an average of 13 per cent every year until 2020. It stated, “The Federal Government's ongoing dialogue with militants in the Niger Delta will ensure that peace returns to the Niger Delta, and there will be an increase in daily crude oil production. Oil revenues are expected to grow by 176 per cent in 2017, and then an average of 13 per cent per year until 2020.” *(Punch)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

Acacia Mining's shares fell as much as 19 percent on Friday after the company said it had stopped gold and copper concentrate exports from Tanzania following a ban by the government on unprocessed ore. On Friday, Tanzania's energy and minerals ministry announced an immediate ban on sending copper concentrate or mineral sand for processing abroad, putting 30 percent of Acacia's revenue at risk. Shares in the mining group later pared losses to close 13 percent lower at 461 pence, their biggest one-day drop since October 2015. Acacia, majority owned by Barrick Gold, has three gold mines in Tanzania that also produce copper. "At this stage, Acacia has ceased exports of gold/copper concentrate and is urgently seeking further clarification from the Ministry of Energy and Minerals," Acacia said in a statement. Among other companies operating in the country, an AngloGold Ashanti spokesman said Africa's biggest gold miner was not effected by the ban as it processed its ore in Tanzania. Tanzania is Africa's fourth-largest gold producer and Acacia its largest miner. Analysts said the ban would not effect global gold and copper markets as Tanzania was not a significant producer of these metals. *(Reuters)*

A LEADING electronic payment solutions provider, Max Africa has filed a prospectus with Capital Markets and Securities Authority (CMSA) for initial public offer (IPO). The firm, operating in Tanzania, Rwanda and Burundi, filed the prospectus with CMSA a week ago conforming with Electronic and Postal Communication Act of 2010 and the Finance Act 2016. CMSA Principal Public Relation Officer Charles Shirima told the 'Daily News' that they were working on Max- Malipo's prospectus and the public would be notified of the results soon. "At the moment we are working on the prospectus which we received about a week ago, other information are confidential until the document is approved," he said. Maxcom Managing Director JumaRajabu could not be reached for comments. Going by the new telecoms law, MaxMalipo which falls under is required to offload 25 per cent stake. However, neither the size of the IPO nor the price per share is known. The list of telecom stipulated by the Act has over 50 firms under different categories, with the main ones being seven mobile network operators - Vodacom, Tigo, Airtel, Smart, Zantel, TTCL and Halotel. Since inception in 2008, MaxMalipo has undertaken innovative restructuring processes in the management of secure, effective and efficient payment and financial channels. The firm owns and manages a superior agency network and a nationwide payment gateway platform that benefit the public at large, government parastatals and corporate companies. MaxMalipo is also Bank of Tanzania approved agency banking in the country—currently working with CRDB Bank, DCB Bank, NMB and Advans Bank. Its extensive footprint has provided people with easy access to payment and financial services and complemented clients' service delivery initiatives. MaxMalipo is currently focused on expansion by opening new operations and service delivery synergies in Kenya, Uganda, Zambia, Malawi and Ghana.*(Daily News)*

The Tanzanian unit of telecoms firm Vodacom will start a more than month-long initial public offering (IPO) on March 9 and expects its shares to start trading in mid-May, the firm said on Tuesday. The company, a subsidiary of South Africa's Vodacom and the biggest operator in Tanzania, aims to raise 476 billion shillings ($213.45 million) by selling 560 million shares. It will become the first telecoms firm to launch an IPO under Tanzania's mandatory listing rules. The firm set its IPO share price at 850 shillings each and the sale will be equivalent to 25 percent of its total equity. The IPO will run from March 9 to April 19 and public trading of shares on Dar es Salaam Stock Exchange (DSE) will commence on May 16, according to the prospectus. The Vodacom Tanzania IPO would be the East African country's biggest ever, stock brokers told Reuters. Industry players said they expect the IPO to attract strong interest from local investors. Foreign investors cannot take part in the IPO but can invest after the listing. "There is a lot of appetite in the market. Many investors have been waiting for this particular IPO," said George Sawe, a stock broker at Dar es Salaam-based Zan Securities Ltd. Vodacom Tanzania filed for an IPO with the Capital Markets and Securities Authority (CMSA) in November to meet a government requirement for telecoms firms to list at least 25 percent of their shares. The application was approved last week. The other two major mobile operators, Millicom subsidiary Tigo and a local unit of India's Bharti Airtel, have also submitted their prospectuses, but their IPOs have yet to be approved. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

Tanzania's central bank cut its discount rate to 12 percent from 16 percent to help spur lending and boost economic growth, the first time it has lowered borrowing costs since 2013. The cut, which the central bank said in a circular to commercial banks seen by Reuters becomes effective on Monday, follows a steep drop in private sector credit growth last year. "The discount rate which is applicable to banks borrowing from the Bank of Tanzania as a lender of last resort will also be used to discount Treasury securities," the circular said. Tanzania's economy is East Africa's second-biggest. The International Monetary Fund warned in January that tight fiscal and monetary policies threatened its forecast for growth of around 7 percent in fiscal year 2016/17, which ends in June. The central bank's decision to slash the rate it charges commercial lenders to borrow from it -- one of its main monetary policy tools -- should help unlock funding for key business sectors, analysts said. The finance ministry has said the economy probably grew 7 percent in 2016, slightly less than the 7.2 percent targeted. Lending to the private sector grew by 2.5 percent in 2016 after expanding 26.8 percent a year earlier, according to data from the central bank.

New lending to the agriculture, construction, transport and communication sectors was dramatically curtailed after a spike in non-performing loans,Donath Olomi, chief executive of the Dar es Salaam-based Institute of Management and Entrepreneurship Development, said the rate cut aimed to stimulate growth by encouraging banks to lend rather than investing in Treasuries and government bonds. "The government also needs to issue a signal to boost investor confidence, which has fallen because of various actions by public officials that are seen to have undermined the sanctity of private ownership," he told Reuters. President John Magufuli's government has unnerved investors since it came to power in Nov. 2015 by cracking down on tax avoidance and promising to review contracts. Tanzania's mining ministry on Friday banned exports of copper concentrate and other metallic mineral ores with immediate effect, causing a plunge in the share price of London-listed Acacia Mining Plc. *(Reuters)*

The shilling closed the last month trading at 2,226/- per US dollar compared to 2,175/- at the beginning of the year, despite signals of muting and appreciating in the last 10 plus days. Data showed that the shilling was almost muted in 2016 after it depreciated by merely 1.0 per cent against a 25 per cent fall seen in 2015. The shilling woes in the first two-month of this year started late last year after it traded flat due to tight liquidity in the market. "Unlike most of the year end whereby local currency appreciates as liquidity tights, 2016 was different leaving the (dollar/shilling) pair trading flat," National Microfinance Bank (NMB) said in The Market Digest released recently. The NMB journal showed that even cashew nuts inflows of some 200 million US dollar failed to lift the shilling levels as it closes trading at almost the same level around 2,182/- a greenback in last year's quarters three and four. "The inflows were neutralised by demand that was a result of improved liquidity in the market from government spending," NMB's Digest said. Prof Honest Ngowi, Economist, Mzumbe University Dar es Salaam Campus, said the depreciation was also the results of limited supply which was unmatched with demand. "The shilling suffers as there were no enough supply since we also depend on FDIs and donor funds, which were not sufficient (between January and February)," Prof Ngowi said. Reports show that July and November, last year, a total of 287.5bn/- in grants was released equals to 28.4 per cent of the target which was 1.1tril/-.Prof Ngowi said the shilling depreciation in the first two months of this year will continue until roots of the problem are addressed. "We are net importer.

Exports earnings are not enough to cover our imports … that way the shilling will continue to suffer against our main vehicle currency (US dollar)," Prof Ngowi said. The economists said on the other hand the shilling depreciation is a blessing as it makes export cheaper similar to the percentage rate of depreciation. "The problem is, we are net importer … we have little to sell abroad," Prof Ngowi said. In another development, the shilling continued to demonstrate stability last week when it closed at 2225/2255 levels against the dollar. "Shilling closed the week flat against the greenback … due to matching levels of demand and supply in the market," CRDB Bank said in its daily Market Highlights. Another bank, NMB, said e-Market that shilling was steady against the dollar on low importer's demand in the last two weeks. "The US dollar demands from importers were moderate along the week against unbalanced inflows. We expect shilling being under pressure next week as business activities expect to resume. "We have observed thin trading activities from importers all along with unbalanced inflows," NMB said. The country imports of goods and services declined by 13.7 per cent to 10.79 billion US dollars while exports increased

by 5.2 per cent to 9.38 billion US dollars in December 2016. "To a large extent, the increase came from improved performance across the major exports, save for manufactured goods exports that slightly declined," BoT Monthly Economic Review of January 2017 shows. *(Daily News)*

Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia will probably reap 3 million metric tons of its staple corn crop in the current season, according to the Grain Traders Association of Zambia. When that's added to carry-over stocks remaining from last season, it's unlikely the country's storage facilities will be sufficient, association President Chambuleni Simwinga said by phone on Friday. "We're still sitting on an excess of about 230,000 tons which has not moved or been traded," Simwinga said. Last year, Zambia produced 2.87 million tons of corn, which is ground and cooked with water to make a thick porridge eaten with meat or fish. It produced a surplus as neighbors grappled with the worst drought in decades. While Zambian farmers have battled destructive locusts and caterpillars this year, crops are benefiting from good rainfall. "A large percentage of that maize will end up as carry-over stock," Jacques Pienaar, an analyst at South Africa's Commodity Insight Africa, said by email on Friday, using another term for corn. "This will add price pressure in the next few months, unless the government opens the border for export by issuing sufficient export permits." Zambia placed a ban on exporting corn in April, amid concerns about food security following the severe drought. The rule will remain in place until further notice, Agriculture Minister Dora Siliya said in January. Agriculture Permanent Secretary Julius Shawa didn't immediately respond to phone calls or a mobile phone text message seeking comment. *(Bloomberg)*

THE Centre for Trade Policy and Development (CTPD) has called on Government to revisit the double tax agreements (DTAs) signed with countries as some treaties have the potential to erode Zambia's ability to generate revenue. DTA is a contract signed between two countries or business entities to prevent the imposition of similar taxes on the same taxpayer with respect to the same income or capital. Currently, Zambia has 21 DTA, primarily with developed countries which include Canada, Denmark, Finland, France, Germany, the Netherlands, India, Ireland, Italy and Japan. Others are Norway, Romania, South Africa, Sweden, United Kingdom and Yugoslavia. In the region, the pacts also involve that of Kenya, Mauritius, Tanzania, Uganda and Zimbabwe. But CTPD acting executive director Isaac Mwaipopo said in an interview that although DTAs are signed with the expectation of attracting foreign direct investment (FDI), they sometimes lead to revenue loss, hence the need to consider relooking at the agreement. "Net FDI flows between developed countries and developing countries [DC] are often largely unilateral in that the outward FDI flowing from the developed country to the DC far outweighs any inward FDI flows from the DC to the developed country. "Although the negotiated reduction in withholding tax rates applies equally to both contracting states, DCs end up agreeing to a much greater reduction in potential tax revenue [and] sometimes not commensurate with the benefit derived from the FDI inflows, leading to net loss on the side of countries in that category," Mr Mwaipopo said. He also said some investors externalise profits, thereby robbing Zambia of much-needed revenue which could go towards local development. Mr Mwaipopo said that if the economy has to grow, there is need to promote local investors whose business profits will remain in the country to foster growth. He also said Government should embark on robust creation of a conducive environment for local businesses to thrive by providing them easy access to finance, to relook the DTAs and tax incentives to encourage local investment participation. *(Daily Mail)*

Zimbabwe

Corporate News

ZB Financial Holdings is set to get $5,9 million that had been embargoed and is opening correspondent banking accounts to access lines of credit, after the group was last year removed from the United States sanctions list. The group was placed on the specially designated nationals by the Office of Foreign Assets Control of the United States Treasury in 2008. ZB Financial Holdings chief executive officer, Ron Mutandagayi told NewsDay on the sidelines of their analysts briefing for their financial year ending December 31 2016 on Thursday they were seeking to re-establish their correspondent banking accounts. "After having a couple of sanctions lifted on October 4 2016, we had to re-establish our correspondent banking accounts. We have re-established our South African bank account and it is now operational, we can undertake transactions. We have re-established our Euro account and it is operational, while recently our United States dollar account has become operational as well," he said. "So that allows us to now be able to go out and source for credit lines, because we need a corresponding account for us to be able to access them. We are expecting an amount that had been embargoed to go into our accounts and according to our books that is $5,9m." In its financial results for the year ended December 31 2016, the group's profit after tax increased to $11,43m from $9,36m realised in 2015.

Mutandagayi said the increase in profitability was on the back of increased operational efficiency, despite net interest income remaining flat at $16,7m in the period under review from the previous year. ZB Financial Holding's banking division has been plagued in recent months with long bank queues of depositors seeking to withdraw cash, which the bank has been struggling to supply due to low cash in their coffers. "The [Reserve Bank of Zimbabwe] governor has always said that it does not make sense for you to use foreign currency to import cash when you need to fund your nostro account. Which is why bond notes were introduced so that you have a transacting currency on the domestic market and foreign currency is used for things that foreign currency should be used for," he said. Mutandagayi said the group was hoping to get some breathing space in order to adequately supply their clients under their banking division with cash. *(News Day)*

STATE-OWNED postal, communication and financial services company, Zimpost, has projected to generate over $22 million revenue this year, down 39% compared to 2015 figures, as liquidity crisis continue biting. Zimpost corporate communications manager, Marian Banda, told NewsDay that the company was projecting to generate $22 million revenue this year, but liquidity challenges were affecting their performance. The company's performance in 2016 was affected by a number of factors including the liquidity challenges that bedevilled the economy, resulting in their turnover being 3% below 2015 performance in revenue terms, she said. She said some of the projects that they had hoped would be implemented in 2016, and would have contributed to their revenue, did not come to fruition. "The company faced a number of challenges, which include working capital challenges and a growing debtors book as more and more customers were taking long to pay up for services rendered," she said. To address the working capital challenge, the company is exploring various options which included engaging suppliers so that they could supply stock on consignment basis as this would reduce the capital outlay required by business, she said. "On the growing debtor's book, the company is entering into tripartite set-off arrangements with some customers and suppliers.

We believe that we will be able to achieve our 2017 budgeted revenue. We are projecting to generate over $22 million revenue," Banda said. In 2015, its annual turnover nearly doubled to $36 million. Banda said the cost containment strategy has helped the company reduce its costs and offer competitive products and services to its customers. The company is also leveraging on its vast network and this is paying off, she said. Banda said a number of companies in Zimbabwe were facing problems and called for innovation if the companies were to survive and "this is exactly what we are doing at Zimpost". She said customer tastes and preferences were changing and as Zimpost they have been adapting to these changes. "Unless a company adapts itself to change, the company cannot continue to exist," she said. Banda said their local and international money transfer service, Zipcash, has been experiencing growth from its inception in 2013. Currently, the company is transacting with countries such as Lesotho, South Africa, Botswana, Kenya, Nigeria and Tanzania, using the service. Last month, Zimpost partnered with WorldRemit, a move which opened new foreign currency remittance routes to Zimbabwe *(The Source)*

PPC Zimbabwe says it is currently operating at a "less than ideal capacity utilization" due to reduced activity in the economy, but remains confident of a positive turnaround in the market in the short to medium term. PPC Zimbabwe managing director, Kelibone Masiyane, told The Source that the company was faced by a number of problems, chief among them the liquidity crisis. "As you are aware, we recently increased our capacity by putting up our new 700,000 tonnes per annum milling plant in Harare. This increased footprint presents us with great opportunities in the north of the country," Masiyane said. "The company is currently operating at a less than ideal capacity utilisation due to reduced activity in the economy. However, we are confident of a positive turnaround in the market in the short to medium term and this should improve our capacity utilization," he said. Last November, PPC Cement commissioned an $85 million plant in Harare that produces 700,000 tonnes per year. The Harare plant doubled the firm's capacity to 1.4 million tonnes of cement per year. Its sales rose by nine percent in the nine months to December 2016 after commissioning the plant. PPC has two other plants in Zimbabwe, one in Bulawayo and another in Colleen Bawn near Gwanda both with a total production capacity of 700,000 tonnes annually. *(Source)*

Leading international financial services provider Old Mutual plc says its Zimbabwe unit recorded a 20 percent jump in profit to R848 million ($64 million) last year, from R708 million ($53. 4 million) in 2015, mainly due to the depreciation of the rand against the US dollar. Old Mutual Zimbabwe, which is due to report its 2016 financials next Wednesday, is part of the global group's Old Mutual Emerging Markets (OMEM) business unit which provides long-term savings, protection, investment and lending to retail and corporate customers in 15 African countries. In its preliminary results for the year ended 31 December 2016, released on Wednesday, Old Mutual plc said Net Client Cash Flows (NCCF) of R1.2 billion ($90.5 million) was R300 million ($22.6 million) lower than the prior year following higher outflows as a result of the current economic crisis and uncertainty surrounding the introduction of bond notes. The group said its wholly owned Zimbabwean banking unit CABS reported a nine percent decline in its gross loan book to R8.3 billion, ($626 million) but a three percent increase in constant currency. "This reflects lower personal loans due to a more cautious lending strategy given the Zimbabwean economic outlook, which was offset by an increase in secured mortgage lending. Deposits increased by 1 percent in constant currency from 2015 driven by an increase in transactional accounts," said Old Mutual.

Despite the operating headwinds in some of its units, Zimbabwe included, Old Mutual plc said OMEM recorded pre-tax Adjusted Operating Profit (AOP) growth of of three percent during the year, which reflects a 15 percent improvement during the second half of the year. It added that International Financial Reporting Standards profit of R10.7 billion (US$807,6 million) was three percent down on the prior year, largely due to an impairment on the Old Mutual Southern and Eastern Africa "The impairment was driven by the constrained macroeconomic environment in Zimbabwe placing strain on the future outlook for profit generation, synergies expected from the acquisition of (The UAP Group) in East Africa have not yet manifested in the financial results and the strain placed on the future profit prospects at Faulu as a result of the introduction of interest caps on lending in Kenya." The group also announced that it launched a drought insurance protection product for smallholder maize farmers in Zimbabwe in partnership with Blue Marble Old Mutual noted that although the US Dollar remained Zimbabwe's official currency, when bond notes were introduced in November 2016, the equity market responded with a 30 percent rally as investors moved capital to 'safer' value investment. The group also announced South Africa's former Finance Minister Trevor Manuel as chairman of Old Mutual Emerging Markets. Prior to his appointment, Manuel was a non-executive director of Old Mutual since January 2016. *(Source)*

Axia Corporation's after tax profit in the half-year period to December 31, 2016, dropped 16 percent to $7,8 million compared to $9,4 million in 2015, largely on increased operational costs. Revenue at $119 million was 14 percent up on prior year's $104 million, resulting in an operating profit of $11,154 million and a profit before tax of $10,690 million. Chairman Luke Ngwerume said the company incurred additional overheads from the new head office structure. Axia, an Innscor Africa spin-off, has TV Sales and Home, Transerv and Distribution Group Africa as its operating units. The units had mixed performances during the six month period. TV Sales & Home achieved a 54 percent growth in units sold resulting in 33 percent growth in revenue, largely spurred by growth in cash sales. The instalment debtor's book increased 12 percent over the comparative period and Ngwerume said the quality of the book remained good throughout the period. "While the business has increased focus on locally manufactured good, foreign payments remain a challenge not only for the business imported

products, but also for its local suppliers for their imported content," said Ngwerume in a statement accompanying the results.

Transerv suffered a 7 percent decline in revenue, with the business affected by the supply of key stocks, particularly batteries in first quarter due to delays in obtaining import permits. Distribution Group Africa Zimbabwe performed well despite facing similar challenges, recording a volume growth of 32 percent resulting in 23 percent growth in revenue. "This was largely attributable to the acquisition of new distributorship agencies during the period," Ngwerume said. Distribution Group Africa Region endured a subdued performance, with turnover and operating profit declining 11 percent and 57 percent respectively from prior year. Ngwerume said attributed this to harsh environments in Zambia and Malawi economies worsened by weaker currencies and declining consumer disposable incomes. Looking ahead, Ngwerume said the group expects to remain profitable. *(Source)*

The local unit of global cigarette manufacturer, British American Tobacco (BAT), has dominated the Zimbabwe market for over half a century, but emerging local brands with cheaper offerings are challenging its hegemony, pointing to a difficult road ahead for the giant.
The company reported a revenue of $34 million for 2016, its lowest since 2012, on the back of the depressed economic environment characterised by waning disposable incomes, liquidity constraints and the threat of new entrants among others. BAT's revenue has been trending downwards since 2012, with the highest revenue of $51,9 million being recorded in 2012, 34 percent higher than achieved in 2016. Although demand for cigarette is believed to be less responsive to price changes, analysts note that the industry is currently confronted with elasticity of demand as consumers opt to reduce smoking in the process of allocating limited financial resources given the tough economic environment. The emergence of competitors with price points of 50 cents/pack has been posing challenges for BAT with customers downtrading to these value offerings, at a time when the excise duty of $20/mille presents a cap on the lowest price possible for legitimate sales (40 cents for a pack of 20s). Recently the company told analysts at a briefing that its market share had fallen by a marginal 1 percent to 79 percent during 2016 on the back of new entrants. It stands to follow then that revenue is most likely to decline in the current period as these rivals continue to put pressure. As such, in the previous period, the company increased its expenditure on selling and distribution by 9,4 percent compared to the same period in the prior year to $4,01 million in order to defend it's sales volumes. Additionally, during 2017 the company intends to continue with increasing marketing spend in order to defend its market share, a move that will continue to put pressure on the operating margins.

A financial analysis of BAT for the period between 2012 and 2016 shows that the performance of the company has started to deteriorate with revenue and profit negatively impacted by the operating environment. Generally the group's gross profit contracted over the period between 2012 and 2016, with the highest gross profit being recorded in 2015 amounting to $32,3 million. In 2016, the company recorded the lowest gross profit ($24,7 million) since 2012 which is 17 percent lower than the one recorded in 2012. However, despite the decrease in the amount of gross profit , the gross profit margin has been improving over the period under analysis although there was a slump in 2014. The increase in gross profit margin is attributed to efficient use of resources as the company endeavour to contain costs of sales. The group's Earnings Before Income Tax Depreciation and Amortisation (EBITDA) has been increasing on average between 2012 and 2015 before a sharp decline in 2016 to $13,2 million from $22 million in the previous year. EBITDA for 2016 was 29 percent lower than the $18,6 million recorded in 2012 and 40 percent lower than recorded in 2015. Likewise the margin improved in the period between 2012 and 2015 before it went down from 48 percent in 2015 to 39 percent in 2016 on the back of an increase in selling and distribution expenses, as well as price adjustments in a bid to remain competitive. In the previous period, the company increased its expenditure on selling and distribution by 9,4 percent to $4,01 million and it intends to continue with increasing marketing spend during 2017 in order to defend its market share, a move that will continue to put pressure on the margins.

Operating profit has been on average increasing between 2012 and 2015 before it declined sharply by 42 percent in 2016 to $11,9 million from $20 million recorded in 2015. Likewise the operating profit margin has been improving on average in the same period before it declined from 46 percent in 2015 to 35 percent in 2016. However, the company has, in a bid to contain costs and improve its operating profit, undertook staff rationalisation exercise and install a new ERP system. At the recent analyst briefing management indicated the residual costs of the ERP system has resulted in the lower than expected savings on administration expenses. Nonetheless, these initiatives

are yet to prove that they will defend and improve its operational efficiency since the latest financial results have shown a decline in operating profit. Finance costs declined by 91 percent from $740,000 recorded in 2012 to $64,000 in 2016 on the back of a reduction in interest payments associated with borrowing. The company's financials show that the last borrowing, which amounted to $5,8 million, was recorded in 2012 and thereafter the company has been using its internal funds as reflected by an increase in retained earnings from $5,3 million in 2013 to $9,1 million in 2015. However, retained earnings have started to fall in 2016 owing to reduced net income.

The group's after tax profit has been unstable in the period between 2012 and 2016 and similarly, the profit margin. Profit after tax went down 45,22 percent from $15,4 million in 2015 , its highest since 2012, to $8,4 million in 2016. The profit margin also went down from 34,2 percent in 2015 to 29 percent. As a result earnings per share (EPS) dropped from $0,75 in 2015 to $0,41. In 2012 the company recorded EPS of $0,68 , which is $0,27 higher than the 2016 figure owing to depressed earnings. However, the company has been paying dividends to its shareholders and is one of the few companies that are still paying a dividend on regular basis since dollarization. Total assets fell by 5,7 percent from $33,6 million recorded in 2012 to $31,7 million in 2016. Generally, total assets decreased between 2012 to 2014 when they fell to $27,7 million before they started to increase in 2015 and 2016 but they are still below the 2012 level. On the other hand,liabilities have been declining on average in the period between 2012 and 2014 before they started to rise in 2015 and 2016. However, in general total liabilities fell by 5,6 percent in the period between 2012 and 2016 , from $19,7 million in 2012 to $18,6 million in 2016, partly due to the absence of borrowings since 2013. The financial review of BAT in the period between 2012 and 2016 shows that the company's financial performance has started to deteriorate owing to the tough operating environment and the emergence of new entrants which are penetrating the market at lower prices relative to BAT. Apart from new entrants, revenue is also threatened by the challenges the company is facing in importing some of its critical raw materials on time, a situation which chief executive, Clara Mlambo said they will try to solve by engaging banks to facilitate foreign payments. Operating margins remain under pressure as the company endeavour to increase marketing efforts in order to defend its market share and in the interim, net profit is most likely to decline on the back of declining revenues and operating income. BAT's brand portfolio includes Dunhill, Kent, Lucky Strike and Pall Mall but these brands are much more expensive for a local market in the throes of a liquidity crunch and low disposable income. Some of the competitors of BAT in cigarette manufacturing include Savanna Tobacco, Cavendish Lloyd Zimbabwe and Cut Rag Processors. *(Source)*

Economic News

The Zimbabwe Agenda for Sustainable Socio-Economic Transformation (Zim-Asset) October 2013-December 2018 was crafted to achieve sustainable development and social equity anchored on indigenisation, empowerment and employment creation. This results-based agenda was built around four strategic clusters of food security and nutrition, social services and poverty eradication, infrastructure and utilities, and value addition and beneficiation. The government identified quick-wins — projects that would be implemented immediately to yield rapid results in the shortest possible time frames in view of the deadline of December 2018. ZimAsset recognised that accelerated funding of public projects shall be achieved through the hastening of public-private partnerships (PPPs), where the Office of the President and Cabinet was mandated to monitor and evaluate the plan and its implementation. Agriculture was identified as the backbone underpinning Zimbabwe's economic growth through food security and poverty reduction. The value chain in agriculture was underpinned on mechanisation and effective acquisition of inputs, and effective public procurement was the solution to the equation. Housing delivery had an estimated backlog of 1,25 million units, which would need sizeable investment in water and sanitation to reduce the sporadic outbreaks of epidemics such as typhoid, dysentery and cholera. Shortage of capital was viewed as the major hindrance in the development of utilities and infrastructure. Roads, aviation and railway networks across the country have not seen major improvements and modernisation, due to lack of long term investment opportunities. The energy sector was now inefficient due to largely dilapidated and obsolete equipment and infrastructure coupled with inadequate financing and other structural bottlenecks. The transport sector continues to face challenges owing to resource constraints, obsolete equipment, corruption, mismanagement, vandalism and absence of a robust corporate governance policy as illustrated in the ZimAsset blueprint.

One of the major issues identified as the lead impediment in public service delivery was the lack of effective systems for revenue collection.

Citizens generally fail to comply on issues such as rates and licence payments due to inaccessibility and the difficulty that government systems are generally characterised with. Failure to comply to statutory obligations by the general citizenry inevitably reduces government revenue collection. One of the key success factors of ZimAsset was the availability of collaborative partnerships among government agencies, the private sector, citizens and other stakeholders to harness revenue collection. ZimAsset called for an increased investment in infrastructure such as energy and power development, roads, rail, aviation, telecommunications, water and sanitation. PPPs were identified as the means of accelerating the implementation of such projects including other private sector driven initiatives. Government agencies were put in clusters that were co-ordinated by the Office of the President and Cabinet to achieve results-based management. One of the funding strategies for ZimAsset was the engagement of PPPs and a number of them in the transport, local authorities, home affairs and agriculture ministries are in different stages of implementation. The aim is at enhancing the ease of doing business initiative for government. The expected outcome in transport and infrastructural development and management from such PPPs is improved road, rail and air networks.

Road safety and security management seeks to achieve improved safety and security on road networks as well as improved coordination of road agencies and law enforcement resulting in increased revenue inflows through PPPs also under the transport ministry. Implementation of e-government PPPs is the quick-win within the infrastructure and utilities cluster across all government agencies from various ministries and departments. It is important that government embraces all its projects for maximum benefit to the ordinary citizen. Given the tight deadline of ZimAsset, periodic reviews are necessary in order not to lose the pulse on the projects otherwise the government will lose traction of the implementation of its blueprint. PPPs are the only means of busting economic sanctions that the government should commit to by creating an enabling environment. The more successful one PPP project is, the more PPP offers we receive. *(News Day)*

Zimbabwe's state run pension fund says government has paid up its contribution arrears by issuing $180.9 million worth of Treasury Bills. The National Social Security Authority (NSSA) said government had been lagging behind in adjusting contributions for state employees from 6 percent to 7 percent and the earnings ceiling from $200 to $700 per Statutory Instrument 61 of 2013. The state also did not remit its portion of the employer's contribution for three years, spanning September 2013 to October 2016, NSSA said. "While it (government) remitted employee's' portion of deducted contributions, it fell behind in remitting the employer's contributions. Both these actions resulted in Government accumulating arrears of $180.9 million as at 31 December 2016. This meant that the highest paid civil service pensioner would only get a maximum of $60.00 pension," said NSSA chairman Robin Vela in a statement. "The clearance of contribution arrears by Government has an immediate positive effect on retired civil servants as those who retired earning more than $200 will now have their pensions adjusted upwards to accommodate the revised contributory rate and their actual earnings up to the earnings ceiling of $700." The TBs have a tenure of 7 years and a coupon rate of 5 percent per annum. With no access to liquidity Government has resorted to the issuance of TB's to finance its activities, it has to date issued $2.1 billion worth of the paper. Vela said that as a long term investor, NSSA can afford to hold the TBs to maturity. "On the investments front, the interest income from the boosted TBs portfolio will contribute to improved liquidity of the schemes," Vela said. *(The Source)*

The export capacity thematic group has recommended the streamlining of processes and issuance of permits valid for a year, among a number of reforms to arrest the regression in total manufactured exports. Total manufactured exports have been declining over the past three years to $424 million in 2016 from $523 million in 2015. In 2014, total manufactured exports reached $1 billion. Speaking at the Ease of Doing Export Business — Rapid Results Initiative final review meeting, export capacity thematic group chairperson Salie Khan said the regression of total manufactured exports was one of the challenges that needed to be addressed for the realisation to reduce the time and cost of exporting by 50%. "We are actually regressing, so let's look at the causes which are causing the regression and start addressing them," Khan said. He, however, said the export capacity does not hinge on policy alone, but efficiency within companies. Khan said among other recommended reforms were changes in attitude and streamlining processes, tenure of permits (permits should be issued for up to a year), decentralisation of issuance of permits and one-stop-shop for permits issuance, where all government departments can be housed.
According to official statistics, South Africa has continued to be Zimbabwe's top export market for the month of December, although exports declined from $390 million to $238 million, while imports stood at $208 million. In December, the trade deficit widened to $197 million from

$14,6 million in November 2016. Exports for the month of December declined from November's record of $460,7 million to $292 million. Zimbabwe's main exports are tobacco accounting for 23% of total exports and nickel 20%. Others include diamonds, platinum, ferrochrome, and gold. Zimbabwe main export destinations are South Africa, China, Congo and Botswana. *(News Day)*

Zimbabwe's economy is now expected to grow 3.7 percent this year, from an initial projection of 1.7 percent, the finance minister was quoted as saying by the state-owned Herald newspaper on Friday. The southern African nation's economy stagnated last year following a devastating drought while its budget deficit exploded as President Robert Mugabe's administration struggled to pay its workers, which helped fan anti-government protests. *(Reuters)*

Individual and institutional investors can pledge their shares as collateral to borrow funds from banks and other lenders through the Chengetedzai Depository, the securities depository firm has said. Chengetedzai runs Zimbabwe's sole central securities depository (CSD), which went live in September 2014. "The purpose of using securities as collateral security is to motivate the banks to lend guaranteed or backed by securities as a way to deepen transactions or activities in the securities market", Chengetedzai said. Pledging refers to a process in which the Most banks are now preferring to hold treasury bills instead of extending loans to individuals and corporates owing to default risk, which has seen the emergence of mounting high non-performing loans. Post-dollarisation bad bank loans peaked at over 20 percent in 2012, but have since come down to just under 8 percent following the creation of a central bank vehicle to purchase non-performing loans from the sector. Chengetedzai said the pledged securities will not be used for other transactions since they will be locked until the pledgor settles the debt for which the securities were used as collateral. Additionally, in order to mitigate credit risk, Chengetedzai said once securities are pledged, no new pledge can be registered on the same securities. However, the pledgor will be entitled to all the dividends or interest payments due during the tenure of the pledge. "The dividend/interest payment will be paid to the debtor/ pledgor during the term of the pledge and not the creditor. During the life of the pledge, ownership of the pledged securities remains with the pledgor as well as the right/ entitlement to any corporate action executed during that period," Chengetedzai said.

Given the credit risk facing banks and lending financial institutions, security pledging can shield financial institutions from too much exposure to unsecured loans and government treasury bills. According to the Reserve Bank of Zimbabwe (RBZ) governor, John Mangudya Zimbabwe currently has about $2.1 billion worth of treasury bills in the market, issued to bridge the government's funding gap and clear the central bank's debt, among other purposes. Most Zimbabwean banks have a very significant exposure in government TBs on their balance sheets. Given that the government is running a budget deficit owing to insufficient revenue collections, and its growing debt overhang, TBs pose a default risk which could potentially cause a catastrophic crisis in the banking sector. Despite the potential risk, the banks say the government has not defaulted on its obligations to them. However, although securities pledging might prove to be a handy shield against potential default, the poor performance of the securities market shows the downside of such transactions. *(Source)*

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