SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	7-Feb-14	14-Feb-14	Local	USD	Local	USD
Botswana	DCI	9,438.66	9,347.63	-0.96%	-0.55%	3.25%	0.43%
Egypt	CASE 30	7,426.17	7,590.71	2.22%	2.22%	11.91%	11.42%
Ghana	GSE Comp Index	2,425.27	2,430.43	0.21%	-1.39%	13.30%	6.91%
Ivory Coast	BRVM Composite	246.29	244.58	-0.69%	0.07%	5.41%	4.40%
Kenya	NSE 20	4831.80	4837.47	0.12%	0.01%	-1.82%	-1.52%
Malawi	Malawi All Share	12,661.60	12,661.60	0.00%	0.59%	1.04%	-0.30%
Mauritius	SEMDEX	2,068.30	2,088.29	0.97%	0.57%	-0.35%	-0.86%
	SEM 7	397.31	402.06	1.20%	0.80%	-0.39%	-0.90%
Namibia	Overall Index	992.97	1,019.00	2.62%	3.16%	2.21%	-2.83%
Nigeria	Nigeria All Share	40,773.50	38,767.29	-4.92%	-5.71%	-6.20%	-8.14%
Swaziland	All Share	294.27	294.27	0.00%	0.53%	3.01%	-2.07%
Tanzania	TSI	2,896.76	2,891.14	-0.19%	-0.24%	1.68%	-0.16%
Tunisia	TunIndex	4,619.22	4,645.46	0.57%	1.33%	6.03%	9.48%
Zambia	LUSE All Share	5,330.25	5,364.09	0.63%	-0.65%	0.29%	-2.14%
Zimbabwe	Industrial Index	192.51	188.99	-1.83%	-1.83%	-6.50%	-6.50%
	Mining Index	34.77	33.61	-3.34%	-3.34%	-26.60%	-26.60%

CURRENCIES

	7-Feb-14	14-Feb-14	WTD %	YTD %
Cur-rency	Close	Close	Change	Change
BWP	8.93	8.89 -	0.41	2.81
EGP	6.94	6.94 -	0.01	0.44
GHS	1.87	2.50	1.63	5.98
CFA	485.01	481.29 -	0.77	0.97
KES	84.74	84.83	0.10 -	0.30
MWK	420.65	418.16 -	0.59	1.35
MUR	29.06	29.17	0.39	0.52
NAD	11.09	11.03 -	0.53	5.19
NGN	161.56	162.91	0.84	2.12
SZL	11.09	162.91 -	0.53	5.19
TZS	1,584.73	1,585.40	0.04	1.84
TND	1.60	1.59 -	0.76 -	3.16
ZMW	5.56	5.63	1.29	2.48

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana and Namibia will sign a deal at the end of this month to develop a 1,500-kilometer (932-mile) railway for transporting coal exports to the port of Walvis Bay, according to the Botswana Chamber of Mines. "Technical glitches" delaying the Trans-Kalahari project have been resolved, Charles Siwawa, chief executive officer of the chamber, said in a phone interview today. While he declined to give further details, Siwawa said the joint-venture agreement, originally due to be signed last April, paves the way for funding initiatives and tenders. Chinese and Indian demand for the more than 200 billion metric tons of coal in Botswana's central Karoo basin could boost economic growth in the landlocked southern African nation, Siwawa said. The Trans-Kalahari line, which dovetails with Namibia's plan to develop the port of Walvis Bay, requires an investment of about $15 billion, Siwawa said. "It's not clear as yet when this financing will come from but we would like this project to proceed as soon as possible," Siwawa said. "There are significant coal deposits in Botswana but we need an exit route for shipments to markets overseas. At the moment, Walvis Bay is the preferred route." Alternative export options include transporting the coal by rail to either South Africa's Richards Bay or the port of Beira in Mozambique.*(Bloomberg)*

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TRADING

Egypt

Corporate News

Ezz Steel, Egypt's biggest steel maker, trimmed its net loss by 74 percent in the third quarter of FY 2013 to 28.64 million Egyptian pounds from 110.05 million a year earlier, company results showed on Monday. Street unrest, political turmoil and an economic slump since a popular uprising toppled autocrat Hosni Mubarak in 2011 have hurt demand for cement and steel used in construction. Paul Chekaiban, chairman and managing director, said in a statement that he expected the gradual return of political stability in Egypt would allow the company to improve its profitability. *(Reuters)*

Egyptian property developer SODICs sales revenues were 2.7 billion Egyptian pounds ($388 million) in 2013, up 69 percent from the previous year, managing director Ahmed Badrawi said. SODIC, one of Egypts biggest real estate companies, invested around 900 million pounds last year and aims to invest at least the same amount this year, Badrawi said on the sidelines of an investment event on Tuesday. This would depend on reaching a final settlement with the government on its Eastown scheme in New Cairo, a development of offices, shops and homes twice the size of Londons 97-acre Canary Wharf district. The company had a long legal dispute over the project with the government, which sought to revoke SODICs rights over its east Cairo tract because of delays in development. SODIC won a court case and kept the land but some administrative procedures are still pending. SODICs nine-month net profit fell almost 40 percent year on year to about 80 million pounds in the first nine months of 2013, the company said in November. *(Reuters)*

Egypt's biggest listed bank, Commercial International Bank, posted a 29 percent rise in 2013 fourth quarter net profit to LE757 million ($109 million), the bank said on Wednesday. The bank's revenues for the fourth quarter rose by 15 percent to LE1.74 billion ($0.24 billion). CIB posted a 35 percent rise in net profit for the full year in 2013. It made 3 billion Egyptian pounds, compared with LE2.2 billion ($0.3 billion) a year earlier. The bank posted a record revenue of LE6.98 billion (roughly $1 billion), 31 percent higher than the previous year. Egyptian banks such as CIB have been able to keep their bottom lines growing partly due to high interest rates paid by the state last year for its short-term borrowing. State borrowing costs rose as foreign investors exited the local treasury market, tax receipts suffered from a weak economy and the government boosted spending to meet popular demands for better living standards after the uprising against president Hosni Mubarak in 2011. The CIB share rose 1.2 percent in the midday trading session, currently registering LE33.88. *(Ahram)*

Economic growth rate down by 0.5 percent, as compared to 2012/13 final quarter, but investment up by 45.4 percent, according to finance ministry. Egypt's economic growth rate shrank by 0.5 percent, recording 1 percent in the first quarter (Q1) of the 2013/14 fiscal year, down from 1.5 percent in the final quarter 2012/13, the finance ministry said on Tuesday. The growth rate during the period between July-September 2013 was down 1.6 percent as compared to the same quarter of the fiscal year 2012/13, where the growth rate stood at 2.6 percent. Meanwhile, gross domestic product (GDP) at current prices rose from LE445.8 billion ($64 billion) in the Q1 of 2012/13 to LE518 billion ($74.4 billion) in the Q1 of 2013/14, according to data from the finance ministry. Total investment rose annually by 45.4 percent to LE54.6 billion ($7.8 billion) in the July-September period of 2013/14, up from LE49.3 billion ($7 billion) in the same quarter 2012/13. However, total investment fell by 45.4 percent quarter-on-quarter. Egypt's minister of planning and international cooperation Ashraf El-Araby was not optimistic about growth prospects for the Q1 of the current 2013/14 fiscal year, which began in July. "It is normal to have slow growth in the first three months of every fiscal year," El-Araby told Ahram Online in September. "But in this fiscal year (2013/14) we will see poorer growth due to a variety of incidents that might have had negative impacts." The Islamic fasting month of Ramadan, a new government, the dispersal of Islamist sit-ins in Cairo and Giza after the ouster of president Mohamed Morsi amid nationwide protesters against his rule, followed by the imposition of a state of emergency and a curfew, were all taking their toll on the country's growth, El-Araby added. Egypt's budget deficit shrank by 6.3 percent in the first half of the 2013/14 fiscal year, as compared to the same period of the previous fiscal year, according to the finance ministry's latest bulletin. The deficit reached LE89.4 billion ($12.9) between July and December 2013, down from the LE91.4 billion ($13.3) recorded in the first half of the previous fiscal year. *(Ahram)*

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TRADING

Economic News

Egypt's annual urban inflation rate slowed slightly to 11.4 percent in January from 11.7 percent in December, the official statistics agency CAPMAS said on Monday. November's figure of 13 percent was the highest annual rate in nearly four years. Egypt's economy has continued to suffer from investment outflows and a drop in tourism during political turmoil since autocrat President Hosni Mubarak was toppled in an uprising in 2011. Despite inflows of billions of dollars in aid from Gulf Arab states after the army's ouster last year of Islamist President Mohamed Mursi, economic recovery is limited. The army-backed government introduced a 30 billion Egyptian pound stimulus package in 2013 and said it would follow up with a second package of similar size last month, but details of that package have yet to be announced. *(Reuters)*

Egypt's interim government unveiled its second stimulus package on Monday, which will inject 33.9 billion Egyptian pounds into the economy, with most of that money coming from aid pledged by the United Arab Emirates. Previously the finance ministry said Egypt planned to spend around 30 billion Egyptian pounds. The first stimulus package, amounting to 30 billion pounds, was launched in August. Ahmed Galal, the finance minister, said in a statement on Monday that the new spending would be financed mostly by the United Arab Emirates, one of the Gulf Arab countries that has pledged billions of dollars in support for Egypt. Three years of political unrest since a popular uprising ousted Egyptian President Hosni Mubarak have scared away investors and tourists, weighing on economic growth. The army toppled Islamist President Mohamed Mursi in July, triggering unrest. Security forces have killed about 1,000 Mursi supporters and arrested many more in a tough crackdown. Analysts say the army-backed authorities are anxious to get the economy moving to shore up public support and curb the scope for more unrest as the government moves along a political transition plan leading to elections this year. Nearly 20 billion Egyptian pounds will be spent on development projects and 2 billion pounds would be directed towards developing a corridor around the Suez Canal under the second stimulus package, according to the statement. Twelve billion pounds will go towards financing social programmes, including a rise in the minimum wage. *(Reuters)*

Egypt is ready to discuss deepening its trade agreement with the European Union to include services, the country's Trade and Industry Minister Mounir Fakhry Abdel Nour said on Wednesday. EU ambassador to Egypt James Moran said on Monday it was possible to double trade in the next few years if talks on a Deep and Comprehensive Free Trade Agreement, which stalled last year, could be restarted. "What they are requiring is the deepening of the agreement to include services," Abdel Nour, who was meeting with U.S. and international officials in Washington, told reporters. "We are ready to negotiate this, we have an excellent relationship with the EU. It's a natural market for Egypt's exports and we are very, very close to them." Egypt's trade with the EU, traditionally its biggest trading partner, reached around 23 billion euros ($31.4 billion) in 2012. Egypt has had an Association Agreement with the EU since 2004, as well as an agricultural and fisheries products agreement that took effect in 2010. Abdel Nour said he discussed exports of Egyptian mangoes, citrus fruits and potato seeds during the Washington talks, including with U.S. Trade Representative Michael Froman and Agriculture Secretary Tom Vilsack. However, he said the time was not right for a free trade agreement with the United States. *(Reuters)*

Egypt has signed gas and oil exploration deals with the United Arab Emirate's Dana Gas, Ireland's Petroceltic International and Italy's Edison, the oil ministry said on Thursday. The deals will bring in investment of at least $265 million for eight new wells in Northern Sinai and the Mediterranean Sea, the statement said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

No Corporate News This Week

Economic News

Some customers having dollar accounts in banks have started withdrawing their monies after the Bank of Ghana (BoG) directive to contain the depreciation of cedi. The Bank of Ghana on Wednesday directed that all money transactions in the country should be conducted in the Ghana cedi, the sole legal tender. It also directed all banks not to grant a foreign currency-denomination loan or foreign currency-linked facility to a customer who was not a foreign exchange earner. On visits to some banks the Daily Graphic learnt that the directives were being implemented and that some customers were withdrawing their dollars but were being paid in Ghana cedis. At the Airport branch of the Access Bank, the Manager, Mr Bernard Arthur, said few of the dollar savings customers had come around to withdraw the monies in their dollar accounts but received the cash in cedis as directed. Since the announcement, Mr Arthur said, customers had been trooping in to enquire about the directive and its impact on their dollar savings. He indicated that some of the customers were disappointed upon learning that the new directive did not allow them to take money in dollars except when travelling outside and which should also not exceed $10,000. Customers who thought they could get their monies in dollars immediately after the directive were also disappointed as they were given cedis for their dollars. Commenting on the directive by the BoG, Mr Arthur said it was good but had its own shortcomings, suggesting that the economy of Ghana could do better if more attention was given to the export sector.

At the Stanbic Bank headquarters, the Head of Global Markets, Mr Inusah Musah, said they were receiving calls from clients to enquire about the directive and its impact on their dollar accounts. He said his outfit was ready to sensitise its customers through different platforms for them to understand the way the directive would work irrespective of their area of business. “Initially, some people used to buy the dollar and then just put it in their account. However, due to the directive such transactions would no longer hold,” he stated. He said most countries were making reforms to enhance their economies and using their own denominations was one of the reforms so Ghana was not far from achieving its intention with the new directives. Some hotels have implemented the directives given by the Bank of Ghana to quote their rates in the Ghana cedi while others were yet to adopt the directives. The BoG, as part of its measures to stem the free fall of the cedi, has directed all institutions, including those in the hospitality industry, to desist from pricing or accepting foreign currencies for their products. A visit to some hotels in Accra indicated that some hotels had changed their rates to only cedis while others still had their rates in dollars alongside the cedi. At the Holiday Inn hotel, for instance, the Sales Executive, Mr Sheriff Sikiru, said they had already converted their rates into cedis, saying that the rate used to be in both dollars and cedis. He said they had to educate their clients on the directive since most of them were foreigners who paid them in dollars. Currently, he said the hotel was not quoting prices in dollars. However, Movenpick was still quoting the dollar in its business. A source at the hotel said management was holding meetings on the implementation of the directives and was expected to make the final decision on Monday, February 10, 2014. Other hotels were still quoting the dollars alongside the cedi with the intention to adjust to the new directive as time went on. *(Ghana Web)*

The Bank of Ghana will issue a 402 million cedi three-year government bond on February 13 to roll-over maturing debts, a finance ministry official said on Tuesday. "It's for roll-over. We have a maturing of 401 million cedis," Samuel Ameyaw of the debt management unit told Reuters. Thursday's issue will be the first in a series of debt issues planned for 2014. *(Reuters)*

Ghana's annual consumer price inflation rose to a fresh three-year high of 13.8 percent in January, up from 13.5 percent in December, the West African nation's statistics office said on Wednesday. Ghana last week tightened its rules on domestic foreign exchange transactions in a bid to halt a slide in the currency. Finance Minister Seth Terkper said on Tuesday he expects inflation to rise further in the short term before falling back at with the end of the dry season in June. *(Reuters)*

The three year bond sold by government Thursday witnessed a marginal over subscription. The state got 465 million Ghana cedis worth of bids from investors, though it wanted to raise 402 million Ghana cedis. The Bank of Ghana however just accepted 402 million Ghana cedis. Joy Business gathered that government might be paying as much as 23 percent as interest to investors, the highest in recent times. *(Ghana Web)*

Kenya

Corporate News

Equity Bank has become the first Kenyan lender to take advantage of a new credit rating tool to cut rates for good borrowers and minimise requirements for appraisal and collateral security. The lender has partnered with Metropol Credit Reference Bureau to assign scores to borrowers based on their loan repayment patterns, which will then be used to evaluate their creditworthiness. Borrowers who are credit-rated by Metropol automatically qualify for a one percentage cut on loan appraisal fee to two per cent, with a possibility of cheaper and less stringent lending terms depending on their score. "(It is) a pilot of 20 branches and if successful will roll out to the other branches in the course of the year," said Metropol chief executive Samuel Omukoko. A credit officer at Equity Bank confirmed that the lender had signed a deal with Metropol. Chief executive James Mwangi had not returned our calls by the time of going to press. Over-reliance on collateral for lending has for a long time denied many viable businesses that do not have physical assets an opportunity to borrow cash for expansion. The lack of credit rating has also penalised good borrowers who should ordinarily get favourable lending rates at less stringent terms and conditions.

Equity Bank is eyeing faster growth of its loans to small and micro-enterprise businesses through the credit rating. "With bedrock of over 160,000 micro enterprises Equity Bank has huge opportunity to graduate them into SMEs," said Mr. Mwangi at its third-quarter investor briefing in November. Rated borrowers will get approval or rejection of their loan applications immediately. They may also face lesser collateral requirements. Banks could also rely on borrowers' credit history to determine the maturity terms of the loans. Potential borrowers will be expected to first visit the rating agencies unlike currently where they make applications to the bank, which then inquires about their credit history with the bureaus. The two licensed bureaus currently only hold a list of defaulters who are an estimated five per cent of the borrowing population, since they were previously not mandated to store histories of good borrowers. Equity Bank has classified the customers in four categories depending on available financial information. Individuals who have not registered their businesses are classified as green and their ratings heavily rely on their personal financial information. Other categories are bronze, gold and platinum. Platinum is the highest ranking as it has audited accounts which weigh 70 per cent of the rating while the directors' personal financial information account for the rest. Mr. Omukoko said he had hired 50 employees since January to conduct the appraisals in partnership with the Ministry of Industrialisation, which hosts the department of micro and small scale industries. He estimated that the bureau would need 150 more staff if Equity spreads the service to all its 151 branches in Kenya. Credit rating reports relies on financial ratios similar to those used by banks to analyse the strength of a loan application. Rating agencies prepare the reports from information obtained during interviews with the business operators and financial reports. It considers industry changes and macro-economic indicators in giving the long-term credit opinion of a business. Financial Sector Deepening Kenya has, however, warned against full reliance of the ratings by the credit managers because scorecards can lose effectiveness or be inaccurate. Huge corporates have been known to go for credit rating when they plan to raise additional capital, especially through borrowing. The Treasury recently mandated banks to start sharing positive information about their customers with the bureaus for circulation across the industry. *(Business Daily)*

Tullow Oil Plc (TLW), which found Kenya's first crude, said the East African nation considers the start of production and exports as a "national priority." The company together with partner Africa Oil Corp. are working with the Kenyan government on a plan to start field development and export pipeline construction as soon as next year, Tullow said today in a statement. It may pump about 50,000 barrels of oil a day in 2020 net to the company, according to the U.K. explorer's presentation. "They see it as a project of national priority and they are very focused on getting first oil from Kenya as soon as practical, but doing it properly," Chief Operating Officer Paul McDade told investors in London. "They recognize that the pipeline from northern Kenya to the coastline is the critical path, and they are in a strong dialog with us." Kenya, East Africa's largest economy, may become the region's first exporter of oil as soon as 2016, leapfrogging neighboring Uganda. Tullow continues to explore the Lokichar Basin in the north of the country and expects the export pipeline could accommodate Ugandan exports as soon as 2018. The U.K. oil explorer doubled its Kenyan resource estimates in January to more than 600 million barrels after the Amosing and Ewoi wells found crude. The Etuko-1 well test flowed 550 barrels of oil and gas a day in the eastern part of the basin, Tullow said. "The real focus for our business at the moment is Kenya," McDade said in a phone interview. "That's a real opportunity because we move so quickly in Kenya. The government there is really getting behind in getting very, very focused on development." Kenya's Energy Secretary Davis Chirchir and Commissioner of Petroleum Martin Heya did not answer calls to their mobile phones when contacted for comment. *(Bloomberg)*

Australian mining group Base Resources has shipped the first consignment of minerals from its Kenya Titanium project, after years of delays at Kenya's biggest mining project. Base Resources expected to start exporting in December but the shipments were delayed due to difficulties obtaining a mining licence and an export permit from the Kenyan government. The project has been dogged by delays since since 2006, mostly due to financing constraints, environmentalist protests, disputes with local farmers over compensation for land and bureaucracy. East Africa's largest economy is seeking to expand its relatively modest and undeveloped mining sector, and the flagship $305 million Base Resoures project is seen as integral to that plan. The government is also looking to pass a law which would give it a bigger share of earnings from its mines. "Today marks the culmination of the polymineral science project as we transition from development through operation and finally, to our first exports," Joe Schwarz, the project's general manager for external affairs and development, said in Kenya's Indian ocean port city of Mombasa. Schwarz said the first shipment - 25,000 metric tonnes of ilmenite - is bound for China, and the company expects to make 15 bulk shipments each year. Schwarz added that Base Resources expects to ship out 340,000 metric tonnes of ilmenite this year, about 10 percent of world supply, along with 30,000 metric tonnes of zircon and 80,000 metric tonnes of Rutile. The minerals are used as pigment in paper, plastics, ceramics and titanium metal.

Kenya's mining cabinet secretary Najib Balala said negotiation between his ministry and the company over the size of royalties payable to the government could not be concluded until exports are dispatched from Kenya. "It is still early to talk about figures now, but discussions are in progress," he said at the Base Resource's port facility in Mombasa, where conveyor belts loaded mineral deposits on to a waiting vessel, ready for export. The government of Kenya has said that there are 250 million metric tonnes of titanium deposits in the Southern Coast of the country, and another 3.2 billion tonnes in Kilifi, 60 km (37 miles) north of Mombasa. Titanium is resistant to corrosion and can be used as an alloy with other metals to produce lightweight metals for jet engines. Base Resource's Kenya project is funded through a combination of debt and equity with lenders including commercial banks and development financial institutions, and has an estimated lifespan of between 11 and 14 years. *(Reuters)*

East African Breweries posted a 5 percent rise in its pretax profit to 6.08 billion shillings during its first half ended December due to higher sales, it said on Friday. The firm, which is controlled by Britain's Diageo said revenues were up 4 percent to 31.8 billion shillings in the first half. EABL, which also operates in Tanzania and Uganda, said profit was growth due to the rise in net sales and a 1 percent decline in cost of sales driven by cheaper raw materials. *(Reuters)*

Economic News

The Kenyan shilling was barely moved against the dollar on Monday and traders said it could face pressure in the days ahead due to improving liquidity in the money markets. At 0710 GMT, commercial banks posted the shilling at 85.95/86.05, barely changed from Friday's closing rate of 86.00/10. Market participants said the currency could weaken due to tumbling overnight lending rates that could make it slightly cheaper for banks to hold long dollar positions. "With liquidity improving on the money markets side, we could see the shilling come under pressure," said Duncan Kinuthia, head of trading at Commercial Bank of Africa. The overnight rate on the interbank borrowing market dropped to 10.4298 percent on Friday from 11.1740 percent on Thursday. *(Reuters)*

The Kenyan shilling was stable on Tuesday and traders said it was likely to be supported by dollar inflows from tea exporters, staving off the risk from falling short-term rates. At 0700 GMT, commercial banks posted the shilling at 86.15/25, unchanged from the previous day's close. The currency of east Africa's biggest economy has been stuck in a rut in recent days due to sluggish demand for dollars from corporate customers. A trader at Fidelity Bank said receipts from exports of tea could counterbalance the impact of improving liquidity in the money markets. The overnight rate on the interbank borrowing market fell to 9.9771 percent on Monday from 10.4298 percent on Friday. *(Reuters)*

The Kenyan shilling was barely changed against the dollar on Wednesday, helped by export earnings, and traders said it was expected to stay put until fresh factors emerge. At 0620 GMT, leading commercial banks quoted the shilling at 86.10/20 to the dollar, barely moved from Tuesday's closing rate of 86.15/25. The currency of east Africa's biggest economy has been stuck in a rut in recent days due to sluggish demand for dollars from corporate customers. It has bucked the trend among major African currencies like the Ghanaian cedi and the South African rand, which came under immense pressure from the recent emerging markets sell-off. Chris Muiga, a trader at National Bank, said the shilling would receive support from dollar inflows from farm sector exporters for the rest of the week, keeping it within its recent range. "We will stay in the comfort zone until fresh factors emerge," he said. *(Reuters)*

The top price of Kenya's benchmark coffee grade eased to $440 per 50kg bag at this week's auction from $456 per bag last week, the Nairobi Coffee Exchange (NCE) said. Kenya's speciality coffee beans are renowned for their high quality and are much sought after by roasters for blending with coffee of lesser quality. During Tuesday's auction, grade AA fetched $220-$440 per bag, from $170-$456 at the previous sale, while grade AB sold at $165-$300, from $139-$335 last week. A total of 24,126 bags were offered, with 14,012 sold. Last week, 17,408 bags were offered, with 11,458 fetching buyers. The average price per bag at this week's sale was $210.30, from $217.42 last week. Industry regulator Coffee Board of Kenya forecasts production will rise to 50,000 tonnes of coffee in 2013/14 (Oct-Sept), up from 39,825 tonnes the previous season, buoyed by improved weather, better crop husbandry and bigger investment by farmers. *(Reuters)*

The highest price for top Kenyan tea slipped to $4.13 per kg at this week's auction from $4.41 per kg last week, Africa Tea Brokers (ATB) said on Wednesday. Kenya is the world's leading exporter of black tea and the crop is a major foreign exchange earner for east Africa's largest economy, together with horticulture and tourism. Prices for Best Broke Pekoe Ones (BP1s) sold at $3.15-$4.13 per kg compared with $3.42-$4.41 per kg last week, ATB said. Best Brighter Pekoe Fanning Ones (PF1s) fetched $2.30-$2.95 per kg from $2.50-$3.10 per kg, ATB said. It said 13 percent of the 153,181 packages weighing 9.7 million kg offered were left unsold. Last week, 23 percent of the 125,207 packages weighing 7.95 million kg offered were left unsold. Buyers from Pakistan, Egypt, Yemen, Afghanistan bought more tea than last week, while Kazakhstan, Russia and Iran bought lower amounts. Most of the tea sold at the Mombasa auction is from Kenya, but it also offers tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers. *(Reuters)*

The Kenyan shilling weakened on Thursday, undermined by increased demand for the dollar from commercial banks and corporate clients, amid falling overnight lending rates. At 0754 GMT, commercial banks quoted the shilling at 86.35/45 to the dollar, compared with Wednesday's close of 86.25/35. "It's due to mild corporate demand that is setting in. It's also a result of overnight rates plummeting," a senior trader at one commercial bank said. The weighted average interbank lending rate fell to 8.3316 percent on Wednesday from 9.2185 percent a day before, pointing to increased liquidity in the money markets. Traders said they expected the shilling, which has gained 0.27 percent against the dollar since the start of the year, to experience more pressure in coming sessions. "A surge in mid-month corporate demand should see the home unit weaken further," Commercial Bank of Africa said in its market report. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's central bank said on Friday it was leaving its main lending rate unchanged at 25 percent, citing risks to inflation emanating from fiscal pressures. In a statement, the Bank of Malawi however said the recent appreciation of the kwacha currency would dampen inflationary pressures, especially if fiscal discipline was sustained over the next few months. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

The Mauritius central bank has clashed with the island's finance ministry, blaming the government's foreign borrowing for pumping too much money into the banking system. Central bank Governor Rundheersing Bheenick has advocated an interest rate rise, partly to boost domestic savings and partly to stop investors pulling out their money in a general retreat from emerging markets. But the Ministry of Finance and Economic Development said in a statement late on Friday that raising the key repo rate would only serve to drive up liquidity in Mauritius's banking system, which promotes itself as an offshore banking centre. The ministry proposed bringing forward government borrowing plans instead. Urging the bank to explore further options, the ministry said it would help "by working out an optimal solution that will include assisting the Bank of Mauritius to mop up, without however giving any blank cheque." It suggested soaking up money by "front-loading of Government Borrowing Requirements". The central bank said there was no question of a "blank cheque" and that it had often asked the finance ministry to remedy the excess liquidity that its actions had created. The central bank attributed the high liquidity to the government's preference for seeking foreign rather than local financing to plug its budget deficit, and to the finance ministry depositing its funds with commercial banks. "Should the Bank attend to reduce the level of excess liquidity in the banking system on its own through open market operations, it will suffer from an operational loss and will eventually have to be recapitalised by Government," the bank said in a statement.

Data from the finance ministry showed that between January and November, the government borrowed a total 9.34 billion Mauritius rupees from external sources to cover part of its budget. On Monday, the Bank of Mauritius' monetary policy committee held the repo rate at 4.65 percent. A day later, Bheenick said the rate should be raised and that excess liquidity was an urgent problem. "If the issue ... is not addressed as early as possible, this would eventually not only distort the interest rate structure in the banking system but also continue to impede the transmission of monetary policy," the bank said on Saturday, reiterating Bheenick's concerns. Mauritius has been trying to reduce its reliance on tourism, sugar and textiles and now has growing businesses in offshore banking, outsourcing, luxury real estate and medical tourism. *(Reuters)*

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Nigeria

Corporate News

International oil companies (IOCs) are divesting their stake in Nigerian oil fields. Shell, Total and Chevron are among the companies which have sold their stake in shallow water assets in Nigeria. The three major companies have sold stakes worth $6.5 billion in 2013. Oando Energy Resources will soon take over ConocoPhillips energy business in the country in 2014. The deal has been estimated at $1.7 billion. International oil companies are keen on selling their stake in 13 oil blocks in Nigeria. Oil majors have spent nearly $100 billion globally to improve oil and gas output. However, the production has not improved as per expectations. In January 2014, Shell issued profit warning for upcoming quarters. Shell registered massive decline in profit at $2.9 billion in the fourth quarter of 2013 compared to $5.6 billion in the fourth quarter of 2012. In June 2013, Shell had announced its plan to sell four shallow water or onshore oil blocks in Nigeria. Nigeria had awarded 24 oil fields to 31 companies in 2003. Till date, only eight companies have managed to start production from the allocated oil fields. The companies have blamed corporate governance issues for lower investor interest in their projects. Nigerian oil ministry is urging the companies to start production as the economy depends on oil exports to a large extent. *(This Day)*

MTN Group has approached some African tower companies about the possible sale of its towers portfolio in Nigeria, TMT Finance reported, citing sources. MTN is reportedly focused on conducting a quick process, having already sent marketing materials to prospective buyers. According to the news portal, Citi is thought to be advising MTN on the disposal. MTN Nigeria is estimated to own around 8,000 sites. It is one of the most experienced at divesting towers, having already successfully executed processes in Rwanda, Zambia, Ghana, Uganda, Cote d'Ivoire and Cameroon. Rival Airtel is currently engaged with buyers for its 5,000 towers in Nigeria, including Helios Towers Nigeria (HTN) and IHS, while Etisalat Nigeria has hired Standard Bank to run its own process. Of the three, either Airtel or MTN is more likely to be ahead in terms of timeframe, sources said. While a first-mover advantage is generally seen to be beneficial when selling towers, MTN boasts the largest portfolio in Nigeria, and the sheer size of the asset is likely to appeal to buyers. IHS and HTN are already present in Nigeria, but sources said such a large market would be able to sustain around four tower companies. IHS, HTN and Helios Towers Africa (HTA) are all thought to be currently discussing new financing rounds and investment, with the United States European and Asian private equity firms and sovereign wealth funds increasingly keen to tap into the sector. *(This Day)*

Economic News

Nigeria has transferred $550 million from the proceeds of a Eurobond floated last year to its sovereign wealth fund, boosting the value of the fund to $1.55 billion, the finance ministry said on Monday. The ministry said in a statement that $200 million will be used to finance investments in gas-fired power, while the remaining $350 million will be put in a facility to guarantee payments to electricity producers as part of ongoing privatisation efforts. *(Reuters)*

One year after the Nigerian Stock Exchange (NSE) launched the retail bond trading programme, its benefits have begun to show as the value of trading soared by 2,561 per cent within the first year. Retail trading of bonds on the Nigerian bourse was launched February 2013 in order to open a window for low net worth investors and enjoy the benefits of investing in bonds. Before the introduction of retail bond trading, low net worth investors were not able to participate in the bonds market because of the huge capital requirement needed coupled with the non- existence of a secondary trading platform in bonds on the Nigerian bourse. Consequently, trading in bonds became the exclusive preserve of high net worth individuals and highly capitalised institutional investors. However, the NSE launched the retail bond trading programme as part of efforts to deepen the market and ensure wide participation of investors. Trading statistics obtained by THISDAY last Monday showed that within one year of running the programme, investors have staked N215.57 million on 207,055 bonds in 622 deals. This shows an increase of 2,561 per cent compared with N8.1 million invested in 18,310 units in 45 deals during the preceding year. With the introduction of retail bond trading, an investor with N10,000 can participate in the market and reap the benefits of investing in bonds.

While launching the programme last year, the Chief Executive Officer of the NSE, Mr. Oscar Onyema had expressed satisfaction that the exchange had been able to activate a platform that would allow retail investors participate in the fixed income securities market. According to him, the NSE retail bonds trading platform would exist alongside the existing over the counter (OTC) market. "The retail bond trading is very complementary to the OTC market because the OTC market is very institutional and ticket prices are bigger. What we are doing (through the retail bond trading) is to really try to bring the retail participants into the fixed income market," he said. Onyema explained that the days bonds were considered exclusive preserve of institutional Investors and high net worth individuals were over, saying low net worth investors would now have access to bonds on the floors of the exchange. He said investors buying the bonds would enjoy low risk, fixed and regular income, access to various types of bonds including governments and corporate bonds, capital appreciation and opportunity of free entry and exit. *(This Day)*

The Securities and Exchange Commission (SEC) has asked all public companies yet to register their shares to do so before June 30, 2014 or be sanctioned. Public companies, according to the Companies and Allied Matters Act, 1990, are firms that have more than 50 shareholders. The Investments and Securities Act (ISA) 2007 and SEC Rules and regulations give the commission the power to register all securities of public companies. However, the regulator of the capital market said, while some public companies in Nigeria have registered their securities, some are yet to comply with the ISA provisions. The commission, has therefore given the erring public companies to register their securities before June 30, 2014 or face sanction. In notification to the public companies obtained by THISDAY, SEC said: "This is to draw the attention of all public companies in Nigeria to the provisions of Section 54 (1) of ISA No. 27, 2007 and Rule 279 (1) (a) of the SEC Rules and Regulations, to the effect that all securities of public companies shall be registered with the Commission. "All Public Companies in Nigeria are expected to register their securities with the Commission upon incorporation or conversion from a private company. The Securities and Exchange Commission has however observed that some public companies in Nigeria are yet to comply with the above stated provisions." Continuing, SEC said all existing public companies with securities not registered with the Commission are strongly advised to comply with the provisions of the law by registering their securities with the Commission before June 30, 2014. "At the expiration of this date , all public companies whose securities are not registered with the Commission will be sanctioned appropriately," SEC declared.

Market operators have commended the move by SEC, saying it is part of efforts to protect investors against fraudulent practices in the nation's capital market. Some companies, which are not authorised and registered by the Commission, have in the past sold shares to unsuspecting members of the investing public. The regulator could not do anything to such companies because they are not its regulatory purview. Only last week, SEC commenced a shut-down of the premises of a wonder bank, New Nation in 32 states of the Federation including the Federal Capital Territory, (FCT). The Ag. Director Enforcement, SEC, Mr. Eric Elujekor, said the organisation is an illegal fund manager that is not registered with the SEC but exist with the sole aim of deceiving the public. *(This Day)*

Nigeria's central bank will probably increase the limit on cash reserve requirements to help arrest a decline in the naira as the country misses out on potential oil revenue, said Governor Lamido Sanusi. The central bank may increase cash reserve requirements for lenders to hold government deposits for the second time this year to 100 percent from 75 percent, Sanusi said at a conference today in the West African nation's commercial hub, Lagos. It will probably raise the requirement on private funds to 15 percent from 12 percent, Sanusi said. The currency traded 0.4 percent weaker at 164.70 per dollar by 2:30 p.m. in Lagos, heading for a more than two-year low. The naira's 2.7 percent drop against the dollar since last year makes it sub-Saharan African's fifth-worst performer. Nigeria's economy wouldn't benefit from a devaluation of the naira as it may increase the cost of imports and raise the number of non-performing loans in the banking industry, Sanusi said. Revenue "leakages" in the oil industry and crude theft have eroded the funds available to the government to defend the currency. Sanusi said last week that the state oil company hasn't accounted for $20 billion in crude income. The government's Excess Crude Account, which holds the savings the nation makes when the oil price is above the rate estimated in the budget, dwindled to $2.28 billion by Dec. 31 from $8.65 billion at the end of 2012, according to Finance Ministry data. Foreign exchange reserves, which the central bank has been selling to support the naira, are at $42.4 billion, according to central bank data, down from $48.9 billion in May. *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Commodity trading houses Glencore and Mercuria are among the shortlisted consortiums expected to make final bids on Nigerian energy assets worth around $3 billion that three oil majors are selling, sources close to the process say. Trading houses have been marketing Nigeria's crude oil and importing fuel there for decades. New upstream acquisitions would help cement their relationship with Africa's biggest oil producer, a key supplier to Europe and India. Shell is selling its 30 percent stake in four oil blocks, with France's Total and Italy's Eni also set to profit from their 10 percent and 5 percent shares. The Nigerian National Petroleum Corporation (NNPC) owns the remaining 55 percent. Shell is also selling the 97-km (60-mile) Nembe Creek oil pipeline, which has been regularly attacked by oil thieves. Final bids for the stakes in the blocks are due on Feb. 18, the sources said. Total, Eni and Shell declined to comment. Bidders are bound by a confidentiality agreement and all firms as well as other parties mentioned in this story either declined to comment or did not respond. Shell has already made $1.8 billion from asset sales in Nigeria since 2010 as several oil majors choose to cash in on onshore fields in the Niger Delta, where divestment is increasingly popular due to oil theft and a government drive to increase local ownership.

Oil majors are still keen to keep the largest and most profitable Niger Delta fields and infrastructure, and want to expand in Nigeria's deep offshore areas. There is high demand for assets in the Niger Delta, which holds a large portion of Nigeria's 37 billion barrels of oil reserves. The oil is high-quality, relatively easy to drill, and some Nigerian companies have said they can better handle the security challenges faced by oil majors. Shell has kept the specifics of the assets it is selling secret, but information from a confidential company document and from sources involved in the process reveals new details. The consensus of five sources is that the combined 45 percent stake in blocks OML 18, 24, 25 and 29 is worth around $3 billion but could fetch even more due to inflated values put on assets in a country with an increasingly wealthy elite. The blocks' combined output averaged 90,000 barrels of oil and 60 million standard cubic feet of gas per day (scf/d) in 2012 and they hold reserves of 4.6 billion barrels of oil equivalent, the Shell report seen by Reuters said. A 30-year lease on these blocks was renewed in 1993, the document said. Shell has held a stake in them for decades longer and it is unclear how much the firm originally paid. OML 29 is the most coveted asset, producing a peak of 62,000 barrels per day (bpd) of oil and 40 scf/d of gas and holds reserves of 2.2 billion barrels of oil equivalent (boe), the report said. The 45 percent stake in this block could earn $1.5 billion to $2 billion, the sources said. OML 24 holds 803 million boe, OML 18 has reserves of 1.5 billion boe, although most of this is gas, while the smallest asset, OML 25, holds 157 million boe, the Shell report said. The Nigerian sales are part of a wider plan by Shell to dispose of $15 billion of assets this year and next to streamline operations after a profit warning.

Due to Nigerian government policy to increase local oil and gas ownership, any foreign companies wanting to buy divested assets needs to partner in consortiums with Nigerian firms. Glencore is preparing to bid in a consortium, which if successful would be its first inroad into Nigeria's upstream sector. Seplat, a Nigerian firm in which Swiss oil trader Mercuria and French explorer Maurel and Prom hold minor stakes, is among the shortlisted bidders, sources said. Africa's richest man, Aliko Dangote, is part of a shortlisted consortium, two of the sources said. Dangote is seeking to expand his vast business empire into the energy sector. He has pledged to build a $9 billion refinery in Nigeria and needs oil reserves to run it. Nigerian firm Greenacres, whose chairman is former Shell Nigeria boss Basil Omiyi, has partnered with Canadian company Oracle Energy to bid on the blocks, the sources said. Firms that have done deals on Shell blocks previously are also in the mix, they said. These include London-listed Heritage Oil, which will bid with the Bayelsa Oil Company in their new joint venture, Petrobay. Eland Oil and Gas is shortlisted too, the sources said. Nigeria's First E&P, Sahara Energy, South Atlantic Petroleum and conglomerate Transnational Corp are separately bidding as is a consortium involving rapidly growing local oil trading firms Taleveras and Aiteo, the sources said. Choosing the right buyer, rather than the highest bidder, can be crucial to securing sales, in a country where political influence can decide deals and legal disputes can scupper them.

U.S. energy company Chevron is embroiled in a legal battle over its own sale of three Niger Delta blocks. ConocoPhillips has been trying to close a $1.79 billion deal for over a year as Nigerian buyer Oando struggled to raise the cash, although Oando said this month it had secured financing. The Niger Delta has had a host of security challenges since oil production began there more than 50 years ago. In 2006, militants claiming to be fighting for a fairer share of oil revenues cut out a third of Nigeria's production by sabotaging pipelines. Now, widespread oil theft can shut in as much as 400,000 bpd of the country's 2.5 million bpd capacity. Whichever company buys Shell's blocks will have tricky negotiations with NNPC over who operates the fields. The state firm wants its producing arm NPDC to operate more reserves but oil companies would prefer to have control over the work. *(Reuters)*

Nigeria's central bank intervened to stabilise the naira on Thursday, deputy governor Sarah Alade told Reuters, after the currency fell to an all-time intraday low of 167 to the dollar. She added that, with $42 billion of reserves, she was confident the bank would be able to maintain the currency within its managed band of 3 percent either side of 155 to the dollar. She said the central bank had no plans to hold an emergency meeting on the naira's fall, for which she blamed currency speculators. *(Reuters)*

The Excess Crude Account (ECA), which was created to provide succour in rainy days for the federation, now has only about $2.1 billion in its kitty. The depletion of the ECA from about $11 billion in December 2012, has been seriously disputed by analysts, who see the withdrawals as unwarranted. The current status of ECA emerged yesterday at the meeting of the Federation Account Allocation Committee (FAAC), where a total statutory revenue of N629.128 billion was shared among the three-tiers of government for January. But regardless of the serious disruptions in oil production and lifting operations occasioned by maintenance, multiple leaks, pipeline vandalism and theft in the period under review, gross revenue during the month increased to N540.870 billion compared to N479.950 billion recorded last December. Also, revenue from Value Added Tax (VAT) increased to about N82.2 billion in January compared to about N64.7 billion in the previous month. Addressing journalists in Abuja, at the end of the monthly meeting of the committee, Accountant-General of the Federation (AGF), Mr. Jonah Otunla, said mineral revenue for the month stood at N439.562 billion, while the non-oil component was N101.308 billion.
Giving a breakdown of the statutory distribution, he said the federal government received N235.022 billion, while the 36 states shared N119.206 billion and the 774 local governments got N91.903 billion. The sum of N52.309 billion was allocated to the oil and gas producing regions under the derivation formula. In addition, the federal government got N11.848 billion from the VAT distribution, while the states received N39.493 billion and the local governments shared N27.645 billion.

Also shared was the N7.617 billion refund from the Nigerian National Petroleum Corporation (NNPC) as well as N35.549 billion under the Subsidy Reinvestment Empowerment Programme (SURE-P). Yesterday's meeting was attended by the Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, who had been invited by the committee to discuss some of the burning issues in FAAC and re-establish confidence in the committee. Her presence at the meeting had become necessary following the exit of the Minister of State for Finance, Dr. Yerima Ngama, who was among four cabinet members President Goodluck Jonathan dropped on Wednesday. Ngama's era as FAAC chairman was turbulent as members of the committee accused him of running the FAAC as if it were his private business. FAAC meetings had also become a nocturnal affair under his watch. However, the AGF said the meeting had resolved to admit representations from all the revenue generating agencies to the monthly meeting in order to get more transparency in revenue collections and remittances into the Federation Account. *(This Day)*

Nigeria issued 90 billion naira worth of three and 20-year bonds, at a higher yield than last month for the shorter-term note, the Debt Management Office (DMO) said on Thursday. The debt office sold 45 billion naira each in the notes, maturing in August 2016 and July 3020 respectively, at its second auction of the year. The 3-year debt attracted a yield of 13.49 percent, higher than 13.10 percent at the last auction, while the 20-year paper was flat at 13.60 percent. The notes are re-openings of previous issues. Demand was weak as offshore investors were gradually exiting the bond market, leaving domestic pension fund managers to pick up the slack. *(Reuters)*

Tanzania

Corporate News

TIGO and NMB Bank have launched an innovative service that enables customers of the bank and Tigo-Pesa services to deposit and transfer funds through a mobile phone. Speaking at the event, Mr. Ruan Swanepoel, TigoPesa Commercial Manager and Mr. Tom Borghols the NMB Acting Chief Executive Officer and Chief Risk Officer described the new service which integrates banking and mobile financial services as an innovation designed to improve the lives of customers of the two companies. Mr. Borghols said: "This extended cash deposit and transfer channel will enable around 1,000,000 customers registered with NMB Mobile to utilise TigoPesa agents to deposit or transfer directly into their bank accounts wherever they are." There are more than 20,000 active TigoPesa agents countrywide according to the company Commercial Manager in all parts of the country, Pemba and Zanzibar included. Mr. Borghols said the new service represents 'a partnership of strength' between Tigo and NMB noting that the art to do mobile money deposit and transfer service will significantly contribute to the social and economic wellbeing of Tanzanians. On his part, the TigoPesa Commercial Manager said integration of mobile financial services with NMB banking services is part of the company's goal "to provide access to banking and mobile financial services to as many Tanzanians as possible." "Our plan is to integrate our mobile financial services with other sectors of the economy in the country so that at the end of the day bank account holders will no longer need to go to a branch to deposit or withdraw funds, but do it directly from their Tigo Pesa wallet ," Mr. Swanepoel said. *(Daily News)*

Economic News

No Economic News This Week

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Zambia

Corporate News

Sierra Leone will target 12 power production and supply agreements through 2017, including one with Copperbelt Energy Corp., to boost generation capacity eightfold, Energy Minister Oluniyi Robbin-Coker said. Lusaka, Zambia-based Copperbelt Energy will sell 50 megawatts to the government in the first stage of a thermal power plant and within four to five years will offer 128 megawatts of power, Robbin-Coker said in an interview in Freetown, Sierra Leone's capital, on Feb. 7. Sierra Leone has 96 megawatts of installed capacity, about 200 megawatts short of demand, he said. One megawatt is enough to power about 2,000 average European homes. "We are looking to develop maybe 750 megawatts in the next five years if possible of installed capacity," he said."Hydro is by far the most expensive to build but the cheapest to operate. So it's now all about how do we mobilize the capital to build it." The 12 projects will allow the nation, which emerged from a 10-year civil war in 2002, to attract investors, including Chinese companies that want guarantees of a reliable power grid before expanding mining of iron ore, the raw material used to make steel. The country's central bank has halved borrowing costs in the past year to promote investment as inflation has slowed and the economy is poised to expand 14 percent this year, almost three times the average pace in sub-Saharan Africa, as mines open. Sierra Leone's civil war devastated the economy and made it one of the poorest and least developed nations in the world, according to the United Nations Development Programme's Human Development Index.

Sierra Leone began exporting iron ore in 2011 after the development of African Minerals Ltd.'s Tonkolili and London Mining Inc.'s Marampa mines. Chinese mining companies including Shandong Iron & Steel Group Co. (600022), which has a 25 percent stake in Sierra Leone's biggest iron-ore producer, African Minerals, operate in Sierra Leone. A solar power park that will generate 6 megawatts of power will be ready in about 15 to 18 months, the minister said. The International Renewable Energy Agency and the Abu Dhabi Fund for Development have provided about $9 million in financing, or half of the budget, he said. Three companies, including Salini Impregilo SpA (SAL) and Sinohydro Corp. Ltd., are considering bidding on the engineering and construction portion of the Bumbuna II hydropower expansion, 80 kilometers (50 miles) north of the capital, he said. The government signed an agreement with Joule Africa and Endeavor Energy to develop the second phase of Bumbuna, which will add 202 megawatts and cost about $700 million. A feasibility study should be ready by the end of March, he said. "Clearly we have a preferred partner in the form of Joule Africa with whom we have partnered so far," he said, referring to memorandum of understanding for the expansion. "We will keep the possibility of opening up the process to other kinds of competition." *(Bloomberg)*

Namibian power utility NamPower has reached a deal with Zambia's Copperbelt Energy Corporation (CEC) to develop a much-delayed $1.2 billion gas-to-power plant in the sparsely populated desert country. CEC will take a 30 percent stake in the Kudu project near Oranjemund in south-western Namibia that will pump gas from the Kudu field about 170 km (100 miles) offshore to a combined cycle gas power plant. CEC firm will also buy up to 300 MW of electricity from the plant to supply mines in Zambia, Africa's top copper producer. Nampower will source $1 billion for the project while CEC is expected to contribute up to $100 million. Nampower is looking for another equity partner to finance the remaining $100 million. The plant, which will have a total capacity of up to 1,050 MW when completed in 2017, will be connected to the Namibian and South African electricity grids for local and regional use. NamPower has been working on projects to boost supplies of electricity in Namibia, one of the world's top uranium producers, but most have been delayed due to financing problems and disputes over contracts. *(Reuters)*

FIRST Quantum Minerals (FQM) is to engage Government over possibilities of reviewing export duty on nickel as the country evidently lacks smelting capacity for the metal. FQM president Clive Newall said the country had limited smelting capacity for nickel, a circumstance which has prevented expansion of the base metal production industry in Zambia. Apart from its flagship US$ 2 billion Sentinel mine at Trident in Kalumbila, FQM is also in the process of developing a $100 million Nickel project dubbed Enterprise in Solwezi. The project which is still in its premature stage is said to have a resource of 40 million tonnes of nickel ore. FQM has also said the development of the Enterprise project has been slowed by the unfavourable prices of nickel on the global market. But Government said it will only consider reviewing export duty on nickel concentrate when Zambia improves its capacity to produce the metal.

Mines, Energy and Water Development Minister Christopher Yaluma said any adjustment to the 10 per cent export duty on this metal could not be made at a time when the country's sole nickel mine at Munali was not operating to full capacity. "Export duty on nickel concentrate is dictated by the happenings in the industry and currently, the only source of nickel in Zambia has not been operational for some time," Mr Yaluma said. He said following the successful merger between a British and Chinese firm that has taken over Munali nickel mine, Government would consider reviewing the 10 per cent excise duty on the export of the metal. *(Times)*

Economic News

THE International Finance Corporation (IFC) says the successful issuance of Zambia's Eurobond and the kwacha-denominated bond has positioned the country on the world map of capital markets development. IFC vice-president and treasurer, Jingdong Hua, said Zambia has been visited three times by IFC senior management teams looking at how best the institution can support the development of the local capital market in the last six months. "The IFC's recent Kwacha bond sent a very strong signal in putting Zambia on the map of capital markets developments in the world. This tells of a good story … attracts investors and other economies follow suit in issuing bonds," Mr Hua said. Last September, the IFC issued a K150 million bond dubbed "Zambezi bond" to support domestic capital market and increase access to local-currency finance in Zambia. Mr Jingdong described the Zambia and Nigeria sovereign bonds as block-busters, which were oversubscribed telling the good story of Africa's growth potential. The IFC has issued local currency bonds in 14 emerging economies over the years. He said IFC is committed to support the development of emerging economies to promote entrepreneurship. Mr Jingdong said there is need develop financial markets that allow the capital markets to flourish, guard against capital flight, volatility and divert savings to productive use. "It is the mandate of the security regulators to protect investors, maintain a fair and free market by addressing systemic risks.
"The IFC is part of the World Bank group with a global perceptive on domestic capital development and issues local currency bonds," he said. He said the economic outlook for Africa remains favourable despite challenges facing the global economy. He said social, physical and financial infrastructures are critical to the development of Africa. Mr Jingdong said the IFC can help develop capital markets and ensure long-term equitable growth by working together with AMERC. "These are exciting times for Africa but in the global market, there is uncertainty. We must press on with our effort to strengthen domestic market, allocate capital to priority areas to anchor economic growth," he said. Mr Jingdong cited high transactions costs in bond issuances in emerging markets as posing constraint to new issuance. "Streamlining settlement systems will also go a long way in reducing bottlenecks on non-government issues. A robust credit and rating culture reduces unattractive environment for issuers," he said. *(Daily Mail)*

Zambia plans to spend $385 million to modernise the capital city's main airport and turn Lusaka into a regional aviation hub, president Michael Sata said on Thursday. Sata said in a statement the government would redesign Kenneth Kaunda International Airport to handle 4 million passengers a year, double its current capacity, and had so far released $25 million for the project. Zambia was at the centre of two regional growing markets and therefore offered immense opportunities for both local and foreign investors, he said. The Southern African Development Community had about 277 million people and a GDP of $575.5 billion while the Common Market for Eastern and Southern Africa had a population of roughly 459 million people and GDP of $508 billion, he said. "In this vein, Lusaka which is about 2 hours away from most sub-regional capitals by air, is therefore ideal to be regional hub for passengers and cargo," Sata said.Africa's top copper producer was also sourcing for $522 million to build a new airport in the mineral-rich copperbelt province, about 330 km from Lusaka, he said.The $40 million refurbishment of another airport in Livingstone, the tourist capital about 460 km from Lusaka, was almost complete and the improved airport would become fully operational in April, he said. The investment in infrastructure was expected to boost Zambia's agriculture, manufacturing and tourism sectors, he said. Zambia would intensify efforts to attract investment in the development of airport infrastructure including terminals, cargo infrastructure, hotel and auxiliary infrastructure across the country, he said. *(Reuters)*

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Zimbabwe

Corporate News

NMBZ Bank Limited has warned investors it will report a loss for the year December to 2013 after writing down more loans and advances owing to an increase in non-performing loans. "In view of the difficulties being faced by some of our borrowing clients, our banking subsidiary, NMB Bank Limited, has reviewed its loans and advances portfolio and this has resulted in a significant impairment loss on loans and advances," NMBZ said in a profit warning statement last Friday. Group chief executive Mr James Mushore said the market wide liquidity challenges have resulted in an increase in the banking sector's level of NPLs, from an average of 1,8 percent on December 31 2009 to an average of 15,92 percent as at December 31 2013. "We believe that the aggressive position we have taken on loan loss provisions and the various initiatives by Government to address the various economic challenges facing the country will set the bank on a solid growth path," Mr Mushore said. "As a bank, our first port of call is to explore strategies to assist our customers to restructure their businesses before any attempts are made to liquidate collateral." Mushore added that notwithstanding the conservative provisioning, the bank's capital position remains above the regulatory minimum of US$25 million. In addition, the capital adequacy and liquidity ratios remain above statutory minimums of 12 and 30 percent, respectively. The financial institution raised US$10,28 million in 2010 through a rights issue which was underwritten by African Century Financial Services Investments LLP (a UK based partnership). A further US$14,83 million was raised in June 2013 through a private placement of 26,97 percent of shares with three strategic foreign investors: FMO, a Dutch development bank, Norfund, a Norwegian development financial institution and AfricInvest Financial Sector Fund (AfricInvest), a member of the Group AfricInvest. This has seen a significant change in the shareholder profile with Old Mutual, African Century Financial Services Investments LLP and the three strategic foreign investors controlling slightly over 60 percent of the bank's issued share capital. The bank said it continued to access additional lines of credit. *(Herald)*

TSL reported a 43 percent increase in operating profit to US$7,04 million in the year to October 2013 as the group continues to reap fruits of its new initiatives and sustainable operating costs. The cash flow position of the company worsened in the period with a negative operating balance of – US$7,09 million from a positive US$840 085. Closing cash was a negative US$2.07 million from a positive US$3,2 million in 2012. Chief executive Washington Matsaira told analysts recently the group's results showed a positive signal that "things were moving in the right direction." He said the group would continue building on the pillars as outlined in 2012 of centering the business on Logistics, Agriculture and Real Estate. At the same time Matsaira announced that the group would have a new pillar; Trading, which is expected to complement growth. "We are pleased with the results and bullish about the future," said Matsaira. The group will deepen the distribution offering under Logistics and introduce new services in rail. Matsaira said significant revenue was coming from warehousing. He said they had looked at the Bak Business model in the first half of last year and positive results had reflected from the second half. "Much better results are already showing in Q1 2014." The future growth of the unit will focus on the new services under distribution. The group will also seek to create closer links at the ports with existing shipping line partners. "However the search for an appropriate strategic logistics partner continues." The group had also acquired Premier Forklifts to complement its logistics offering. "The forklift business has been a perfect fit and we are already seeing the fruits of that move." Avis performance had been impacted by a shrinking market. The vehicle replenishment programmed had been slowed in view of the lower demand. However Matsaira was hopeful the business will turn once tourists return to the country. Analysts Comment – With a net asset value of US$66,2 million versus a market cap of US$128,6million TSL certainly looks somewhat overvalued.

TSL recently posted what will initially seem like good numbers, only but on the surface. On closer analysis of the trading results, one quickly notices a few tell tale signs of a business in trouble. One obvious one is that were it not for the asset revaluations which pimped up the numbers, the reported performance would have certainly been much lower. If one looks at the group value as a sum of its parts, the market valuation of TSL versus group financial performance is simply not justified. Say for example, in the event of an unforeseen event of liquidation investors will get at most US 50c for every dollar invested. This is because TSL is currently trading on the market at over twice its net book value. When one further considers the precarious state of the company's cash flows which are heavily funded by short term credit facilities, the story saddens further. The business is burning cash, with negative cash generation from operations only being covered for by the huge increase in borrowings. A company with a steady, consistent generation of free cash flow is a highly favourable investment quality and TSL fails many times to meet this basic criteria. As much as it is important for a company to be profitable, it is equally critical that the company has good liquidity as this is a positive sign of good growth prospects. Free cash flows translate into better value as the company can pay investors (dividends) or fund future expansion and growth opportunities. *(Herald)*

HWANGE Colliery Company Ltd has secured US$11 million from the Export-Import Bank of India for the acquisition of plant and machinery, sources familiar with the transaction said on Friday. The loan facility will bring to about US$36 million the money Hwange has spent on recapitalisation over the past three years. According to the source, the money would largely be utilised on the acquisition of shovels for open cast and drilling rigs for the mining operations. In the past, Hwange has secured different lines of credit including the US$7 million from Zimbabwe Power Company, US$13 million from Sany of China and US$5 million from Norinco. The board had indicated it wanted to recapitalise the company to the tune of U$40 million in the short to medium term. The source said the acquisition of the new equipment would help the country's largest coal miner to raise production to about 250 000 per month from the current output of 140 000 tonnes by year end. All in all, the mine will produce 450 000 tonnes in addition to what the contractor is expected to produce. In December last year Hwange Colliery signed a US$260 million mining contract with Portuguese firm, Mota-Engil. The contract, expected to commence in April this year, will run for the next five years. Monthly production by the contractor is expected to reach 200 000 tonnes by December next year, according to Mota-Engil. According to the agreement, Hwange Colliery would pay Mota-Engil on a set price per tonne for coal mined.

Under most contract mining agreements, the contract miner is generally responsible for providing all equipment, financing its operation, internal mine capital needs, employee salaries and benefits and all other requirements associated with an independent business. "By year end, Hwange should be able to produce close to half a million tonnes of coal per month but with local coal supply on the rise, the company has to focus on export markets and beneficiation," said the source. No comment could be obtained from Hwange chairman Mr. Farai Mtangamira who was said to be out of the country. Acting managing director Mr. Jemester Chininga could also not be reached for a comment. Hwange is operating below capacity, largely due to production inefficiencies associated with the use of old machinery, shortage of working capital and skilled labour force. Analysts say the company should vigorously pursue export markets in light of increased local production by other players against dwindling demand, particularly from the manufacturing sector. The decline in capacity utilisation by most companies, especially those uses coal for energy requirements has resulted in less coal demand. Between January and October last year, Zimbabwe's coal miners (mainly Hwange and Makomo Resources) produced 3,81 million tonnes valued at US$155,4 million, according to the Chamber of Mines of Zimbabwe. This is significantly lower than the installed annual capacity of Hwange Colliery Company of five million tonnes.*(Herald)*

Mwana Africa Plc, a producer of nickel, gold and diamonds, plans to reopen a smelter in northeastern Zimbabwe to refine platinum-group metals in a move that could ease pressure to build a new refinery in the country. Mwana will aim to raise debt financing to restart the Bindura Nickel Corp. smelter and refinery mothballed in 2008, Chief Executive Officer Kalaa Mpinga said in a phone interview yesterday from Johannesburg. It would take 12 months to modify the facility to handle 100,000 ounces to 200,000 ounces of platinum concentrates a year, he said. "We will finance this completely through debt," Mpinga said. "Our focus is on creating more value and we think the best way is to restart the smelter." Zimbabwe is putting pressure on the local units of the world's biggest platinum producers, Anglo American Platinum Ltd. (AMS) and Impala Platinum Holdings Ltd. (IMP), to bid for the rights to build refineries. The government plans to ban raw exports of platinum by the end of the year in a bid to stimulate growth in the southern African country, which has the world's largest reserves of the metal after South Africa. Mwana resumed concentrate shipments from its Trojan nickel mine last April to meet a 7,000 tons-per-year off take contract with Glencore Xstrata Plc.

While the company doesn't produce enough nickel concentrates to justify restarting the smelter, securing a contract for processing platinum would make it viable, said Mpinga. "If we get an off take we can raise the funds for smelter modification," he said. "We have an asset, infrastructure which could be used to process some of the concentrates being exported to South Africa." Zimbabwe produces 430,000 ounces of platinum a year and the industry needs as much as $5.3 billion to boost that to more than 500,000 ounces and construct refineries for processing output, according to producers.*(Bloomberg)*

The shop by any description is a world class complex hosting Zimbabwean technological players with all mobile network operators and VoIP operators sharing the same roof to reach out to the new clientele base created by this new phenomenon. Zimbabwe is at its greatest technological height with corporates and start-ups seriously turning to the great opportunities offered by technology. Speaking during the official launch of iTech, The Chief Executive Officer of OK Zimbabwe Mr. Willard Zireva gave a short briefing and explanation on how iTech was birthed. "iTech is a product of Swan Technology, a company which is a subsidiary of OK Zimbabwe and it drives the IT side of our business. It has licence to sell software products in the sub Saharan side of Africa and much more interesting products are lined up in the next three months for iTech" said Mr. Zireva. He said this concept came about as a way of trying to fill an identified need since society is moving into a high tech era. The objective is to make sure there is a full range of available product and support locally. This would reduce the unnecessary external support costs by bringing the solutions home to the customers.

Mr. Zireva however was quick to say that OK Zimbabwe was not going to be changing its major trading business but merely looking into the needs of the current market. "We are not moving away from our core business which is retailing but we believe there is something missing in the market and this is the gap we need to cover," he added. He promised that even for those technological devices without available local support, a customer can order that specific gadget and iTech will deliver the product. Head of business information executive development Mr. Madondo a said that the whole itech concept was inspired, formed and originated here in Zimbabwe and thanked the team on ground for a tremendous work. The Technology shop will be divided into various section with a business solution centre, consultation and automated systems support plus the general shop taking the main section explained the Head of Swan technologies Computers , Mr. Willie Mapundu. He said products like laptops , LCD TVs, home electricals as displayed in the shop will be amongst the most trending wares inside the shop. *(Herald)*

BARCLAYS Bank of Zimbabwe Limited has recorded an increase in after tax profit to $3 million for the year ended December 31, 2013 due to growth in net interest income. After tax profit was $2,1 million in 2012. In the period under review, net interest income increased to $12,3 million from $7,6 million, impairment losses on loans and advances grew to $712 098 from $532 182, while operating expenses declined to $33,9 million from $34 million in 2012. Speaking at an analyst briefing in Harare on Wednesday, Barclays managing director George Guvamatanga said income growth at 5,3% was slowed down by the effect of capped charges and commissions, while cost containment and efficiency initiatives continued with the result that overall operating costs for 2013 were kept within the same levels as the prior year. Guvamatanga said the bank's strategy had yielded results with pre-tax profit growth of 70% year-on-year. "Pre-tax profit has maintained a growth trend over the years. We maintain focus on sustainable growth over the long term. The 2013 profit after tax translates to earnings per share of 0,14 cents," Guvamatanga said. He said the year under review was characterised by sustained growth in bank lending, a marked improvement in people agenda, diversification of product suite and a strong presence within the community.

"The ability to apply consistent, high quality and strong risk management processes and controls is key to how we do business, in line with our 'Go-To' strategy. This strategy saw our loan book grow by 26% as we advanced loans to individuals and businesses across most sectors of the economy," Guvamatanga said. "We have maintained our commitment to not only grow our asset book, but to ensure a quality book." In the period under review, deposits grew to $248 million in 2013 from $225 million. Guvamatanga said deposits grew at a cumulative annual growth rate of 15% since dollarisation and has been lower than internal targets, but remained steady. "In tandem with the general market structure, the bank's deposits have largely comprised short-term transitory funds with about a third coming from individual customers and the balance from business entities," Guvamatanga said. He said loans and advances grew by 26% year-on-year while the impairment losses and provisions for the year translate to a loan loss ratio of 0,6% demonstrating the quality of the bank's loan portfolio as at the end of 2013. "The bank still has to improve its cost to income ratio and initiatives are already under way to widen the positive jaws between income and cost levels. "The high liquidity levels maintained by the bank have been a deliberate measure to ensure that the bank continues to meet customer payments in a timely and efficient manner." Guvamatanga said. *(News Day)*

PROPARCO, a French Development Finance Institution yesterday signed a five-year loan agreement of US$10 million with Zimbabwe Stock Exchange listed financial company NMB, cementing France's growing investment interest in the country. Speaking at the signing ceremony, French Ambassador Laurent Delahousse said the transaction was testimony to France's commitment towards doing business with Harare despite the European Union sanctions imposed on Zimbabwe. He said in spite of the EU sanctions due for review next week, France was interested in doing business in the country and had put "its money where its mouth is". Foreign Affairs Deputy Minister Ambassador Chris Mutsvangwa said since last year French companies have invested over US$60 million in the country "and this shows how eager the French are in terms of re-engaging. We hope to see companies from France coming to invest in the country." Other recent French investments in the country include the sale of a majority stake in Redan Petroleum to Trafigura. Trafigura is also planning another massive investment in the energy sector. At the same time a French bank, Société Générale, recently extended a US$120 million line of credit through CBZ bank for agricultural inputs. After three years of negotiations, the US$10 million puts the bank's total amount of loans received from European development finance institutions to slightly above US$20 million, NMB chief executive Mr James Mushore said at the signing ceremony. The money will be channelled towards funding different sectors of industry. "This will open more doors for us and assist us on our journey into a tier one bank. Currently we have short-term and expensive money and this will allow us to fund business long-term. At the core of our business is development and sustainability so when we lend money we want to do it," Mr Mushore said in his speech.

Last week, Mr Mushore said the bank has and continues to access additional lines of credit especially from international development financial institutions on the back of the strong balance sheet and shareholder profile. "We currently have approved lines of credit amounting to US$57 million." The US$10 million brings the amount to US$67 million. Mr Christophe Blanchot, regional representative of PROPARCO for southern Africa said the loan will allow NMB to finance the expansion of its credit portfolio in a market where funding is only available on a short term basis. He said NMB had a strong brand which helped it to attract renowned shareholders such as AfricInvest and DFIs FMO and Norfund. "This loan is a sign of trust in the country and in the bank itself. We are yet to overcome some reluctance internally but we have been convinced. Something we also expect is that this money, coming from a development bank will have a catalyst effect over investors particularly on French ones," he said. *(Herald)*

Economic News

Almost every economic report coming out of the country is signalling slowed growth due to falling local production, low aggregate demand due to the current liquidity crisis. The forthcoming December reporting season is expected to mirror last year's economic performance. Analysts forecast the 2013 earnings results to exhibit a mixed blend of pre and post election environment anxiety that characterised the business environment last year. As such there would be no major surprises from the 2013 reported financial results. Economic growth and activity slowed in the last half of 2013 reflective of the retarding business environment. The liquidity situation started to gradually decline at a worrying rate and this became the ingredient for lower business activity. Growth in margins is expected to be suppressed. The little growth that will be recorded will mainly be from cost containment strategies and enhanced operational efficiency. In its trading update for the third quarter to December 31 2013, Delta Corporation said it had registered flat volumes due to lower consumer spending and economic slowdown. Riding in an almost similar boat is NMBZ Limited, which warned investors it will report an attributable loss for the year to December 31 2013 as borrowers struggle to repay. "It has sort of become a trend now to go into earnings season with low expectations, so beating those expectations is not a big deal, said Mr. Jerome Negonde, a markets analyst. EFE Securities managing director Mr. Edgerton Tsanga said it was quite apparent that the economy slowed down for the better part of last year, and this will impact on financials. "Financials from banks would be terrible (NMBZ has already issued profit warning) and retail would be terrible as well," he said. Mr. Tsanga also cited the fall in the price of primary commodities on global markets as part of reasons why liquidity crisis worsened and demand has trended down.

A good number of companies operating in Zimbabwe are likely to find themselves almost similar economic challenges that have affected the operation of Delta and NMBZ. Delta said volumes for the quarter were flat compared to the same period last year while revenue were three percent down for the quarter and 2 percent for nine months. Equities and Alternative Investments Analyst at FBC Securities Mr. Albert Norumedzo said little was expected in the form of growth in the top line. "Profit warnings statements have been issued by various listed companies in efforts to manage the downside effects on share price performance culminating from missed earnings targets," he said. "The agriculture sector is (however) expected to record marginal growth in earnings supported by a good rainy season that supported second half earnings." He said companies which have managed to diversify into export markets were likely to maintain or slightly improve margins. These would include Padenga which exports the bulk of its product to Asia and other developed markets notwithstanding the slowed global commodity demand that refrained huge increases in demand. With margins falling under pressure from local economic hurdles, any major movements in reported earnings will be supported by a huge accruals component stirred mainly by revaluations. *(Herald)*

ZIMBABWE will today hold a one-day re-engagement conference with representatives from the European Union (EU), an official has said. Business Council of Zimbabwe president Hlanganiso Matangaidze confirmed the development yesterday. "We will have a conference tomorrow (today) on Europe-Zimbabwe engagement and we will talk about sanctions. We want business and the media to give their views on the issue," Matangaidze said. The conference will bring together civic society, farmer organisations and government officials. The EU delegation is expected to meet President Robert Mugabe in the evening for a briefing. The meeting comes barely a month after a 15-member delegation from different sectors of the economy visited Europe to scout for foreign direct investment. The EU imposed targeted sanctions against Mugabe and other government and Zanu PF officials a decade ago, and has been lifting the embargo in tranches over the past five years. Next week, the EU will make a decision on the sanctions that are affecting Zimbabwe. Confederation of Zimbabwe Industries president Charles Msipa in January this year said the situation in the country was very tough due to reduced demand on the domestic market owing to liquidity problems. Msipa said in the first six months of this year, the situation was unlikely to change as nothing much had changed since the last quarter of 2013 where consumers had low disposable incomes. Msipa, however, said the continued use of the multicurrency system would build confidence and the resumption of the lender of last resort function by the central bank would enable banks to increase lending to the manufacturing sector. *(News Day)*

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