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:

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AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change			YTD % Change	
Country	Index	7-Jul-17	14-Jul-17	Local	USD	31-Dec-16	Local	USD
Botswana	DCI	9245.53	9206.55	-0.42%	1.45%	9700.71	-5.09%	-0.99%
Egypt	CASE 30	13369.88	13822.59	3.39%	2.86%	12344.00	11.98%	13.32%
Ghana	GSE Comp Index	1991.00	2086.38	4.79%	5.39%	1689.09	23.52%	20.34%
Ivory Coast	BRVM Composite	256.01	258.84	1.11%	2.00%	292.17	-11.41%	-3.67%
Kenya	NSE 20	3607.18	3642.90	0.99%	0.73%	3186.21	14.33%	13.58%
Malawi	Malawi All Share	16017.55	16245.61	1.42%	1.72%	13320.51	21.96%	20.78%
Mauritius	SEMDEX	2135.16	2122.91	-0.57%	-0.19%	1,808.37	17.39%	22.91%
	SEM 10	414.93	390.73	-5.83%	-5.47%	345.04	13.24%	18.56%
Namibia	Overall Index	1023.58	1058.89	3.45%	6.59%	1068.59	-0.91%	3.89%
Nigeria	Nigeria All Share	32459.17	33261.66	2.47%	4.94%	26,874.62	23.77%	20.56%
Swaziland	All Share	388.33	388.33	0.00%	3.03%	380.34	2.10%	7.04%
Tanzania	TSI	3666.96	3676.40	0.26%	1.83%	3677.82	-0.04%	-2.78%
Zambia	LUSE All Share	4750.26	4750.98	0.02%	3.12%	4158.51	14.25%	27.49%
Zimbabwe	Industrial Index	197.93	198.41	0.24%	0.24%	145.60	36.27%	36.27%
	Mining Index	69.98	69.19	-1.13%	-1.13%	58.51	18.25%	18.25%

CURRENCIES

Cur-rency	7-Jul-17 Close	14-Jul-17 Close	WTD % Change	YTD % Change
BWP	10.28	10.09	-1.84	4.32
EGP	17.85	17.94	0.51	1.20
GHS	4.37	4.35	-0.57	-2.58
CFA	576.85	571.77	-0.88	8.74
KES	102.00	102.26	0.25	-0.66
MWK	720.09	718.00	-0.29	-0.97
MUR	33.17	33.04	-0.39	4.70
NAD	13.41	13.02	-2.94	4.84
NGN	318.58	311.10	-2.35	-2.59
SZL	13.41	13.02	-2.94	4.84
TZS	2,215.79	2,181.50	-1.55	-2.74
ZMW	9.06	8.79	-3.01	11.59

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

Egypt's top cigarette maker Eastern Co raised the prices of some of its popular cheap cigarettes on Wednesday because of increasing production costs, Chairman Mohammed Othman Haroun told Reuters. The move comes a few days after Egypt hiked value-added tax, electricity and fuel prices, part of a reform programme aimed at reviving the economy under a three-year, $12 billion loan agreement with the International Monetary Fund. Eastern, which supplies 70 percent of Egypt's cigarette market, raised the price of three of its low-cost, Cleopatra brand cigarette products by between 4.2 and 17.6 percent. The Egyptian pound has halved in value since Egypt floated its currency in November, making imports more expensive. Haroun said raw materials that had been imported at a exchange rate of 9 Egyptian pounds to the dollar were at low levels. The price rise was needed because the company now had to import at a rate of 18 pounds per dollar, he said. In October, Eastern said it was having problems buying raw materials because of Egypt's dollar shortage. *(Reuters)*

Economic News

Egypt expects the monthly inflation rate to stabilize within four months at between 1-1.25 percent, Egyptian finance minister Amr El-Garhy told Reuters on Monday. The monthly inflation rate in Egyptian cities fell to 0.8 percent in June from 1.7 percent in May, the official CAPMAS statistics agency said on Monday. However, Egypt's annual urban consumer price inflation rose in June to 29.8 percent from 29.7 percent in May. Egypt hiked fuel prices on Thursday by up to 50 percent to help meet the terms of a $12 billion International Monetary Fund loan agreement. Egypt's inflation hit a three-decade high after the central bank floated the pound currency in November as part of the IMF deal. *(Reuters)*

Cash inflows into Egypt's banking system totalled more than $57 billion since Egypt floated its currency in November, Egypt's central bank governor told al Akhbar newspaper on Sunday. Egypt floated the pound to help attract foreign capital as part of a three-year $12-billion International Monetary Fund loan. Faced with accelerating inflation, Egypt's central bank on Thursday raised its key interest rates by 200 basis points for the second policy meeting in a row. Egypt's central bank governor Tarek Amer told Egyptian newspaper al Akhbar the decision to raise rates would encourage dollar holders to exchange them for pounds. *(Reuters)*

Average yields on Egypt's three- and nine-month treasury bills rose at an auction on Sunday, data from the central bank showed. The average yield on the 91-day bill rose to 22.523 percent from 20.951 percent at the last similar auction on July 3 and the yield on the 273-day bill rose to 22.444 percent from 21.155 percent. The central bank raised its key interest rates by 200 basis points last week for the second policy meeting in a row, confounding the expectations of economists who forecast rates were unlikely to change. Foreign participation in the treasury bill auctions amounted to 3 billion Egyptian pounds ($168.26 million), the head of public debt at the Finance Ministry, Sami Khallaf, told Reuters. *(Reuters)*

Egypt's core inflation rose to 31.95 percent year on year in June from 30.57 percent in May, the central bank said on Monday. Over the same period, annual urban consumer price inflation rose slightly to 29.8 percent from 29.7 percent, official statistics agency CAPMAS said earlier on Monday. Egypt abandoned its currency peg to the U.S. dollar on Nov. 3 in a dramatic move that has since seen the currency depreciate roughly by half. Egypt hiked fuel prices on June 29 by up to 50 percent to help meet the terms of a $12-billion International Monetary Fund loan agreement. *(Reuters)*

Egypt expects to receive a second loan instalment worth $1.25 billion from the International Monetary Fund within the next week, Finance Minister Amr El-Garhy told private television channel CBC on Monday. Egypt agreed a three-year $12 billion IMF loan programme in November that is tied to ambitious economic reforms such as subsidy cuts and tax hikes. The IMF has already there is staff-level agreement to disburse the second instalment based on Egypt's reform progress but that its executive board must first meet to sign off on it. *(Reuters)*

Egypt, the world's largest wheat buyer, will stop subsidising flour for its sweeping bread subsidy programme next month in a move expected to cut wheat imports by up to 10 percent by curtailing smuggling, the supply ministry said on Wednesday. Egypt is looking to tighten its finances as it pushes ahead with a $12 billion three-year International Monetary Fund loan programme tied to ambitious reforms such as subsidy cuts and tax increases. Austerity-hit Egyptians faced with inflation above 30 percent have increasingly turned to the state's cheap subsidised bread to make ends meet, increasing the country's food subsidy bill as well as its wheat imports. In the financial year to June 30 wheat imports reached 5.58 million tonnes, up from 4.4 million the preceding year. In an attempt to reduce waste the state will next month stop subsidising flour used by bakeries offering the cheap bread. Instead, it will restrict subsidies to the actual bread offered to consumers, Supply Ministry spokesman Mohamed Sweed said. Subsidy card holders currently obtain each loaf of bread for 0.05 pounds, less than a tenth of the cost of production, via an electronic smart card that allocates a maximum daily ration to citizens and compensates bakeries for the production cost shortfall with every swipe. Unscrupulous bakers have long bought up cheap subsidised flour and sold it on the black market, costing the state millions of dollars a year in squandered subsidies. Sweed said the new measure will remove the incentive for smugglng flour, cutting down on waste and helping to save the state up to 8 billion Egyptian pounds ($447 million) from its 2017-18 food subsidy bill, which had been set at 85 billion pounds. He said that lower flour consumption would translate directly into reduced imports. *(Reuters)*

Ghana

Corporate News

Africa-focused miner, Asante Gold Corporation, which is developing the Kubi Mining Lease and is exploring the Keyhole, Fahiakoba and Betenase concessions, all adjoining or along strike of major gold mines near the centre of Ghana's Golden Triangle, has said that a second phase drilling programme will commence in mid-July in the MEM showing area on our Keyhole Option, Ghana. In a statement issued by Asante Gold on behalf of President and CEO Douglas R. MacQuarrie, the miner said Burwash Contract Drilling of Vancouver will complete 800m of diamond drilling to follow up on the high-grade gold discovery from drillhole MEM17-001B which intersected 13.12g/t gold over 3.0m at a depth of 120m below the historical MEM showing. The intersection is in a northeast trending shear hosted in meta-greywacke/ argillite, with quartz, sulfide and visible gold mineralisation. It said new channel sampling results are also reported from trench MEM17-529 located 110m to the northeast along the inferred strike of the mineralization in drillhole 001B, with significant assay result of 10.23 g/t Au over 2.0m in vertical dipping meta-sediments with 10-15 % quartz vein material; and 1.62 g/t Au over 1.0m in saprolite in trench MEM17-002 located 110m to the northwest of the MEM showing.

All of the significant gold values noted to date in the MEM showing area, according to Asante Gold, are located within areas of anomalous high geophysical IP results in association with lower apparent resistivity and are confirmed by drilling to be sulfide bearing shear zones. Shear zones host most of the major gold deposits currently in production in Ghana. Phase 2 drill targets will test below the discovery hole and step out along an additional 300m of high IP results from a detail survey which was recently completed by Asante's geophysical crews. The survey was limited to the 550m wide area in between heavily mined alluvial gold workings to the northeast and southwest of the MEM showing. Final results from the drilling are expected to be available in late August. Mr MacQuarrie stated that: "The strong correlation of gold mineralization with high geophysical IP results in the MEM area gives us a powerful tool to explore for new gold deposits under the extensive alluvial mined areas which have not been explored to date. These areas stretch over 2km to the north and south of the MEM showing."

The Keyhole Option covers a 6km long section of the Ankobra River and is strategically located at the intersection of three major regional gold mineralized trends: - the Asankrangwa Gold Belt which hosts ~11 million ounces* of gold resources at the Asanko Gold Mine (formerly known as PMI Gold Corporation's Obotan Mine), and Esaase gold projects located 36km and 60km respectively to the northeast; - a major continental scale basement structure noted on regional aeromagnetic surveys which is spatially related to the 66 million ounce* AngloGold Ashanti Obuasi Mine and the 7.6 million ounce* Newmont Akyem Mine, located 57km and 130km to the east northeast; and - the north trending Ankobra River lineament and its extensions which connects 90km to the south of the 60 million ounces total resource* gold mines at Bogosu, Prestea and Tarkwa operated by GoldenStar, AngloGold Ashanti, and Goldfields, with Newmont's 15.3 million ounce* Ahafo Mine 100km to the north. (*past production plus current resources). Keyhole, is under option from Sikasante Mining Company Limited and adjoins Asante's Ashanti II Gold project. Asante can earn up to 100% in the Keyhole Gold Project by completing $500,000 in work over four years, issuing 1.25 million shares, and reserving for Sikasante a 2% net smelter return royalty. *(Ghana Web)*

Economic News

The National Tripartite Committee has announced a 10 per cent increase in the daily minimum wage. As a result, the new minimum wage is 9.68 cedis up from 8.80 cedis. The change will take effect on January 2018. The decision was taken Tuesday after a marathon meeting held by the government, labour and the employers association. Accordingly, the Committee directs that any establishment, institution or organization whose Daily Minimum Wage is below the new National Daily Minimum wage should adjust its wages upward with effect from 1st January, 2018, the members of the tripartite committee said in a statement jointly signed Employment and Labour Relations Minister Ignatius Baffuor Awuah, for government Terence Darko and Dr Yaw Baah for the Employers Association and Labour respectively.

Any establishment, institution or organisation that flouts the new rate shall be sanctioned in accordance with law, the statement added. By law it is illegal for any worker in Ghana to be paid below the minimum wage. The Committee also expressed its commitment to the improvement of incomes and productivity in both public and private sectors of the Ghanaian economy. *(Ghana Web)*

Ghana's annual consumer price inflation fell to 12.1 percent in June from 12.6 percent the previous month, driven lower by falling food and petroleum prices, the statistics office said on Wednesday. The major commodity exporter is aiming to narrow inflation to 11.2 percent by the end of the year as part of a drive to restore macroeconomic stability under a three-year assistance programme with the International Monetary Fund. "Food and non-alcoholic beverages, in addition to petroleum prices recorded lower prices in June, compared to the same period (June) last year," acting government statistician Baah Wadieh told a news conference in Accra. Food inflation dipped to 6.2 percent compared to 6.3 percent in May while non-food inflation dropped to 15.1 percent in June from 15.8 percent, Wadieh said, adding that the June figure was the lowest since December 2013. The government of President Nana Akufo-Addo, who assumed office in January, said in April it was committed to reducing inflation, public debt and the budget deficit. Ghana was one of Africa's strongest economies until 2014, when it was hit by a slump in commodity prices and a fiscal crisis. *(Reuters)*

Ghana is seeking collaboration with Switzerland to boost its cocoa output and process more of the beans in the face of price volatility, President Nana Akufo-Addo said on Wednesday. Ghana, the world's second largest producer and top grower Ivory Coast, which together account for more than 60 percent of the world's cocoa supply, have been hit by a sharp drop in world prices that have seen cocoa futures plummet by around a third. While Ivory Coast responded by slashing its guaranteed farmgate prices, Ghana has maintained the price at which it buys cocoa from farmers since the season opened in October. Ghana exports at least 70 percent of its beans mainly to Europe through forward contracts. "Ghana, under my presidency, will no longer become mere producers and exporters of cocoa beans, and will continue the policy of processing more and more of our cocoa," Akufo-Addo told reporters after a meeting with Swiss President Doris Leuthard in Accra. Both sides agreed to undertake joint projects to add value to Ghana's beans, Akufo-Addo said without giving details. Ghana, which also exports gold and oil is under a three-year aid programme with the International Monetary Fund to restore fiscal stability to its economy, dogged by high public debt, deficits and consumer inflation. *(Ghana)*

Kenya

Corporate News

Telecoms operator Safaricom's mobile money agents will soon start using photos to identify those withdrawing or depositing money on the popular M-Pesa platform in a new push to curb fraud. Safaricom said it has distributed about 25,000 pre-programmed smartphones to its mobile money agents to be used in registration of new SIM cards. The process involves capturing faces of SIM card owners and storing digital copies of the same for retrieval during M-Pesa transactions. Safaricom, which has 28.1 million registered customers and 19 million active M-Pesa users, said the special phones in use for registration are linked to the Registrar of Persons' database, helping verify the data as it is fed into the system. Safaricom says the digital database, which is also being populated with photos of existing subscribers, should ease service delivery as agents and customer care representatives need not ask for proof of identity prior to allowing a transaction. The Business Daily has established that M-Pesa agents will be conducting all transactions through the company-issued mobile phones, allowing them to validate the national ID card details presented to them and the person doing so. "Using an application in the phone, the agent keys in the customer's registration details then takes a photo of the documents and the person registering," Stephen Chege, Safaricom's corporate affairs director, told the Business Daily. "The big win from this process is the photo evidence of the person registering. This will eliminate use of stolen personal identification documentation to commit fraud," Safaricom says. The law requires telecoms firms (or their appointed agents) to register SIM card owners after noting down their "full name, identity card number, date of birth, gender, physical and postal address."

Safaricom, however, seems to be using the new registration format to enhance its database and lift its customer security levels to those of commercial banks. M-Pesa has been the target of fraudsters who explore loopholes in its processes to steal money from customers. Fraudsters have used different methods, including stolen or forged national identity cards, to register different M-Pesa accounts and use the same to steal funds from other people's M-Pesa accounts. Besides, conmen have called customers to inform them that they have won some money in a competition and through a series of instructions shepherded unsuspecting users to the point of sending money to the fraudsters as a prerequisite to accessing their winnings. Fraudsters have also got some customers to reveal year of birth (which is often but insecurely used as PIN numbers), ID numbers and a few recent transactions and used the information to draw funds from their M-Pesa accounts. In 2011, a convicted criminal serving time at the Kamiti Maximum Prison, forged an ID card belonging to retired Chief of the Kenya Defence Forces (KDF), General Jeremiah Kianga. The fraudster conned Kenyans off thousands of shillings via mobile money with the promise of enrolling them in the army. Last March, police in Eldoret arrested a man suspected of stealing over Sh180,000 from mobile money agents in Nandi using dozens of stolen SIM cards and ID cards, which were used to register M-Pesa lines.

The failure by some mobile money agents to countercheck the identity of a customer with that on the ID card presented often leads to fraudulent withdrawals from customers' accounts."This (photo capture process) will translate to better data integrity, adding to the security of M-Pesa services as well as other value-add services which are dependent on customer identification," said Mr Chege. In the year to March, the telecoms firm recorded Sh1.84 trillion in M-Pesa deposits compared to withdrawals of Sh1.6 trillion – demonstrating to the volumes of money trading on this platform. Safaricom, which has 135,500 agents across the country, made Sh55.1 billion in revenue from the platform in the year to March, a 32.7 per cent year-on-year growth. Other transactions like Lipa Na M-Pesa, gaming, M-Shwari, KCB M-Pesa, and airtime purchase accounted for Sh1.8 trillion while person-to-person transfer recorded Sh1.6 trillion during the period under review. This growth has necessitated the telecoms firm to introduce steps to improve the platform, including a feature that allows customers to preemptively cancel mobile money payouts to an unintended user. Safaricom is currently undertaking an upgrade of the M-Pesa system – the third of its kind in 10 years – to enable the rollout of more features, including automated functions, on the platform. *(Business Daily)*

Standard Chartered Bank (StanChart) will shut down four of its branches in the country at the end of next month. The lender said Monday the closures are the result of a restructuring plan that has become necessary with the current market conditions. The announcement came barely a week after Barclays Bank of Kenya (BBK) announced closure of seven of its outlets beginning October 1. "Based on the results of this exercise, we shall close our branches in Bungoma, Kisii, Kitengela and Warwick (Nairobi) end of August 2017," said Standard Chartered Kenya and East Africa chief executive Lamin Manjang'. "Following approval by the regulator, we have already communicated to all affected customers. All the affected staff will be deployed to branches and other roles in the bank."Mr. Manjang' said the closures had been informed by reduced customer traffic into its outlets as clients shift to digital platforms to carry out transactions. "We are realigning resources to meet the changing needs of our clients. As our clients and the world go digital, our branch transaction traffic is impacted," he said. "We continuously undertake a branch rationalisation programme in line with our Digital by Design strategy, which is geared towards developing market-leading online and mobile channels that deliver easy, convenient banking to all our clients." In May this year, StanChart launched video banking services in Kenya as it shifted to a digital platforms. The service was part of the lender's $1.5 billion global investment in technology announced last year. Under the investment package, the financier has already introduced in Kenya a mobile banking app, an iPad-based digital sales and service tool, a new online banking platform and fingerprint log-in technology. The automation had been feared could lead to staff cuts or slow down fresh recruitment for the lender, which let go about 167 employees in 2015 in a restructuring that was initiated by its London-based parent company. *(Business Daily)*

Global ratings agency Moody's has assigned Equity Bank #ticker:EQTY a first time B1 local-currency deposit ratings. The rating boosts the lender's chances of attracting funds from local and international lenders. Moody's cited Equity Bank's strong credit profile backed by its use of digital and alternative distribution channels as the lender's key strengths. The ratings agency said Equity Bank's credit profile is underpinned by its low-cost, retail-funded deposit base. "With Equity Bank experiencing a strong deposit growth over the past 15 months, in conjunction with lower loan balances, Equity Bank's liquidity ratios have improved significantly as of March 2017, with liquid assets at a strong 39 per cent of total banking assets and net loans at a fairly low 72 per cent of customer deposits," said Moody's in a statement. The agency added that Equity Bank's long-term deposit ratings carry a stable outlook. Moody's rating scale runs from a high of Aaa to a low of C, comprising 21 notches that are divided into investment and speculative grades. The purpose of Moody's ratings is to provide investors with a simple system of grading by which to assess future relative creditworthiness of securities or an entity. Securities or entities that are rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk while those rated rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest. Those rated Baa are judged to be medium-grade and subject to moderate credit risk. "Moody's expects that Equity Bank's profitability will remain strong, supported by its low cost funding, an increasing proportion of non-interest income, and an efficient cost structure with the extensive use of digital and alternative distribution channels," said the agency.

Reacting to the assessment, Equity Bank Group chief executive James Mwangi said that the ratings "reflect on the bank's strong market position within the regional banking space." "The rating reflects the bank's intrinsic credit strength, significant market size, acceptable risk management practices, profitable business model, prudent capital levels and support from its shareholders," Mr Mwangi said in a statement. The positive ratings pave the way for Equity Bank to raise additional funds from investors. "As the Bank enters the next phase of growth, there is a renewed need to mobilise funds to finance major infrastructural developments as well as local and regional SMEs," said Mr Mwangi. "This is bolstered by the fact that we have continued to reinforce our corporate product offering, management team and IT reliability and capacity in order to improve customer service and offer a more complete product suite to cross-sell to existing and new customers in Kenya and the region." Equity Bank in October last year announced a freeze on the opening of new branches, marking the lender's shift to digital banking services. Mr Mwangi said at the time the bank had moved most of its services away from the traditional across-the-counter branches to online platforms. *(Nation)*

Nakumatt has filtered into the market, affecting movement of premium tea brands, Gold Crown Beverages said yesterday. Peter Kimanga, a Gold Crown director, said sales of their 27 health and wellness products had "gone down remarkably" since the retailer started experiencing financial problems. However, he said the firm's flagship brands Kericho Gold and Baraka Chai have not been affected much since they are well stocked in other outlets. "Most of these premium products are preferred by high end consumers who, with due respect to other outlets, have preferred shopping at Nakumatt. But since it started experiencing problems orders have been dwindling," he said, adding that the retailer has cut orders by at least 20 per cent. "The supermarket chain has also had a wide reach and even helped us penetrate regional markets such as Rwanda and Uganda with our lifestyle products. They also run loyalty programmes where shoppers earn points, which is attractive to the consumers of our high-end brands," he added. But Mr Kimanga expressed optimism that since the products had been introduced into the market, they would get other suppliers to distribute them. Nakumatt last week shut down three branches in Uganda as rent arrears piled. The retailer was expecting a six-week phased injection of Sh7.7 billion from an unnamed private equity fund beginning March, but failure to secure the funding has caused widespread product stock-outs and seen it delay employees' pay. Mr Kimanga said value addition efforts in the sector were bearing fruit, with their products now doing well in the region. Other countries where Gold Crown exports packed tea are Ukraine and Russia as well as Somalia and Sudan consumed by foreigners working.

"Somalia used to buy low quality teas but now they are ordering premium brands due to relative tranquility being experienced in the country and high number of foreigners working there. We export at least 10 containers or 50 metric tonnes of packed tea per month to the country," he said. Mr Kimanga, however, noted that payment of value-added tax on tea meant for packaging had worked against value addition efforts by local tea packers. Kenya exports 95 per cent of its tea while only five per cent is consumed locally. Meanwhile, average prices at the Mombasa tea auction on Tuesday increased marginally to $2.87 compared to $2.81 last week. Volumes of tea sold on this week rose to 8,303,201 from 7,960,652 last week. *(Nation)*

Economic News

The shilling has depreciated to a six-month low of 104 units against the dollar, raising concern the fall might spill over to inflation which is already above the desired range. News agency Reuters said dealers had attributed the weakening to heightened dollar demand from oil marketers, food importers and firms looking to pay dividend to foreign investors on their books. The shilling exchanged at an average of 104.10 to the dollar on Tuesday morning, with the #ticker:CBK indicative rate standing at 103.91 units, the lowest it has traded since mid-January. Analysts say the currency has also come under pressure due to a weaker economy and political uncertainty as the country heads to the General Election. "The concern for the CBK is the potential pass-through effects of further shilling depreciation on inflation, which has been trending above the upper limit of the statutory target band of 2.5-7.5 per cent for the last five months," said the Commercial Bank of Africa in a weekly fixed income note. "This comes at a time when the effective conduct of monetary policy is considerably undermined by interest rate caps that are evidently having negative effects on the transmission channels for the policy signal." Inflation in June fell to 9.2 per cent from 11.7 per cent in May, but still remains above the target range.

Attention now turns to the CBK's monetary policy committee (MPC), which meets next Monday for its final sitting before the polls. Analysts though anticipate that a policy rate hike may not be on the cards due to uncertainty of the effect on the wider economy now that the rate is also the pricing tool for bank loans. The analysts said that CBK has largely intervened through withdrawal of liquidity from the money market to prevent shilling volatility in the past month. The regulator is also holding a healthy foreign exchange reserve, which currently stands at $7.92 billion (Sh824 billion) equivalent to 5.23 months of import cover — although it is at the lowest level since the end of March. Although it is unclear whether CBK has sold some dollars into the market in currency support, the reserves have fallen by $276 million in the last one month. *(Nation)*

The Kenyan central bank pumped dollars into the market yesterday after the shilling weakened and threatened to break past the psychologically important level of 104.00, traders said. They said the regulator sold the dollars to banks at the start of the session, after the currency opened at 104.05/15, down from Wednesday's close of 103.85/95. The shilling was trading at 103.95/104.05 per dollar in early morning trading. Meanwhile, the Ugandan shilling was stable on yesterday mainly due to tighter liquidity in the domestic market money market, which usually makes it more expensive for traders to buy dollars. Commercial banks quoted the shilling at 3,600/3,610, unchanged from Wednesday's close. *(New Times)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's consumer inflation slowed to 11.3 percent year-on-year in June from 12.3 percent in May, official data from the National Statistical Office showed on Friday. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Nigeria

Corporate News

The Securities and Exchange Commission (SEC) has approved an extension in the period for the minority shareholders of Mobil Oil Nigeria Plc to sell their shares to NIPCO Investment Limited (NIL). Following the successful acquisition of 60 per cent equity stake of Mobil Oil Nigeria Plc by NIL from Exxon Mobil Oil Corporation by NIPCO, the company had applied to regulators to acquire additional shares from minority shareholders. The application for the Mandatory Take Over (MTO) bid opened had opened on May 30 and was to close on June 29, 2017. THISDAY had exclusively reported last week that there were strong indications that there would be an extension in the period for the minority shareholders to accept the offer. In notification to the Nigerian Stock Exchange (NSE), Cordros Securities Limited, one of the financial advisers in the transaction, said SEC had approved an extension. The MTO has now close July 27, 2017. NIL had explained that the takeover bid is in compliance with Part XII, Section 131(1)(a) of the Investment & Securities Act (ISA) of 2007 and Rule 445 of the SEC's Rules & Regulations, which requires NIL to make an MTO bid to all the other shareholders of Mobil Nigeria. The qualifying minority shareholders of Mobil Oil Nigeria Plc, who tender their shares will earn a cash consideration of N417.12 per ordinary share.

The Group Managing Director of NIPCO, Mr. Venkataraman Venkatapathy had told the capital market community that the acquisition of majority shares in Mobil would bring economy of scale to the firm, benefit Nigerians and grow the economy. "We would be adding new businesses and works towards increasing the production of its lubes which has remained a cherished brand in the lubricant market," he said. The NIPCO boss explained that to all discerning investors the deal is a big welcome to a new dawn and new era that will usher in stability, prosperity, sustainability and growth in the downstream sector in particular and the industry in general. "The deal will definitely make the NIPCO group bigger not only due to the acquisition but also the additional new business lines to be introduced to make the company one of the most proficient and best run out fit in the industry. The group overall goal is to increase Mobil presence and efficiency across the nooks and crannies of the country and expand its retail footprint to a minimum of 300 at the earliest and make it a vibrant one," Ventakapathy. *(This Day)*

Etisalat International on Monday said it had terminated a management agreement with its Nigerian unit, saying that it had given the business about three weeks to phase out the Etisalat brand in the country. The Chief Executive Officer, Etisalat International, Hatem Dowidar, told Reuters that the exit process became necessary given that the firm had been unsuccessful at converting some of its dollar debts to naira. The Nigerian Communications Commission and the Central Bank of Nigeria had recently intervened to save Etisalat Nigeria from collapse after it failed to pay the remaining $589m from a $1.2bn loan it took from a consortium of 13 banks. Before then, all the United Arab Emirates shareholders of Etisalat Nigeria, including state-owned investment fund, Mubadala, had exited the company and left the board and management. Etisalat, with a 45 per cent stake in the Nigerian business, had been ordered to transfer its shares to a loan trustee after it became obvious that it could not pay up the $589m debt of the original loan. However, with the current development, Dowidar said, "The Nigerian lenders may try to continue to operate the company until they find a buyer; or they may merge the company with the existing players in Nigeria." He said it was tough to say what the lenders would do.

The Etisalat CEO added, "The brand agreement in either of these two scenarios won't be a long-term thing, so we take out the brand; in the long term, Etisalat won't be in Nigeria." He had earlier told Reuters that discussions were ongoing with Etisalat Nigeria to provide technical support. "There's a new board and we are not part of that company. We have sent our termination letter for the management agreement," Dowidar said of the ongoing discussions with Etisalat Nigeria. According to him, the parent company (Etisalat) has written down the value of the Nigerian business on its books and that transferring its 45 per cent stake to the lenders after loan renegotiation talks collapsed has no impact on the group. When asked whether Etisalat would consider entering Nigeria again, he said, "The train has left the station on that one. Being in that market as an investor…are we willing to risk more money compared to the reward for the long-term?"*(Punch)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Etisalat Nigeria is focused on getting the telecoms group back on track to make a profit after it was saved from collapse, while working on the paperwork to eventually raise new capital. "Our mandate is to make sure the business runs as profitably as it can. What is most important now is to ... ensure that the business runs and meets its obligations," the company's new chief executive Boye Olusanya told Reuters on Tuesday. Nigerian regulators intervened last week to save Etisalat Nigeria after talks with its lenders to renegotiate a $1.2 billion loan from 2013 with 13 local lenders failed. Etisalat Nigeria has 20 million subscribers, making it the country's number four mobile operator with a 14 percent market share. South Africa's MTN has 47 percent, Globacom 20 percent and Airtel - a subsidiary of India's Bharti Airtel - 19 percent. "Once we've gotten ourselves to where certain decisions are made and the structure and form of the business is formed then maybe we would look at a capital raising structure that would be suitable for the nature of how the business will be run," the new CEO said in an interview in his offices. Olusanya, who took over as CEO of Etisalat Nigeria following the appointment of a new board led by Nigeria's central bank, said that while the business could run without an immediate recapitalisation, he would not rule one out completely. "Obviously if its possible to do it tomorrow we will do it, because that enhances the ability of this business to roll-out quickly, to get more subscribers, which is what everybody wants," he added.

UAE's Etisalat, which had a 45 percent stake in the Nigerian business, has said its exposure to Etisalat Nigeria related to services worth 191 million UAE dirhams ($52 million). In June, Etisalat said it had been ordered to transfer its shares to a loan trustee after debt talks failed. "We're still in negotiations with Etisalat over the use of the brand name," Olusanya said, adding that the technical service agreement with Etisalat covered the brand name but the telecoms company was run by Nigerians. The former Celtel executive said he has plans in place to rename the company if needed after UAE's Etisalat said it had terminated a management agreement and given its one-time Nigerian business time to phase out the brand. All UAE shareholders in Etisalat Nigeria, including state-owned investment fund Mubadala, had exited the company and left the board and management, Hatem Dowidar, CEO of Etisalat International, told Reuters. *(Reuters)*

Dangote Group, controlled by Africa's richest man, Aliko Dangote, plans to invest $3.8 billion in sugar and rice and $800 million in dairy production in the next three years as the company seeks to expand and deal with a shortage of dollars needed to import raw materials. The conglomerate plans to increase its production of sugar to 1.5 million metric tons a year by 2020 from 100,000 tons now and is seeking to add 1 million tons of rice, Edwin Devakumar, executive director at Dangote's industries unit, said Tuesday in an interview in Lagos, Nigeria's commercial hub. The company also plans to have 50,000 cattle producing 500 million liters of milk a year by 2019, he said. A lack of foreign exchange means companies need to invest in local agriculture to help meet demand for food from Nigeria's population of more than 180 million, Devakumar said. "All raw sugar has to be imported today, same thing for flour milling," he said. Dangote, whose cement unit is Nigeria's biggest listed company, has been investing in agriculture as the country's government seeks to diversify away from oil, which accounts for 90 percent of the nation's export earnings and the bulk of revenue. The economy, which plunged into its first recession in a quarter-century last year amid falling crude prices, is forecast by the World Bank to expand by 1.2 percent this year. Dangote plans to cultivate 350,000 hectares (864,850 acres) of land for sugar cane and add 200,000 hectares for rice, according to Devakumar. The company has ordered five plants for sugar milling and 10 for rice from Switzerland to be located in the north of the country, he said. *(Bloomberg)*

Flour Mills Nigeria Plc has reported a profit after tax of N9.8bn compared with N10.4bn recorded last year. The company's revenue grew by 51 per cent from N248bn to N375bn; and after adjusting for the full impact of the exceptional foreign exchange loss of N6bn, it posted an after-tax profit of N9.8bn. The FMN Group, in a statement, said it achieved an increase in turnover which rose by 53 per cent to N524bn, in spite of the challenge and the unfavourable environment, stressing, "We were able to achieve a solid performance owing to our resilience and managerial capabilities." In the statement signed by its Head, Legal Services and Company Secretary, it said the growth was driven by a combination of volume increase, enhanced operating efficiencies coupled with commensurate increases in prices. "The group's financial performance was adversely affected by the impact of over 40 per cent devaluation of the naira as well as the uncertainties associated with persistent foreign exchange scarcity and sharp fluctuations in rates which we have been able to successfully hedge," it explained. Compared with the last two financial years, it said the performance was very impressive, adding, "In 2014/15, the group recorded an operational loss of N6.2bn only made good by the profit on sale of 50 per cent of our equity in Unicem, amounting to N13.9bn, which ensured a final profit before tax of N7.7bn. "In 2015/16, the group also returned an operational loss of N12.7bn, but with sale of investment gain of N23.7bn of the remaining 50 per cent of our equity in Unicem giving a profit before tax of N11.5bn."

The company said it was able to navigate the difficult waters leveraging the strength and quality of its brand -Golden Penny. Thus, the directors of the company will be proposing to shareholders at the forthcoming annual general meeting, the declaration of a total of N2.62bn dividend of N1 per ordinary share of 50 kobo each consistent with payment made in 2016. *(Punch)*

British insurer Prudential said it had bought a majority stake in Nigeria's Zenith Life to give it access to the African country's fast-growing insurance market. It said it had also signed a deal with the Nigerian insurer's parent Zenith Bank Plc to sell life and other insurance products via the bank in Nigeria and Ghana. "Today's announcement is an important milestone for Prudential and our growing portfolio of high-quality life insurance businesses in Africa," Matt Lilley, chief executive of Prudential Africa. Zenith Life, which had gross written premiums worth 3.3 billion Naira ($10.82 million) at the end of 2016, will be rebranded as Zenith-Prudential Life Insurance. Prudential did not say what size stake it had bought or how much it had paid. Prudential already has operations in Ghana, Kenya, Uganda and Zambia in Africa. *(Reuters)*

Economic News

AS the equities market continues to reel under the influence of bargain hunters and profit taking activity, market watchers have said that second quarter, 2017 (Q2'17) financial results of companies being expected will determine the direction of the market in the next couple of weeks. They observed that the market has reached a resistant level and would need a new breather to move beyond where it is today. "The market will move in a zig-zag direction this week. We are going to see marginal gains and marginal losses in the next few weeks. Then, when the second quarter reports begin to come out, that will now determine the direction of the market. The new breather could be the Q2 results. It could also be the outcome of the next Monetary Policy Committee, MPC, meeting," said Mr Johnson Chukwu, Managing director/ CEO, Cowry Asset Management Limited. Analysts at Meristem Securities Limited also corroborated Chukwu's view, saying that activities in the market would be largely driven by portfolio rebalancing activities in anticipation of half year, H1:2017, earnings releases. Specifically, they said that there would be position taking in some large cap banking stocks, industrial goods sector and a marginal appreciation in the oil and gas sector in anticipation of H1:2017 financial scorecard as well as interim dividend declarations.

Financial Vanguard's analysis of trading activities last week showed that the market closed the week in the red zone much in line with analysts' expectation. At the end of the week's trading, equities capitalisation dropped by 2.3 per cent to N11.187 trillion from N11.452 trillion previous week. The All Share Index, ASI, fell by 1.99 per cent to 32,459.17 points from 33,117.48 points, thereby bringing the year-to-date, YtD, return to 20.78 per cent. All the sectoral indices closed lower during the week with the exception of the insurance and industrial goods sectors that appreciated by 1.10 per cent and 0.22 per cent respectively. On the other hand, the banking index, the consumer goods and the oil and gas Index depreciated by 2.22 per cent, 4.03 per cent and 1.75 per cent to close at 389.12 points, 763.32 points and 317.50 points respectively. There were 16 advancers and 50 laggards, with May & Baker Plc leading the laggards with 25.77 per cent decline to close at N2.88 per share. Neimeth International Pharmaceuticals Plc followed, dropping by 24.42 per cent to close at N0.65, while Conoil Plc, Flour Mills Plc and Julius Berger Nigeria Plc closed as the last on the top five losers chart, depreciating by 18.51 per cent, 15.63 per cent and 14.25 per cent to close at N36.31, N22.78 and N32.14 per share respectively. *(Vanguard)*

Microfinance bank operators in the country have called on the federal government to ensure that access to the N220 billion micro, small and medium enterprises (MSME) special development intervention fund is not politicised. This, they identified as a major impediment to achieving the goals of the fund. Speaking on the performance of the fund, the Head of the Credit Department, Umuchinemere Pro-credit Micro Finance Bank Enugu (UPMFB), Mr. Charles Udeani, alleged that some people, mainly politicians who are not in business now use their influence in accessing the fund. In a statement, Udeani further alleged that delinquency in the performance of the fund was adversely affecting the realisation of the poverty reduction objective and the revolving policy of the Fund, a development he argued was injurious to the economic health and growth of the country. He added: "The loan which had one year tenure was meant to encourage entrepreneurship and reduce poverty in the country." Umuchinemere Pro-credit Micro Finance Bank participated in the disbursement of the MSME special development Fund. The bank disbursed between 2014 when the fund was launched and the first quarter of 2015, a total of N182, 730, 000 to 553 beneficiaries, with 314 male beneficiaries receiving the sum of N91,510,000 and 239 females receiving the sum of N91,220,000. Some of the bad experiences in the fund's disbursement, Udeani observed, were that: "People also erroneously believed that the fund was their national cake, as well as a campaign largesse by the then outgoing administration and not meant to be repaired, leading to the difficulty in recovery of the fund, as some beneficiaries are reluctant to repay, while some others are at large." However, it was not a wholesome bad experience for Umuchinemere Pro-credit Micro Finance Bank in the management of the fund. The bank's manager Credit explained that the fund actually helped most of the beneficiaries to either establish or grow their businesses and that it was encouraging. He said the government and the Central Bank of Nigeria (CBN) had good intentions in providing the Fund to empower Nigerians and rid the country of poverty, but advised that in the future the disbursement of such intervention and special development funds should not be politicised, so that the target groups would benefit and the fund not gone into wrong hands, which would in turn enhance repayment/recovery and revolving of the Fund. Meanwhile, in the first half (January-June) of the year 2017 the Umuchinemere Pro-credit Micro Finance Bank disbursed a total facility of N409, 205, 200 to a total of 1,774 beneficiaries, comparatively a shortfall from that of the same period in the immediate past year , where it disbursed a total facility of N467,156,359 to its customers numbering a total of 1,851, with 1,111 of them being males and received the sum of N187,633,400, while the rest, 740 were females but ironically received a greater amount of the disbursement, N279,522,959. In the present year, UPMFB gave the sum of N173,917,500 to 1,085 males, while like a trend, the females that were fewer in number however received the greater amount, N235,287,700. *(This Day)*

Nigeria's oil minister is unable to attend the OPEC and non-OPEC ministerial monitoring committee meeting in Russia in July, Kuwait Oil Minister Essam al-Marzouq told reporters on Monday. "We extended the invitation but unfortunately there is a previous commitment for the Nigerian oil minister as I heard today," he told reporters when asked whether Nigeria will join the committee meeting set for July 24 in St Petersburg. Marzouq added that Nigeria will probably be asked to join the technical committee's meeting, which comes before the ministerial meeting, to talk about its oil production plans.*(Reuters)*

The stock market continued on a positive trend yesterday as bargaining hunting activities in the banking stocks assisted to sustain the bull run. Specifically, the Nigerian Stock Exchange (NSE) All-Share Index appreciated by 0.48 per cent to close at 32,614.60, while market capitalisation added N53.6 billion to close at N11.2 trillion. Investors swooped on banking stocks, taking position ahead of half year corporate results announcement. Out of the 26 price gainers, 12 were banking stocks. United Bank for Africa Plc, Access Bank Plc, Unity Bank Plc appreciated by 4.9 per cent apiece, while Ecobank Transnational Incorporated garnered 3.8 per cent. Zenith Bank Plc chalked up 3.4 per cent, just as Diamond Bank Plc and FCMB Holdings Plc went up by2.4 per cent each. Fidelity Bank Plc and FBN Holdings Plc gained 2.3 per cent apiece, while Wema Bank Plc, Jaiz Bank Plc and Guaranty Trust Bank Plc appreciated by 1.8 per cent, 1.5 per cent and 0.06 per cent in that order. However, Flour Mills of Nigeria Plc recorded the highest price gainer for the day, rising by 9.7 per cent.

Redstar Express Plc and C & I Leasing Plc followed with 5.0 per cent apiece. Conversely, 15 stocks depreciated led by Union Bank of Nigeria Plc with 8.8 per cent. University Press Plc and Skye Bank Plc trailed, shedding 5.0 per cent apiece. A.G Leventis Nigeria Plc and Vitafoam Nigeria Plc went down by 4.8 per cent each, just as AXA Mansard Insurance Plc, Cadbury Nigeria Plc and John Holt Plc declined by 4.7 per cent, 4.0 per cent and 3.5 per cent respectively. A look at the performance across sectors showed that three appreciated while two declined. The NSE Banking Index led the sectoral performance with 3.0 per cent. The NSE Oil &Gas Index trailed with a gain of 0.7 per cent due to positive sentiment towards Oando Plc (+4.8 per cent). Similarly, the NSE Industrial Goods Index added 0.3 per cent as a result of price appreciation in Meyer Plc (+4.3 per cent). On the negative side, the NSE Consumer Goods Index shed 0.7 per cent on the back losses suffered by Nigerian Breweries (-0.6 per cent). The NSE Insurance Index fell by 0.3 per cent following depreciation in the shares of AXA Mansard (-4.8 per cent). *(This Day)*

Nigeria must not borrow more to fund its budget and should instead raise money it needs by other means, the country's finance minister said on Tuesday, calling into question planned foreign loans of $2 billion from lenders like the World Bank. Africa's largest economy is in its first recession in 25 years, and had planned to borrow extensively from overseas to fund a record budget aimed at helping the country spend its way out of its economic doldrums. But plans for lenders like the World Bank and African Development Bank to loan at least $2 billion to Nigeria have been stalled for over a year as international organisations' frustrations mounted at the country's refusal to impose key fiscal reforms such as allowing its foreign exchange rate to float freely. Finance Minister Kemi Adeosun's comments, made while speaking at a business forum in the capital of Abuja, suggest that Nigeria will no longer seek such loans, or an additional $1.5 billion it had planned to raise from international debt markets. "We cannot borrow anymore, we just have to generate funds domestically enough to fund our budget. Mobilize revenue to fund the necessary budget increase," she said. In May, the head of Nigeria's budget office said the country has a shortfall of $7.5 billion for its 2017 budget expenditure, and said that would be addressed with $3.5 billion from the aforementioned loans and debt. The government also planned to raise $4 billion from the local debt market, he said at the time. Nigeria's presidency signed off on its record 7.44 trillion naira ($24.39 billion) budget for 2017 in June, after numerous delays. The plan projects a deficit of 2.21 trillion naira, implying a deficit equivalent to 2.18 percent of Nigerian gross domestic product. *(Reuters)*

Nigeria's debt office plans to use $483.4 million to service its foreign debt over a 10-year period and make repayments starting from next year as its dollar debts begin to mature, it said in its annual report. Debt Management Office (DMO) projects debt service repayments to amount to a total of $4.47 billion to be made in 2018, 2021 and 2023. Nigeria issued a debut eurobond in 2011 with a follow up tranche in 2013. Between February and March the West African country issued $1.5 billion due in 2032. The DMO report said Nigeria's debut $500 million bond will mature in 2021, while a $1 billion will be due next year. Africa's biggest economy expects a budget deficit of 2.36 trillion naira this year as it tries to spend its way out of a recession. It expects to raise money to cover the gap from domestic and foreign sources. *(Reuters)*

Nigeria signaled its willingness to cap its oil production to support OPEC's efforts to ease a global supply glut. The output limit would come into play when Nigeria can stably pump 1.8 million barrels a day, the country's oil minister Emmanuel Kachikwu told reporters Wednesday in Abuja. That's about 100,000 barrels more than it's currently producing. The country's output has recovered this year after militant attacks had damaged export pipelines and other facilities. Nigeria and Libya were exempted from cuts agreed to by OPEC and other large producers in an effort to trim a global glut. OPEC decided late last year to reduce its output by 1.2 million barrels a day to 32.5 million starting Jan. 1. Other producers including Russia joined the deal, which was extended through March 2018. Iran was allowed to raise production by 90,000 barrels a day as it was recovering from sanctions. "As a serious member of OPEC, we stand ready to support the cuts when we are sure that we can have a stable predictable production," Kachikwu said. "You have to watch it for a couple of months to be sure that what you see as peace is in fact sustained." OPEC wants an "orderly recovery" in oil production from Libya, Nigeria and Iran and has a flexible output target under its cuts agreement to accommodate more crude from the three member nations, the group's Secretary-General Mohammad Barkindo told Bloomberg Television on Wednesday at a conference in Istanbul.

The Organization of Petroleum Exporting Countries was anticipating a revival in production from the three when it set a targeted output range from 32.5 million to 33 million barrels a day under its November agreement, Barkindo said. OPEC pumped 32.6 million barrels a day in June, and its output exceeded demand in the first half of this year, according to a report the group issued Wednesday. Libya and Nigeria may be asked to cap their output soon in an effort to help re-balance the market, Kuwaiti Oil Minister Issam Almarzooq said Monday at the Istanbul event. "We still are below the 1.8 million barrel a day benchmark set for us by OPEC," Kachikwu said. "I think that over the next one or two months, hopefully, we can get to that point where we can say the recovery has been tested, it is systemic and predictable." Nigeria, which hasn't been above that level since February 2016, has a capacity of 2.2 million barrels a day, according to data compiled by Bloomberg. Nigeria will miss the OPEC and non-OPEC Joint Technical Committee meeting in Russia later this month. Kachikwu plans to meet with Saudi Arabia and Russia after that. "I will find time after the meeting in St. Petersburg to dialogue with my colleagues from both Russia and Saudi Arabia and to further explain Nigeria's position," he said. "I think we're fairly in consensus on what our position is, there isn't any disagreement on that." *(Bloomberg)*

Nigeria plans to issue a 10-year promissory note to offset 2.7 trillion naira ($8.85 billion) owed to government contractors and employees, the finance minister said on Wednesday. Nigeria, Africa's biggest economy, is in the second year of a recession caused by low crude oil prices and attacks by militants on facilities in its Niger Delta energy hub. Oil sales account for 70 percent of government revenues.

Several states around the country raised money on the domestic bond market and from banks to fund infrastructure projects at the peak of oil prices. But as crude prices plunged many have found themselves unable to pay bills or salaries. A total of 2.7 trillion naira is outstanding, Finance Minister Kemi Adeosun told reporters in the capital, Abuja, after a cabinet meeting. Money is owed to state governments, contractors and oil marketers, she said, as well as power generation and distribution companies. Some 740 billion naira of pension and salary arrears and 1.93 trillion naira of other obligations are also outstanding, including to federal government contractors and suppliers. Adeosun said the programme required final approval from parliament.*(Reuters)*

Nigeria supports OPEC's efforts to stabilize oil prices, but it wants to wait before deciding whether join the cartel's cuts in oil production, its oil minister said on Wednesday. "Hopefully, in the next two to three months we can see how predictable the production return has been and then can say we feel stabilized and need to make the corresponding cuts," Emmanuel Ibe Kachikwu told reporters. Nigeria and Libya, whose output has been hit by political turmoil and attacks, are exempt from an the Organization of Petroleum Exporting Countries agreement, which is an effort to reduce a glut of crude oil on world markets. Nigeria's benchmark level to join the OPEC cuts is production of 1.8 million barrels of crude a day. Its current output is around 1.7 million barrels a day, excluding condensates, Kachikwu said. Nigeria's output had improved in recent months, after the government managed to end militant attacks on oil pipelines in the Niger Delta by opening peace talks with leaders in the restive oil hub. Kachikwu also said he would not attend a meeting between OPEC and non-OPEC nations on July 24 in Russia, because he would be hosting a meeting of African oil producers in Abuja on the same day. "We (OPEC) are fairly in consensus on our position on cuts," he said, adding that OPEC hoped oil prices would stabilize later this month. Under the supply deal, OPEC is curbing output by about 1.2 million barrels a day. Russia and other non-OPEC producers are cutting half as much, until March 2018. OPEC said on Wednesday its oil production jumped in June and forecast world demand for its crude would decline next year as rivals pump more, pointing to a market surplus in 2018 despite the OPEC-led output cut. Giving its first forecasts for 2018 in a monthly report, OPEC said the world will need 32.20 million barrels per day of crude from its members next year, a fall of 60,000 barrels a day from this year. *(Reuters)*

The Commissioner of Finance, Economic Planning and Budget, Hon. Akinyemi Ashade, has expressed the resolve of the Lagos State Government to raise N100billion in bond offering to finance critical infrastructure in the state. Ashade disclosed this recently in Lagos, at the 2018 budget consultative forum organised by the state's Ministry of Economic Planning and Budget to ensure adequate transparency and accountability in the preparation process of its budget. He noted that the N812.998 billion proposed budget that was approved by the State House of Assembly has a component, which would be financed by borrowing, including bond issuance. Ashade explained that in 2016, the state raised about N47billion through bond offerings, and established a programme of N500 billion and was able to raise funds to finance the budget over a period of time. He said: "We have a lot of projects in the area of tourism. We have the facelift of Lagos Marina, Onikan, and the construction of about six theatres in the state. We also have stadium to be constructed in order to engage the youths. We have key roads to be constructed also. We have the elderly care homes and other projects. "We just started the process of engagement in respective of 2018 budget. This is why we are here. We are here in Lagos Central Senatorial District. We have invited stakeholders to come and make input into the process of making the 2018 budget. We have focus areas and this includes the environmental reforms, the transportation reforms, and the power reforms.

"We are here to listen to the people to make inputs into other areas they consider very important. We are also not leaving out key areas such as Education, Health, Tourism, Good Governance and Security. We want to hear from the people and know their priority and incorporate it into the 2018 budget." He explained that the state government was aware of the huge infrastructural deficit, while stating that the state has very stable revenue base, but the challenges are huge. "We will focus on special taxes, consumption taxes, and find out other ways which would help us in furthering the 2018 budget. "In terms of Foreign Direct Investment (FDI) the numbers are not in. But Lagos is a viable destination for investment. We know that there are quite a lot of projects that foreign investors are involved in. We always are open for business." *(This Day)*

Etisalat Nigeria's rescue has put the country's banks in a quandary as they prepare for half-year results due this month as they do not know whether to provision for loans to the company until they can work out its value. A banking source told Reuters that the lenders first wanted to determine Etisalat Nigeria's free cash flow to help them value the telecoms business before deciding on whether to impair the assets or hold on to find new investors. "No bank is talking about restructuring now, but it might get to that later once we are able to ascertain the true value of the company," the source said. Nigerian regulators intervened last week to save Etisalat Nigeria, the country's fourth-largest mobile operator, from collapse and prevent lenders placing the telecoms firm in receivership, prompting a board and management change. On Thursday, Etisalat Nigeria changed its name to 9mobile, the company said. The telecoms firm took-out a $1.2 billion loan four years ago from 13 local lenders to refinance an existing debt and expand its mobile network, but it struggled to repay due a currency crisis and recession in Nigeria.

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. Results are due from this month. GT Bank with $138 million in outstanding loans and Access Bank with $131 million are among the most exposed to Etisalat Nigeria. "We think that by the time the new management settles in, makes some changes and reduces costs, the company might bounce back," the source told Reuters, adding that he expected support from the central bank, which has sought to avoid Etisalat Nigeria's collapse from sparking a wider debt crisis. Etisalat Nigeria's new chief executive Boye Olusanya told Reuters on Tuesday he was focused on getting the telecoms group back on track to make a profit, while working on the paperwork to eventually raise new capital. Renaissance Capital analysts estimates Etisalat Nigeria could be worth $1.2 billion based on an enterprise value to operating cashflow multiple when compared with South Africa's MTN and other African telecoms companies. Nigeria's banks are set to report interim earnings this month and investors will be watching for signs of a rise in non-performing loans. The banks collected half of their interest payment for May from Etisalat Nigeria so that the new team running the company has funds to keep it operating, the source said. And any provisioning may not kick in until the next quarter. "Given the understanding that Etisalat's debt was performing till the end of the first quarter we believe the banks ... might be required to make provisions in the second quarter," said Olalekan Olabode, head of research at Vetiva Capital said. "Rather than converting the debt to equity, we expect to see a restructuring in the near term," he added. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

No Corporate News This Week

Economic News

Tanzanian President John Magufuli said on Monday he has signed into law new mining bills which require the government to own at least a 16 percent stake in mining projects. The laws, which also increase royalties tax on gold and other minerals, were passed by parliament last week despite opposition from the mining industry body. Magufuli reiterated on Monday that no new mining licences would be issued until Tanzania "puts things in order" and that the government would review all existing mining licences with foreign investors. "We must benefit from our God-given minerals and that is why we must safeguard our natural resource wealth to ensure we do not end up with empty mining pits," Magufuli told a rally in his home village in Chato district, northwestern Tanzania. The president has sent shock-waves through the mining community with a series of actions since his election in 2015, which he says are aimed at distributing revenue to the Tanzanian people. The new mining laws, which were fast-tracked through parliament, raise royalties tax for gold, copper, silver and platinum exports to six percent from four percent. They also give the government the right to tear up and renegotiate contracts for natural resources like gas or minerals, and remove the right to international arbitration. "I would like to thank parliament for making the legislative changes. I signed the bills into law the same day Parliament concluded its session on July 5," Magufuli said.

Passage of the new legislation also followed months of wrangling between the government and the country's biggest gold miner, London-listed Acacia Mining Plc, over mining contracts after Magufuli decided in March to ban exports of gold and copper concentrates to push for the construction of a domestic mineral smelter. Magufuli said on Monday that talks between Tanzania and Barrick Gold Corp., Acacia's majority owner, would begin in two days to try to resolve allegations of tax evasion against Acacia. Tanzania accused Acacia of tax evasion in 2016 in a case that is ongoing. Acacia, which denies all allegations, said on July 4 it was seeking an adjudicator to resolve its dispute with the Tanzanian government. Tanzania is also pushing for the mandatory listing of mining companies on the Dar es Salaam Stock Exchange (DSE) by August as part of measures aimed at increasing transparency and spreading wealth from the country's natural resources. Other major foreign-owned mining companies in Tanzania include AngloGold Ashanti and Petra Diamonds. *(Reuters)*

Tanzania's inflation slowed to 5.4 percent year-on-year in June from 6.1 percent a month earlier due slower rises in food prices, the statistics office said on Monday. "The decline...was caused by slower rises in the prices of food items such as maize, cassava, beans and Irish potatoes," Ephraim Kwesigabo, a director at the state-run National Bureau of Statistics (NBS) told journalists in the capital Dar es Salaam. The food and non-alcoholic beverages inflation rate fell to 9.6 percent in June from 11.6 percent in May. Food has the largest weight in the basket of goods and services used to calculate Tanzania's inflation. Month-on-month inflation fell by 0.1 percent in June from 0.2 percent previously. *(Reuters)*

Zambia

Corporate News

BOTSWANA's leading supermarket, Choppies, plans to expand its operations in Zambia by opening nine more outlets with Chipata branch to be unveiled this month-end. Group chief executive officer Ramachandran Ottapathu said Zambia's favourable investment climate has allowed the retail chain store to rapidly broaden its business prospects to other potential markets outside Lusaka. Mr Ottapathu said, when he paid a courtesy call on Zambia's High Commissioner to Botswana Brigadier General Patrick Tembo, that Chipata will be the latest investment destination with a store to be opened this month. This is contained in a statement issued by Zambia's first secretary to Botswana Kasabo Kalussa. In 2014, Choppies started its operation in Zambia with one store in Lusaka's Kanyama Township and to-date operates 12 outlets in the country with a total workforce of 800 locals. "The group expects to double its operation to around 2,000 with the opening of the nine more stores by December this year," Mr Ottapathu said. He said Choppies stores were importing a lot of Zambian agricultural products that are on demand in Botswana and Zimbabwe. "We have since invited a few of the manufacturers from Zambia so that we can export most of the products from there, because some Zambian products on our shelves are selling like hot cakes. "We have a delegation from Trade Kings coming here [Botswana] on the July 28, we are further making arrangements to engage small medium enterprises," he said. At the same event, Brig. Gen. Tembo said Zambia is open for investments and that Government has put in measures to encourage business growth. He said private sector engagement is essential in the continued growth of the Zambian economy and commended the retail conglomerate for expanding its footprint in Zambia. He encouraged the group to engage in the best business practices as it competes with other retail supermarkets operating in the country. *(Daily Mail)*

AIRTEL Zambia has invested US$50 million to accelerate electronic (e) – commerce for micro, small and medium enterprises (MSMEs) and large corporate entities. The platform, which was launched last year, is designed to cater for the requirements of the business community in easing commerce and trade in real time. Airtel Zambia Enterprise director Muyunda Munyinda said the company has developed an internet network platform which is also meant to reduce business traffic during transactions. "Airtel is ready to carry all the business- related traffic to support their online activities as the platform was designed for such. The platform has already been launched and infrastructure is ready. We are currently loading a number of international banks, mines and insurance companies," he said at a media briefing yesterday. Mr Munyinda said the company is positioning itself as the leading internet service provider in the country through expansion of services and network. He called on the business community to take advantage of the development as the platform will bring about efficiency and transparency. *(Daily Mail)*

Economic News

THE local money market last Thursday saw the liquidity levels increasing to K565 million due to offshore investors offloading United States dollars to raise Kwacha for settlement of bonds and treasury bills. On June 30 and July 6, 2017, the bonds and treasury bills were auctioned respectively, which boosted the liquidity levels due to inflows from the settlement of financial securities. In its daily treasury newsletter issued on Friday, Zanaco says, "There was a marginal increase in levels of liquidity in the market from K295.12 million seen the previous day to K565.89 million." Similarly, funds traded also shot up to K227.4 million from K135.5 million. Treasury market analysts attribute the increase in levels of liquidity to bond auction on June 30 whose settlements were on July 5 due to the four days holiday. They further say before settlement day, the market saw offshore selling of the greenback to raise Kwacha for settlement of the financial securities. However, the market witnessed a drop across all tenors. "After the treasury bill auction held, the market saw a drop in interest rates on all tenors. The 364 days stands at 16.50 percent from 17 percent, while the 273 days and 182 days are at 11.90 and 11.95 percent respectively. The 91 day paper is currently at 12.20 percent," the bank notes. Zanaco also notes that the Bank of Zambia (BoZ) has continued to stay out of the open operations market (OMO) seeing that the overnight interbank rate stood at 12.37 percent, an increase from 12.31

percent. The BoZ participates in the OMO, which is an activity by the central bank to take liquidity from a bank or a group of banks. On the currency market, the Kwacha weakened slightly against the dollar on Thursday, but still kept within a tight trading range. Demand for the greenback edged out demand for the local currency as the Kwacha slipped four ngwee from K9.05 and K9.09 to close at K9.09 and K9.14 on the bid and offer respectively. The short-term outlook indicates that the Kwacha is likely to claw back further gains against the dollar and forecast to trade between K9.05 and K9.15. *(Daily Mail)*

Zambian President Edgar Lungu may revoke emergency powers before they expire in 90 days if there is an end to the "acts of sabotage" they were meant to quell, his spokesman said on Wednesday. Africa's second-largest copper producer, one of the continent's more stable democracies, has been unusually tense since the arrest in April of opposition leader Hakainde Hichilema on treason charges, ostensibly for impeding Lungu's motorcade. On Tuesday, parliament extended Lungu's emergency powers by three months in an attempt to quash a spate of arson attacks on market places and court-houses. Lungu spokesman Amos Chanda said police were making progress in their investigations and had observed no new incidents since emergency rule was imposed a week ago. "If these acts of sabotage do not continue this should be lifted within three months. It could be revoked even earlier than three months. The president at any point can revoke it," Chanda said. Critics say the emergency powers will be used to harass political opponents after last year's bitter and violent election, which Hichilema's United Party for National Development (UPND) says was rigged. *(Reuters)*

Zimbabwe

Corporate News

Zimbabwe's Steward Bank has suspended payments to the pay-TV subsidiary of South Africa's Naspers, citing unavailability of foreign currency, in a sign that dollar shortages are worsening in the southern African nation. Local banks have been forced to limit withdrawals due to cash shortages while importers face long delays in paying for goods they bring in, forcing some businesses to buy dollars on the parallel market. Steward Bank, a unit of mobile telephony operator Econet Wireless, said in a statement that it was suspending payments to Multichoice, Africa's largest pay-TV company, which is popular in Zimbabwe. "To assist in effective allocation of foreign currency reserves at this critical time, we would like to advise that with immediate effect, the bank has suspended DStv (digital satellite televison) payments for all account classes (except premium)," the bank said. Last year in May, the central bank set priorities for imports, imposed limits on cash withdrawals and introduced a bond note currency in a bid to ease the acute shortage of money. The International Monetary Fund in a report on Friday estimated that between $600-800 million was in circulation in Zimbabwe. Economic analysts say most of the money was outside the official bank sector. Most Zimbabweans, who still vividly remember the 500 billion percent hyperinflation that wiped out their savings and pensions in 2008, are holding on to U.S. dollars as a store of value, worsening the currency shortages. *(The Source)*

LISTED Turnall Holdings Limited is yet to secure an investor to give a lifeline to its operations, with revelations the firm's debt restructuring exercise will be completed by the end of August. The company announced in April that it was engaged in discussions relating to the restructuring of its balance sheet. NewsDay understands the company was restructuring its balance sheet by engaging its creditors for a possible debt-to-equity swap to ward off creditors jostling for its assets. The company's acting finance director, Samson Mavende on Monday, told NewsDay the debt restructuring exercise was still work in progress. "The debt restructuring is work in progress. We haven't finalised," he said. "It will not happen in this quarter. There are few things that we need to tie up. We haven't found any investor." Company chairperson, Rita Lukukuma confirmed the finalisation of the debt restructuring exercise would be done by the end of next month. "It's still work in progress. There are issues to be finalised. I am not in a position to disclose further details at the moment. I think by end of August we should finalise the deal," she said. "Unfortunately, we cannot announce any specifics at the moment because there are sensitivities on the scheme of arrangement."

As part of debt restructuring exercise, the company wrote to its creditors proposing that they receive shares in full and final settlement of the outstanding balance with the number of shares basing on the conversion price determined by the intrinsic value of the company. Turnall also gave creditors an option to either receive and hold shares or alternatively match the receipt of shares with the immediate disposal of the same shares to a third party. The manufacturing firm's current liabilities stood at $18 million as of December 2016 against total assets of $35 million in 2015. In May this year, Mavende said the company has engaged the Zimbabwe Revenue Authority (Zimra) to pay its $16 million tax obligations over a period of eight years. "Zimra has allowed us to pay the debt over eight years. We owe them $16 million. At the moment, we are talking to some banks and the banks are of the view that we can resolve it without going to Zamco (Zimbabwe Asset Management Company)," he said. *(Source)*

Econet Wireless Zimbabwe, which controls 98 percent of the Long Term Evolution data customer market share, has announced a major data network upgrade that will see the mobile network market leader achieve 100 percent 3G coverage across the country by the end of this year. Long Term Evolution refers to the generation of network technology. The third generation network, known as 3G, is the oldest technology of the group. 4G is the fourth generation data network Announcing the developments at the company's Msasa head office in Harare yesterday, Econet Chief Executive Officer Douglas Mboweni said the upgrade exercise had already started. "The upgrade started in March this year, at the beginning of our new financial year, and should be completed by the end of this calendar year", said Mr. Mboweni. "We are essentially ensuring that each and everyone of our existing 2G sites countrywide – in towns and in rural areas – are upgraded to 3G sites" he said, adding that the upgrade had already begun in parts of the country. "Matabeleland, Bulawayo and Harare provinces are now already complete, with all sites in these provinces on 3G as we speak," he said.

"We are pleased to let our customers know that in the coming few months, accessing our Smart Data Network from anywhere in the country will be so much easier, particularly in the rural and farming communities" said Mr. Mboweni. Econet Wireless has the widest geographical mobile network coverage in Zimbabwe, covering 82 percent of the population. The latest data from the industry regulator POTRAZ (Postal and Telecommunications Regulatory Authority of Zimbabwe) shows that Econet has a total of 4.092 base stations (or 52.2 percent share of total mobile infrastructure), in comparison to industry peers NetOne, which has a total of 2.691 (or 34.5 percent), and Telecel, with 1.025(13.2 percent) base stations. The company leads the country's three mobile network operators (MNOs) in data network coverage, with more coverage than the other two MNOs put together. It has 1.192 3G base stations (51.2 percent), compared to NetOne's 771 3G base stations (33.1 percent) and Telecel's 364 3G base stations (15.6 percent). Econet, which reported 10,2 million connected customers at the end of February 2017, also leads in LTE (or 4G) network coverage, with 499 LTE sites (63.7 percent) to NetOne's 284 LTE sites (36.3 percent). It supports 269.000 LTE customers on its LTE infrastructure, compared with NetOne, which supported 2,165 LTE customers as at the end of March 2017.

According to the POTRAZ report, Telecel has not yet deployed LTE technology. The MNO was recently acquired by the government. Confirming the Econet upgrade, MrKezito Makuni, the company's Technical Director, said the upgrade exercise would see Econet cover most of the country's population with 3G technology. "Upon completion, we will have covered close to 82 percent of the population with fast and reliable 3G and LTE coverage" said Mr Makuni. "Our customers will be able to enjoy our data products and services at much faster access and browsing speeds wherever they are and wherever they go in Zimbabwe," he said. A 3G (or Third Generation) data network is the typical mobile broadband network with Internet download speeds of up to 100 times that of a 2G data network (GPRS or EDGE network), and it works best on smartphones. "With most populated areas covered, going forward we will be focusing on the customer experience of our subscribers, ensuring that they get impeccable quality of service wherever they are", said Mr. Makuni. Econet has invested over $1.3 billion in the Zimbabwean economy since 2009.It has created over 20.000 jobs directly and indirectly, through resellers and distributors of its wide variety of products and services, that include, among others, voice products, data services and EcoCash – the popular mobile money transfer service. *(Herald)*

Bindura Nickel Corporation (BNC) is unlikely to reap the economic benefits of the smelter restart project in the short to medium term due to depressed nickel prices and insufficient concentrate at the Trojan Mine to meet its capacity. In its full-year results for the year ended March 31, Bindura said its Smelter Restart Project is now 83 percent complete with total commitments to date amounting to $21,5 million. The smelter was built in 1968 and stopped operating at the height of the country's economic crisis in 2008. The completion of the refurbishment, which was scheduled for last year was deferred to the current financial year due to cash flow constraints to finance the remaining work and low nickel prices. The smelter restart is crucial to the sustained profitability of BNC. In 2014, former Mwana Africa chief executive, Kalaa Mpinga said the miner was spending about $1,2 million a month to truck concentrate from the mine as part of an offtake agreement with Glencore, adding that the company could recover the investment in less than two years on transport savings alone upon the completion of the smelter restart project. "The smelter refurbishment was estimated at $25 million, however, on transport only we will recover the investment in less than two years," he said then. BNC has a 100 percent offtake agreement with the global commodities giant, Glencore, which purchases all the nickel concentrate produced at Trojan Mine. However, benefits of the smelter project can only be realised if nickel prices improve and adequate concentrates are available to meet the capacity of the smelter. When fully operational, the smelter capacity is at 160,000 tonnes per annum. The company earlier on indicated that in order to maximise efficiency, it would only be viable to operate the smelter when nickel prices are above $12,000 per tonne.

The original plan worked on a nickel price of $16,250 per tonne. Operating the smelter will require significant, additional, costly power supplies and the overall operating cost has a major bearing upon it coming into operation. However, the dilemma of BNC is the nickel price outlook which is rather a bit disappointing, with global nickel prices expected to fall to around $10,500 per tonne this year from around $10,700 per tonne in the prior year and then recover to $11,288 per tonne in 2018. This implies that BNC is most likely to achieve a nickel price of $6,503 per tonne in FY18 and $7,337 per tonne in FY19 after Glencore charges. Additionally, the output at Trojan Mine is not enough to meet the capacity of the smelter and management will have to look for third party tolling arrangements in order to increase the throughput. On average, nickel in concentrate produced at Trojan mine was 6,929 tonnes per annum over the last 4 years. Meanwhile the Trojan Shaft re-deepening project is ongoing, with the company exploring ways to mitigate its impact on production. On completion, it would extend the life of the mine by about 5 years and allow access to drill for ore reserves beyond 45/0 Level from the current 35/0 and potentially provide higher grades in advance of the smelter restart. Total expenditure since the start of the Trojan Shaft re-deepening project has reached $14 million and is expected to be partly commissioned during the 2017/18 financial year. As such, financial benefits of the smelter will not be realised in the medium term given that the start of production at the smelter, once completed, will depend on the nickel price as well as the availability of additional concentrates from third parties. To counter low nickel prices, the company's management have indicated that they will continue with their mining plan of targeting higher grade massives which in turn has the effect of lowering costs. Its intent is to keep costs below $5,000 per tonne.

In the long-term however, the company would need to accelerate the process to raise funds needed to begin mining at the Hunters Road mine which is considered the future of the business, with further exploration drilling expected to start this year. BNC's strategy and its financial performance, will to a larger extend, dependent on global nickel price. The company closed the year with a bank overdraft of $7,13 million, a negative cash position which is most likely to remain due to depressed nickel prices. In its full year ended March 31, the company recorded a 7 percent increase in revenue to $45,1 million from $42,3 million in the prior year, on increased production and sales volumes despite a fall in nickel prices. However, after tax profit declined to $609,961 from $649,070 recorded in the previous year owing to a $4,3 million impairment on the refinery. Without the impairment profit after tax would have been $4,9 million. BNC is most likely to remain profitable on cost containment measures and improved throughput following the completion of the Trojan reshaft project, but the volatility of nickel prices and no benefits from the smelter will continue to undermine its potential. *(The Source)*

Zimre Holdings Limited's investment vehicle, Stalap Investment on Thursday made a mandatory offer to all CFI Holding Limited minority shareholders at 22 cents per share after clearance from the Zimbabwe Stock Exchange (ZSE) listing committee. CFI announced in March this year that Stalap owned a 41 percent stake in the company after purchasing 13,6 million shares, representing 12,9 percent of its total issued share capital. According to ZSE listing rules, a company which has acquired a shareholding exceeding 35 percent should make a mandatory offer to minority shareholders of the acquired listed company but the ZSE had previously noted that Messina Investments, owned by British tycoon, Nicholas van Hoogstraten's shareholding had passed the 35 percent threshold and would also be required to make an offer. Stalap was established solely as an investment holding company for CFI shares owned by Zimre Holdings and its affiliates. Zimre Holdings and its wholly owned subsidiary, Baobab Reinsurance have a shareholding of 34,28 percent apiece in Stalap, while the National Social Security Authority (NSSA) holds the remaining 31,24 percent. Stalap does not intent to delist CFI post the mandatory offer. "Stalap intents to maintain the ZSE listing of the Company subject to meeting all ZSE Listing Requirements . Post the mandatory offer, if CFI Holdings Limited is in breach of any ZSE Listing Requirements the Company will engage the ZSE Listing Committee for guidance and compliance," CFI said in a circular to shareholders on Thursday. Additionally, Stalap will use its own funds to pay all CFI minority shareholders who accept the offer. "A letter of commitment has been provided by Stalap's principal bankers confirming the holding of deposit funds of $14 million which is sufficient to meet the total possible value of mandatory offer," read the circular.

CFI shares closed at 18 cents on Wednesday, implying the offer is made at a 22,2 percent premium based on the current price. At an offer price of 22 cents, Stalap requires approximately $13,8 million to buy all CFI minority shareholders. The offer values CFI at $23,4 million.
The mandatory offer opens on July 17 and closes on August 4. The agro-industrial group intends to undertake a recapitalisation of the group in the short to medium term to revive its businesses, Crest Poultry group and Victoria Foods, that were put under judicial management in 2016. CFI in May said it was planning to raise capital by way of a rights issue. In the half year to March 31, CFI Holdings reported that it had narrowed its after-tax loss to $272,784 from a $6,1 million loss incurred in the prior half year-end, supported by the improved performance of its Farm and City unit. Revenue increased by 30 percent to $24,9 million from $19,1 million recorded in the previous year. Other major shareholders of CFI group as at June 27,2017 were Messina investment , EFE Securities Nominees and Willoughby's consolidated limited with 18,7 percent, 11,6 percent and 3,9 percent respectively. *(Source)*

Masawara Plc, an investment holding company focused on acquiring interests in Zimbabwe and the southern African region, overturned an after tax loss of $4.7 million in 2015 to achieve an after tax profit of $58,000 in 2016. According to its financial results for the year ended 31 December 2016, Masawara said throughout the year, it faced continuing headwinds in its core markets, particularly the steadily worsening liquidity conditions within Zimbabwe. The group's asset portfolio spans from insurance, agro-chemical and hospitality sectors across sub-Saharan Africa. It has significant interest in Joina City, a premium, multi-purpose property, located in Harare's Central Business District, a non-controlling interest in Telerix Communications and iWayAfrica Zimbabwe, a broadband internet service provider. All its insuranceunits, except for Lion Assurance Company (Uganda), registered a growth in gross written premiums, with all companies achieving underwriting profits. The insurance segment includes Botswana Insurance Company Limited, Lion Assurance Company (Uganda), Zimnat Lion Insurance Company Limited (Zimbabwe), Zimnat Life Assurance Company (Zimbabwe) and Grande Reinsurance Company (Zimbabwe). Hotels in Zimbabwe experienced increased levels of competition which resulted in lower profit being recorded for the current year as pressure was placed on both occupancy levels and rates.

Regional hotels recorded an increase in profitability compared to the prior year in local currency, as a result of an increase in revenue. Construction of a new hotel in Maun, Botswana that began during 2015 was completed in 2017. Sable Chemicals, a subsidiary the group in which it holds a 50,6 percent shareholding, commenced production under the full importation model in November 2016 reported a loss after tax of $4.7 million compared to $2 million in the prior year. Joina City did not make any payments to the shareholders as a decision was taken to reinvest resources into refurbishing parts of the building. Despite the decline in occupancy, revenue increased by three percent due to a change in the retail anchor tenant, while the office section occupancies continue to be a challenge, as some companies chose to move out of the city centre. Management expects a similar trend to obtain going forward. *(Source)*

Economic News

Zimbabwe's budget deficit will increase by nearly $120 million this year due to a maize subsidy, Reuters calculations show, in a scheme critics of President Robert Mugabe say will be open to abuse and saddle a troubled economy with more debt. Facing an election in 2018, Mugabe says the subsidy will make Zimbabwe self-sufficient in the grain and help struggling farmers. Mugabe's government announced the scheme last year as part of a 'Command Agriculture' drive, saying it would pay farmers $390 a tonne for maize this harvest to encourage farmers to plant. Nearly 70 percent of Zimbabwe's population is rural-based and survives on agriculture. The government has not said what it will do with the maize it has bought - essentially who it will sell to and for how much. That information is needed to work out how much the scheme will cost the government. However, the Grain Millers Association of Zimbabwe, a grouping of the 100 biggest private millers, has agreed to buy 800,000 tonnes of maize from the state for $194 million this season, or $242.50 a tonne, its chairman, Tafadzwa Musarara, told Reuters. At this price, the government would lose $147.50 for every tonne it buys from farmers and sells to these private millers, totalling $118 million, according to Reuters calculations. Finance Minister Patrick Chinamasa did not respond to Reuters requests for comment on the subsidy calculations. The final cost could be much higher if the government buys more grain, with the southern African nation forecast to grow 2.1 million tonnes of maize this year, financial analysts said.

Mugabe, 93, and who has been in power since independence from Britain in 1980, has personally defended the maize subsidy but the World Bank says paying above the market rate is not the answer. "Government intervention is both expensive and inefficient, especially the use of price support, as floor prices are set far higher than import-competing prices," it said in its latest Zimbabwe report published in June. An International Monetary Fund source, who declined to be named, said the subsidy would be difficult to monitor, funds could be funnelled to political interests and crops could be smuggled across borders. The 'Command Agriculture' drive includes farmers receiving seed, fertiliser and chemicals with the proviso that they sell part of their crop to the state as repayment. Mugabe says the policy is the reason for Zimbabwe forecasting a maize harvest of 2.1 million tonnes this year, enough to meet local demand for the first time in 16 years. The IMF source and an agriculture expert at a Western aid agency said the forecast was more to do with heavy rainfall. Neighbouring countries have also had bumper crops this season. Zimbabwe has since 2001 relied on imports and foreign donors to meet demand for maize.

Drought, lack of financing and Mugabe's seizures of land from white farmers that hit commercial agriculture were blamed for low grain production over the years. Zimbabwe has banned grain imports to protect local farmers, just one year after a devastating drought left more than four million people in need of food aid. *(Reuters)*

Zimbabwe is yet to reach a deal with the World Bank and other foreign lenders over clearing arrears and implementing reforms, the International Monetary Fund said, warning that reliance on raising money domestically could further fan inflation. President Robert Mugabe's government has not received foreign funding since it started defaulting on its external debt in 1999 and is relying on domestic borrowing and taxes to fund its national budget. The IMF said in a statement on Friday after a meeting of its executive board this week that although Harare cleared its arrears with the fund last year, talks with the World Bank and other multilateral lenders faced delays. "It (Zimbabwe) is yet to reach agreement with the World Bank and other multilateral institutions on the settlement of arrears, and undertake reforms that would facilitate resolution of arrears with bilateral creditors," the IMF said. The IMF also said Zimbabwe should not seek to clear its $1.75 billion foreign arrears through agreements that would worsen its debt situation. Zimbabwe's foreign debt stands at more than $7 billion, more than half of its GDP. The suggested reforms include slashing public sector wages, now at more than 90 percent of the national budget, reducing farm subsidies, improving transparency in the mining sector and reaching an agreement on the compensation of white farmers.

On April 27, Zimbabwean Finance Minister Patrick Chinamasa said the southern African nation had met all conditions to clear arrears to the World Bank and African Development Bank, paving the way for possible future funding from the IMF. But the IMF warned that Zimbabwe's borrowings from its central bank and domestic banks to plug its budget deficit was unsustainable, left the economy fragile, and had "significant potential for generating inflationary pressures". The IMF said in Friday's report that the government's domestic borrowing would fuel consumer prices, with annual inflation expected to rise to 7 percent by December from 0.75 percent in May, before entering double digits by end of 2018. The World Bank has forecast a 3.2 percent annual inflation rate in Zimbabwe at the end of this year, before accelerating sharply to 9.6 percent at the end of 2018. Although the IMF projected GDP of 2.8 percent this year, it said growth would slow to 0.98 percent in 2018. The government's domestic borrowing stands at more than $4 billion and is seen growing. "Should the authorities prove unable to restrain fiscal spending, or additional exogenous shocks arise, the status quo could prove very fragile," the IMF said. Shortages of foreign currency have forced banks to limit daily withdrawals since last year, while importers, including mining companies, have struggled to pay for their goods abroad. *(Reuters)*

INTERNATIONAL Monetary Fund (IMF) mission chief on Zimbabwe, Ana Lucia Coronel, has expressed concern that growth in bond notes discounts in the parallel sector would increase inflation, which will impact on the supply of certain goods and services. Speaking via satellite conferencing on Friday, Coronel said although the discounts have been relatively stale for some time, they have already caused an increase in inflation. “Even though the government has announced parity of one as one, there is a parallel market function and we have seen some different discounts for the bond notes and the real time gross settlement balances and even on the different bills that are used as a method of payment. These discounts have been relatively stale over time, but even so they have already caused an increase in inflation,” she said. “If the discounts go higher, because the government continues to have deficits and these deficits continue to be financed, this way, then it could be expected that the discounts will go higher. How higher is very hard to know, but what is clear is that higher discounts will have an impact on certain goods and services and, therefore, inflation could go up.” Coronel said there would be a need for limiting the sources of financing the deficit which requires going through fiscal adjustment. In the recently released IMF Article IV consultations on Zimbabwe, bond notes are trading at a 5 to 7% discount vis-à-vis the US dollar, and electronic balances reportedly exchange at a 15 to 20% discounts and continue to grow. The report found that combined with the trade controls, the bond notes discounts have led to an uptick in inflation, which has increased to a quarterly annualised rate of 3,4% in March 2017 (compared to 0,7% in December 2016). The fiscal adjustment that IMF recommended be changed, among others, was curtailing the monetary deficit financing, which could have a rapid and escalating impact on the price level.

IMF revealed during the Article IV consultations, Zimbabwe agreed that deficits at current levels could not be sustained, but brushed it aside as one-off shocks and the country's international isolation. "Fiscal deficits would continue at a higher than optimal level, which will still force some monetary financing, but the authorities, conscious of the risks of hyperinflation, will restrain the issuance of bond notes. The consequent rise in inflation would have an impact on real wages, thereby restraining the deficit-to-GDP (gross domestic product) ratio," the report said. "With an over appreciated real exchange rate, US dollars would become increasingly scarce or only be available at a premium." In such a situation, IMF predicted that the Reserve Bank of Zimbabwe would likely intensify administrative controls to try to enforce parity and ensure that the banking system continues to contribute to deficit financing. *(News Day)*

Loss-making Air Zimbabwe is cutting half of its 400 jobs as part of a restructuring plan meant to revive the ailing national carrier, Chairwoman Chipo Dyanda said on Wednesday. Like most state-owned companies in the southern African country, Air Zimbabwe has been making losses for years due to mismanagement, high operating costs, old aircraft and equipment. Dyanda told Reuters that Air Zimbabwe would cut 200 jobs in its fourth round of lay-offs in eight years. "We were overstaffed by a lot and we are also trying to weed out people without the right qualifications," Dyanda said. "The retrenchment is meant to give space to the airline so that we can redeploy the money saved back into the company." Air Zimbabwe cut 300 jobs in August 2015 following cuts in 2009 and 2013, but has since rehired some of the workers. President Robert Mugabe's son-in-law Simba Chikore was appointed chief operating officer last October, drawing accusations of nepotism from the opposition and critics of the government. Dyanda said Air Zimbabwe required a ratio of 45 workers per aircraft. The airline currently flies four planes, which has forced Mugabe to at times hire private jets for his foreign travels. "As part of the strategic plan, we would like to get more reliable planes and expand our routes," Dyanda said, without giving details. An official at Zimbabwe's Ministry of Transport said the airline, which has debts of more than $300 million, is looking to lease aircraft from Malaysia. *(Reuters)*

The Reserve Bank of Zimbabwe (RBZ) on Tuesday announced a major reduction in registration fees for setting up bureaux de change in the country, a move it says would eliminate illegal money changers. The majority of licensed money changers who previously operated shut down operations when Zimbabwe adopted use of multiple foreign currencies in 2009 as the United States dollar, which was the main reference currency for their business, was now officially used on the market. Since Zimbabwe introduced the bond note currency last November, street traders have dominated the market. The dealers manoeuvre the exchanges of the three mainly used currencies in the country, which are the US dollar, South African Rand and bond notes often at a 25 percent premium. The central bank says there is as a limited number of bureaux de changes operating in the country, even at ports of entry or exit. "In an effort to enhance ease of doing business and foster financial inclusion and the level of participation in the financial services sector, the RBZ is inviting individuals and institutions to register bureau de change," it said in a statement to announce the new fees. "Consistent with the initiatives towards improving ease of doing business, the bank has with immediate effect, reviewed the regulatory framework governing the operations of bureau de change to allow increased participation." To establish a head office, the RBZ has reduced the fees from $1,000 to $500 while renewal fees for the same went down to $250 from $800. For each branch, the Bureau has to pay a registration fee of $200, down from $400 and a renewal fee of $100, down from $200. For rural branches, the money changers will pay an initial fee of $50, down from $200 and a renewal fee of $50 down from $100. Zimbabwe has a love hate relationship with bureaux de change, which became part of the financial landscape under the financial liberalisation of the 1990s under the Economic Structural Adjustment Programme (ESAP). The government banned bureaux de change in November 2002, accusing them of fuelling illegal and the black market forex trade before lifting the ban after dollarisation. *(Source)*

Mobile based banking in April reached $792.5 million, an all time high as cash strapped Zimbabweans shift to digital platforms, recent report has shown. The southern African nation is in the grips of a an acute banknote shortage fuelled by a widening trade gap and declining production. A report on the country's banking sector by stockbroking and advisory firm IH Securities showed that traditional ATM transactions have fallen dramatically from $331.5million in January 2016 to $39.3 million in April 2017. "The use of mobile banking has been increasing over the months and went from $388.9mn in January 2016 to $792.5 million in April 2017. Because of the convenience of mobile banking, we expect this figure to continue to increase as banks continue to partner with telco providers to increase convenience to customers," reads the report. "Internet banking has also evolved in the last couple of years as it has also become a convenient way of banking". Card based transactions increased in the month of April to $506.14 million from $451 million in March 2017, but lower than $551.78 million that was recorded in December 2016 most likely driven by the festive season. Cash based transactions for the month of April 2017 were $459.61 million down from $703.3 million reported in April 2016, however up on December 2016 levels of $397.50 million. The report notes that Bond notes, a local currency introduced by the central bank last year to try alleviate the banknote shortage, have since also disappeared from circulation. As at April the Reserve Bank Of Zimbabwe (RBZ) had released $160 million worth of bond notes onto the market but the report says that "only $9 million was in commercial banks reflecting the scarcity of these notes even within the local banks". This has meant that commercial banks have not been able to give out bond notes in branch or at ATMs. *(Source)*

Zimbabwe's inflation rate is too low, and needs to increase to stimulate economic growth, central bank governor John Mangudya has said. The central bank is also looking to increase the $200 million Afreximbank facility backing its bond note currency introduced last year to address a severe banknote shortage. The notes trade at par to the US dollar and $160 million have been disbursed so far, but a local brokerage firm, IH Securities noted that only $9 million in bond notes were held by the banks as of April this year. Zimbabwe remains in the throes of a cash shortage, and Mangudya's comments will stoke fears of a return to hyperinflation. Inflation reached 500 billion percent in 2008, leading the country to dump its Zimbabwe dollar for mainly the United States dollar. The southern African nation is only starting to come out of deflation since February 2014 but Import controls and tight liquidity in the country have this year seen inflation edge from -0.65 in January to 0.75 percent in March. Last week in a report the International Monetary Fund (IMF) said inflation would increase to 7 percent by year end while the World Bank forecast is 3.2 percent by end of the year, before accelerating to 9.6 percent at the end of 2018. "As central bank governors in the region we have agreed that the range of conversion should be between 3 and 7 percent. If you are below that you can not grow…we are still within the SADC benchmark …in fact we are still below the range which allows you to grow," said Mangudya on Wednesday at a business symposium organised by the University of Zimbabwe. "Other countries such as Angola and Tanzania have higher rates of inflation but they are still growing….our situation is unique. They can print local currency to finance their deficit but we cannot. Our deficit has to be financed by foreign currency." Government has often resorted to borrowing from the domestic market to finance its fiscal deficit which amounted to $1,4 billion last year. (*The Source)*

Zimbabwe's state net revenues amounted to $1,7 billion in the half year to June 30, 2,72 percent above target and 9,74 percent higher than the comparable period last year, the tax agency said on Thursday. Zimbabwe Revenue Authority (ZIMRA) chairperson, Willia Bonyongwe said gross collections for the first half stood at $1,789 billion , 8,05 percent above the target of $1,656 billion. The bulk of the revenue was realised from individual tax, which contributed 20 percent to total gross collections. The tax band however decreased by 2,35 percent to $347,4 million in the period under review from $355,77 million collected in the comparable period last year. "Salary cuts, retrenchments and irregular salary payments by some companies continue to affect the performance of this revenue head," said Bonyongwe. Excise duty accounted for 17,8 percent of gross collections while net VAT on local sales and VAT on imports contributed 18 percent and 10,5 percent respectively. The growth in excise duty is attributed to increased import volumes of diesel to 394,56 million litres from 374,18 million litres in the same period last year. However, petrol imports declined by 4,62 percent to 208,74 million litres due to smuggling and under-declaring of volumes imported. VAT on imports increased by 10,94 percent to $188,6 million from $170 million collected in the same period last year on increased imports of VAT paying goods, in an effort to recapitalize local industry and complement production on the local market, Bonyongwe said. VAT on local sales grew 13,74 percent to $323,85 million, driven by the introduction of 10 percent VAT withholding tax with effect from April 1.

Mining royalties brought in $34,27 million against a target of $27,9 million attributed to the firming up of metal prices on the global market and increase in production of platinum and gold in the period under analysis. Corporate tax increased by 47,9 percent to $214,27 million in the first half from $144,87 million recorded in the comparable period last year, attributed to profitability in the financial sector and the use of electronic payments which makes it difficult for companies to invade tax. Customs duty declined by 3,04 percent from $135,41 million in the first half last year to $139,53 million. Bonyongwe said tax debt rose 16,85 percent to $3,12 billion from an opening debt of $2,67 billion in January 2017. "The GDP growth rate was revised to 3,7 percent and hence the projected revenue target is now $3,4 billion for 2017," said Bonyongwe. The tax agency said Zimbabwe revenue collection has the potential to reach $6 billion. "With this level of economic performance and all state-of-the-art cars being driven around Zimbabwe, all construction going on etc, the revenue collected could easily increase to $6 billion if everyone complies," she added. (The Source)

Tourist arrivals in Zimbabwe shot up six percent to 479,718 in the first quarter of 2017 compared to the same period last year buoyed by a five percent increase in visitors from mainland Africa, the Zimbabwe Tourism Authority has said. Between January and March last year, 450,572 tourists visited the country. "Arrivals from mainland Africa registered 400,290 foreign tourist arrivals up from 380,790 in 2016 representing a 5 percent increase. The region continues to command the bulk of arrivals (84 percent) into Zimbabwe. The stagnation of arrivals from South Africa, the country's major market is of major concern as the market is Zimbabwe's major market," said ZTA in its 2017 first quarter tourism performance report. Arrivals from Oceania were up 26 percent to 5,840 though it accounts for only one percent of the market share. Visitors from Europe rose by 29 percent to 35,381 from 27,433, with increases in most major markets including United Kingdom (132 percent), France (76 percent) and Germany (8 percent). "The increase in European arrivals is a positive development considering the fact that this region closed with an 18 percent decline in 2016. The European market share stood at 7 percent and is second only to Africa, thus Europe, remains as the greatest overseas market for the country," said ZTA. Tourist arrivals from the Asian market declined by 4 percent from 14,004 to 13,385. The Americas contributed 23,297 arrivals, three percent up from 22,620 during the comparable period last year. Meanwhile, the ZTA said average hotel room occupancy rate increased from 36 percent in 2016 to 38 percent. Zimbabwe received 2.1 million tourists the whole of 2016, earning the country $890 million. *(The Source)*

Auction floor sales for the 2017 tobacco selling season declined by 3,23 percent to $508,56 million as at July 5, 2017, from $525,5 million recorded in the comparable period last year on lower sales volumes, statistics from Tobacco Marketing Board (TMB) show. About 172,47 million kilogrammes of tobacco had been sold on the tobacco auction floors in the period under review, a 3,64 percent decline from 178,98 million kg of tobacco sold during the same period in 2016. Prices are slightly higher at an average of $2,95/kg, relative to $2,94/kg in the comparable period last year. The number of bales sold fell to 2,17 million from 2,23 million sold in the corresponding period last year while the bale rejection rate improved to 5,97 percent relative to 7,29 percent in the comparable period in 2016. The golden leaf is Zimbabwe's biggest export earner, earning the country a total of $266,6 million as at July 6, 2017 compared to $270,9 million earned in the comparable period last year. In terms of exports, China is the largest buyer of the golden leaf, after the Asian country bought tobacco worth $114,58 million. Other primary markets are South Africa and Indonesia. Zimbabwe anticipates sales of 202 million kg of tobacco during the 2016/17 selling season, lower than the peak of 260 million kilogrammes achieved in 1998. *(The Source)*

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