SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

**PAN-AFRICA**

# WEEKLY AFRICAN FOOTPRINT

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

**TRADING**

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


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


## AFRICA STOCK EXCHANGE PERFORMANCE

| | | | | WTD % Change | | | YTD % Change | |
|---|---|---|---|---|---|---|---|---|
| Country | Index | 13-May-16 | 20-May-16 | Local | USD | 31-Dec-15 | Local | USD |
| Botswana | DCI | 10226.97 | 10190.08 | -0.36% | -3.28% | 10602.32 | -3.89% | -4.63% |
| Egypt | CASE 30 | 7520.52 | 7499.49 | -0.28% | -0.27% | 7006.01 | 7.04% | -5.66% |
| Ghana | GSE Comp Index | 1788.97 | 1777.05 | -0.67% | -1.07% | 1994.00 | -10.88% | -11.56% |
| Ivory Coast | BRVM Composite | 308.94 | 314.54 | 1.81% | 0.38% | 303.93 | 3.49% | 6.58% |
| Kenya | NSE 20 | 3927.69 | 3890.85 | -0.94% | -1.18% | 4040.75 | -3.71% | -2.34% |
| Malawi | Malawi All Share | 12514.20 | 12477.55 | -0.29% | -1.01% | 14562.53 | -14.32% | -19.02% |
| Mauritius | SEMDEX | 1776.64 | 1759.79 | -0.95% | -1.39% | 1,811.07 | -2.83% | -0.44% |
| | SEM 10 | 342.26 | 337.76 | -1.31% | -1.75% | 346.35 | -2.48% | -0.08% |
| Namibia | Overall Index | 930.88 | 956.75 | 2.78% | -2.60% | 865.49 | 10.54% | 7.36% |
| Nigeria | Nigeria All Share | 26441.03 | 27129.41 | 2.60% | 2.78% | 28,642.25 | -5.28% | -5.60% |
| Swaziland | All Share | 357.65 | 357.65 | 0.00% | -5.23% | 327.25 | 9.29% | 6.14% |
| Tanzania | TSI | 3948.78 | 3965.32 | 0.42% | 0.05% | 4478.13 | -11.45% | -12.84% |
| Zambia | LUSE All Share | 4964.88 | 5000.36 | 0.71% | -1.54% | 5734.68 | -12.80% | -5.58% |
| Zimbabwe | Industrial Index | 107.59 | 105.80 | -1.66% | -1.66% | 114.85 | -7.88% | -7.88% |
| | Mining Index | 21.55 | 25.19 | 16.89% | 16.89% | 23.70 | 6.29% | 6.29% |

## CURRENCIES

| Cur-rency | 13-May-16 Close | 20-May-16 Close | WTD % Change | YTD % Change |
|---|---|---|---|---|
| BWP | 10.80 | 11.13 | 3.01 | - 0.77 |
| EGP | 8.86 | 8.86 | - 0.01 | - 11.87 |
| GHS | 3.82 | 3.84 | 0.41 | - 0.77 |
| CFA | 574.68 | 582.90 | 1.43 | 2.98 |
| KES | 98.87 | 99.11 | 0.24 | 1.42 |
| MWK | 675.52 | 680.39 | 0.72 | - 5.49 |
| MUR | 33.71 | 33.86 | 0.45 | 2.46 |
| NAD | 15.03 | 15.86 | 5.52 | - 2.89 |
| NGN | 198.28 | 197.95 | - 0.17 | - 0.33 |
| SZL | 15.03 | 15.86 | 5.52 | - 2.89 |
| TZS | 2,141.87 | 2,149.66 | 0.36 | - 1.57 |
| ZMW | 9.88 | 10.11 | 2.29 | 8.28 |

SECURITIES AFRICA

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## Botswana

### Corporate News

*No Corporate News This Week*

### Economic News

**Botswana's consumer inflation slowed to 2.8 percent year-on-year in April from 3 percent in March, data from the statistics office showed on Monday.** On a month-on-month basis, prices rose to 0.9 percent in April compared to 0.3 percent in the previous month, Statistics Botswana said in a statement. *(Reuters)*

**Botswana has given the go-ahead for what would be its first uranium mine with a capital expenditure of $351 million, Australian firm A-Cap Resources said on Wednesday, after passing an environmental impact assessment.** The southern African nation is estimated to hold around 1.04 billion tonnes of uranium reserves, and its government has issued several prospecting licenses in the last decade although no production has taken place. The approval will help A-Cap Resources secure a mining licence, its CEO Paul Thomson said in a statement. A-Cap Resources submitted an application for a mining licence in August 2015 with plans for an open pit mine that had a lifespan of more than 18 years. *(Reuters)*

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## Egypt

### Corporate News

**Commercial International Bank (CIB), Egypt's largest-listed company, reported a 17-percent rise in first-quarter net profit helped by improved interest margins.** Net profit rose to 1.29 billion Egyptian pounds for the three months to March 31 from 1.1 billion a year earlier, it said in a statement to the bourse on Sunday. Revenue rose 4 percent to 2.63 billion pounds while standalone deposits increased by 9 percent to 169 billion pounds. "Key business metrics improved in the face of large moves in interest and currency exchange rates," the bank said, noting a year-end 50-basis-point rate hike had helped raise EGP net interest margins to over 7.3 percent. CIB is in the process of selling investment banking arm CI Capital to Beltone Financial and has approved a further two-week extension for the offer. The offer will now expire on May 26, it said in a statement on Sunday. In February, CIB signed a deal to sell CI Capital to Beltone, a unit of billionaire Naguib Sawiris' Orascom Telecom, for 924 million pounds but the deal has stalled pending regulator approvals. CIB said its standalone net interest margin was 5.81 percent, generating income of 2.27 billion pounds. Its standalone gross loan portfolio was 67.3 billion pounds, up 4.4 billion. Standalone non-performing loans represented 4.68 percent of the gross loan portfolio. *(Reuters)*

**Pioneers Holding, one of Egypt's largest financial services firms, plans to invest 1.7 billion Egyptian pounds ($191.44 million) in Egypt this year, Chairman Walid Zaki said in a statement on Sunday.** It plans acquisitions and capital increases in its subsidiaries, Zaki was quoted as saying in the statement. The company is not looking to expand out of Egypt for the time being, he said. Pioneers has invested more than 3.6 billion pounds over the past three years in Egypt's food and industry and real estate sectors and is looking to expand further in those sectors. The firm also plans to complete a 2 billion pound initial public offering of property developer Rooya Group in the second half of this year. Zaki said the timing for the offering would be determined after completing legal procedures. *(Reuters)*

**The board of Egypt's Beltone Financial has agreed to a one billion Egyptian pound ($112.6 million) capital increase, Osama Rashad, head of investor relations, told Reuters on Tuesday.** The increase, which will raise the firm's capital to around 1.34 billion pounds, will come in the form of a public offering to existing shareholders and aims to expand the company's operations both inside and outside of Egypt, the official said. Rashad said the offering would be made at the nominal value of two pounds per share for the existing shareholders. Beltone is in the process of acquiring investment bank CI Capital from Egypt's Commercial International bank CIB. On Sunday CIB approved a two-week extension for Beltone's offer which will now expire on May 26. *(Reuters)*

### Economic News

**The yield on Egypt's three-month treasury bill eased at an auction on Sunday while the yield on the nine-month treasury bill rose, central bank data showed.** The average yield on Egypt's 91-day bill fell to 12.836 percent from 12.839 percent at the last sale on May 8. The yield on the 273-day bill rose to 13.981 percent from 13.959 percent at a similar auction a week ago. *(Reuters)*

**Egypt has purchased 2.67 million tonnes of local wheat since the start of the domestic harvest on April 15, the agriculture ministry said on Sunday.** Egypt, the world's largest wheat importer, plans to buy 4 million tonnes of Egyptian wheat in the 2016 season. The pace of procurement has accelerated since a government decision to open additional storage spaces, an agriculture ministry statement said. *(Reuters)*

**Egypt has imposed a 900 Egyptian pound ($101.35) per tonne tax on exported sugar effective until the end of the year.** The decision was published in Egypt's legal journal and came into effect on Wednesday. Egypt cancelled a temporary tariff levied on sugar imports in February after completing an investigation into possible dumping of the commodity. It had imposed the 20 percent tariff in 2015 for 200 days following a filing to the World Trade Organization to safeguard domestic producers from a damaging surge in imports. Egypt consumes around 3.2 million tonnes of sugar annually but produces just over 2 million tonnes. *(Reuters)*

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## Ghana

### Corporate News

*No Corporate News This Week*

### Economic News

**Ghana's central bank kept its benchmark interest rate unchanged for a third straight meeting as the cedi stabilized and inflation eased.** The Bank of Ghana held the rate at 26 percent, Governor Abdul Nashiru Issahaku, who chaired the first meeting since replacing Kofi Wampah last month, told reporters in Accra, the capital. The decision was in line with the forecast of all eight economists in a Bloomberg survey. "The committee views the risks to inflation and growth as balanced," Issahaku said on Monday. The monetary policy committee sees "the current monetary policy stance as appropriate since inflation levels remain above the medium-term target band." The MPC is ready to "take further policy actions, if necessary," he said. The cedi is down 1.5 percent against the dollar since January, after dropping 14 percent last year. A weaker currency has been a contributor to inflation, which slowed to 18.7 percent in April compared with a record 19.2 percent the month before. "There will be moves toward loosening monetary policy over the course of this year but they are sort of doing that in a gradual way," John Ashbourne, an Africa economist at Capital Economics Ltd. in London, said by phone.

Capital Economics expects the rate will be lowered to 24 percent by the end of this year, he said. The West African nation, which agreed to an International Monetary Fund credit program last April, met most of the end-December targets set under the scheme, the Washington-based lender's mission to Ghana said May 11. The government of President John Dramani Mahama opted for the almost $1 billion program to help finance chronically large budget deficits and limit declines in the currency. Ghana's economy will probably expand 4.5 percent this year, according to the IMF, after growing 3.9 percent in 2015, the slowest pace in two decades. The Bank of Ghana is expected to maintain a policy stance "that will bring down inflation," Joel Toujas-Bernate, head of the IMF's mission to Ghana, said in an interview last week. The cedi gained 1.1 percent to 3.82 per dollar as of 3:05 p.m. in Accra. *(Bloomberg)*

**By the close of 2015, statistics indicated that Ghana had 35,283,957 telephone subscribers, which represented a teledensity of 129.63 per cent.** Dr Edward Omane Boamah, Minister of Communications has noted who made the information known said mobile data subscribers, as of December 2015 stood at 18,031,188, representing 65.74 per cent. This, he said, provides a big platform for innovative and creative mobile applications to enhance peoples' daily lives. Dr Boamah was speaking at this year's World telecommunication Day celebration in Accra on a local theme: "Addressing Challenges of the Communications Industry to Promote Growth and Development: Focus on Domestic Roaming and OTT Services." The global theme is: "ICT Entrepreneurship for Social Impact." He said the completion of the Eastern Corridor Fibre Optic network is complementing the in-land fibre stock in the country to improve communications services. "We are also constructing 120 LTE sites to enhance public service delivery. To further improve universal access and bridge the digital divide, the Ministry has constructed 21 enhanced Community Information Centres across the 10 regions of Ghana amongst them are: Battor, Kpetoe, Techiman Krobo, Twifo Atti-Morkwa, Bodi, Effiduase, Bekwai, Gambaga, Welembelle, and Lassia-Tuolu. "The Ministry has also refurbished the old Public Works Department Warehouse into a first class Business Process Outsourcing Centre which will generate 10,000 direct and indirect jobs in due course. The BPO Centre will be inaugurated by President Mahama in the coming weeks, he announced." The Minister said those strategic projects contribute to the use of ICT products and services offered by the Telecom Industry. He commended the private players, all its affiliate bodies and civil society organisations that operate in the industry for their massive investments and contributions to the growth of the sector which is driving a number of aspects of the national life. "We have common but differentiated responsibilities. We acknowledge you as worthy partners notwithstanding the fact that we may disagree at certain times.

Such disagreements must be viewed within the context of the importance of frictional forces- which are major factors for systems and objects to move, "he said. Dr Boamah said the Telecom industry is moving at a faster pace to respond to the increasing demands of the country and the world as a result of technological advancement including the convergence of telecoms and broadcasting. "Talking about broadcasting, as you are aware, Ghana is migrating from analogue television to digital terrestrial television broadcasting and this has freed spectrum needed for improved Telecom services. The freed spectrum is available and we encourage you to take advantage of it."Already MTN has shown the way and has assured that in the next few months they will be deploying services within the 800MHz domain. We cannot wait to experience this revolution. This revolution also aligns with President Mahama's vision to ensure significant local content in the industry and we are working to achieve this. "You would realise that the global theme for the celebration has been expanded to address some specific concerns of the Ghanaian industry. The discussions today will border on ways to develop our industry to create the enabling environment for nurturing entrepreneurs in Ghana. The Minister said ICT plays a large role in our day-to-day lives and addresses challenges facing Ghanaians in general. Dr Boamah said the growth of mobile money has motivated change in the business model of most financial institutions in the country and has ultimately led to jobs in most areas across the country. He announced that the government is working with the private sector to develop budding entrepreneurs in the ICT sector for Ghana's transformation. "We are also working to develop competitive business hubs, with the view to extend them to all areas in Ghana. This vision calls for uninterrupted connectivity and network in all areas of the country," he added. On the forthcoming elections, the Minister said: "During this period leading up to elections let us all pursue a peaceful environment where our aspirations and businesses would grow and also use our telecommunication channels/ cyberspace effectively and safely to support Ghana's continued democratic journey." *(Ghana Web)*

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## Kenya

### Corporate News

**Kenya's sugar industry registered a record production last year, with factory output rising by six per cent compared to 2014.** Data from the Kenya Bureau of Statistics (KNBS) shows that production hit 632,000 tonnes from 592,000 tonnes the previous year, making it the highest production in Kenya's sugar history. At the same time, sugar imports grew by 29 per cent in the same period as high demand for industrial sweeteners pushed up the volumes of the product. According to statistics from the Agriculture Fisheries and Food Authority (Affa), industrial sugar imports grew by 14 per cent to 147,000 tonnes in 2015 from 129,000 the previous year. Head of Sugar Directorate Andrew Osodo said high production was as a result of investments in the sector. "We have carried out massive investments in the sugar sector in Kenya to spur productivity and this is one of the reasons there has been a significant growth in production," said Mr Osodo. He said the directorate had developed early maturing sugarcane that now takes less time to mature (12 months) as well as offering sugar millers loans at affordable rates to supply farm inputs to producers.

Kenya does not produce industrial sugar and relies on imports to meet demand, with the figure standing at over 100,000 tonnes in the past five years. Industrial sugar is used in manufacturing of beverages such as soft drinks, confectioneries and chocolates. East African ministers last year licensed 17 more Kenyan firms to import 117,500 tonnes of industrial sugar under preferential terms, running up to August this year, in the wake of rising demand for beverages and confectioneries. In April 2015, other local firms were granted permission to import 30,500 tonnes of the sweetener under preferential terms over a one year period. The biggest beneficiaries were Kenafric Industries, Nairobi Bottlers and Kenya Breweries, who were allowed to ship in 29,000, 26,000 and 20,000 tonnes of industrial sugar respectively. *(Nation)*

**Farmers selling tobacco leaves to British American Tobacco (BAT) will not get a pay increment for their produce just yet. This is despite the cigarette manufacturer announcing a 17 per cent jump in profit before tax to Sh7.1 billion.** BAT, which controls 70 per cent of the Kenyan cigarette market, said its current focus is improving the quality of farmers' yields. "What we do is we meet our farmers before the planting season and give them inputs like fertiliser, seedlings and thorough training and technical expertise .... We want now to check on new ways to improve the quality of their crop, which eventually will lead to higher pay," Managing Director Keith Gretton said. The MD added that his firm also helps farmers with crop insurance and gives them maize seeds to plant after harvesting tobacco. He said BAT paid farmers Sh1.24 billion last year, up from Sh700 million in 2011. *(Standard Media)*

**Technology firm, Copy Cat Group, is considering listing on the Nairobi Securities Exchange (NSE) to spread ownership to other Kenyans. The company's newly appointed Managing Director Vishal Patel said the Copy Cat board would sit and deliberate on the proposal by ICT Cabinet Secretary Joe Mucheru during the Group's 30th anniversary celebrations.** Mr Mucheru said ICT companies are growing fast and transforming Kenya's economy and should thus spread ownership to the public. "Listing will also allow Copy Cat to discover its worth and its owners to unlock the value of their investment," Mr Mucheru said. He said the management should give Kenyans a chance to share in the success of the company, which started operations in 1985 as an office machines vendor but has transformed into a full-fledged ICT company providing both hardware and software solutions. He said ICT companies are primed for growth, noting that studies show 70 per cent of the skills that will be required in the labour market will be technology based. Mr Patel said he will present the matter to the board to give the way forward. "It's an interesting proposition. He actually caught us by surprise," he said. "But we will consider it since listing comes with a lot of gains for the company and staff." During the celebration, Copy Cat underwent a milestone when the founding Managing Director, Nazir Noordin, handed over the company's leadership to Mr Patel. The company was founded in 1984 by Noordin and his partner Rajoo Patel who were both working for the same organisation in different departments. Mr Noordin said the company, which in 1994 entered Tanzania market by acquiring Business Machines Tanzania Ltd, is expanding to other regional markets with a presence Uganda and Rwandan market. "East Africa is an exciting place to be as a technology company," he said. "The region is quick to embrace technology, with Kenya being a global leader. The contribution of ICT to GDP is growing and we are ready to be part of this growth." *(Standard Media)*

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**A parliamentary committee meets tomorrow to draw up a schedule of when top Safaricom executives, suppliers and contractors will appear before lawmakers to shed light on allegations of multi-billion shilling tendering irregularities at the listed telco.** National Assembly Finance, Planning and Trade committee chairman Benjamin Lagat said members would draw up a calendar to summon all those named in a forensic audit by KPMG, which tracked 23 questionable deals at the firm. The parliamentary team is racing to beat a 60-day deadline given by Speaker Justin Muturi a fortnight ago to probe the tender dealings at Safaricom and report back to the House with findings and recommendations. "We're meeting on Thursday to draw up a schedule and then begin hearings," said Mr Lagat in an interview. Mr Michael Ngugi, a Nairobi-based businessman, has petitioned the National Assembly to investigate procurement-related scandals at Safaricom, where Treasury directly holds a 35 per cent stake. Safaricom is also 40 per cent owned by British telecoms operator Vodafone. The House argues that while the issues raised can be dealt with by courts of law or the procurement watchdog, the Constitution charges lawmakers with the responsibility to guard public interest.

"Article 95(2) which provides that the National Assembly deliberates on and resolves issues of concern to the people, obligates the House to also attempt to address such matters, with a view to resolving them," said Mr Muturi. The KPMG report reviewed dubious tenders at Safaricom dating from September 2013 to August 2015, cumulatively worth Sh289.4 billion. Safaricom chief financial officer John Tombleson alongside four other senior executives are said to have influenced the purchase of a Sh1.15 billion five-acre piece of land at Garden City where the telco plans to build its headquarters. The KPMG auditors also raised queries relating to payments worth Sh1.2 billion to seven firms to carry out marketing activities to promote Safaricom's brand and products. Other tenders probed by KPMG are the procurement of corporate promotional merchandise totalling Sh201 million from Vajas Manufacturers Ltd, Huawei's $12.5 million contract to upgrade the M-Pesa platform, and payments amounting to Sh1.2 billion to Scanad, the creative arm of WPP Scangroup. *(Nation)*

**The Co-operative Bank of Kenya posted a 10 percent increase in its pretax profit for the first quarter to 4.94 billion shillings ($48.98 million), it said on Wednesday.** Its interest income rose by a quarter to 8.3 billion shillings as loans grew, said the lender, which also operates in South Sudan. It said it would seek joint ventures to be able to operate in other countries such as Rwanda, Uganda, Tanzania and Ethiopia over the next five years. *(Reuters)*

**Kenya's Centum Investment has doubled its stake in Longhorn Publishers to 60 percent but it does not intend to make a takeover offer of the firm as required by law, it said on Friday.** Centum, which invests in a range of real estate, energy projects, listed and private firms, said it acquired 118.3 million ordinary shares of Longhorn during a just concluded cash call. Centum said it had applied to regulator Capital Markets Authority to be exempted from making a takeover offer for Longhorn in line with regulations. Longhorn specialises in publishing text books for schools. *(Reuters)*

**Kenya's biggest telecoms operator, Safaricom, said on Friday that a leaked draft report on its procurement processes did not show any wrongdoing.** Safaricom, which is 40 percent owned by Britain's Vodafone, had asked KPMG to study its procurement processes, seeking external expert views to help to strengthen compliance and internal governance. The Nairobi-based Business Daily newspaper reported on Tuesday that senior Safaricom executives were linked to questionable tenders worth billions of shillings between September 2013 to August 2015. The company acknowledged that the draft report, leaked to local media outlets this month, clearly indicated that improvements were needed in the way Safaricom awards supply contracts but said it had not pointed to any culpability within the firm. "There is absolutely no evidence that any individual or organisations benefited inappropriately from any of Safaricom's commercial agreements," it said in a statement. The draft report had been illegally obtained and leaked to the public, Safaricom said, adding that it had reported the matter to the Directorate of Criminal Investigations. *(Reuters)*

## Economic News

**Kenya, the world's biggest exporter of black tea, is considering removing some levies charged on its tea producers and traders to make the industry more competitive, the nation's agriculture ministry said.** The East African nation charges more than 35 taxes and duties at different stages of production and marketing, including a 16 percent value added tax and a 1 percent tariff, whose proceeds are used to fund the industry regulator. "We are willing to do any preventive measure to make sure tea producers are doing well," Ministry of Agriculture, Livestock and Fisheries Cabinet Secretary Willy Bett told reporters in Nairobi, the capital. "We are looking at the report presented by the task force and even going beyond their recommendations." Kenya produced 399.2 million kilograms of tea in 2015 and earned 125.2 billion shillings ($1.24 billion) from exports to destinations such as Pakistan, Egypt and the U.K. Large-scale producers are finding it more difficult to remain competitive because of expensive electricity and multiple taxation, the chief executive of the Kenya Tea Growers Association, Apollo Kiarie, said Monday. "We either break even or change to a different crop," he said. *(Bloomberg)*

**The weighted average yield on accepted bids at the auction of Kenya's two-year Treasury bond on Wednesday was 12.020 percent, compared with 15.760 percent at the last auction on Jan. 25, the central bank said.** The yield on a nine-year Treasury bond was 13.339 percent at the same sale, compared with 14.753 percent at the previous auction on Dec. 14. Bonds worth a total of 30.0 billion shillings ($297.18 million) were offered, while total bids received were worth 80.94 billion shillings. Bids worth 39.63 billion shillings were accepted. *(Reuters)*

**Stockbrokers at the Nairobi Securities Exchange (NSE) have up to six months to cede part of their equity in order to comply with new regulations from Treasury.** According to the new NSE Limited Shareholding Regulations that took effect last Friday, trading participants or simply stockbrokers will no longer be allowed to cumulatively hold more than 40 per cent of the bourse's equity. Already, NSE Chief Executive Officer Geoffrey Odundo has written to the current shareholders informing them of the changes. In the same regulations, a public company will not hold more than 10 per cent of the total equity. The shareholding of individual or private companies has also been capped at 5 per cent. "Any person holding equity shares in the exchange in excess of the limits specified at the commencement of these regulations shall reduce his shareholding within six months to ensure compliance or apply for exemption," directed CS Henry Rotich in a Gazette notice dated May 13. According to the NSE top 20 investors list as at the end of December 2014, CfC Stanbic Nominees Kenya Ltd was the highest shareholder with 14.199 million shares, being 7.3 per cent of the total shares. This was followed by the Government with 6.74 per cent (13.125 million shares), with each half being held by The Investor Compensation Fund and National Treasury Cabinet Secretary. But cumulatively, 17 of the 23 trading participants who form part of the top 20 investors own 88.84 million shares translating to 45.69 per cent of the total shares. This may therefore see them forced to dilute part of the ownership. However, the Gazette notice has also given them a chance to apply to CMA to be excluded from these requirements. But even before the deadline, NSE is planning to introduce 162.5 million additional shares at the securities market in a move that could dilute the stakes of shareholders. Through a notice, NSE has announced that it will be seeking approval for the move by shareholders at the next Annual General Meeting (AGM) slated for June 2, 2017. *(Standard Media)*

## Malawi

### Corporate News

*No Corporate News this week*

### Economic News

**Malawi's consumer inflation slowed to 20.9 percent year-on-year in April from 22.1 percent in March, data from the National Statistical Office showed on Tuesday.** *(Reuters)*

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**Mauritius**

## Corporate News

**Leading Mauritian sugar producer Omnicane said on Monday it expects a better crop this year, helped by better weather after reporting a wider first-quarter pre-tax loss than a year earlier.** The firm, which produces refined sugar, said its pre-tax loss rose to 71.88 million rupees ($2.05 million) from 43.20 million. "The prevailing climatic conditions conducive to cane growth are expected to produce a much better crop in 2016," Omnicane said in a statement. Omnicane, which has sugar processing plants in both Mauritius and Kenya, said the increased loss in the first quarter was mainly due to a delayed harvest. Its loss per share increased to 1.50 rupees from 0.82 rupees. *(Reuters)*

## Economic News

**Mauritius sugar production is expected to rise 9 percent to 400,000 tonnes this year, helped by better weather conditions, the Indian Ocean island's Chamber of Agriculture said on Wednesday.** Sugar output was 366,070 tonnes last year, the chamber said. In 2015, the extraction rate â€“ the amount of sugar taken from the cane â€“ was 9.14 percent, which the chamber said was the lowest since 1947. Rates of 10 percent or more are generally expected. "Overall, the climatic conditions have been favourable for the growth of the sugar cane plant," the chamber said referring to this year's projected output. Sugar accounts for roughly 1.2 percent of Mauritius' $10 billion gross domestic product. The 2016 harvest season will start on May 23 and run until end of December, the chamber said. *(Reuters)*

**The weighted average yield on a Mauritian five-year Treasury bond fell to 4.23 percent at auction on Wednesday, from 4.30 percent at the last sale on April 20, the central bank said.** The Bank of Mauritius sold all 1.4 billion rupees ($39.94 million) worth of the debt it had offered. It received bids worth 3.011 billion rupees, with yields ranging from 4.10 percent to 5.0 percent. The coupon for the bond due on May 20, 2021 was 4.10 percent, the bank said. *(Reuters)*

**Mauritius' unemployment rate rose slightly to 7.9 percent in 2015 from 7.8 percent the previous year after, official data showed on Thursday.** According to a statement from Statistics Mauritius (SM), the government's statistics office, the number of unemployed people in the Indian Ocean island nation increased to 46,300 last year, an extra 1,500 people from the 2014 level. SM did not give an explanation for the small rise in unemployment. The statement said joblessness among women increased from 11.4 percent to 11.6 percent while the male unemployment rate remained at the same level of 5.5 percent. Mauritius' economy is projected to expand by 3.9 percent this year after growing 3.1 percent in 2015, SM said in March, boosted by a recovery in the construction sector and higher growth from the tourism and manufacturing sectors. *(Reuters)*

**Mauritius said on Friday that tourism revenue in 2016 will be 1.9 percent higher than it had previously forecast, after a surge in visitors during the first quarter.** Tourism is a valuable source of foreign exchange for Mauritius, an Indian Ocean country known for its luxury spas and beaches. Tourism earnings are now expected to reach 55 billion rupees ($1.56 billion) this year, up from earlier forecast of 54 billion rupees, according to Statistics Mauritius, the government's statistics office. Last year, tourism earnings totalled 50.2 billion rupees. The statistics agency also raised its forecast for 2016 arrivals to 1,240,000 from 1,230,000 tourists. Visitors in 2015 numbered 1,151,723. In the first quarter of 2016, Mauritius attracted 327,836 tourists, up 12.5 percent from a year earlier. Revenue grew 13.9 percent to 15 billion rupees in the quarter, the agency said. *(Reuters)*

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## Nigeria

### Corporate News

**FCMB Group Plc has posted gross earnings of N34.4 billion and profit before tax of N2.2billion in its first quarter operations.** Specifically, the bank's unaudited result for the first quarter ended March 31, 2016 showed gross revenue of N34.4, as against N39.3 billion recorded within the same period in 2015. The bank's profit before tax stood at N2.2 billion, compared to N5.8 billion for the first quarter of 2015. Net interest income stood at N17.2billion, a decline of five per cent Year-on-Year from N18.1 billion achieved during the same period prior year. Loans and advances reduced by five per cent quarter-on-quarter (QoQ) to N561.6 billion in March 2016. However, the Group's net fees and commissions were up 11 per cent to N3.4 billion, from N3.0 billion during the same period last year. The bank's capital adequacy ratio increased to 18.5 per cent, compared to 18.1 per cent for the fourth quarter 2015, just as liquidity ratio rose by 38.2 per cent , as against 35.9 per cent for the fourth quarter of 2015. Operating expenses was flat at N16.5 billion. Commenting on the results, the Managing Director of FCMB Group, Peter Obaseki explained that the continued lull in the economy, especially international trade, capital flows and government spending weighed on the bank's group's Q1 results. He explained that the bank is actively rebalancing its financial position by reducing wholesale deposits and slowing down loan growth, especially from lumpy sources. He added; ''this approach is complementary to enhancing our capital position, liquidity management and cost saving initiatives. Core fees and commission which are not tied to loan expansion are showing a strong and sustainable trend, with YoY growth of 11 per cent . "We expect that subsequent quarterly earnings will improve upon Q1 2016, PBT of N2.2 billion, especially if government rolls out its expansionary budget and subject to well coordinated monetary stance." he added. The Group Managing Director of FCMB Limited, Ladi Balogun expressed optimism that the bank would witness significant recoveries and reduced cost of risk in subsequent quarters. "This, in addition to the momentum in the retail banking division, particularly cards and electronic banking as well as rapid growth in current and savings accounts, should fuel stronger performance in the second quarter of the year." He added. *(Guardian)*

**Custodian and Allied Plc said its profit before tax rose by 11.8 per cent from N5.1bn to N5.7bn in 2015 financial period.** The Chairman of the company, Chief Michael Ojo, disclosed this during the firm's 21st Annual General Meeting in Lagos. "Despite the tumultuous business environment in which the company operated in 2015, it is indeed gratifying to note that the management of the company did not only survive but thrived respectably," he said. The chairman also said its profit after tax rose by four per cent to N4.2bn while its gross revenue rose by 19 per cent to N29.8 per cent. As part of its practice to regularly pay dividend to its shareholders, he said the board approved the payment of interim dividend of six kobo per share in September 2015. Subject to the shareholders approval, the company proposed the payment of an additional 14 kobo per share as final dividend to make a total dividend of 20 kobo per share in respect of the results in the 2015 financial year. He revealed that the strength of the group was demonstrated in the structure of its assets which stood at N57bn with cash, cash equivalents and financial assets component making up more than N38bn, or approximately 66 per cent of the total assets. Ojo said the level of liquidity assures of its readiness to take advantage of whatever opportunities that may arise while at the same time, provides the safety that its clients and shareholders require in the highly volatile environment. The chairman said that it would be a source of blessing to the communities in which it operates and the nation at large because over the years, the company has been tremendously blessed. "To this end, the board has approved the incorporation of the Custodian Social Responsibility Foundation, CSR Foundation that will positively intervene in education, health and community development" he said. He said the company hopes that this initiative will spur others to be similarly socially responsible for the greater good of all. While urging the stakeholders to continue to patronise the company, he said the management will continue to exhibit the professionalism and ability to wax stronger in the face of adversity. *(Punch)*

**Zenith Bank Plc and the French Development Agency (Agence Francaise de Development (AFD), operator of France's bilateral development finance mechanism have signed a $100 million power sector credit facility to boost new investments in the capital expenditures of distribution companies (DISCOS).** The signing of the facility which took place in the inner chambers of the Aso Rock Villa in the shadow of the security summit was witnessed by the visiting French President Francois Hollande and President, General Muhammadu Buhari. The facility will be a reprieve for the electricity distribution companies (DISCOs) that are currently weighed down by debt burden with historic debtors made of mainly government establishments, including the military and security agencies alone accounting for over N93 billion. Leading the team of the bank's top executives to the bilateral session where the pact was sealed was Chairman of Zenith Bank Plc, Mr. Jim Ovia, while Mrs. Laurence Breton-Moyet, Chief Operating Officer and Member of the Executive Board from the AFD Headquarters in Paris, led the agency's team. Under the loan arrangement, a maximum of $50 million can be on-lent to any single borrower at single digit interest rate for a tenor of between seven and 12 years, with a moratorium of 2 – 3 and half years, depending on the project's cash flow. The facility, according to a statement is aimed at reinforcing, rehabilitating and modernizing the existing distribution networks with the sole target of stabilising the grid. The loan arrangement also provides for technical assistance and other advisory services, both to the benefiting DISCO and the partnership bank. Zenith Bank Plc has remained, not only a leading financier of investments aimed at developing the power/ energy sector in the country, but also a key player in many other sectors of the economy including; oil and gas, agriculture, manufacturing, communication, transportation, real estate and construction, among others. In the financial year ended December 31, 2015, Zenith Bank reported a profit after tax (PAT) of N105.66bn – the highest in the Nigeria banking industry for the year; with total assets at over N4trn. *(This Day)*

**The Chief Executive Officer of Seplat Petroleum Development Company Plc, Mr. Austin Avuru has said the lower oil prices and downtime of third party operated infrastructure were responsible for the profit decline reported for 2015 financial year and a loss of N4.48 billion in the first quarter (Q1) of 2016.** Seplat's profit after tax declined by 67 per cent in 2015 to N12.993 billion, from N40.481 billion in 2014. It posted a loss after tax of N4.48 billion for the Q1 of 2016, as against a PAT of N4.87 billion in 2014. Addressing stockbrokers and management of the Nigerian Stock Exchange (NSE) yesterday at the company's "Facts behind the figures" presentation, Avuru said: "Although production was up year-on-year, the significantly lower oil price realisation and downtime of third party operated infrastructure adversely impacted revenue, more than offsetting the increased contribution of the gas business." According to him, in 2015 the company delivered on what was in its control, posting best-in-class reserves and production growth and taking our gas business across a transformational threshold with further expansion still to come. He explained that the company acted quickly and decisively in response to the weak oil price environment, adjusting its work programme and cost structures. "Against a bleak industry backdrop, we remained profitable with a strong balance sheet underpinning us. Having started the year strongly, our 2016 full year production expectation has been impacted by the current shut-in of the Forcados terminal. However, we are much better positioned to withstand such interruptions than in prior years," he said. Avuru disclosed that the company's gas business takes on additional importance by providing a continuous revenue stream that is de-linked from the oil price. "Our enlarged portfolio offers us the scope for greater diversification. I would like to re-emphasise that our strong focus remains on protecting the business and managing value through effective cost reductions, optimising operations, deleveraging and strengthening the balance sheet. This will strategically position the company to take advantage of opportunities that will inevitably follow this current downturn," he said. The CEO said looking ahead throughout 2016, the company has set full year production guidance at 41,000 to 48,000 boepd and expects its capital expenditures to be around $130 million. *(This Day)*

**Unity Bank Plc posted gross earnings of N78.8 billion and a Profit After Tax (PAT) of N4.6 billion in its operations last year, according to the just released audited financial result of the financial institution.** The performance was against the gross earnings of N77 billion and PAT of N10.6 billion achieved in 2014. According to the report, the bank's performance was achieved despite the challenging operating environment characterised by a continued lull in the economic activities in the country, as well as major regulatory headwinds that impacted earnings during the year under review, especially the Treasury Single Account phenomenon. The bank's performance was attributed to its repositioning strategy, in which, its assets were critically stress-tested, resulting in major impairment charges of N27 billion for 2015 as against N17 billion in 2014, representing a growth of N10 billion on asset charge over the previous year. The release from the bank disclosed that the new management inherited huge legacy non performing loans from the general commerce and manufacturing subsectors and believes that the impairment charge in 2015 was necessary in order to give new breath of life to the institution. "The enormous tasks embarked upon by the new management is to position the bank for proper clean-up and de-risking of its balance sheet, thus paving way for sustainable business in its overall transformation initiatives. "The bank also grew its assets by seven per cent from N413 billion in 2014 to N443 billion in 2015, amid shrinking economic indicators, measurement and regulatory policies that affected deposit portfolio during the year under review," the statement added.

The Managing Director/Chief Executiive Officer of the financial institution, Mrs. Tomi Somefun noted that "with the bank's repositioning efforts and consistent focus to tap into the emerging opportunities in the enlarged economic space within Nigeria, Unity Bank is poised to deliver quality banking service to emerging sectors in Retail/SME, commercial and the agricultural value chain. "The bank is building strong infrastructure for retail banking and attracting youths for its sustainable banking business by developing customer-centric products to meet the needs of its esteemed customers and build new clientele base. "With the bank's capital raising exercise, the year ahead is bright as the effects of the ongoing transformation initiatives will surely consolidate." The bank relocated its Head office to Lagos from Abuja in March. *(Guardian)*

**Orange SA's business-services unit has opened its first sales office in Nigeria as local companies seek to expand outside their domestic market and cut technology costs amid an economic slowdown fueled by the fall in crude-oil prices.** Orange Business Services is aiming for annual double-digit sales growth from its office in Lagos, Nigeria's commercial capital, Giorgio Heiman, vice president in charge of Africa, told reporters in the city on Tuesday. The unit of Paris-based Orange, which provides about 3,000 customers worldwide with services such as video conferencing that reduce travel budgets, will target banks, oil companies and government departments. "In Lagos, there is a big potential for companies going global," Heiman said. "There are companies like banks that go abroad and offer services in many countries without relying exclusively on the Nigerian economy." Africa's biggest economy, which relied on crude for about 70 percent of government revenue and 90 percent of export earnings in 2014, is facing a slowdown caused by a halving of the price of oil over the past two years. Growth will probably slow to 2.3 percent this year from 2.8 percent in 2015, which was the lowest rate in 16 years, according to International Monetary Fund forecasts. "The Nigerian economy is not only oil," Heiman said. "We are confident that the Nigerian economy is going to grow strong again." Some Nigerian banks, including Orange clients Guaranty Trust Bank Plc and First Bank of Nigeria Ltd., have accelerated their regional expansion in recent years. United Bank for Africa Plc said earlier this month it plans to grow its African footprint from to 25 countries from 18 "in the near-to-medium term." The oil and gas industry still remains a major target for Orange as companies seek to boost efficiency and cut costs, said Ababacar Mbaye, sales manager for West and Central Africa. The company is also targeting the Nigerian Ministry of Foreign Affairs' 88 missions worldwide, the executive said. The Lagos office will be Orange Business Services' second in Africa after Johannesburg. *(Bloomberg)*

**Shareholders of NASCON Allied Industries Plc on Thursday approved a dividend of N1.46 billion for the year ended December 31, 2015, which translates to 55 kobo per share.** In his address to shareholders at the annual general meeting (AGM) in Lagos, outgoing Chairman of NASCON, Alhaji Aliko Dangote, said the dividend was an improvement on the 50 kobo or N1.32 paid the previous year. According to him, for the 2015 financial year, turnover grew by 43 per cent to N16.2 billion, while profit after tax rose by 11 per cent to N2.1 billion. "The overall financial stability continued to remain strong with N2.5 billion of cash and its equivalents as reserves. We achieved this by becoming more customer focused, managing our costs and improving our efficiencies," he said. Dangote resigned as the chairman of the company while Mrs. Yemisi Ayeni. In her address, Ayeni said it as an honour to succeed Danote, saying that his passionate and dedicated leadership has re-positioned NASCON as not just undisputed market leader I salt refining and distribution but also a producer of other food-related products.
Ayeni said going forward, the company would continue to invest appropriately in existing and new products lines to achieve its strategy of growing revenues within the context of improved profit margins and enhanced shareholder returns. "We will ensure we conclude ongoing plant upgrades that will enhance the efficiency of the production lines and guarantee consistently high product standards," Ayeni said.

Also speaking at the meeting, the Managing Director of the company, Mr. Paul Farrer, said that the tomato paste business line was affected by the foreign exchange policy restrictions and operations were suspended in October 2015 to arrest additional impact on account of overhead. He, however, disclosed that the company was in discussions with Dansa Foods, one of its sister companies that had established a state-of-the-art tomato concentrate plant in Kano. "They intend to produce tomato concentrate from locally grown tomatoes and maybe able to provide us with raw material requirements," Farrer stated. In all, Farrer raised optimism about the future of the company,"our product lines remain a huge value driver for us as we play in categories that are life-necessities for average Nigerian and for which significant supply gaps continue to exist in the market. *(This Day)*

SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

# WEEKLY AFRICAN FOOTPRINT

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

TRADING

## Economic News

**U.S. oil major Exxon Mobil Corp said on Friday it has suspended exports from Nigeria's top crude stream, adding to economic strains from unrest and violence that have cut production to its lowest in decades.** Exxon Mobil said it had declared a force majeure - a suspension of deliveries because of events beyond its control - on Nigeria's Qua Iboe crude oil grade, and that a portion of production had been curtailed after a drilling rig damaged a pipeline. In a separate incident on Friday, an explosion rocked Chevron Corp's oil well at the Marakaba pipeline in Warri in Nigeria's Delta region, a security source said, the second blast at a facility of the U.S. oil major within a week, feeding concern over a revived militant campaign in the area. Chevron had no immediate comment, while Nigeria's army, which has stepped up its presence in the region, could not immediately be reached for comment. Last week, Chevron said its platform in the Delta was attacked by militants.
The outages adds to production problems at two of the other largest crude streams, Bonny Light and Forcados, which have already taken Nigeria's output to a 22-year low. Royal Dutch Shell shut a major pipeline earlier this week and declared force majeure on Bonny Light crude exports on Wednesday, while an attack in February on a pipeline also caused it to shut the 250,000 bpd Forcados export terminal. Nigeria's oil production has fallen to 1.65 million barrels per day (bpd) due to militant attacks, Finance Minister Kemi Adeosun said on Friday, from 2.2 million bpd. If outages at Qua Iboe and other streams are prolonged, Nigerian output could fall to around 1.2 million bpd, according to Reuters calculations. This would be the lowest output since 1970, according to BP's statistical review. Nigeria had been Africa's largest crude exporter with its economy heavily reliant on oil up until this year, when rampant oil theft and corruption has kept production well below capacity. As a result, Angola has overtaken Nigeria as the continent's largest producer since March, according to OPEC figures. Oil prices have jumped around 20 percent so far this quarter, their biggest such rise since 2011. Brent crude has surged to $47 per barrel from $27 in January, in part because of production problems in Africa's former largest producer as well as a decline in U.S. output. Nigeria was due to export 337,000 bpd in May, according to initial loading programmes released in March. *(Reuters)*

**The fixed securities and currencies market has attracted investments worth N31.93 trillion between January and April 2016, statistics obtained by THISDAY have revealed.** The money was invested in the securities via the FMDQ OTC Securities Exchange, which was licensed by the Securities and Exchange Commission (SEC) in 2013 as an over-the-counter (OTC) securities exchange and self-regulatory organisation to run the fixed income trading platform. While N22.5 trillion was invested in the first quarter of 2016, N9.43 trillion was invested in April, bringing the total to N31.93 trillion in four months. A monthly breakdown of the data, showed that N13.92 trillion was invested in January and February, while N8.58trillion was invested in March, just as investors staked N9.43 trillion. A further analysis of the investment indicated that activities in the foreign exchange (FX) market accounted for 16.69 per cent of the turnover, as against 18.67 per cent recorded in March, while Treasury Bills (T.bills) transactions continued to dominate, accounting for 42.03 per cent of the total market, 4.37 percentage points higher than the previous month. Secured Money market (Repurchase Agreements/Buy-Backs) and FGN2 Bonds transactions accounted for 30.47 per cent and 9.41 per cent of the total turnover respectively, whilst Unsecured Placements/Takings contributed 1.39 per cent to total turnover Transactions in the FX market settled at $6.10 billion, which is 6.99 per cent lower than the value recorded in March. Member-Member trades recorded $0.71 billion in turnover for April, compared to $0.59 billion recorded in March, indicating an increase of 19.36 per cent. Turnover in the Member-Client category, on the other hand, settled at $5.39bn, a dip of 9.60 per cent from the previous month.

On an aggregate, turnover on spot transactions dropped 19.92 per cent to settle at $4.23 billion while transactions in the Swaps market increased by 28.61 per cent to end the month at $1.61 billion. FX Options transactions worth $80.16 million were also recorded within the month. Turnover in the Fixed Income market settled at N4.85 trillion, 17.35 per cent (N0.72 trillion) above the value recorded in the previous month, with transactions in the T.bills market accounting for 81.72 per cent of the turnover compared with 78.21 per cent recorded in March. Outstanding T.bills stood at N5.41trillion in the month whilst outstanding FGN bonds increased 2.73 per cent to close at N6.41trillion. Trading intensity in the Fixed Income market settled at 0.74 and 0.14 for T.bills and FGN bonds respectively, with maturities between 1M and 3M being the most actively traded in the review period. Activities in the secured money market (Repos/Buy-Backs) settled at N2.87trillion, 8.90 per cent (N234.68bn) above the value recorded in March whilst Unsecured Placements/Takings dropped 36.45 per cent to close the month at N130.93 billion. *(This Day)*

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**Nigeria's central bank denied a report that it planned to devalue the naira, while the International Monetary Fund (IMF) reiterated that Nigeria would benefit from a more flexible exchange rate but said no request for funds had been made. T**alk of a devaluation has been rife since Vice President Yemi Osinbajo said on Wednesday the central bank needed to change its foreign currency policies to spur investment. Hours earlier, Nigeria had cut petrol subsidies, lifting pump prices by up to 67 percent, a move the IMF usually insists on before releasing funding. News website SaharaReporters.com said President Muhammad Buhari had agreed to devalue the naira in exchange for IMF funds to help offset a slump in oil revenues. Quoting unnamed Buhari aides, the report said the naira rate to the dollar could fall to 290 from roughly 200. "The rumour that the naira is going to be devalued is false," central bank spokesman, Isaac Okoroafor, said late on Saturday when asked about the report. An IMF spokesperson said Nigeria had not approached the fund for funds but reiterated that a more flexible exchange rate would support "the competitiveness of the economy". "And so, there are no negotiations going on," the spokesperson said. "However, as we have said before, the Fund continues to have a productive dialogue with the authorities and we stand ready to help should the country make a request." Nigeria has held talks with China, the World Bank and African Development Bank for loans to help fund its record $30 billion budget for 2016 but Finance Minister Kemi Adeosun said in January the oil producer was not seeking any emergency loans. Buhari has resisted calls by the IMF for a devaluation.

But British Foreign Minister Philip Hammond said Nigeria had de-facto partially devalued the naira by allowing fuel importers to buy dollars on the black market last week. The naira trades at about 40 percent below the official rate on the black market. "The exchange rate applicable to oil imports effectively recognises that there is an imbalance in the official rate," he said. "Maybe they'll take the logic of how this goes and move further," Hammond told reporters before meeting Buhari in Abuja late on Saturday, without elaborating. On Wednesday, Osinbajo said Nigeria needed a "substantial" review of its exchange policies and would see very soon a more flexible approach. Asked whether the naira should be devalued, he said that "there is an ongoing debate". The central bank has imposed hard currency curbs and frozen the naira rate to the dollar, which has hit investment as foreign firms expect Nigeria to devalue the currency anyway at some point due to a slump in oil revenues. "Exchange restrictions are costly and distortionary; at best, they could be temporary, but should be removed," the IMF spokesperson said in an emailed in response to questions. *(Reuters)*

**Nigerian inflation accelerated for a sixth consecutive month in April and at the highest pace since August 2010, after an increase in gasoline and electricity prices in Africa's largest economy.** The inflation rate rose to 13.7 percent from 12.8 percent the month before, the Abuja-based National Bureau of Statistics said in an e-mailed statement, the same median estimate of 14 economists surveyed by Bloomberg. Prices rose 1.6 percent in the month. Rising fuel and electricity prices "were the largest contributors," the statistics agency said on Monday. "These items as well as other imported items continued to have ripple effects across many divisions." Food inflation rose to an annualized 13.2 percent from 12.7 percent in March. The Nigerian central bank has pegged the naira at 197-199 per dollar since March last year and restricted trading in foreign currencies, making imports more costly for a nation that's a net importer of food and refined fuel. Importers struggle to access foreign exchange at the official rate, with the naira falling to about 360 per dollar on the black market. The minister of state for petroleum, Emmanuel Kachikwu, last week increased the cap on the gasoline price by 67 percent to 145 naira ($0.73) per liter (0.26 gallon).

While the official price for gasoline was 86 naira last month "people were paying much more for fuel," John Ashbourne, a London-based economist at Capital Economics Ltd., said by phone. "Now that it's been increased that will add more inflation pressure and more and more pressure on the central bank to increase interest rates, which I think it will do next week." The nation imports at least 70 percent of its refined fuel, despite pumping 1.4 million barrels of crude a day, and faces fuel shortages. The government said increasing the price of gasoline could help ease shortages across the country, which were partly caused by the naira peg. The inflation rate "may make the MPC members vote in support of an increase in interest rates," Babajide Solanke, an analyst at Lagos-based FSDH Merchant Bank Ltd., said in an e-mailed statement before the announcement. The committee, which will announce its next decision on May 24, increased its benchmark rate by 100 basis points to 12 percent in March. The International Monetary Fund forecast Nigeria's economic growth rate will drop to 2.3 percent this year as falling crude prices hit the West African country. *(Bloomberg)*

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**Nigeria's oil production has fallen by almost 40 percent to 1.4 million barrels a day due to militant attacks on facilities in the Delta region, its oil minister said on Monday.** Emmanuel Ibe Kachikwu's comments come amid a resurgence of militancy in the southern region which produces most of the crude oil that Nigeria relies on for around 70 percent of national income, and days after Britain's foreign minister said local grievances need to be addressed. Kachikwu said efforts would be made to engage with people in the area. Nigerian oil output has been driven lower after attacks by a group calling itself the Niger Delta Avengers which says it wants a greater share of oil profits and independence for the swampy region where residents have long complained of poverty. Attacks in the last few weeks have hit platforms belonging to Chevron and Shell. "Because of the incessant attacks and disruption of production in the Niger Delta, as I talk to you now, we are now producing about 1.4 million barrels per day," Kachikwu told the House of Representatives. "We were at 2.2 million bpd but we have lost 800,000 barrels," said Kachikwu, who was invited to address the lower house of parliament about the country's oil sector.

The 2016 budget assumes oil production of 2.2 million barrels per day at $38 a barrel. Nigeria has moved in army reinforcements to hunt the militants but British Foreign Minister Philip Hammond on Saturday said the government needed to the deal with the root causes of the conflict because a military confrontation could end in "disaster". Kachikwu echoed these sentiments when he told parliamentarians experience had shown that force alone tends not to solve problems. "There are going to be robust engagements on what could have happened to the contract or relationship that used to exist between the Niger Delta and the Nigerian police that has suddenly resorted to sabotage," said Kachikwu. President Muhammadu Buhari has extended a multi-million dollar amnesty signed with militants in 2009 but upset them by ending generous pipeline protection contracts. "We are trying to look at the amnesty and what has happened. Policing is key, security is key and throwing economic palliative to those sectors are also key," added Kachikwu. He said the government was "trying to create funding mechanisms for some private investments including funding mechanisms for some modular refineries" and "actually getting them involved in the security of the facilities".*(Reuters)*

**Fuel shortages have caused an increase in cancellations and delays to internal flights in Nigeria over the last few days, a spokesman for the aviation authority said on Tuesday.** Nigeria is facing its biggest economic crisis for decades due to the knock-on effects of a slump in oil revenues. Its supply of dollars, needed to pay for refined oil products and other essential imports, has dried up and caused fuel shortages.
At least 75 ships with two and a half million tonnes of fuel are waiting at sea for importers to find the dollars they need to pay for the cargoes, according to ship tracking data and fuel traders. "We apologise for the recent delays experienced as a result of shortage of Jet A1 [aviation fuel]," one airline, Dana Air, said in a statement on its website on Tuesday. Sam Adurogboye, a spokesman for the Nigerian Civil Aviation Authority (NCAA), said all domestic airlines had been affected. "There are cancellations. The airlines are not able to operate to full capacity on account of fuel issues," he said in a telephone interview, noting that some airlines had halved the number of scheduled flights. Nigeria's reliance on crude oil sales for about 70 percent of national income has led to the erosion of foreign currency reserves, with the central bank adopting a fixed exchange rate in a bid to prevent further depletion. Last week Oil Minister Emmanuel Ibe Kachikwu announced a new initiative under which the government will allow fuel importers to get dollars from sources other than the central bank. The government also said that it was scrapping a costly fuel subsidy scheme and raising petrol prices by up to 67 percent to help it to tackle the crisis. An indefinite strike starting on Wednesday had been planned in protest at the subsidy removal but on Tuesday a court ruled that unions representing millions of workers could not go ahead with the industrial action. *(Reuters)*

**Nigeria's central bank should impose restrictions on short-term portfolio investment flows to prevent damage caused to Africa's biggest economy if investors exit at short notice, a member of its monetary policy committee (MPC) has said.** Chibuike Uche, an academic, said history has shown that such speculative capital inflows only offer temporary relief, mainly in the arena of exchange rates, and generally cause more harm than good, minutes from the 12-member MPC March meeting showed. "I therefore see no harm for the country to insist that the only types of foreign capital it will welcome are those that have long term investment intentions," he said, the minutes showed. Nigeria witnessed increased foreign investment in local currency denominated bonds prior to last year's foreign exchange restrictions introduced to conserve depleting forex reserves. The country, Africa's top crude exporter, faces its worst economic crisis in years as a result of dwindling oil revenue, which last year prompted the central bank to impose a currency peg to conserve foreign exchange reserves.

Last year, JP Morgan removed Nigeria from its Government Bond Index (GBI-EM) in protest against the currency controls, which it said make transactions on local currency denominated bond too complicated. Most foreign portfolio investors sold off their local bond holdings, triggering significant capital outflows. Uche also seeks imposition of ban on all imports of products that can be produce locally to boost support for local production and curb depletion of foreign reserves. Other policymakers at the March meeting also expressed concerns on the wide margin between official interbank forex market rate and the parallel market, noting that this provides an opportunity for currency arbitrating. "The gap between the official and parallel market is a source of concern because for rational economic agents it encourages round tripping which is very devastating to the economy", said Dahiru Hassan Balami, another MPC member. *(Reuters)*

**Nigeria sold 110.93 billion naira ($557.44 million) worth of short-dated Treasury bills at an auction on Wednesday with higher yields than at the previous sales reflecting the sharp spike in inflation growth in Africa's biggest economy, central bank data showed on Thursday.** The bank sold 32.43 billion naira in the three-month paper at 8.10 percent, compared with 7.99 percent at the last auction on May 4. A total of 22.82 billion naira of the six-month bills were sold at 9.20 percent against 9 percent previously, while 55.68 billion naira of the one-year debt was sold at 12.48 percent compared with 11.05 percent previously. Investors demanded a total of 216.5 billion naira against 261.52 billion subscription at the last auction. Annual inflation in Nigeria quickened to a near six-year high of 13.7 percent in April, from 12.8 percent the previous month in part due to rising petrol and electricity prices, the National Bureau of Statistics said on Monday, stoking expectations of another rate hike. Nigeria's rate-setting Monetary Policy Committee (MPC) is scheduled to meet on Tuesday to take a decision on benchmark interest rates and other financial tools to curb growing inflation in the West African country. *(Reuters)*

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TRADING

## Tanzania

### Corporate News

**SWISSPORT Tanzania suffered a business decline in the first quarter of this year, with import cargo volume dropping by seven per cent as** Swissport, the largest passengers and ground handling company in the country, said the cargo volume dropped to 4,866 tonnes at end of quarter one from 5,252 tonnes of the corresponding period last year. Swissport Tanzania Chief Executive Officer Gaudence Temu said the firm failed to meet its cargo targeted by 23 per cent in the first three months of this year. "We targeted to handle 6,357 tonnes in quarter one but we failed to meet the goal," Mr Temu told the 'Daily News' in Dar es Salaam over the weekend. He didn't have reason at hand for the decline, only saying: "I think this is normal business circle which will later goes back to normal." Mr Temu said the company has to provide space for future cargo increase, saying the ups and downs are normal experience when there are some shocks in the economy. "In the near future, we believe things will normalise ... we had the global economic crunch (in the late 2000s) and things are back to normal now," he said, assuring that the newly constructed import cargo terminal would not be a white elephant. However, some clearing and forwarding agents linked the business downside to President John Magufuli's administration that has introduced austerity measures, including freezing foreign trips. The measures have left many with less disposal income, resulting into reduced unnecessary spending like the purchase of smart phones and garments.

The clearing and forwarding agent at JNIA said they used to clear over 10 consignments a week but in recent days, they hardly handle the same cargo in a month. "The situation is very bad. We ought to find another job. We cannot afford to go on like this," she said. The construction of the new 13 million US dollar, high-tech terminal, according to logistics specialist, will be finished by the end of this month. The terminal, with the capacity of handling 80,000 tonnes, is the first of its kind in Africa, capable of using radio frequency identification (RFID) for automating cargo tracking, the company claimed. The move goes parallel with the expansion of JNIA's terminal III. In 2015, Swissport handled some 18,000 tonnes. Swissport Tanzania is a listed company with a track record of over 30 years and is the country's leading aviation service provider operating at JNIA and Kilimanjaro International Airport (KIA), Songwe Airport and Mtwara Airports. The company, in which Swissport International and public controls 51 and 49 per cent shares, respectively, employs about 950 staff, to handle some 16,000 flights, 1,250,000 embarking passengers and 25,000 tonnes of cargo a year at the four airports. *(Daily News)*

**TANGA Cement Company Limited (TCCL) ended the 2015 on a high note, with an approval of 80/- per share as the 5.1bn/- total declared final dividend to shareholders. Earlier, the cement firm declared the 3.5bn/- interim dividend, a slight increase from the 3.49bn/- interim dividend, being 55/- per share.** TCCL Board Chairman, Mr Lawrence Masha, speaking at the firm's Annual General Meeting (AGM) in Dar es Salaam over the weekend, said that improvement of operational efficiencies and containing production costs continue to be the major focus to bring the cement firm to the next level. One of the key achievements during the year under review is the start up of its second kiln for the first time that produced clinker from the new kiln line last December in accordance with the original plan. "The project was concluded within the approved budget of 152 million US dollars and planned timeframe without lost time injury," said Mr Masha, adding that the initiative will help in cutting down production cost due to importation of expensive clinker. On his part, the TCCL Managing Director Mr Reinhardt Swart said the year under review saw entry of new competitive products in the market that resulted into downward pressure on the company's sales prices and volumes.

He said sales were further compressed by external factors like increased electricity supply interruptions and frequent power dips that caused significant operational challenges, including premature kiln refractory lining failure. However, the purchased new clinker, while initially pushing up production cost, it ensured uninterrupted cement supply to the market, supporting the long term return on investment. "With the new kiln coming on line in 2016, TCCL will be positioned to address the demand growth as well as the challenges brought by the new competitors in the market. With significantly lower cost base, the kiln allows to sell our premium products at market friendly rates," he said. *(Daily News)*

# WEEKLY AFRICAN FOOTPRINT

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



**DAR ES SALAAM Stock Exchange (DSE) initial public offer (IPO) that seeks to raise 7.5bn/- kicked off yesterday amid experts' anticipation for full or oversubscription.** The bourse, scheduled for self-listing in the next three weeks at the main investment market, wants to off load 30 per cent of its total shares to the public. The primary offer allows local and foreign investors to buy 15 million shares at 500/- each and 10 per cent green shoe option, meaning that in case of oversubscription, the firm may collect up to 8.25bn/-. DSE Chief Executive Officer Moremi Marwa, announcing the IPO take off in the city yesterday, said that the process is geared to demutualise and raise capital, hence increase transparency and efficiency. "The issue of conflict of interest has been taken care of as when it comes to regulating DSE, the regulator (CMSA) will appoint a member to seat at the board," Mr. Marwa said. The IPO means DSE, as the regulator of the exchange, will also be a player that needed an independent hand to monitor its activities to get rid of conflict of interest.

Thus the Capital markets and Securities Authority will come at hand when regulating DSE. The exchange, with two markets—main and Enterprises Growth Market, will become the 24th listed company at the bourse which has two main indices—DSE all Share Index (DSEI) and Tanzania Share Index (TSI). The former captures the movements of all listed share and the latter takes care of only Tanzania listed equities. Orbit Securities CEO Laurean Malauri said the IPO is likely to be fully subscribed on many reasons, including good profitability trend and the 12 per cent discount on which the IPO trades. Even the envisaged amount of 7.5bn/-, he said, is minimal. "The IPO also is open to foreign investors, thus attracting investors from abroad but the receiving bank, CRDB, has strong and wide outreach in the land," Mr. Malauri said. The bourse wants to raise 7.5bn/- as working capital when the exchange transforms itself into the company guarantee by shares instead of trustees. The shareholders will have more say and power. CRDB Bank's Security Services Manager Hemed Masumai told reporters during a press meeting that the bank has an arm length of experience as IPO receiving bank. "There will be no issue of delays (in allotment)," Mr. Masumai said, boasting of the bank branch network, including FahariHuduma. The IPO and self-listing envisage facilitating further the growth of economic and social enterprises within the economy through capital raising via the capital markets.

In 2014/15, DSE posted a profit of 1.94bn/-, while from July 2015 to March 2016, the bourse registered a net income of 1.74bn/- and 3.41bn/ in revenues. Between March and December this year, DSE assets are projected to grow by 130 per cent from 6.9bn/- recorded at end of March to 15.9bn/- in December. Currently, DSE earnings per share stands at 135/- and net asset value is 228/-. The offer is also open to non- Tanzanians, who are however limited to buy not over 20 per cent per individual and subject to the law of the land. At the end of the processes, DSE will join two other bourses in Africa, which have self-listed on their respective bourses— Nairobi Securities Exchange and Johannesburg Stock Exchange. Self-listing has many advantages, including enhancement of corporate governance within the exchange for sustainable protection of all its stakeholders. Stock self-listing is a new drive, which started in 1993 when the Stockholm Stock Exchange was the first exchange to demutualise, followed by Helsinki (1995), Copenhagen (1996), Amsterdam (1997), the Australian Exchange (1998) and Toronto, Hong Kong and London stock exchanges in 2000. *(Daily News)*

**CRDB Bank plans to expand services to DR Congo to tap growing business opportunities in the central African state after remarkable successes in its operations in Burundi.** The bank has already scouted the DR Congo for yet another international penetration and settled for Lubumbashi as its next acquisition. Dr Charles Kimei, the Managing Director and CEO of the bank, revealed that they have discovered more than 1,500 Tanzanians living, working and trading at Lubumbashi and all of these together with their DRC counterparts are eager to have the local bank establish a full functional branch there. "We are going about it step-by-step starting with an office, Automatic Teller Machine (ATM) dispenser and communication facilities before building an entire bank premises," stated Dr Kimei while addressing members of the press here ahead of a shareholders conference slated for next week. The Lubumbashi plans come after the bank recorded a remarkable performance in Burundi. CRDB's Bujumbura Branch is doing extremely well and surprised everybody by recording a 650m/- profit in the course of last year, despite political turmoil in the East African Community (EAC) member states that has claimed lives of many people. "This year alone our Bujumbura branch has again scored a 450 million/- profit mark within the first quarter of 2016 and we focus that, as things stabilises in Burundi, the bank there is going to be our most profitable venture yet," pointed out Dr Kimei, adding that foreign expansion was currently a top priority for the bank which now hits its 20th anniversary this year.

As for the DRC extension, the CRDB Bank managing director said the country was ripe for investments in banking, trade and agriculture as well as construction; "People in Congo do not farm much and depend on grains, legume and other agricultural produce from mostly Tanzania and Zambia and this is the sector that our people can heavily expound on," he said. CRDB Group's net profit, according to the annual report, has grown by about 35 per cent from 95.6bn/- recorded in 2014 to the current figure of 128.9bn/- in the year under review. It was reported that the growth was partly driven by a rise in net interest income of 41 per cent to 390.6bn/-. *(Daily News)*

## Economic News

**Tanzania said on Friday it plans to start building a $3 billion fertiliser factory in partnership with a consortium of investors from Germany, Denmark and Pakistan this year.** "The factory will use natural gas to manufacture fertiliser and will be built in joint venture with a group of investors," the president's office said in a statement. The east African country said in February that an additional 2.17 trillion cubic feet (tcf) of possible natural gas deposits has been discovered in an onshore field, raising its total estimated recoverable natural gas reserves to more than 57 tcf. Natural gas is one of the hydrocarbon sources of Ammonia, a key fertiliser ingredient. "The plant, which will become Africa's biggest fertiliser producer, will have a capacity of producing 3,800 tonnes per day and will employ up to 5,000 people," the statement said.
The plant will built in southern Tanzania near big offshore gas finds is expected to be commissioned in 2020. Officials said the state-run Tanzania Petroleum Development Corporation (TPDC) has signed a joint venture agreement with German firm Ferrostaal Industrial Projects, Danish industrial catalysts producer Haldor Topsoe and Pakistan's Fauji Fertilizer Company to develop the plant. Fertiliser produced by the plant will be used to boost agriculture output in Tanzania, while surplus capacity will be exported to foreign markets. *(Reuters)*

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## Zambia

### Corporate News

**ZAMBIA Sugar Company is reducing its sugar exports into the European Union (EU) to the regional markets in view of the sugar reforms in the EU to be effected in September next year.** Meanwhile, Zambia Sugar is this month-end expected to commission the over K500 million refinery, projected to more than double sugar production to 90,000 tonnes annually, reaffirming the company's position as the largest producer in Africa. Speaking at a stakeholders' breakfast meeting yesterday, Zambia Sugar Company managing director Rebecca Katowa said the company which will this year reduce sales to the EU to 14 percent, from 22 percent last year, as it explores regional markets, both traditional and new markets. This follows the sugar reforms that have impacted on the sugar regime and resulted in prices in the EU converging into global prices. The prices are below the cost of production and reflect residual markets and key players, namely Brazil, Thailand, and India, who put sugar on that market with India's sugar being subsided. "The strategy is to move volumes away from the EU to regional markets because the regional market provides valuable alternatives.""Shifting export sales away from the EU to the region, is expected because realisations in these markets will continue to be influenced by exchange rate movements," she said. Mrs Katowa said prices of sugar are expected to remain above world levels within the region despite increasing levels of competition among regional producers. She said the company is looking at expanding exports to the Great Lakes region and the Democratic Republic of Congo among other markets. On the sugar refinery, the company will produce about 90,000 tonnes of sugar from the current 40,000 tonnes. "The project was launched last year and will be on stream at the end of the month and contribute to our growth strategy," she said. *(Daily Mail)*

**IN AN effort to supplement the high market demand for cement in the country, Blue Dreams Investment Limited has set aside US$5.4 million to construct a cement plant in Chilanga.** Under the project, about 500 jobs are expected to be created with 70 percent unskilled and semi-skilled labour while 30 percent will cater for the skilled manpower during the different stages of the project. Other employment opportunities which are expected during the construction of thecement plant are 300 at peak, while the operation phase will potentially have 200 additional direct jobs. This is according to an environmental impact assessment (EIA) report submitted by the firm to the Zambia Environmental Management Agency (ZEMA) and obtained by the Daily Mail yesterday. "Cement is an essential material for the construction industry and national development and despite a generally unfavourable economic climate, a substantial demand for cement is expected to be experienced in the country over the next few years due to, among other factors, major planned construction projects in housing and also road construction where cement is also used. "Development of the cement plant will ensure that this demand can be met and will, therefore, contribute significantly to the sustainability of the construction industry with resultant multiplier effects, including employment opportunities in other sectors of the economy not directly related to the production of cement," the report reads. The company intends to fully commission the plant by the second quarter of 2017 and the facility will have a life span of about 30 years. Blue Dreams Investment Limited already has limestone mining quarry licence obtained from ZEMA and it will be a major supplier of the rock that will be supplying feed in the cement plant. The EIA says the cement plant will have a capacity to produce a maximum of 300,000 tonnes of cement per year. The implementation of the project will result in increased revenue for the Zambia Revenue Authority due to increased payments in the form of pay as you earn, value added tax and corporate income tax from retailers and suppliers. *(Daily Mail)*

### Economic News

**Zambia Development Agency (ZDA) has received investment pledges amounting to US$720 million in the first quarter of 2016, attributing this to the country's good business environment.** This is in comparison to the same period last year when the ZDA recorded US$287 million, translating in a 150 percent rise. The investment pledges are in energy, which attracted US$300 million, manufacturing US$209.4 million and tourism with US$48.4 million. Other sectors are real estate at US$39.8 million, agriculture US$37.5 million and information communications and technology with US$36.4 million.

However, mining, transport and construction together accounted for less than two percent. In an interview on Friday, ZDA director-general Patrick Chisanga said the pledges that ZDA has recorded this year is evidence that investor confidence in Zambia remains strong and robust. "The beginning of this year has seen a tremendous increase in new investment pledges into Zambia. This investment is going to create 3,000 jobs. US$720 million growth in investment pledges as opposed to US$287 million, same period last year, is not a joke. "If we disturb that status quo and investors begin to perceive us differently, I can assure you we will no longer enjoy the investor confidence we are seeing now and we may see a reduction in the investor pledges we have in Zambia," he said. He said investors have come to know Zambia as a peaceful country which for the past 51 years has enjoyed political stability by having democratically electing six different presidents. Mr Chisanga has since appealed to politicians to maintain the image and the reality of Zambia being a haven of peace. "As we go towards the elections, we need to be mindful of the need to keep the momentum of investor confidence. The nature of investors is such that if they perceive that there is likely to be insecurity and possible violence in a particular country, they will hold back their investments," Mr Chisanga said. Mr Chisanga said all Zambians have a duty to maintain peace in the country and to continue to give confidence to prospective investors that Zambia remains the best investment destination in Africa. *(Daily Mail)*

**THE newly-enacted tax regime will attract foreign direct investments (FDIs) in Zambia as it will enable the mining sector to make profits, ZCCM-Investments Holdings chief executive officer Pius Kasolo has said.** Dr Kasolo said mining firms cannot make profit if they are over-taxed and that would not work better for the industry. The new tax regime on mineral royalties will range from four to six percent. "Value addition tax is not cumbersome as it was before the amendment of the tax regime. Quite a number of mining companies are happy with the new Act," he said. Dr Kasolo said this during a discussion at Copperbelt Mining Trade Expo and Conference that attracted a number of mining suppliers from both local and international firms. He said the mining industry has been given enough time to explore for minerals through the new law. Dr Kasolo also said there is need to allow ownership of mines in partnership with the local community as well as by giving them a certain percentage to supply to the mining companies. "Our neighbouring countries have been putting emphasis on the local content, even here we need Zambians to participate in the mining industry," he said. And PricewaterhouseCoopers Zambia senior tax manager George Chitwa said Government tried to arrive at a balanced tax regime mining houses were 'crying' for. Mr Chitwa said having such a tax regime in the country will allow investment flow in the industry. And Ministry of Mines and Minerals Development director for safety Gideon Ndalama said Government is ready to share the production cost in the mining industry. "There is an issue of taking responsibility through sharing of the production cost through competitive tax regime," he said. And Chibesakunda and Company partner Chileshe Sokota said Government is ready to listen to stakeholders in the mining sector following the introduction of the new mine tax. *(Daily Mail)*

**Zambia's new price-based mineral royalty tax will enhance the collection of government revenue rather than compromise it, the Chamber of Mines said on Tuesday, defending the new levy after recent criticism.** The chamber's president Nathan Chishimba was reacting to a statement by civil society organisations advising against the new tax regime on the grounds it was investor-led and would not maximise revenue in times of commodity price booms. "One cannot separate mining tax revenue from mining investment, because it is the mining investment which ultimately produces the tax revenue," Chishimba said in a statement. Zambia's amended mines bill proposes to reduce copper royalties to a variable tax of 4 to 6 percent, depending on the price of the metal. The royalty tax would be 4 percent when the price of copper is below $4,500 a tonne, 5 percent between $4,500 and $6,000 and 6 percent above $6,000. "The largest amount of tax revenue is always generated over the longer term, and this can only happen if mining companies are incentivised to invest over the longer term," he said. Chishimba added that mineral royalties were a tax on production, which was not designed to maximise revenues in times of commodity price booms, whereas the government would benefit during booms thanks to 30 percent taxes on company profits. "One has to balance taking as much as one can now with having a thriving industry into the future, and the government has at last recognised this," Chishimba said. Mining lobbies had asked for a price-based royalty structure to ease the tax burden during a period of depressed prices. In June last year, Zambia cut mineral royalties for underground mines to 6 percent from 9 percent and those for open cast mines to 9 percent from 20 percent following an outcry by mining firms.. *(Reuters)*

**Zambia is in talks with the International Monetary Fund (IMF) over a possible financing deal, as it grapples with a balance of payments shortfall linked to a weaker copper price, central bank governor said on Tuesday.** The southern African nation is the continent's second-biggest copper producer but its economy has been hit by falling world demand, primarily due to a slowdown in China. "We already started some of the work and the process of engagement is ongoing," Denny Kalyalya told a news conference. Lusaka said last month it had agreed targets with the IMF, preparing the way for an aid programme by the fourth quarter of the year. It started talks with the Fund in March after both sides agreed the budget deficit unsustainable. Zambia's budget deficit had averaged 4.8 percent of GDP in the last two years but is expected to fall to around 3 percent in the medium term, starting next year. The central bank left its benchmark lending rate unchanged at a record 15.5 percent on Tuesday, and said it was focused on reining-in soaring inflation. Inflation slowed to 21.8 percent in April from 22.2 percent year-on-year in March. "Inflation is trending downwards and our projections are that by the fourth quarter of this year we should be in single digit inflation," central bank's governor Denny Kalyalya said. With improved food supply, inflation was projected to average 17.7 percent in the third quarter and to decline further to an average 8.7 percent in the fourth quarter, Kalyalya said. *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT



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

## Zimbabwe

### Corporate News

**CFI HOLDINGS expects the proposed restructuring of the group to return it to profitability this year to recover from a loss of $25 million incurred in the year to September 2015.** Excluding retrenchments, the group posted an operating loss before depreciation and financing costs of $9,96 million against a loss of $6,3 million in prior year. CFI has already made some management changes which saw the group retire chief executive Steve Kuipa and chairman Simplicius Chihambakwe. Former finance director Acquiline Chinamo was last year retrenched under a negotiated agreement and not under impropriety allegations as was previously reported. Director Hamish Rudland said during a tour of Glenara Estates by The Herald Business last week that as part of the recapitalisation programme, about $2 million has already been poured into the company with particular attention on the farming business at Glenara Estate. The farming business is expected to become torch bearer for the group going forward in anticipation of a boom in agriculture expected in the next five years. "The agriculture division will be a stand-alone and because of the potential of agriculture and the deficit that we are currently facing in terms of food supply. "We want to expand the agricultural portfolio within CFI very aggressively especially over the next five years. "Over the next five years that's when agriculture is going to boom and we want to be part of that," said Mr Rudland. To that effect, new commercial equipment has been acquired for the Glenara Estates. The new equipment includes erection of new centre pivots, tractors, rehabilitation of boreholes and water reservoirs. The project also involved resuscitating existing infrastructure including boreholes, centre pivots and the water reserve tank while all the eight boreholes were resuscitated. New centre pivots were also erected to add to the existing two.

The farm will focus mainly on potato production but will also produce maize and maize seed. Based on these investments, this year, CFI expects to make $2 million net. "Since we got involved, things have changed. On this farm (Glenara Estates) CFI should make close to $2 million net from a loss position of $19 million made last year," said Mr Rudland. To achieve that, 200 hectares of land will be put under potato this winter, adding to the 100 hectares currently being harvested. Average yield for the first bloc harvest is at 43 tonnes per hectare but is excepted to hover around 50 tonnes per hectare for the remaining blocs, about 80 hectares yet to be harvested. "Our vision is to get to an extent where we will be harvesting potatoes every day and planting. We want a continuous cycle so that we do not have to stop our machines," said farm manager Clear Matangi. In the year to September 2015, excluding residential stand sales of $15,1 million by Saturday Retreat, group turnover from normal trading for the year declined by 27,8 percent to $51,4 million compared to $71,1 million achieved in the same period in prior year. Retail and poultry divisions revenue receded 26,9 percent and 49,4 percent respectively due to inadequate working capital and the effect of operation streamlining efforts adopted in order to curtail losses in the poultry division. *(Herald)*

**Delta Corporation, Zimbabwe Stock Exchange's largest company by market capitalisation, will invest $30 million in two additional Chibuku Super plants which, according to chief executive Pearson Gowero is where the future lies.** This comes after the group has experienced a shift by consumers towards affordable brands such as Chibuku as part of efforts to stretch the elusive dollar.Mr Gowero told analysts on Wednesday that Delta would deploy $30 million towards increasing Chibuku Super capacity through two new plants which will be commissioned in Masvingo and Kwekwe by September. "The trend has shown that this is the growth area which will drive volume and profitability in light of declining performance across other categories," said Mr Gowero. For the group, the strategy on the sorghum beer category, which Chibuku falls under, was two pronged. Firstly to reduce the contribution of the standard Chibuku "which is a fickle product with little shelf life" and secondly to increase capacity on Chibuku Super where "the future lies." Mr Gowero said: "Going forward, we will use the standard Chibuku facilities to build capacity for Super." In the year to March, sorghum beer volume declined 3 percent to 3,5 million hectoliters. The group said favourable pricing of standard Chibuku and improved availability of Chibuku Super helped to uplift both demand and spend in the second half of the year. Lager beer volume fell 8 percent. The value brands grew, the premium portfolio softened while the mainstream brands experienced the most decline. Sparkling beverages was down 6 percent and alternative beverages declined 2 percent. Mr Gowero said sales performance had been hampered partly by increased parallel imports, competition from other forms of alcohol as well as falling disposable incomes. Sales performance was also hampered by restrained credit cycle as key distributors of the brewer's products faced challenges in the tight liquidity environment.

In the period, operating income declined 14 percent to $96,1 million while EBITDA was down 10 percent, which is a reflection of overhead cost control. Net profit was $80 million for the year ended March 31, 2016, from $93 million last year. Normal earnings per share were at 6,49 cents the group declared a total dividend of 4,70 cents per share, which included a special dividend of 0,95 cents per share. *(Herald)*

**INNSCOR Africa Limited's Axia Corporation will today become the second counter to list on the Zimbabwe Stock Exchange this year.** Unbundled from the Innscor Group, Axia Corporation operates in the specialty retail, distribution and logistics sectors through its three operating subsidiaries, Distribution Group Africa (50,01 percent), Innscor Credit retail t/a TV Sales and Home (66,67 percent) and Moregrow Enterprises t/a Transerv, each operating as independent profit centres. Each business unit will have a dedicated management team. The company's listing follows that of Getbucks which listed in January this year. At an extraordinary general meeting held last week, Innscor shareholders approved the distribution of shares in the specialty retail and distribution company via a dividend in specie. Under the arrangement, a total of 541 593 440 shares with a nominal value of $0,0001 will be distributed on a one is to one basis with Innscor shares. The weaning off of Axia, which follows the separate listing of Quick Service Restaurants, Simbisa Brands by Innscor last year will transform Innscor into a fully-fledged light manufacturing company.

The group said the separate listing of Axia will unlock value for shareholders and enable a clear operational focus that is attractive to investors. The new business is expected to gain direct access to capital markets to allow it to grow. The Specialty Retail and Distribution turnover in the six months to December, at $104,6 million was one percent up on the comparative period in the prior year. By the end of the current financial year, Innscor will be made up of Irvine's, Colcom Ltd, Bakeries Factory, Natfoods, Profeeds, Natpak and Capri. Natfoods, the biggest of the units will be comprised of Maize, Flour, FMCG, Pure Oil Limited and Breathaway Private Limited. Former Old Mutual chief executive officer Luke Ngwerume will be Axia's non-executive chair on a board whose other members include current corporate a finance and Innscor International executive John Koumides will be the chief executive and Ray Rambanapasi as finance director. Non executive members of the board include Zinona Koudounaris, Thembiwe Mazingi, Thembinkosi Sibanda. *(Herald)*

**Zimbabwe's largest mobile money service, EcoCash, and MTN mobile money in Zambia have launched a money transfer service that allows Zimbabweans living in Zambia to send money home using MTN money wallet.** Under the partnership, a Zimbabwean living in Zambia can send money by registering with MTN Zambia and then initiating a money transfer request through their USSD mobile money short code, then select EcoCash ZW mobile number. "It is as easy as that and the money will reflect in the selected EcoCash ZW mobile wallet. A message of confirmation will be sent to the recipient and the sender," said Econet Wireless in a statement yesterday. MTN is Africa's largest mobile phone company by customer numbers, has launched similar services with mobile money companies in East Africa while Econet Wireless is Zimbabwe's largest mobile phone company and has the largest mobile money service business in the country and one of the largest in the region through EcoCash. "EcoCash has led the way in replicating wallet to wallet cross border remittances for Southern Africa. Remittances play a major role in Zimbabwe's economy. "Our role as EcoCash is to ensure that these remittances are channeled through the formal market, for the security of our customers, and also for the benefit of the economy," said Econet Wireless. "Zimbabweans living in Zambia will now be able to send money to EcoCash customers at home, thanks to a new partnership launched between EcoCash and MTN Mobile Money, a leading global money transfer company," said MTN Mobile Money.

EcoCash general manager Natalie Jabangwe said: "Our role as EcoCash is to ensure that these remittances are channelled from as far wide as possible, through the formal market, cost effectively, conveniently, securely and also for the benefit of the economy," said Mrs. Jabangwe. Econet Wireless chief executive Douglas Mboweni was excited with the partnership and cited that this was just the first phase. "We are very excited about this partnership with MTN Mobile Money. This is just the first phase. Shortly, Zimbabweans from more countries with MTN footprint will be able to send money directly into the receiver's EcoCash wallet," he said. Econet Wireless through EcoCash recently launched a partnership for Europe remittances, known as Chitoro. Chitoro offers money transfer methods that allow for both business to business (B2B) transfers and worldwide person to person (P2P) payments. The fees for remittances or transfers will range from 1,99 British Pounds. Recipients can choose to use the funds at any EcoCash point of sale service facility or to cash out the money at any EcoCash agent. They can also be paid out in cash at any Steward Bank or CABS branch. *(Herald)*

# WEEKLY AFRICAN FOOTPRINT



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**Dairibord Holdings revenue for the four months to April 2016 declined 6 percent due to lower average selling prices despite volumes increasing 6 percent on prior year same period comparable.** Chief executive Anthony Mandiwanza in a trading update at the company's annual general meeting yesterday said volume growth at 6 percent was in line with projections while revenue was largely impacted by average selling prices which dropped from $1,24 to $1,11. He said that in terms of volume, maheu was growing in impressive fashion, and Mr. Mandiwanza applauded the Government for addressing unnecessary imports of the product into the country. "Indeed, it is an opportunity for us to grow in that space. We are in the process of commissioning additional capacity, which will double what we had and the benefit will be felt as we roll into the second half," he said. He said new capacity for cartonised milk, Chimombe, has been created and the group has shifted from toll manufacturing, which was being done in South Africa, while Dairibord struggled to meet demand for the product. "We are internalising that production, which will contribute towards volume increase, because we know, currently, we were under supplying the market," he added. "The plant will be commissioned toward the second half." The milk processor has also commissioned a new processing line at Lyons for peanut butter production, which was constrained by limited capacity and the plant has been running for the past two weeks, Mr. Mandiwanza said. The will drive volume and revenue growth. In addition, the group has been in the market introducing value brands and line extensions to leverage business growth. Mr. Mandiwanza said raw milk intake for the group was 17 percent up in the period January to April 2016 while for Dairibord Zimbabwe Limited, it was 19 percent higher and for Dairibord Malawi milk intake was 7 percent up. National intake went up 18 percent in the period. *(Herald)*

**Agro-industrial group, Zimplow Holdings, says it had grossed $1,27 million from disposals of two non-core properties, using the money to retire its short term debt.** The firm, which recorded a $4,7 million loss for the year ended December, 2015, said on Thursday it had sold properties in Harare and Masvingo for $833,649 and $440,000 respectively. "The proceeds from the disposal of these two commercial properties were used to retire some of the company's short term borrowings," the agro industrial company said in an update to shareholders. "The company is still engaged to dispose some of the non-core residential properties in various cities." In February last year, Zimplow raised $5 million through a rights offer which was used to retire part of its debt, which stood at over $13 million. Two local firms, Tatwick Properties and Cranrid Investments, acquired the two commercial properties. "The purchasers are not related to the company," the firm stressed. Zimplow, which last yearlast year shuffled it top leadership in the hope it would also turn around its financial performance, has four divisions namely Barzem, Mealie Brand, CT Bolts and Farmec which are involved in the manufacture and distribution of farming implements. *(Source)*

**NMB Bank on Thursday reported a two percent decline in operating income to $13,6 million in the four months to April due to reduced transactional volumes as a result of cash shortages.** Chief executive Benefit Washaya told the bank's annual general meeting that the cash and nostro funding challenges continue to exert pressure on the banking system but the bank was leveraging on its strong shareholder base. NMB Bank has a strong backing from its foreign shareholders who include the United Kingdom-based African Century, FMO of Netherlands, AfricInvest from Tunisia and Norfund of Norway. Washaya said the bank had received a $20 million line of credit from Afrexim Bank which it is currently drawing down. "Further to this, we had two European development finance institutions (DFIs) conducting due diligence on the bank last month and discussions are going on well for a potential $20 million line with a bias towards SMEs. We anticipate drawdown within the next two months," he said. The bank is also expecting another DFI to conduct due diligence in June for a further $20 million line of credit. Chief financial officer Bennison Ndachena said the bank's loan book currently stands at $243 million with 43 percent of it having being directed towards individual lending, while the services sector has taken up 17 percent. Distribution and manufacturing have drawn down 16 percent and 12 percent respectively. Non-performing loan ratio dropped to 13, 6 percent from 16, 5 percent last year. *(Source)*

**Padenga Holdings has so far culled 4,100 crocodiles for the current harvesting season, which commenced last month and is confident of achieving operational and financial targets for the year.** Chief executive Garry Sharp tod the company's annual general meeting that the first grading and sale of this year's production was conducted early this month with a total of 3,962 skins being graded and achieving a 97 percent 1st grade ratio. "The quality of the cull crop in the pens (crocodiles born in December 2013 and December 2012) gives us confidence that we will attain our target cull of 46,000 crocodiles of 35 cm belly width average," he said. The first half of the financial year was largely a cost accumulation period with the greater portion of culling and turnover accruing in the second half of the year, he added.

As a result, total expenses for the four months to April 2016 are one percent below budget. Sharp said demand remained strong for premium quality skins notwithstanding the decline in the number of tourists visiting Europe after the terrorist incidents in Paris, France and Brussels, Belgium. "High value leather accessories constitute a significant proportion of final product sales by premium luxury brands and the demand for good quality raw skins reflects this," he said. The company operates three farms, which include Kariba Crocodile Farm, Ume Crocodile Farm and Nyanyana Crocodile Farm. It also owns subsidiary, Lone Star Alligator Farm in Texas, United States. At the American operation, 1,654 medium-sized alligators and 2,455 watchband-sized alligators were harvested during the 1st quarter of the year and a further 7,944 alligator skins from prior year were graded and sold in the period. "This operation currently has 9,249 animals on the ground. Of these, 4,911 will be harvested in September 2016 and 4,338 will be carried forward to 2017 to be harvested as medium sized skins of 32cm average size," he said. Sharp said demand for crocodile meat locally was steady, although below the highs experienced four to five years ago. "We expect to achieve sales at a similar level to last year.

We will maintain sales promotions of low value cuts into the local market to preserve our market share as an alternative to sales into Asia." Padenga currently has 44,088 born in 2014 and 52,326 born in 2015 crocodiles on the ground in Zimbabwe. He also said Lone Star has been successful in negotiating the purchase of 22,000 hatchlings for September this year, which will bring the operation back to full productive capacity. "We believe the operation has the management, facilities and systems now in place to grow good quality Alligators. The breeder stock in the captive breeder project has come through the dormant winter season well and are now aggressively taking to feed with the onset of summer and as the breeding season approaches," said Sharp. On capex deployment, Sharp said in Zimbabwe expenditure was focused on preparing material for the construction of an additional 60 grower pens in 2016 which will allow a further reduction in stocking densities in an effort to continually improve skin quality, also on improving facilities with six additional breeder ponds under construction. In addition, a contract to construct a solar power plant at Ume Farm had been concluded and the importation of the equipment was underway with installation to commence in July. In US, contracts have been awarded for the construction of six additional production barns and the contractors moved on site at the beginning of May. The AGM approved annual directors' fees and auditors fees at $56,850 and $58,500 respectively. *(Source)*

## Economic News

**Zimbabwe's consumer prices declined 1.64 percent year-on-year in April, after contracting 2.31 percent in March, data from the statistics agency showed on Monday.** On a month-on-month basis, prices fell 0.21 percent compared with a 0.12 percent dip in the previous month, Zimstats said. *(Reuters)*

**Zimbabwe cut its economic growth forecast to 1.4 percent in 2016 from an initial forecast of 2.7 percent, the ministry of finance said, following a devastating drought and weak commodity prices.** The drought that has scorched crops in most of southern African, has left up to 4 million Zimbabweans facing hunger. Output of the staple maize is now expected at 450,000 tonnes, enough to last three and half months. In an undated bulletin for the January to March quarter, the finance ministry put its new growth target in line with that of the International Monetary Fund and World Bank, banking on better performances in mining and service sectors. "Despite the headwinds facing the economy, growth in 2016 is projected to remain positive at 1.4 percent. This is notwithstanding the budget projection of 2.7 percent," according to the bulletin seen by Reuters on Monday. Zimbabwe had during the first quarter signed contracts to import 469,000 tonnes of white maize from Mexico, South Africa and Zambia, and had 87,464 tonnes in its strategic grain reserves. Gold production was, however, higher at 4,600 kilogrammes, up from 3,811 kilogrammes during the same period last year after bullion prices recovered. But exports fell 13 percent to $626 million, compared to imports of $1.33 billion, reflecting Zimbabwe's reliance on imports, which has left the country with a growing trade deficit and partly blamed for shortages of dollars in the economy. The government issued $245 million in treasury bills in the first quarter to finance the budget and pay domestic debt. A total of $679 million would go towards paying government domestic loans this year. *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT

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



**Zimbabwe recorded a 21 percent increase in gold production to five tonnes in the first quarter of the year after power supplies improved, figures released by the Chamber of Mines on Tuesday have shown.** Chief executive of the chamber, Isaac Kwesu, said more stable power supplies and higher deliveries from artisanal miners — who accounted for 37 percent of total gold produced during the quarter — where behind the inceased output. "Energy remains a challenge though we have seen some improvements which also may be one of the reasons why output increased in the first quarter," Kwesu told journalists at a press conference ahead of the chamber's annual meeting in Victoria Falls later this week. "We anticipate that the energy sector remains fragile. We need to grow the energy sector so that we can sustain the growth of the mining sector." The chamber last December facilitated the importation of 300 megawatts from South Africa's Eskom. Small-scale producers delivered 1,876 tonnes compared to 1,215 tonnes during the same period last year. "Gold, which benefited from both firm price and increased output, recorded a 17 percent increase in value to $189 million," said Kwesu, adding that the country was on course to achieve the 24 tonnes target by year-end if current production levels were maintained. Secondary producers, which include Unki, Mimosa and Zimplats, registered a 33 percent increase in production to 493 kg while output from large producers grew five percent to 2,735 kg. During the first quarter of the year, prices for all minerals declined, with the exception of gold, platinum and iridium. "Total at mine value for the minerals produced in the quarter declined by 3.4 percent to $419 million compared to the same period last year." Platinum production during the quarter was up 43 percent to 4,3 tonnes from 3 tonnes last year. Earnings from the mineral also rose six percent to $108 million compared to $102 million in the same quarter last year. Iridium recorded a 38 percent increase in earnings to $1, 7 million from 1,671 tonnes. Nickel, whose production was up 10 percent to 4, 8 tonnes, was among the hardest hit minerals recording a 31 percent decline in earnings to $30 million. *(Source)*

**ZIMBABWE has one of the worst savings rates in the region and has been relying largely on foreign investments for economic growth, RBZ director for economic research Mr Simon Nyarota has said.** While research has shown that high savings are a major driver of economic growth in the developing nations, Zimbabwe's savings ratio has been negative since 2011.Ideally, developing countries must always strive to achieve savings which are above 20 percent of its gross domestic product in order to stimulate investments and economic growth. But Zimbabwe's savings ratio to the GDP has been negative at -3,5 percent in 2011, -2 percent in 2012, -4,7 percent in 2013, -4,2 percent in 2014 and -1,5 percent last year. This means the economic agents are spending beyond the gross national income. In the SADC region, the average savings ratio to GDP is 10 percent. South Africa, Malawi, Mozambique ratios are at 15 percent while Tanzania, Zambia, Botswana are at 20 percent. "The country has been de-saving and relying on foreign investment which are offshore loans and remittances from the diaspora," said Mr Nyarota. "As a country, we are saving too little." Mr Nyarota said the country's savings was mainly due to low incomes which were leaving many people with little to save. He said high levels of formal unemployment and retrenchments caused by company closures have affected long term savings. "The term of pension funds provides long term savings but because of the retrenchments and company closures, the growth of pension funds have been limited," he said. He also noted that the tenure of savings were too short and can't meet credit demand for productive sectors such as agriculture, mining and manufacturing industries.

Mr Nyarota said short term deposits account for 70 percent of total deposits and most of them are transitory in nature, a reflection of a largely cash economy. Such deposits were not supportive of economic recovery. For instance, he said agriculture, the backbone of the economy requires 12 months loan tenures while manufacturing and mining requires over three year facilities for rehabilitation of dilapidated equipment. Economic analysts said Zimbabwe's situation was dire because of multiple factors which inter alia include shrinking of the formal sector, which was more defined during the decade long economic decline, high bank charges and multiplicity of requirements from the banks, problems with some policy measures and low confidence. While the informal sector has significantly grown during the past few years, punitive bank charges have resulted in financial exclusion of the informal businesses. According to the estimates, billions of dollars are circulating outside the formal banking system. "We must work very hard to resuscitate industries which have capacity to create savings. There is no economy which can run on informal sector. This requires us to work together in putting up good policies which addresses the needs of foreign direct investments. *(Herald)*

**Zimbabwe's cement industry has called on the government to impose tariffs on imports from international manufacturers including Dangote Cement Plc of Nigeria, which it says is undercutting local makers of the building material and threatening jobs.** The government should impose a tariff of $50 a metric ton on cement made at a lower cost in other countries and then sold in Zimbabwe, the Cement and Concrete Institute of Zimbabwe said in a presentation on Wednesday. Companies operating in the country have enough local capacity to meet demand, the institute said. Those include units of Switzerland's LafargeHolcim Ltd., the world's biggest cement maker, and Johannesburg-based PPC Ltd. Dangote Cement, Nigeria's biggest company by market value, is a major producer of cement imported to Zimbabwe, the institute said. It's been expanding rapidly across the continent to meet demand from governments investing in infrastructure projects, generating about a third of annual capacity from 12 African nations outside its home market. The Lagos-based company, controlled by Aliko Dangote, Africa's richest man, imports to Zimbabwe from plants in neighboring Zambia, according to the institute. Dangote spokesman Anthony Chiejina didn't immediately respond to questions that he asked to be e-mailed. Zimbabwe's trio of cement manufacturers, which also includes China's Sino Cement, have more than enough capacity to meet requirements without additional imports, the institute said. Zimbabwe demand is expected to grow by as much as 3 percent to 1.17 million tons this year, compared with installed capacity of 1.85 million tons. The three companies have invested a combined $185 million in upgrades and cement facilities in Zimbabwe over the past five years, with PPC leading the way with spending of $133 million, according to the presentation. The institute said cement makers in countries such as South Africa, Mozambique and Zambia are taking advantage of lower manufacturing costs partly caused by the weakening of local currencies against the U.S. dollar, which has been used since the Zimbabwe dollar was scrapped amid hyperinflation in 2009. The importers are also benefiting from cheaper energy and labor costs than in Zimbabwe, according to the presentation. *(Bloomberg)*

**Zimbabwe will exempt a foreign airline from its black empowerment law to offer a 50-50 partnership in Air Zimbabwe in an effort to keep the state-owned carrier flying.** Loss-making Air Zimbabwe, suffering after years of mismanagement and grappling with high operating costs and old equipment and aircraft, told parliament last year that it needed $260 million in new capital to survive and asked the government to take over its heavy debt burden. Transport Minister Joram Gumbo said on Thursday that the government will take on Air Zimbabwe's more than $200 million of debt and exempt any prospective partner from the law that restricts foreign investors to minority stakes in Zimbabwe businesses. Gumbo said the government has a list of a dozen foreign airlines that are potential partners but gave no names and did not say when it expects to announce a deal. "We are going to be looking for somebody who will partner us at par," Gumbo said in a speech to a conference of the International Air Travel Association in the tourist town of Victoria Falls in western Zimbabwe. "The Indigenisation (and Economic Empowerment) Act on this deal is not coming in," he later told reporters. *(Reuters)*

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