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	30-May-14	6-Jun-14	Local	USD	Local	USD
Botswana	DCI	9096.73	9114.93	0.20%	-1.11%	0.68%	-0.67%
Egypt	CASE 30	8242.94	8498.65	3.10%	3.05%	25.30%	21.45%
Ghana	GSE Comp Index	2319.12	2343.98	1.07%	1.07%	9.27%	-13.61%
Ivory Coast	BRVM Composite	230.61	238.49	3.42%	173.78%	2.79%	169.04%
Kenya	NSE 20	4881.56	4847.80	-0.69%	-0.33%	-1.61%	-2.65%
Malawi	Malawi All Share	13233.53	13237.97	0.03%	-0.61%	5.64%	12.76%
Mauritius	SEMDEX	2077.87	2091.96	0.68%	0.76%	-0.18%	-0.61%
	SEM 7	405.98	406.45	0.12%	0.19%	0.70%	0.26%
Namibia	Overall Index	1094.17	1105.80	1.06%	-1.60%	10.91%	8.51%
Nigeria	Nigeria All Share	41474.40	41602.09	0.31%	0.20%	0.66%	-0.48%
Swaziland	All Share	284.32	284.32	0.00%	-2.63%	-0.47%	-2.63%
Tanzania	TSI	3206.25	3212.71	0.20%	-0.73%	12.98%	7.11%
Tunisia	TunIndex	4537.54	4528.48	-0.20%	-0.38%	3.36%	3.81%
Zambia	LUSE All Share	6027.98	6033.80	0.10%	2.80%	12.81%	-7.52%
Zimbabwe	Industrial Index	174.89	178.58	2.11%	2.11%	-11.65%	-11.65%
	Mining Index	35.44	38.69	9.17%	9.17%	-15.51%	-15.51%

CURRENCIES

Cur-rency	30-May-14 Close	6-Jun-14 Close	WTD % Change	YTD % Change
BWP	8.65	8.76	1.32	1.36
EGP	7.13	7.13	0.05	3.17
GHS	1.87	2.98	-	26.48
CFA	482.10	182.11	-62.23	-61.79
KES	86.31	86.00	-0.36	1.07
MWK	384.10	386.56	0.64	-6.31
MUR	29.17	29.15	-0.08	0.44
NAD	10.44	10.72	2.70	2.21
NGN	161.19	161.36	0.11	1.14
SZL	10.44	161.36	2.70	2.22
TZS	1,626.90	1,642.11	0.93	5.49
TND	1.63	1.63	0.18	-0.44
ZMW	6.89	6.70	-2.63	21.99

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

Egypt's Suez Canal revenues fell to $395.2 million in January from $414.4 million the previous month, according to a government information website. The canal is the fastest shipping route between Europe and Asia and one of the Egyptian government's main sources of foreign currency. Egypt has been struggling to revive its economy since a 2011 uprising scared away tourists and foreign investors, key earners of hard currency. The canal's $8-billion expansion, inaugurated by President Abdel Fattah al-Sisi in August 2015, was intended to help revive the ailing economy by doubling daily traffic and increasing annual revenue to more than $13 billion by 2023. That has yet to materialise amid a slowdown in global trade. *(Reuters)*

Economic News

The Egyptian pound strengthened on Sunday, reaching a three month high, as importers' demand for dollars at banks eased, bankers told Reuters on Sunday. Banks were selling dollars at around 15.8 pounds per dollar on Sunday, stronger than Thursday's rate of around 16 per dollar. The central bank floated the currency and raised base interest rates by 3 percent in early November, encouraging the International Monetary Fund to agree a three-year $12 billion funding deal later that month. "Importers have a pile up of goods. When the prices rose after the float, people's purchasing power declined and sales in most (imported) goods slowed down and with it their demand for dollars to import more goods slowed as well," one banker said. Dollar inflows at banks have also increased as foreign investors, scared off by a revolution in 2011 that ushered in an era of instability, have begun to return, while dollar remittances from Egyptians living abroad have risen sharply. Foreign investors, lured by high yields in Egyptian treasuries, entered the market in the past few weeks pushing yields lower. *(Reuters)*

Ghana

Corporate News

Unilever Ghana Limited, the largest producer and retailer of consumer goods in Ghana on Wednesday indicated support for government's set objective of creating an enabling environment for businesses to flourish. Chairman of the company, Mr. Edward Effah, made this known when he led a nine-member delegation to the presidency in Accra to congratulate President Nana Addo Dankwa Akufo-Addo, on his assumption of office as President. Mr. Effah, said that the decision of the Akufo-Addo government to create an enabling environment for the private sector to flourish, as well increase competitiveness for businesses was the surest way towards creating wealth and prosperity for the people of Ghana. He noted that government's "Planting for Jobs and Food" initiative was a laudable one, indicating that Unilever was ready to partner with government to establish a world class oil palm industry in Ghana. Also present at the meeting was Yaw Nsarkoh, Executive Vice President of Unilever Ghana-Nigeria, who praised President Akufo-Addo for his clarity of vision regarding private sector development, as evidenced in the 2016 manifesto of the New Patriotic Party and the 2017 state of the nation address, delivered on Tuesday, February 21, 2017. He added that Unilever would build an industrial powerhouse in Ghana, in the coming years. President Akufo-Addo, on his part, was grateful for the words of support from the leadership of Unilever and their desire to co-operate with his government to help return Ghana onto the path of progress and prosperity. He was confident that with the support and co-operation of industry players, and the effective implementation of government's policies and programmes, Ghana's economy would, once again, be a major force to reckon with on the continent.

Describing the country as a "wealthy nation", President Akufo-Addo added that the "proper management of the economy will see the wealth of nation being manifested in the lives of the citizenry." With his government's economic focus hinged on "getting the productive sectors of the economy working again", the President urged Unilever to consider relocating their production units back to Ghana. These production units were moved by Unilever to neighbouring Cote d'Ivoire and Nigeria over the last few years, as a result of the unfavourable economic conditions prevailing in the country. The President assured that "we will do our best to create an enabling environment so that we can facilitate the inflow of investments into our country. Ghana should be at the centre of producing things again in the region and on the continent." The Minister for Trade and Industry, Alan Kyerematen, who was also present at the meeting noted that it was reassuring that "Unilever was inspired by the President's vision", stressing that government would offer the necessary incentives to the private sector with the aim of industrialising the country. Acting Chief Executive Officer of the Ghana Investment Promotion Centre, Yofi Grant, assured that one of his major objectives would be the removal of bottlenecks to operations and a reduction of the huge administrative costs bedevilling the establishment of businesses, so as to make businesses operate competitively. *(Ghana Web)*

Economic News

The Bank of Ghana said the yield on its 91-day bills being sold in a regular weekly auction on Friday rose to 15.9621 percent from 15.6877 percent at the last sale on Feb. 10. The bank said it had accepted 437.16 million cedis ($96.5 million) worth of bids out of 437.66 million cedis tendered for the paper, which will be issued on Feb. 20. *(Reuters)*

Licensed cocoa buyers in Ghana said on Monday that weeks-long delays in the release of financing by industry regulator Cocobod was hindering their ability to purchase the beans needed to fill their supply contracts. Ghana, the world's second biggest cocoa producer, has around 20 active Licensed Buying Companies (LBC), which sign rolling contracts to supply specific amounts to Cocobod. Many receive an advance which they repay when the cocoa is delivered under a schedule that includes the buyers margin, evacuation cost and a bonus.

Cocobod raises an annual loan - around $1.8 billion this season - to pay for cocoa purchases. "January 27 was the last time we got paid an advance by Cocobod. Since then no money. It has crippled our operations because it's working capital which is locked up," said one senior official at a cocoa buyer. Seven buying companies contacted by Reuters said they were facing similar financing crunches due to Cocobod delays, which they said were the worst in years. All declined to be named for fear of antagonising the regulator, which some said had promised to resume the payments later this month. A Cocobod spokesman said he was unaware of the problem. Two Netherlands-based traders said they were aware of reports of delays but had not seen a decrease in volumes, likely because there were sufficient stocks already at Ghana's two ports to avoid a slowdown.

Cocobod forecasts production in Ghana of about 800,000 tonnes in the 2016/17 season, down from an earlier forecast of up to 900,000 tonnes. One senior buyer at another company showed Reuters a contract issued in January worth 3.3 million cedis ($729,000) to buy 389 tonnes of beans. He said he typically would receive Cocobod pre-financing within six to eight days but 20 days later he was still waiting for the money. Local companies without financing from international partners have seen their operations paralysed, buyers said. "For the past six to eight weeks the LBCs have not been getting money ... The farmers are frustrated," said a third buyer. Another company official said the problem dated to around the time the government of President Nana Akufo-Addo was sworn in on Jan. 7 and replaced most of Cocobod's senior leadership. Ayisi Botwe, secretary of the Licensed Cocoa Buyers Association, said he was not aware of a significant problem with payment delays and suggested that some companies could simply be facing internal financial problems. (*Reuters)*

Ghana's producer price inflation fell to 3.1 percent year-on-year in January from a revised 4.8 percent the month before as the impact of fuel prices rises a year ago was reduced, the statistics office said on Wednesday. It is a far cry from the more than 48 percent seen less than three years ago, but the fall was mainly in manufacturing rather than mining, where gold is one of Ghana's top three foreign exchange earners. Mining and quarrying inflation stood at 18.6 percent in January compared with 15.6 percent in December. Manufacturing was 2.4 percent in January versus 5.4 a month before while utilities were 6.8 percent as against 7.0 percent in December. Ghanaian President Nana Akufo-Addo said on Tuesday the economy was in poor shape and promised to press on with his agenda, which includes restoring fiscal stability, creating jobs, promoting business, cutting taxes and fighting corruption. The government, which took power on Jan. 7, inherited a $918 million International Monetary Fund deal that aims to reduce public debt, the budget deficit and inflation. Akufo-Addo said the three-year programme that began in April 2015 has failed to reach its objectives. Inflation remained above target in 2016 and stood at 13.3 percent in January. It is expected to fall quickly in the early months of this year as the effect of a reduction of fuel and utility subsidies, which raised prices roughly a year ago, passes through the system. *(Reuters)*

The Securities and Exchange Commission (SEC) is to set higher standards for the securities industry in keeping up with the latest international development and to ensure the growth of the sector. Alexander Williams, Ag. Director General of SEC told the B&FT that: "Beginning this year, the country is going to enjoy an exciting and challenging capital market. After a long run, the Securities Industry Act 2016 was passed. Among the exciting things to look up to, he said, is the introduction of new standards and guidelines. The standards that the Commission, through the Act, is going to set for the capital market operators will be very high and demanding. While setting those standards, the Commission will also provide the environment to promote the development and growth of the capital market. For instance, to ensure good corporate governance, the Commission will have training programmes for directors and company secretaries of all newly licensed capital market operators." Alexander Williams, Ag. Director General of SEC, was speaking to the B&FT on the sidelines of at the launch of two mutual funds dubbed: Entrepreneur and Wealth Funds by Crystal Capital Limited. The passage of the Securities Industry Act, last year, brings with it the required legal framework to allow all forms of securities to be licensed. The Commission has also be given the operational independence it needs for efficient and effective regulation of the industry. The Collective Investment Schemes (CIS) market has enjoyed a steady growth over the years. At the end of 2014 there were 42 licenced schemes made up of 18 unity trust and 24 mutual funds, and at the close of 2016 there were 53 licenced schemes.

The Wealth Fund (W-Fund) and the Entrepreneur Fund (eFund) are collective investment schemes that pool resources of the general public and manage them on their behalf by Crystal Capital, with the objective of providing capital growth, regular income while preserving capital and maintaining liquidity by investing in a diversified portfolio of high quality asset classes, pre-approved by SEC. The eFund is targeted at

entrepreneurs and as well as organisations that support entrepreneurial initiatives, while the W-Fund is designed for individuals and corporations to enable them make regular income on their investments. "A buoyant capital market is critical in helping to develop structured products, build the right understanding and investment culture among our people, to help mobilise significant investment funds as well as develop the right leverages to boost the economy," said Martin Ofori, Chief Executive Officer of Crystal Capital Limited. "We have the requisite skill and space to establish funds as well as leverage existing funds to boost the economy. As a firm with strong expertise in workings of our economy and the financial system, we better appreciate their interrelations with the real sector, and are very well-positioned not only to proffer professional advice, but also to be your partner in charting the course of business," Mr. Ofori added. *(Ghana Web)*

Kenya

Corporate News

Equity Bank is set to roll out agency banking in Zanzibar, where it commenced operations last week with its first branch on the island. The lender is now operating 14 branches in Tanzania, where it set up shop in 2012 with an initial two branches. Equity Bank Tanzania managing director, Joseph Iha said the lender will embrace the agency banking model adopted by its parent bank in Kenya, where over 25,000 agents processed 46 million transactions in the first nine months of 2016. "Our plan is to expand our presence here in Zanzibar through more branches, agency banking and merchant banking," said Mr. Iha, adding that the bank will target SMEs and the tourism sector.
The Tanzanian operation is currently supported by over 1,050 agents and merchants and 17 ATM outlets. Equity currently operates in Kenya, Uganda, Tanzania, Rwanda, South Sudan, Uganda and Democratic Republic of Congo. The lender reported an 18 per cent rise in after -tax profit to Sh15 billion for the nine months to September. In this, Tanzania contributed a profit of Sh300 million, while Uganda and the Democratic Republic Congo both reported net profits of Sh500 million. South Sudan reported a loss of Sh100 million following prolonged instability in the country while Rwanda reported a 16 per cent drop to Sh300 million. *(Business Daily)*

Kenya Airways is seeking regulatory approval to discuss price setting and revenue sharing on certain routes with its Tanzanian partner, Precision Air. The national carrier, known by its international code as KQ, has a 41.23 stake in Precision Air. The two airlines want an exemption from competition regulations so that they can set ticket prices together; manage and market certain routes jointly; and at the end of the day share the money earned on these routes. The two firms already have a code-sharing agreement, which allows airlines to sell seats on each other's planes, on the Nairobi-Dar es Salaam route. However, the proposed agreement would lead to greater integration between the two companies' activities. "In this joint venture agreement, the parties intend to align and co-ordinate the management of any and all revenues attributable to the performance of the joint venture by either Kenya Airways or Precision Air," said Competition Authority director general Wang'ombe Kariuki in a notice. Although competition laws forbid collusion to set prices, the law also allows companies to apply for exemptions. The Competition Authority gave the public 30 days to submit opinions on the proposal.

Kenya Airways has a pre-existing joint operations agreement with shareholder Dutch airline KLM. The agreement allows the two firms to co-ordinate scheduling and marketing on the Nairobi-Amsterdam route. Dar-listed Precision Air in its 2016 annual report said that the joint venture with KQ would increase passenger traffic on its network. Both Kenya Airways and Precision Air are going through a period of financial turbulence. In the year to March 2016 Precision Air recorded Sh4.2 billion (TZS 91 billion) in losses citing weakening of the Tanzanian shilling against major world currencies. During a similar period, KQ recorded losses of Sh26.2 billion. KQ has been plagued by labour challenges that saw contract staff down their tools last year as pilots also threatened to demonstrate. Nevertheless, the carrier saw its passenger numbers grow 4.8 per cent to 1.12 million in the three months to December 2016. KQ is increasingly focusing on its biggest market, Africa, with regional routes being the best performing. Passenger numbers in East Africa grew 7.1 per cent in the three months to December. KQ is undergoing a turn-around plan helmed by its new board chairman, Mr. Michael Joseph. The strategy to return to profitability has been characterised by slashing of operating costs; the disposal of assets; staff retrenchment as well as an overhaul of top management with chief executive Mbuvi Ngunze set to resign next. *(Business Daily)*

Kenya's biggest bank group KCB is eliminating an unspecified number of jobs after a two-year review of its operations aimed at boosting efficiency, it said on Tuesday. Several Kenyan lenders have said they are cutting their workforce after legislators capped commercial lending rates last August, a move expected to squeeze banks' margins and profits. KCB said its review of staffing needs was done against the backdrop of fast-changing technology and regulations. "The process is being handled in accordance with the law," KCB said in a statement, promising to offer more details when it unveils its full year earnings in the next three weeks. Banks in Kenya, which is East Africa's biggest economy, have also been turning to mobile banking, to lower costs and build new revenue streams, after the rates were capped. *(Reuters)*

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A Kenyan lawmaker proposed breaking up Safaricom, the country's biggest telecoms operator, on Tuesday because of its role in providing mobile financial services. Safaricom, which is 40 percent owned by Britain's Vodafone, not only has Kenya's biggest number of subscribers, it also dominates the country's thriving mobile-based financial services sector with its innovative M-Pesa platform. M-Pesa has been widely hailed as an example of a developing region successfully adapting a new technology ahead of others and then exporting the idea globally, and as a "good news" story for African business. Jakoyo Midiwo, the deputy minority leader in Kenya's national assembly, said he was proposing amendments to laws on banking and communications to force Safaricom to separate M-Pesa, which is regulated by the central bank, from telecoms. Such a move was necessary because Safaricom was offering banking services without the necessary licence, he added. M-Pesa, which allows users to send money and make payments even on the most basic phones, has allowed Safaricom to partner with leading banks in recent years, giving it access to the lucrative small loans and deposit-taking business. Vodafone says on its website that M-Pesa, which means "m-money" in Swahili, was launched in 2007 in Kenya, 2008 in Tanzania and is now present in 10 countries as the global brand for Vodafone's Mobile Money service.

Safaricom, which is Kenya's most profitable listed company and the biggest by market capitalisation, declined to comment. Smaller telecoms operators such as Bharti Airtel Kenya have complained of Safaricom's market dominance, with 90 percent of revenues in areas such as voice calls and text messages. "My intention is to break it into several companies," Midiwo told Reuters by phone on Tuesday. "I'm doing it through miscellaneous amendment today, this afternoon. I'm amending the banking act, I'm amending the communications act, I'm amending several acts." Midiwo's amendments would have to be cleared by parliament and then signed into law by the president. The passage of the amendments was not guaranteed, Midiwo said, but he pledged to re-introduce them if they fail on this occasion. "It would be wrong for parliament to sit back and just watch," Midiwo said, adding that it was the job of parliamentarians to make sure companies operate efficiently and benefit the local economy. Kenyan firms have expressed alarm over legislative initiatives that could hamper their operations after lawmakers capped commercial lending rates last August. *(Reuters)*

Barclays Bank of Kenya will focus on growing its non-interest income after a jump in bad debts and a government cap on lending rates cut its 2016 pretax profit by 10 percent, it said on Wednesday. The cap on lending rates, introduced last September, was expected to squeeze margins and profits at Kenyan banks. The cap limits commercial bank lending rates at 400 basis points above the central bank rate, which stands at 10 percent. The government brought in the cap because it said lending rates were too high. Businesses in Kenya had complained that high commercial lending rates charged by the banks had hindered corporate investment. "In general it has impacted our revenue line in the region of about 15 percent," Jeremy Awori, the bank's CEO, told Reuters. The bank's pretax profit fell to 10.85 billion shillings ($105 million) from 12.07 billion shillings a year earlier, hurt by increased provisions for bad debts and the rate cap. Revenue rose 8 percent. "We are growing our non-funded income, especially as our interest income starts getting impacted," Awori said, referring to non-interest income generated by selling other products such as insurance. Awori said banks were moving swiftly to find new revenue streams to make up for the expected income squeeze from the rate cap. Economists had said the interest rate cap risked hurting economic growth by discouraging lending to smaller borrowers who are deemed more risky. Provisions for bad debts rose to 3.92 billion shillings from 1.77 billion shillings a year earlier as bad debts nearly doubled. The bank attributed the rise in non-performing loans to job losses at companies that caused personal borrowers to default. The bank is part of Barclays Africa, where majority owner Barclays Plc, is reducing its stake. *(Reuters)*

Cigarette manufacturer British American Tobacco has recorded a 15 per cent drop in after tax profit for the year ended December 2016 to Sh4.2 billion. The introduction of excise duty and the use of excise stamps on cigarettes contributed to the profit slump, the cigarette maker said yesterday in a statement. BAT said tax contributions to the government hit a new high of Sh19 billion as the manufacturer continued to bear the sin tax that Treasury has raised regularly in recent national budgets. "Contribution to government revenues in the form of excise duty, value added tax (VAT), pay as you earn (PAYE) and corporation tax increased significantly by Sh3.1 billion to a record Sh19.2 billion in 2016. This increase was mainly driven by significantly higher excise duty and VAT from domestic business as well as a higher PAYE," BAT said in the statement. Despite the profit drop, the board recommended a Sh39.50 dividend per share. If approved by the shareholders at the AGM to be held on April 27, the shareholders will have received Sh43 per share dividend in addition to an earlier interim payout. BAT said the dividend, which is subject to withholding tax, will be paid on April 27 to the shareholders on the register at the close of business on

March 22, 2017. The introduction of excise duty has led to an increase in cigarette prices, lowering sales for the Thika-based manufacturer. The higher taxes and price rises saw the firm's gross revenues increase by two per cent to Sh36.7 billion. The higher sales values were however offset by lower contract manufacturing sales. "Excise duty and VAT increased by 24 per cent to Sh16.8 billion driven significantly by higher excise duty following the implementation of a single tier excise regime on December 1, 2015. We grew market share in 2016 notwithstanding the diverse price increases on sales mix," BAT stated. The cigarette industry has been profitable despite increased legislation and taxation meant to control its usage. Last week, a three-judge bench of the Court of Appeal dismissed an application by BAT challenging the 2014 Tobacco Control Act compelling manufacturers to contribute a percentage of their profits to cater for adverse effects of tobacco use. Appellate judges Festus Azangalala, Hannah Okwengu and Fatuma Sichale also ruled that cigarette makers will have to publish graphic images on packaging to warn the public against tobacco use. *(Business Daily)*

East Africa Portland Cement (EAPCC) has reported a Sh248 million after tax loss for the six months to December 2016 compared to a net loss of Sh528 million in 2015. The company saw its revenues during the period decline 19 per cent to Sh4.6 billion compared to Sh3.7 billion last year, which it attributed to "harsh operating market". "Revenue declined by 19 per cent over the same period last year due to reduction is sales volume by 17 per cent as a result of changes in the competitive landscape," said the cement maker yesterday. The State-owned manufacturer is seeking to raise billions of shillings to remain afloat. "Demand for cement is expected to decline as election uncertainties set in coupled with the possible decline of disposable incomes occasioned by drought, general decline in manufacturing sector and near completion of major infrastructure projects," it said. "The board is, however, optimistic that with the implementation of the company's medium term plans the company will return to profitability." The company did not recommend payment of an interim dividend. The State-owned company's woes are compounded by decades-long court cases that the firm says had been instigated by private developers eyeing its Sh17 billion prime land. New chief executive Simon Peter ole Nkeri has said the success of an underway capital-raising plan is dependent on the government making good on its long-overdue pledge to reduce its controlling stake in the cement maker. Auditor-General Edward Ouko flagged the firm's financial returns that showed Sh1.5 billion in operating loss, the amount being thrice the Sh608 million recorded in a similar period the previous year. (*Business Daily)*

ARM Cement plans to expand grinding capacity at its one million tonne-a-year plant in Kenya by 50 percent over the next year to meet rising demand, its chief executive said. ARM is the second biggest cement producer in East Africa and also has operations in Tanzania and Rwanda. In 2016, it received a $140 million equity injection from Britain's CDC Group, which took a 40 percent stake. Pradeep Paunrana, ARM's managing director, said in an interview late on Wednesday the money was used to pay debts. He said its Kenyan plant was at full capacity, and expansion was needed to meet the growing demand for cement in the country. "We are completing a grinding plant expansion in Athi River which will give us an additional 500,000 tonnes of cement in the next 12 to 14 months," he told Reuters, referring to the Kenyan plant, which has not been expanded since 2010. The extra capacity will boost its use of clinker produced from its plant in Tanga, Tanzania, with an annual capacity of 1.2 million tonnes of the raw material. Paunrana, who did not give the cost of adding production capacity, said it was being funded by internal resources. He said ARM Cement had an equivalent of $125 million in debt, and will pay it down over a four-year period starting next year. "Until we use the existing capacity, the company has no plans for increasing any debt or raising any new equity and the internal generation will be used to carry out the improvement projects and to start paying down debt," Paunrana said.

In Tanzania, ARM has a 1.5 million tonnes-a-year production capacity at two plants of equal size - one in Dar es Salaam, and another in Tanga, which it is finishing building and is expected to start production within the next 12 months. Its Rwandan operation can produce 100,000 tonnes a year. Paunrana said demand was seen rising in East Africa over the next few years due to planned infrastructure projects, such as a new railway in Tanzania. "We feel that cement demand in the region is going to continue to grow at 8 to 10 percent (a year)," he said. Paunrana said the company was making preparations for another clinker plant in Kitui in eastern Kenya, but no decision would be made on developing it until all its Tanzanian supply had been used. "There will be no decision taken on any investment until the Tanzania capacity is fully utilised, which will be in another three to four years," he said. ARM Cement posted a pre-tax loss of 3.54 billion shillings ($34.21 million) in full-year 2015 due to foreign exchange losses after reporting a 2.02 billion shilling profit in 2014. *(Reuters)*

Kenya's Stanbic Holdings said on Friday its 2016 pretax profit fell, partly due to an increase in impairment costs on credit. The group - formerly known as CFC Stanbic Holdings - which operates Stanbic Bank and a financial services firm, said in a statement that pretax profit fell to 6.05 billion shillings ($58.51 million) last year from 7.36 billion shillings in 2015. Total income rose to 18.52 billion shillings from 16.94 billion shillings a year before, while net interest income rose to 10.86 billion shillings from 9.30 billion shillings. It said credit impairment costs jumped to 1.75 billion shillings from 907.31 million shillings in 2015, while earnings per share fell to 11.18 shillings from 12.41 shillings in 2015. *(Reuters)*

Proposals by Airtel and Telkom Kenya that could have seen Safaricom forced to charge its customers higher rates than its rival telecommunications providers have been rejected by consultants hired to assess competition in the sector. Airtel and Plum Consulting (on behalf of Telkom Kenya) had separately written to the Ministry of ICT last year asking that Safaricom pays a higher fee for calls and texts completed on its rivals' networks. The fee, technically referred to as a mobile termination rate (MTR), has been set at Sh0.99 for calls and Sh0.05 for text messages since 2010. The MTR is paid whenever a customer calls or sends a message to a network other than her own and has implications on the costs that an operator passes on to subscribers. The proposal for an asymmetrical MTR has been rejected by Analysys Mason on the grounds that Kenyan companies are already paying low fees relative to companies in other global markets. Asymmetric MTR, the firm writes, is meant to cushion new players in a market and this is not the case locally. "In Kenya, even though Safaricom clearly has greater economies of scale than other mobile operators, these other operators have been in the market for a long time and should not be 'rewarded' for having smaller scale," reads the draft report. Although the current MTR is standard for all operators, calling trends in Kenya mean that it favours Safaricom. Most of Safaricom's 26.6 million customers only call within the network. On the other hand, Airtel has the highest proportion of off-net traffic and finds itself having to pay out relatively high MTR fees. The report also shows that Airtel had written to the government proposing that a price-floor be set on Safaricom's retail services. This would have meant that the market leader was not allowed to lower costs below a certain threshold. Such a price floor, Analysys Mason has said, "places unnecessary restrictions on Safaricom's ability to innovate with its tariff plans and promotions".

This is not the first time a minimum call rate has been proposed for the market. In the midst of a price war, operators had in 2012 called for a minimum calling rate to be set at 50 per cent above the MTR fee to discourage the race to the bottom. The proposal was later rejected by the industry regulator. Analysys Mason was hired to carry out a study on competition in the telecoms sector amidst outcry by the smaller telecom firms that the operating environment was too harsh. Telkom Kenya and Airtel have been operating in loss-making territory. The report still needs to go through stakeholder consultation and the Communications Authority of Kenya (CA) review before it can be implemented. It will be upon the industry regulator to strike a balance that results in a more competitive environment without crippling one of Kenya's largest companies, Safaricom. Despite the rejection of the proposals on MTR and price floors, the draft report seems to be a general boon for the smaller players in Kenya's telecommunications sector. The report finds Safaricom to be dominant in both the mobile money and mobile telecommunication businesses. Analysys Mason has proposed that the government impose on Safaricom stringent regulations to ensure that it shares its existing infrastructure. The most far-reaching of the proposals is the implementation of seamless interoperability in mobile money before the end of 2017. Failing this, Safaricom will be forced to spin-off M-Pesa into an independent company. It will also be required to extend M-Pesa the same terms that it would. *(Nation)*

Economic News

Kenya is close to signing an $800 million syndicated loan with four banks to help fund infrastructure projects and support the shilling, according to a person familiar with the matter. East Africa's biggest economy is expected to sign the three-year facility with Citigroup Inc., Standard Bank Group Ltd., Standard Chartered Plc and Rand Merchant Bank by tomorrow, the person said, declining to be identified because he isn't authorized to speak on the matter. Kamau Thugge, the Treasury's principal secretary, didn't answer calls and text messages seeking comment. The government also secured $500 million from lenders led by the Trade and Development Bank, an East African trade-

finance bank based in Burundi, the person said. The 10-year loan is in addition to the $250 million it raised from the same lenders last month. The loans come as the nation faces debt repayments of about $8 billion this year, including interest, according to data compiled by Bloomberg. Kenya, which hasn't ruled out a Eurobond sale, may borrow as much as 250 billion shillings ($2.4 billion) externally in the fiscal year that begins on July 1, the person said. That's more than the 206 billion shillings the government said it will raise in budget estimates submitted to parliament last week. Spokesmen for both Citigroup and Standard Bank referred questions to the Kenyan Treasury. Standard Chartered and RMB declined to comment. Kenya plans to raise 154 billion shillings through external borrowing in the current budget year that ends June 30, to finance a deficit estimated by the Treasury at 9.6 percent of gross domestic product. *(Bloomberg)*

Kenya's government will allow millers to import 5 million bags of yellow maize for the production of animal feeds to cushion consumer prices of white maize following a drought, a top agriculture ministry official said on Monday. "We have decided we insulate the white maize that is going to be consumed by human beings and we allow the animal feed millers to import at least 5 million bags (yellow maize) for the next three to four months," Richard Lesiyampe, the principal secretary in the ministry told Reuters. *(Reuters)*

The price of the Kenyan tea dropped by Sh16 per kilogramme this week at the Mombasa auction, reversing the gains witnessed last week. A report from auction indicates that the price dropped from Sh305 last week to Sh289 per kilogramme (kg) in Tuesday's auction. This marks only the second time since the beginning of the year that the beverage has registered a dip in price at the auction. At the same time, the volumes at the auction dropped by 148,606 kg, to 6.2 million from 6.35 million that had been sold the previous week. "Out of 115,356 packages (7,400,000 kg) available for sale, 96,576 (6,203,834 kg) were sold with 16.28 per cent going unsold," said Mr Edward Mudibo, managing director of the East African tea Traders Association (EATTA). According to EATTA, Egyptian Packers were dominant but operated at lower levels with more enquiries coming in from UK, Kazakhstan, and Russia. However, the report says that UK was selective in their buying. There was more interest at lower rates from Yemen and other Middle Eastern countries while Pakistan Packers and Afghanistan showed less activity with Sudan being active during the sale. Tea production has dropped in factories with the regulator saying that the volumes are down 40 per cent currently. Tea Directorate says that most factories are currently operating below their installed capacity due to the ongoing drought. According to the regulator, the current drought is expected to cut tea production by 12 per cent to 416 million kilogrammes this year from 473 million registered in 2016. Kenya is the leading exporter of the commodity in the world, selling 95 per cent of its tea in the global market. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

The central bank of Mauritius left its key repo rate at 4.0 percent on Monday, because inflation is contained and the economic outlook is stable, the bank's governor said. Ramesh Basant Roi, the governor, said economic growth in the Indian Ocean island state was projected at 3.8 to 4.0 percent this year, unchanged from the bank's previous forecast. He said inflation was expected to remain around 2.5 percent this year with the main risk to the outlook coming from an uptick in international commodity prices. "The MPC (Monetary Policy Committee) viewed that holding the Key Repo Rate unchanged is consistent with economic conditions in the foreseeable future," Basant Roi said. *(Reuters)*

Nigeria

Corporate News

Nigeria urged South Africa's MTN to list its shares on the local stock market, its telecommunications minister said on Monday. Africa's biggest mobile phone operator has said it aims to list its Nigerian unit on the local bourse but has given no date. "I want to appeal to you that you do the utmost and do the needful to ensure that you get onto the Nigerian stock exchange," Telecommunications Minister Adebayo Shittu told MTN executives at a company event.*(Reuters)*

Nigerian Breweries Plc Monday announced its audited results for the year ended December 31, 2016, showing a decline of 25 per cent in profit after tax (PAT), reflecting the challenging operating environment. Although the leading brewer posted a growth of 6.7 per cent in revenue, a combination of rising inflation and impact of the naira devaluation drove down its bottom-line. Specifically, the company recorded a revenue of N313.743 billion in 2016, up from N293.9 billion in 2015. Cost of sale rose from N149.73 billion to N178.218 billion. Marketing and distribution expenses also rose from N58.45 billion to N61.312 billion. While the company brought down administrative expenses, finance cost increased by 66 per cent from N8.217 billion to N13.645 billion. However, this increase was majorly driven by net foreign exchange loss of about N7.552 billion, compared to N752 million in 2015. Following the huge forex loss, Nigerian Breweries Plc ended the year with profit before tax of N39.675 billion, down from N54.514 billion in 2015 and PAT of N28.416 billion as against N38.05 billion in 2015. The directors have recommended a final dividend of N20.457 billion, which translate to N2.58 per share. This brings the total dividend to N28.386 billion or N3.58 per share, having already paid an interim dividend N7.929 billion or N1.00.

However, the directors of the company have also made a recommendation to the shareholders to receive new ordinary shares of in the company instead of the final dividend. While commenting on its nine months results last year, Nigerian Breweries had said that although the operating environment was expected to remain challenging for the rest of the year, it would "continue to focus on our twin agenda of cost and market leadership supported by innovation." The firm expressed confidence that it was well positioned to take advantage of any upswing in the market. Meanwhile, the stock market opened on a positive note as bargaining hunting activities dominated the trading yesterday. The Nigerian Stock Exchange (NSE) All-Share Index appreciated by 0.34 per cent to close at 25,249.49. The positive performance was partly bolstered by increased demand for Nigerian Breweries Plc as investors reacted to the full year results. Other stocks that influenced the performance included: Diamond Bank, Oando, Guinness and PZ Cussons among others. The total value of stocks traded on stood at N985.67 million, down by 50.20 per cent from N1.98 billion recorded last Friday. The total volume of stocks traded was 110.01 million in 2,160 deals. *(This Day)*

Transcorp Hotels Plc, the hospitality subsidiary of Transcorp Plc has posted a profit after tax of N4.095 billion for the year ended December 31, 2016, showing an increase of 17 per cent above the N3.497 billion recorded in 2015. Also, the directors recommended a dividend of 40 kobo per share. The audited results showed revenue of N15.312 billion, compared with 13.979 billion in 2015. This was driven by certain key events including visits by very high profile guests, many foreign heads of governments and representatives of various consulates. The hotel hosted number of annual general meetings (AGMs) several bluechip companies and also recorded visits by the CEOs of world football governing body (FIFA) and many Fortune 500 CEOs and their equivalents. The company's revenue also improved due to aggressive business development through market segmentation and competitive rates for rooms, food and beverage and corporate events. Cost of sales stood at N3.889 billion, compared with N3.362 billion, while gross profit before increased from N10.617 billion to N11.421 billion. Administrative expenses, impacted by the high inflationary trend that characterised the year, rose jumped from N5.943 billion to N7.323 billion. Net finance cost moderated from N594 million to N575 million.

Consequently, profit after tax improved from N3.497 billion to N4.095 billion. Hence, the directors recommended a dividend of 40 kobo. Transcorp Hotels recorded also some achievement in 2016. For instance, for the fourth year in a row, the hotel emerged as the proud recipient of five prestigious awards at the 23rd World Travel Awards: Africa's leading business hotel, Nigeria's leading business hotel,

Nigeria's leading hotel; Nigeria's leading hotel suite (the presidential suite) and Nigeria's leading MICE hotel. The World Travel Awards brand is recognised globally as the ultimate hallmark of quality, with winners setting the benchmark to which all others aspire. Transcorp Hilton Abuja also clinched the 2016 TripAdvisor Travelers' Choic awards for hotels (the highest honour to be given by TripAdvisor), ranking first out of 64 hotels in Abuja based on the reviews and opinions of the global travel community. The company said it has concluded plans to record even better performance in the coming year as Transcorp Hilton Abuja plans to conclude the upgrade and refurbishment of the hotel, which is in full swing with completed floors (floors 8 to 10) to be included in inventory by the end of first quarter 2017. *(This Day)*

Ahead of its yearly general meeting (AGM) scheduled for next month, the directors of Transcorp Hilton have proposed the payment of 40 kobo per share as dividend subject to shareholders consideration. Transcorp Hilton, which announced gross revenue of N14.6 billion for the 2016 financial year, said this was against a budget of N13.8 billion, (2015: N13.4 billion). It disclosed that the high revenue was driven by certain key events including visits by very high profile guests, many foreign heads of governments and representatives of various consulates. It informed that a number of AGMs were held by several blue-chip companies, and "we also recorded visits by the CEOs of world football governing body (FIFA) and many Fortune 500 CEOs and their equivalents. Revenue also improved due to aggressive business development through market segmentation and competitive rates for rooms, food and beverage and corporate events." According to a statement made available to The Guardian, the hotel claimed that its Profit Before Tax (PBT) was N4.9 billion much higher than the budget of N3.7 billion (2015: N5.5 billion). Its Profit After Tax (PAT) for the year of N3.5 billion was also higher than budget of N3.4 billion (2015: N3.6 billion). This is in spite of the reduction in the number of rooms and escalating cost of operation. The hotel said it has maintained a stable Balance Sheet consistent with the prior year, with a total asset to the tune of N88 billion (2015: N89 billion) while total liabilities reduced by N1 billion to N35 billion in 2016. In terms of key achievements for the year, the management of Transcorp claimed that for the fourth year in a row, the hotel emerged as the proud recipient of five prestigious awards at the 23rd World Travel Awards: Africa's Leading Business Hotel; Nigeria's Leading Business Hotel; Nigeria's Leading Hotel; Nigeria's Leading Hotel Suite (the Presidential Suite) and Nigeria's Leading MICE Hotel.

According to the statement, the World Travel Awards brand is recognised globally as the ultimate hallmark of quality, with winners setting the benchmark to which all others aspire. Transcorp Hilton Abuja clinched the 2016 TripAdvisor Travellers' Choice awards for Hotels (the highest honour to be given by TripAdvisor), ranking first out of 64 hotels in Abuja, based on the reviews and opinions of the global travel community. The firm explained that at the Seven Stars Luxury Hospitality and Lifestyle Awards held in Marbella, Spain, in October 2016, the World's first international Hospitality Hall of Fame was launched to honour the extraordinary achievements of the most exceptional members of the Luxury Hospitality industry. In terms of project development, the statement explained that the upgrade and refurbishment of the hotel was in full swing with completed floors (floors 8 to 10) to be included in inventory by the end of first quarter 2017. *(Guardian)*

Economic News

Nigeria's central bank plans to boost dollar sales for school fee payment and travel abroad so as to reduce the premium paid on the black market and support the naira, a senior banker said on Saturday. The naira is quoted on the black market at a discount of around 40 percent to the official interbank market, where it has closed at 305 to the dollar since last August. The regulator met with senior bankers at an industry event on Friday to discuss ways to address dollar shortages on the official market, one banker who attended the meeting told Reuters late on Saturday. The central disbursed $2.83 billion to critical sectors of the economy in December and January. However, analysts estimate outstanding dollar demand at around $4 billion. The bank has been trying to clear the backlog via forward contracts sold to manufacturing, agriculture and airline companies, hoping also to help drag Nigeria out of its worst recession in 25 years, triggered by low oil prices. But retail currency users have been left out, fuelling the black market. On Friday, the naira hit a new low of 516 to the dollar on the unofficial market. "Individuals have been complaining of not getting dollars," the banker said. He said the outcome of the meeting with the central bank was that dollars would be sold to them at the rate used by international money transfer firms - around 375-380 naira. In Nigeria, retail currency users buy dollars from licensed bureaux de change (BDC). However, due to the central bank's inability to meet dollar demand, BDCs have tended to source dollars from private sources and resell at a much higher margin.

The bank normally sells around $8,000 a week each to some 3,000 licensed retail operators. While these operators account for less than 5 percent of foreign currency trading in Nigeria, they help drive the exchange rate due to the scarcity of dollars on the official channel. The central bank, under pressure from the government, has been pressing retail operators to narrow the gulf between the official and parallel exchange rates. The banker said it was agreed at the meeting that individuals would be required to present their tax certificate before buying dollars, in a bid to dampen demand and also boost tax coverage. Analysts expect the central bank to allow greater flexibility on the currency this year. "We think the most probable outcome of an FX policy adjustment is a managed float, possibly a new peg, but a full float is unlikely," Yvonne Mhango, economist at Renaissance Capital wrote in a note to clients. Mhango said a rise in Nigeria's foreign reserves since November could help the bank make the adjustment at a level at which it can support the currency. She forecast a year-end interbank rate of 447 naira per dollar. *(Reuters)*

Nigeria effectively devalued the naira for private individuals on Monday, paving the way for a possible broader move despite stiff resistance from President Muhammadu Buhari. With Buhari abroad for medical treatment and the country's currency exchange system in chaos, the central bank said Nigerians wanting dollars for travel or to pay foreign school fees could buy dollars at nearly 20 percent above the official rate. Some Nigerians saw the announcement as a step towards implementing a more flexible currency regime and narrowing a yawning gap between the official and black market rates. However, that did not necessarily mean the authorities were yet ready to allow a free-float for the naira currency as Nigeria struggles with its first recession in a generation. Monday's announcement covers about 20 percent of total foreign exchange demand and allows those wealthy families who send their children to schools and universities abroad to buy foreign currency at a rate of around 366 naira to the dollar. This is less favourable than the official rate of 305 which commercial importers typically use, but vastly more advantageous than on the black market where most individual Nigerians have to buy dollars due to hard currency shortages in the banking system. Dealers said the naira hit a record low of 520 on the black market after the central bank's announcement. Nigeria has tried to make the exchange rate more flexible before, leading to a 30 percent devaluation last year, only to reimpose a quasi currency peg.

Analysts say the central bank, which has been under pressure from Buhari to maintain a strong exchange rate even at the cost of economic growth and investment, was testing the waters for a possible broader devaluation in the near future. Buhari, a 74-year-old military ruler, has been in London for the last month, leaving Vice President Yemi Osinbajo - a business-friendly lawyer who does not share his boss's enthusiasm for a strong naira - in charge. "I think this is the beginning of a process to a more flexible forex system," said Bismarck Rewane, a leading economist and CEO of Lagos consultancy Financial Derivatives. "There is panic. The system has collapsed. Dollars have disappeared at exchange bureaus at airports," he said. Opponents of a more flexible naira say a heavy devaluation would push up the price of imported goods on which Nigerians depend, and endanger fuel subsidies. With Nigeria hit by low prices of its oil exports, the government wants to finalise a reform plan this month. This is needed to get a loan from the World Bank that would help to fund a record budget aimed at stimulating its economy. Such a loan would come at a price. "The World Bank is going to insist on a more flexible forex policy," said Charles Robertson, global chief economist at Renaissance Capital. The African Development Bank is also applying pressure and has criticised hard currency curbs imposed by the central bank. The lender has held back a second tranche of a loan worth $400 million to demand a reform plan. Robertson said a devaluation would make sense after Nigeria's sale of $1 billion in Eurobonds - this would boost naira revenues and lower the need to issue domestic bonds to fund the budget. The central bank could not be reached for comment.

Western diplomats says Osinbajo and technocrats have been quietly pushing for a currency float but hit resistance from Buhari and aides with similar military backgrounds. The vice president used another Buhari absence last year to unveil the idea of a more flexible rate which led to the 30 percent devaluation weeks later. Buhari had agreed to the move but questioned its logic just a week later, after which the central bank gave up the original idea of a free float by introducing a new quasi-peg. In a sign that things might be moving again, Osinbajo, a lawyer from the commercial capital Lagos, chaired last week a meeting of the National Economic Council, the top state advisory body, demanding an urgent forex review. Central bank governor Godwin Emefiele, who has toed Buhari's line, was present at the meeting, saying that patience was needed and everything was under "under control", an attending deputy governor has said. Some investors warned against

reading too much yet into the central bank announcement. Kevin Daly, Portfolio Manager Emerging Market Debt at Aberdeen Asset Management, noted Nigeria now has several exchange rates. "But I don't think it signals an imminent change to a free float. I think that is something that they are - certainly under the existing leadership - going to want to avoid," he said. The central bank has boosted its foreign reserves in the past few weeks to a 19-month high of $29 billion, hoping it will attract investment. This also prepares the bank to defend a new exchange rate.

But oil revenues are below plan due to the closure of an export pipeline after a militant attack, reducing the flow of dollars to manufacturers via the banking system. Importing firms have been therefore forced to buy more from the black market, which has worsened the naira's battering. A Lagos-based senior banker said the new rate for school fees was a test balloon to see where the market could be heading. "I think they want to start with some of the smaller elements of demand, devalue that part of the market and then see what happens in the market," he said, asking not to be named. With Buhari practically banning use of the word "devaluation" the central bank could launch more rates for certain imports or travel allowances. This would add more flexibility but also confusion. The West African nation already has at least five exchange rates including the official one, a rate for Muslim pilgrims going to Saudi Arabia, the one for school fees and a retail rate set by licensed exchange bureaus at 399. Finally the is the rate offered by the black market changers operating under trees or in parking lots with nervous customers hurrying to count their money before any police raids. The biggest concern for the government is that a devaluation would hit the poor suffering already from recession. The subsidised fuel sale price of 145 naira a litre would also be difficult to keep. "At this stage, it is all speculation," said Shahzad Hasan, portfolio manager emerging markets fixed income at Allianz Global Investors. "It is possible that they could be moving to some sort of managed float, or they could do some FX policy adjustment or some kind of a peg." *(Reuters)*

Nigeria's central bank said on Monday it would supply dollars immediately to retail clients through commercial lenders who will resell them at a margin of not more than 20 percent above the interbank rate of 305 naira per dollar. The central bank plans to boost dollar sales for school fee payments and travel abroad as part of efforts to reduce a 40 percent premium paid for dollar on the black market, where retail customers buy their hard currency. The bank said it would activate the market's order-book as soon as possible and accelerate currency matching of the trading platform to ensure transparency. "Given our plan to meet all unfilled orders, and while provision of FX to the manufacturing sector would remain the central bank's strong priority, we will no longer impose allocation/utilization rules on commercial banks," the bank said in a statement. *(Reuters)*

Nigeria's central bank took a step nearer to outright devaluation of the naira currency on Tuesday, providing 23 commercial banks with a combined $370.8 million at forward exchange rates up to 15 percent weaker than the official rate. On Monday, the central bank effectively devalued the local currency for private individuals, who account for about 20 percent of total foreign exchange demand in the country. On Tuesday, it said it sold dollars using one- and two-month forward exchange rates to commercial banks whose bids ranged from 315 naira to 360 naira per dollar, up to 15 percent weaker than the official rate of 305 naira that commercial importers typically use. Forward exchange rates are rates at which banks agree to exchange one currency for another at a future date. Selling the dollars at new one - and two-month forward rates may set expectations for the central bank to allow the naira to trade at a weaker level in the future, after the government had kept it at an artificially strong value according to critics. Banks bought $216.5 million in one-month forwards, and $154.3 million in two-month forwards, said the central bank. Nigeria's dollar supply has been throttled by foreign currency restraints and low exports of crude oil.

The government devalued the naira last June but still kept it at just over 300 to the dollar - as much as 40 percent stronger than black market rates in the following months. Despite calls from businesses and economists, the government had refused to take steps to devalue the naira further until now, while President Muhammadu Buhari, a staunch opponent of devaluation, has been on medical leave in Britain for over a month. On Monday, Nigeria weakened the naira rate for private individuals days after a top advisory body demanded an urgent review at a meeting chaired by Vice President Yemi Osinbajo, who is currently acting president. It was Osinbajo who unveiled the idea of a more flexible exchange rate last year, also while Buhari was on medical leave, leading to a 30 percent devaluation weeks later. In Tuesday's statement, the central bank said it had offered $500 million to banks, "but not all of them provided enough naira backing to pay fully for

their respective bid amounts". The central bank said it was "more than ever ready to support the inter-bank market by ensuring liquidity and transparency to guarantee efficiency in the Forex market." *(Reuters)*

Nigeria sees no need to apply for an International Monetary Fund programme as it is pursuing its own economic reform plan, Finance Minister Kemi Adeosun said on Tuesday. Sharp falls in the price of crude oil, its main export, have tipped Africa's biggest economy into its first recession for 25 years and hammered the naira currency, prompting speculation it might need IMF funding to cover a growing budget deficit. "For us the IMF is really a lender of last resort when you have balance of payments problem. Nigeria doesn't have balance of payments problems per se, it has a fiscal problem," Adeosun told CNBC in an interview. "We are already doing as much reform as any IMF programme would impose on Nigeria," she said. "Nigerians want to take responsibility for their future. We must have our home-grown, home-designed programme of reform." Adeosun said non-oil revenues were improving while the government was fine-tuning an economic reform plan needed to support an application for a loan of at least $1 billion from the World Bank. It is also seeking further funds from the African Development Bank. "Non-oil revenue is improving very steadily. All the measures we have put in place are beginning to yield fruits," she said, without giving numbers. "Oil production is back up, we are very grateful for that, but we should be careful for getting excited about that." Diplomats and officials have told Reuters the Nigeria, Africa's leading crude producer, which relies on oil revenues for most of its income, plans to finalise its proposal to the World Bank this month. The country needs to plug a gap in its record 7.3 trillion naira ($23.17 billion) 2017 budget, which contains a number of measures aimed at stimulating the economy. It had initially promised to submit an economic plan to the World Bank by the end of December but did not do so, sources told Reuters last month. Nigeria will also present its economic proposal to the African Development Bank to help release a second loan tranche worth $400 million to support the budget, officials have said. *(Reuters)*

Nigeria's distributable government revenues rose in January by 16 percent to 465.19 billion naira ($1.5 billion) as it brought in more oil royalties, the accountant general's office said in a statement on Tuesday. Distributable revenue is government income that is shared at various levels of state including the federal government, state governments and local government councils. Average oil prices rose from $47.30 to $49.57 per barrel during January, while the total crude export volume rose 1.49 million barrels, the statement said. OPEC member Nigeria, which last year entered its first recession in a quarter of a century, relies on crude oil sales for two-thirds of its government revenue but has been hit hard by the fall in global crude prices since mid-2014. Militants have carried out attacks on oil and gas facilities in the southern Niger Delta energy hub for a year, cutting oil production - which stood at 2.1 million barrels per day at the start of 2016 - by as much as a third, though output has since mostly recovered. The frequency of attacks has slowed in recent months with talks between the government and Delta community leaders to address the grievances of militants, who want the oil hub to receive a greater share of the country's energy wealth. Repairs on damaged facilities are underway, but force majeure stoppages remain in place at the Forcados, Qua Iboe and Brass oil terminals. "Federation revenues increased despite the force majeure and the shut-down of pipelines for repairs and maintenance due to leakages and sabotage," said the statement. *(Reuters)*

Nigeria's senate aims to present an oil governance bill for its third and final reading by the end of March, a leading senator said on Tuesday, as part of a series intended to overhaul the oil sector. The legislation is part of proposed reforms that make up the sprawling Petroleum Industry Bill (PIB), which has been in discussion for over a decade and redrafted many times but has yet to be passed into law. Its backers say Nigeria's oil sector is in dire need of change, with power currently concentrated in the state oil company Nigerian National Petroleum Corporation (NNPC) and the oil ministry. The overarching bill's latest iteration aims to tackle everything from an overhaul of the NNPC to taxes on upstream projects in a sector riddled with corruption. "We hope to present the (governance) bill for the third and final reading not later than the end of March 2017," said Senator Tayo Alasoadura, who coordinates committees handling the passage of the Petroleum Industry Governance Bill. Bills need the support of both houses of parliament and the approval of the President before becoming law. However, there has been little agreement over the years on what the oil sector changes should be. In a draft seen by Reuters, Nigeria aimed to split the NNPC into multiple parts to help ease a planned stake sale in the coming years. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Nigeria wants to borrow at least $1 billion from the World Bank, Finance Minister Kemi Adeosun said on Tuesday. Adeosun also told CNBC that Nigeria hoped to sign in the next few months a loan worth $1.3 billion from China's Export-Import Bank (Exim) to fund railway projects in the West African nation. *(Reuters)*

Nigeria's central bank will sell $500 million to help improve dollar liquidity, traders said on Tuesday, a day after the bank effectively devalued the naira for retail currency sales. Nigeria has been running short of dollars as its oil revenues has fallen along with the price of crude. That has driven the naira to a low of 520 to the dollar on the black market, far weaker than the official interbank rate of 305. The central bank, under pressure from the government to narrow the gulf between the official and black market rates, on Monday effectively devalued the naira for consumers, offering to sell them dollars at about half the premium the black market charges. On Tuesday, the bank said it would sell dollars through wholesale bids to banks, as opposed to selling to individual customers. The banks can then allocate the dollars to their customers, the central bank said in mail to commercial banks, asking them to maintain the bid spread of 0.50 naira. The central bank has tried to make the exchange rate more flexible before, leading to a 30 percent devaluation last year, only to re-impose a quasi currency peg. On the non-deliverable forwards market, the naira fell against the dollar on Tuesday on increased expectation of a currency devaluation. *(Reuters)*

Nigeria's acting president has written to parliament to seek approval for a new $500 million Eurobond sale, a statement said on Wednesday, to help make up for a shortfall in the government's budget. Africa's biggest economy is experiencing its first recession in 25 years, and government revenue has plunged due to a slump in global oil prices and militant attacks in its crude-producing heartland, the Niger Delta. The new issue would follow the government's sale of $1 billion worth of 15-year bonds earlier this month. "Following the high over subscription of the recent $1 billion Eurobond issuance, we wish to take advantage of favourable market conditions to issue a Eurobond Debt Instrument of $500 million to fund the implementation of the 2016 budget," Acting President Yemi Osinbajo said in a letter to parliament, according to Wednesday's statement. The government has laid out plans to spend a record 6.86 trillion naira ($22.5 billion) to boost the economy in a draft 2017 budget sent to parliament for approval. It planned to spend 6.06 trillion naira last year, but struggled to fund it.

Low oil prices have triggered chronic dollar shortages in the economy and battered the naira, which lost a third of its official value last year and trades at a discount of around 40 percent on the black market. Vice president Osinbajo, who is acting president while President Muhammadu Buhari undergoes medical treatment in Britain, told parliament that external borrowings for the budget currently consist of $600 million from the African Development Bank and $1 billion from existing Eurobonds. The country is seeking at least a $1 billion loan from the World Bank and a $1.3 billion loan from China to fund railway projects. Nigeria will also present a reform proposal to the African Development Bank to win the release of a second loan tranche worth $400 million, officials have said. The government has been in talks with the World Bank for a year and wants to finalise this month a reform proposal necessary for a loan application, according to officials. *(Reuters)*

Nigeria's latest efforts to tweak its exchange rate policy have baffled investors who say the moves fall short of the currency devaluation they had hoped for and will not lure money back into the economy. The central bank this week effectively devalued the naira for private individuals by offering them dollars at a rate of 366 naira, instead of the official 305 rate which it has held since last summer at the behest of President Muhammadu Buhari. On Tuesday it sold dollars at forward exchange rates up to 15 percent weaker than the official rate. The move may cement expectations for the central bank to allow the naira to trade at a weaker level in the future. Yet on Wednesday, the bank intervened on currency markets at 304.5 per dollar. Investors said it was just another bungled attempt by authorities to avoid a much-needed bold devaluation. Without that, they say, Africa's biggest economy will fail to recover from recession and an investment drought. Cobus de Hart, senior economist at NKC African Economics in Johannesburg, said the central bank had been in two minds on how to behave for a couple of years. "This is one of the key issues - the central bank's policies are not clear and they continue to confuse both investors and the local population," de Hart said. President Buhari, an opponent of devaluation, has been on medical leave in Britain for over a month. Vice President Yemi Osinbajo, now acting president, helped usher in last June's 30 percent devaluation - also while Buhari was on medical

leave. "We don't know who is calling the shots on this ... The vice president seems a lot more liberal on this, which is good, but we are still uncertain where the actual orders are coming from and how independent the central bank is," de Hart added.

Under the latest rules, Nigerians wanting dollars for travel or to pay foreign school fees could buy at nearly 20 percent above the official rate, effectively devaluing the naira for private individuals. Priority allocation no longer goes to manufacturers. The black market rate firmed to 505 to the dollar from 515 on Wednesday following central bank intervention. Currency traders in Lagos say they were struggling to understand the new rules, especially when showing quotes to foreign investors looking to buy Nigerian bonds. "I don't have flexibility on the rates any more because various markets on the interbank have different rates ... This is not the devaluation we have been waiting for," one Lagos-based trader told Reuters. "Though liquidity is improving ... I don't think we have overcome the liquidity challenge completely." Another worried group is Nigeria's bureau de change operators, unhappy with banks profiting by being afforded a wider spread than the traders are allowed. The bureau de change association is concerned about "different applicable exchange rates to be used by both the banks and the bureaux de change on the same products at the same market," said Aminu Gwadabe, the group's president, in a message to members on Wednesday. Foreign currency traders can buy at 381 naira to the dollar and sell at 399 naira to the dollar, while banks can now buy a dollar for 315 naira and sell for 375 naira, giving them a much larger profit margin of 60 naira, Gwadabe said.

"This is unskewed and will lead to an unhealthy competition and is detrimental to the existence of over 3,000 licenced bureaux de change nationwide," he said, adding that the association had submitted its concerns to the central bank. Multiple exchange rates have been used by other developing economies experiencing economic difficulties, often to assuage hard currency shortages in key sectors. Venezuela moved from a three-tiered to a dual exchange rate system last year. Many say Nigeria should bite the bullet and follow the examples of Egypt and Russia by opting for a total free float and bearing short-term pain for long-term gain. Both countries saw their currencies plunge after the float but later enjoyed a recovery in exchange rates and investments. Nigeria's decision to freeze the naira has already caused a lot of woes. JPMorgan announced in 2015 it would cut Abuja's debt from its influential bond index. Factories had to shut down, unable to import raw materials and machinery due to the lack of hard currency. Yet authorities also managed to rebuild reserves, which hit the highest level in 19 months in February, providing a window of opportunity for a bolder move. "If you go for a much larger, credible FX adjustment you will get the inevitable overshoot – then you could actually 'do an Egypt' and see inflows returning, which could lead to FX appreciation," said Kevin Daly, portfolio manager emerging market debt at Aberdeen Asset Management. Others say half-hearted policy moves will erode the already low levels of trust in Nigeria's central bank, especially after it failed to make good on last year's pledges to introduce market-based exchange rates. "Nigeria theoretically floated the currency last summer and yet it didn't actually float so investors got burned," said Charlie Robertson at Renaissance Capital. "If you have multiple exchange rates and uncertainty about where we are going ... then investors will be slow to respond to even a more competitive currency."*(Reuters)*

The International Monetary Fund on Thursday urged Nigeria to step up its economic reform efforts before the opportunity for reforms becomes more limited. "Urgency is needed in implementing a coherent and credible package of monetary, fiscal and structural policies as the window for bold reforms is closing as the 2019 elections are approaching fast," IMF spokesman Gerry Rice said at a regular news briefing with reporters. Rice also confirmed that the Nigerian authorities have not approached the global lender about a program but said the IMF "stands ready to help should the country make a request for financial assistance." *(Reuters)*

Nigeria's oil production has risen to 2.2 million barrels a day (bpd), Finance Minister Kemi Adeosun said on Thursday, after a fall in attacks on oil facilities in the Niger Delta. "We now do 2.2 million bpd production," Adeosun said. Vice President Yemi Osinbajo said on January 17 that oil output was between 1.7 million and 1.8 million bpd. *(Reuters)*

Nigeria's authorities may soon devalue the naira but won't fully relinquish control over it, instead taking steps to narrow the gap between the official and black market rates to boost confidence in the economy, a Reuters poll showed on Friday. A shortage of dollars in Nigeria - for big and small needs including capital imports to the manufacturing process, travel and school fees - has led the black market to charge a higher premium in compensation for that scarcity in the official market. A Reuters survey of 18 analysts taken in the past two days

showed they are sceptical of the extent officials can fully liberalise the naira after it made dollars available on Monday to a few private individuals. The poll suggests there is a 45 percent chance that the central bank will devalue the naira in coming weeks amid speculation that the government is stepping closer to liberalising it. The central bank this week effectively devalued the naira for private individuals by offering them dollars at a rate of 366 naira, instead of the official 305 rate which it has held since last summer at the behest of President Muhammadu Buhari. Still, the survey further suggested that if the naira were to be devalued, any float would still be managed as the central bank intervenes to keep it within desired levels. "We don't expect the authorities to ever fully relinquish control over the naira. A gap to the black market is a permanent feature," said Philip Walker of the Economist Intelligence Unit. "However, the size of this gap will come down over time as the market realities force the hand of the authorities and the naira is repeatedly devalued over time," Walker added.

Nigeria's central bank auctioned $230 million in forward contracts on the official market on Thursday after selling $370 million earlier in the week to boost dollar liquidity and help narrow the gap between the official and black market rates. The poll showed that the timing for how long it would take to narrow that gap is uncertain. Analysts say it depends on how far the central bank is willing to go, although a free float would take months instead of years to squeeze the spread between the two rates. Devaluations are painful, mostly to the poor, as the cost of living increases. But analysts say they are necessary to fix the broader economy. Egypt floated its currency in November, and it subsequently halved in value against the dollar. But it is now more than 20 percent above its low at 15.7 per greenback. Financial Derivatives Company, a research think-tank in Nigeria, wrote that the only reasonable way to reduce the disparity between the interbank and black market is by restoring market confidence through the consistent implementation of transparent and market-driven policies. "A float of the naira is not necessarily a magic wand which will resolve the current economic malaise. Instead, it will simply provide a premise for the introduction of policies, which will encourage inward investment and support economic growth." *(Reuters)*

The naira recorded a significant gain against the United States dollar on the parallel market on Thursday, three days after the Central Bank of Nigeria adjusted its foreign exchange policy. Specifically, the local currency jumped from N505/dollar recorded on Wednesday to N495/dollar on Thursday, as the new policy measure continued to reverberate across the forex market. The CBN had on Monday made adjustments to its forex policy aimed at boosting forex supply to enable commercial banks to meet the needs of customers seeking dollar to pay school fees and medical bills overseas, as well as personal travel allowances. The CBN will next week begin the weekly sale of $1m to each of the country's 21 commercial banks at N375/dollar to clear a backlog of demand for retail users and to try and narrow the premium between the official and black market rates. The decision was announced hours after the naira tumbled to 520/dollar on the parallel market on Monday as scarcity of the greenback continued to weigh on the exchange rates. The naira has, however, been recording gains since Tuesday, a day after the new measures were announced. The local currency rose from N520/dollar on Monday to N512/dollar on Tuesday; and N505/dollar on Wednesday, as the CBN continued to increase dollar supply at the official market.

On Thursday, the Bureau De Change operators bought the greenback for N490 and sold it for N495 in Lagos, Abuja, Kano and Port Harcourt. The CBN had on Tuesday carried out a wholesale intervention in the interbank foreign exchange market with the release of $370.8m to 23 banks. The Acting Director, Corporate Communications, CBN, Isaac Okorafor, said the move was sequel to the apex bank's promise to ease the difficulties being encountered by Nigerians in obtaining funds for foreign exchange transactions. He stated that while seven banks received full allotments of their respective bids ranging from $315 to $360 valued at $37.5m each, other received allotments ranging from $46,512.50 to $15,578,081.51. Okorafor said the CBN's intermediation in the forex market was the first wholesale intervention aimed at easing the pressure of access to forex on Nigerians who intended to meet obligations that fell under visible and invisible needs categories.
He further explained that the CBN offered $500m for sale to the banks, but not all of them provided enough naira backing to pay fully for their respective bid amounts. *(Punch)*

Tanzania

Corporate News

No Corporate News This Week

Economic News

Tanzania Revenue Authority (TRA) said in a statement that collections in January reached 1.14tri/- which is down from 1.414tri/- collected in December last year. No reasons has been given for the decline in the collection. TRA said in the statement that revenue collections for January was 1.14tri/- , making the total collections for the first seven months of 2016/17 fiscal year to 8.41tri/-. The authority had said in another statement in January that revenue collection had soared in the second half of last year to 7.27 trillion/-, up from 6.44 trillion/- in the corresponding period of the previous year. TRA is focused on collecting property tax by providing bills to landlords in different regions as well as increasing public education to all stakeholders, the statement said. "All landlords in the country are hereby reminded that from July 2016, TRA is responsible for the collection of property tax thus advised to provide all necessary cooperation for successful accomplishment of the process," he said. He said December posted a record high collection of 1.414 tri/-. He said the authority and security organs have added momentum in the monitoring of all smuggled goods that entered the country. "Several crackdowns have been conducted to check and arrest people responsible for the vice and confiscate all the goods that have been coming into the country illegally to check loss of government revenue," he said. Mr Kayombo also said that it is for the purpose of ensuring maximum revenue collection that TRA has encouraged the use of Electronic Fiscal Device (EFD) machines and payments of property tax. "TRA continues to remind all traders registered with the Value Added Tax (VAT) to submit their monthly returns before every 20th of the month as revised in the Finance Law of 2016. "We are still waiting for necessary instructions to implement the directive so that we could execute proper tax collection measures,'' Mr Kayombo explained. Similarly, traders with outstanding tax debts to report to districts and regional TRA managers to discuss modes of payment that would not affect their businesses. President John Magufuli had recently issued a directive to regional commissioners (RCs) and Local Government Authorities (LGAs) to allocate areas where small traders could conveniently operate. *(Daily News)*

ANNUAL value of exports of goods and services has increased by 5.2 percent to 9,381.6m/- US dollar in December 2016, according to the Bank of Tanzania (BoT) monthly economic review for January, 2017. According to the report, to a large extent, the increase came from improved performance across the major exports, save for manufactured goods exports that slightly declined. Annual value of traditional export rose by 11.6 percent to 885.6m/- US dollar in December 2016 from the corresponding period in 2015. The report shows that except for coffee and sisal, all other export crops increased. Moreover export value of cotton, tea, tobacco and cashew nuts increased on account of both volume and price. Cloves export also improved due to volume, as price declined. Decreases in the value of coffee and sisal exports were driven by fall in price and volume, respectively. To a large degree, prices of the traditional exports were consistent with the general trend in commodity prices in world market. Non-traditional exports amounted to 4,286m/ US dollar, up from 4,117.9m/ US dollar in the year ending December 2015.

Much of the increase came from exports of gold, horticultural products, and reexports. Export of gold, which dominated other non-traditional exports, increased by 22.5percent to 1, 449.4m/US dollar, owing to a steady recovery in price in the world market and increase in export volume. By contrast, export of manufactured goods dropped by 20percent to 1, 092.1m/ US dollar. Commodities that recorded large declines include edible oil, plastic goods, ceramic, and glassware products. Re-exports increased by 24.4 percent to 480m/ US dollar, most of which occurred in submersible drilling equipment, fertilisers, and motor vehicles. Moreover, foreign exchange earnings from services increased to 3,687.3m/- US dollar from 3,524.9m/- US dollar in the year ended 2015, primarily driven by travel and transportation receipts. According to the report, travel receipts rose by 11 percent to 2,231.4m/- US dollar as a result of increase in number of tourist arrivals, whilst

transport receipts improved by 2.7 percent to 1,051m/- US dollar. However, the volume of transit goods remained broadly the same as in the preceding year. *(Daily News)*

Tanzania's current account deficit narrowed 48.8 percent to $2.05 billion last year, on the back of fewer imports and a rise in tourism earnings and gold exports, the central bank said. Tanzania, which has a population of around 50 million, is Africa's fourth-largest gold producer after South Africa, Ghana and Mali. Revenues from gold exports rose 22.5 percent to $1.45 billion. Bank of Tanzania (BoT), the central bank, attributed the surge to higher prices and output. Imports of goods and services fell 13.7 percent though petroleum products and industrial raw materials increased. Exports rose 5.2 percent. Tanzania is famed for its pristine beaches and safari parks, and tourism is the country's biggest source of foreign exchange. Earnings from the sector rose to $2.23 billion last year from $2.01 billion as visitor numbers increased, the BoT said. Gross official foreign exchange reserves held by the central bank rose to $4.32 billion in 2016, equivalent to about four months of import cover, slightly up from the previous year. *(Reuters)*

Zambia

Corporate News

No Corporate News This Week

Economic News

GOVERNMENT and African Development Bank (AfDB) are expected to sign a US$75 million loan before the end of this month, to be provided to the Development Bank of Zambia (DBZ) for onward lending to the private sector. Minister of Finance Felix Mutati said in an interview on Friday that the programme will go a long way in addressing the financing gap for the private sector, particularly small and medium-scale enterprises (SMEs). "SMEs have for a long time had difficulties accessing funding and this has affected their growth. The US$75 million concessionary loan will stimulate access to finance by the sector," he said. Mr Mutati also said Rabo Bank, through Zanaco, will develop a US$20 million credit guarantee scheme in a quest to provide lending to SMEs. Under the scheme to be effected in April, Government will guarantee 50 percent of each loan obtained by SMEs. "Government has also engaged the European Investment Bank and other donors and they have agreed to commit funds once the scheme is operationalised," he said. *(Daily Mail(*

THE Bank of Zambia (BoZ) treasury bill auction was last week over-subscribed, attracting total bids amounting to about K1.4 billion, against an offer of K810 million. And the upcoming bond auction next week and corporate tax obligation are expected to contribute to the Kwacha keeping its gains against the United States (US) dollar. Zanaco says interest rates on all tenors (the amount of time left for the repayment of a loan) marginally dropped. "The fourth tender of the treasury bill auction held was over-subscribed with total bids received in the amount of K1, 375.67 million, against the amount offered of K810 million," the bank says in its daily treasury newsletter. The bank says the 91 days rate is at 17.6284 percent from 17.9999 percent, while the 182 days rate dropped to 19.4990 percent from 21 percent. Similarly, the 273 days rate is at 19.9958 percent from 21 percent, while the 365 days rate dropped from 22.40 percent to 21.001 percent. On the local unit, the Kwacha remained relatively unchanged against the greenback during Thursday's trading session. Zanaco says the local currency market was fairly active on Thursday although matched trading was evident on the day, leaving the currency relatively unchanged during both the morning and afternoon sessions. The local unit opened trading at K9.70 and K9.75, unmoved from Wednesday's close. Corporate dollar buying saw the Kwacha reach a day's low of K9.72 and K9.77 on the bid and offer respectively where it closed. *(Daily Mail)*

Zambia's economic growth is seen rising to 4 percent in 2017 and 4.2 percent in 2018, the World Bank said on Monday, predicting a jump in copper prices and improved power supply. "Zambia is on a slow economic recovery path," the World Bank's senior financial management specialist Srinivas Gurazada said at a meeting with mining firms. The government has forecast that the economy would grow 3.4 percent this year from around 3 percent last year due to low copper prices, power shortages, inflation and a government cash crunch that restricted investment into new projects. *(Reuters)*

CURRENT trends on the local currency market indicate that the Kwacha will continue to trade range bound, with demand and supply factors being the main drivers, financial market players' note. UBA says the local unit opened trading yesterday at K9.75 and K9.80 on the interbank at par with the close of the previous trading session. "The Kwacha is expected to remain range bound and trade within K9.80 and K9.95 on the bid and offer respectively all being equal," the bank says in its treasury newsletter. Zanaco also says the Kwacha is expected to continue trading in the range of K9.75 and K9.85 in the near-term. In its daily treasury newsletter, the bank says the local unit held firm against the greenback on Monday's trading session with very little activity seen on the day. "The Kwacha is expected to maintain a narrow trading range and fluctuate between K9.75 and K9.85 in the near term with most players sitting it out in the hope that month end dollar sellers could give the local unit some support," the statement reads. On Monday, minor foreign currency inflows from corporate players witness the Kwacha hold steady against the dollar. The Kwacha opened trading at K9.75 and K9.80, four ngwee weaker than Friday's close of

K9.71 and K9.76, it traded at its opening levels on the day until closure as the market appeared to be in equilibrium. Similarly, Cavmont Bank in its market report says on Monday, the local unit was largely unchanged against the dollar as it began the day trading at K9.75 and K9.80, were it traded for most of the day until close of the market. "Current trends seem to indicate that the Kwacha is likely to remain range bound, with its performance being dictated by demand and supply rather than market fundamentals," the bank says in its market report. The bank says little activity was witnessed on Monday from either side, both on interbank and from corporates and this contributed to the stability of the local. *(Daily Mail)*

ZAMLEATHER has exported tanned leather to a Chinese firm, Beijing Huiding Leather Company Limited in China, following the signing of a contract worth over US$330,000 last month. The agreement is expected to generate foreign exchange earnings for Zambia, and provide a value-added market for raw cattle hides supplied by local small-scale farmers. Zamleather processes raw cattle hides to wet blue leather, which it exports and adds value by manufacturing finished leathers, protective clothing, industrial footwear and consumer footwear under the Zamshu brand. Company general manager Richard Franklin said the firm invested about US$200,000 in the tannery to increase wet blue production capacity from 6,500 hides to over 11,000 per month. Mr Franklin said with the increase in production, the firm is expected to increase exports to South Africa, India, Europe and China. "Last year, Zamleather tannery processed over 97,000 hides and currently, produces approximately 2.3 million square feet of wet blue leather for export," he said in a statement availed to the Daily Mail yesterday. Mr Franklin said it is important and encouraging that Zambian leather is being recognised internationally. He said the company recently installed two additional tanning drums at its Lusaka tannery, and is optimistic that this would result in increased job creation and foreign exchange earnings. Mr Franklin also urged Zambians to take advantage of the locally-produced leather products by buying products thus, in turn providing support. He also said the company is ready to partner with progressive companies, both locally and internationally for the further development and growth of the industry. *(Daily Mail)*

Zambia's economy is expected to grow by 3.9 percent this year and 4.6 percent next year, higher than earlier projected by the government, central bank governor Denny Kalyalya said on Wednesday. Kalyalya said foreign interest in long-term government securities showed increasing confidence by investors in the economy of Africa's No.2 copper producer. The government had earlier forecast that the economy would grow 3.4 percent this year from around 3 percent last year due to low copper prices, power shortages, inflation and a government cash crunch that restricted investment into new projects. "GDP growth is projected at 3.9 percent for 2017 and 4.6 percent for 2018. In 2016, growth is estimated to be 3.4 percent," Kalyalya told a media briefing. He also announced that the central bank had cut its benchmark lending rate by 150 basis point to 14 percent. "Inflation has declined to single digits and is projected to trend below the 2017 target of 9 percent," he said. Zambia's inflation slowed to 7.0 percent year-on-year in January from 7.5 percent in December, the statistics office said last month. *(Reuters)*

Zambia's inflation slowed to 6.8 percent year-on-year in February from 7.0 percent in January, the statistics office said on Thursday. The monthly inflation rate rose to 1.0 percent from 0.9 percent in the previous month, the Central Statistics Office said. "The decrease in the year-on-year inflation rate is mainly attributed to the price changes of non-food items," Central Statistical Office director John Kalumbi said in a statement. *(Reuters)*

RELATIVELY stable Kwacha and the returned business confidence after the August 11 polls, among other factors, resulted in increased appetite for government securities by foreign investors, more than doubling to K6.6 billion in the final quarter of last year. The total stock of government securities also rose to almost K33 billion in the same period. Bank of Zambia (BoZ) governor Denny Kalyalya said unlike the third quarter of last year, in which only K2.9 billion was invested in securities by foreign investors, the final quarter witnessed increased appetite. Dr Kalyalya said government bonds were the most attractive, accounting for K6.5 billion from K2.8 billion while treasury bills attracted a tiny fraction. "Demand for government securities continued to increase in the fourth quarter of 2016, largely on account of easing liquidity conditions. "…In addition, there was increased participation by non-resident investors in response to attractive yield rates, relative stability in the exchange rate and reduced uncertainty following the conclusion of the August 2016 general elections," he said during the monetary policy announcement on Wednesday. In terms of total stock of government securities, BoZ recorded K32.9 billion,

representing 30.4 percent rise due to increased demand and upward adjustment in tender sizes and higher frequency of government bond auctions. On lending rates, Dr Kalyalya said the trend continued upwards with the highest being in September at about 40 percent.

"Commercial banks' nominal lending rates maintained an upward trajectory over the fourth quarter of 2016 despite a sharp fall in inflation," he said. The rising trend in lending rates reflected the preference by commercial banks to lock up funds in government securities, thereby reducing the amount of loanable funds available to households and private enterprises, as well as banks' response to rising non-performing loans stemming from economic shocks. Similarly, broad money, which is a given country's total money supply and includes assets that households and businesses can use to make payments or to hold as short-term investments, such as currency, and funds in bank accounts, increased by 0.8 percentage point in the final quarter to K44.6 billion compared to 0.2 percentage growth recorded in the previous quarter. The rise was attributed to the BoZ's purchase of US$228.2 million to build-up international reserves. *(Daily News)*

Zimbabwe

Corporate News

Nampak Zimbabwe says the group remains profitable despite turnover in the first quarter to December 2016 being 11 percent behind on prior year. According to the results of an annual general meeting held recently held, managing director John Van Gend in a trading update said a review of the group structures which had been undertaken resulted in cost reductions. Nampak Zimbabwe operations include Hunyani, CarnaudMetalBox (CMB) and Mega Pak. Van Gen however cautioned that the second half would be extremely difficulty. He highlighted the significant challenges facing the economy at the present time, especially sourcing sufficient foreign currency to import raw materials. "Unless this is alleviated, it is likely that some customer support would have to be curtailed," he said. Van Gend said shareholders has been supportive in the sourcing of raw materials but added that this was unlikely to continue unless the build-up of external debt could be paid. He on other hand said that several capital expenditure projects were being evaluated which demonstrates the group's commitment to the long-term future of Zimbabwe. In 2014 Hunyani Holdings merged with CMB and MegaPak and changed name to Nampak Zimbabwe Limited. Parent company, Nampak, a Johannesburg Stock Exchange-listed company, proposed the move with the idea of consolidating its interests in Zimbabwe. *(Source)*

Coal miner Hwange's revival will depend on a quick exploitation of three new concessions, with its current resources running out within five years, managing director Thomas Makore has said. In 2015, government granted HCCL new coal concessions in Western Area, Lubimbi East and West with an estimated a resource of 750 million tonnes of mainly coking coal and thermal coal. The resources are expected to prolong its lifespan by 50-70 years. "Hwange Colliery is left with five years coal deposits and we are now looking forward to exploiting the three concessions," said Makore as he briefed Mines and Mining Development Minister Walter Chidhakwa and Speaker of Parliament Advocate Jacob Mudenda at the weekend. "We have to start working towards exploration so that exploitation begins in the western area. We are really optimistic as a team because we want this company to return to its old days and this means we are going to reemploy workers that were retrenched and also create new jobs once the western concession becomes functional," he said. Last year the coal miner trimmed its workforce to about 2,400 and also introduced short time work roasters where employees work for two weeks in a month but week on the new concessions will enable it to rehire most of its original labourforce, Makore added. The company currently produces around 55,000 tonnes of coal per month, from 200,000 at its peak. Makore said the miner will resume underground mining at its 3 Main Underground Mine within three months after it secured $3,2 million loan from an unnamed international financial institution to repair key equipment.

The company stopped underground mining two years ago after the continuous miner broke down. A continuous miner normally accounts for 45 percent of underground coal production and when working optimally, it processes about five tonnes of coal per minute, a feat that markedly increases throughput. "We have started work on the servicing of our Continuous Miner with the supplier agreeing to a deposit of $1 million to begin the repairs," said Makore. In total, the company however requires $6 million for all equipment repairs. The resumption of underground mining could pave way for the resuscitation of the coke oven battery which is used to produce coking coal, its highest earning product before the closure of the underground mine. "Hwange Colliery's success was premised on underground mining where we used to get high value coking coal which we exported to regional markets thereby sustaining the company." said Makore. Chidhakwa and Mudenda were meeting the company's management after Parliamentarians recently complained about the state of the affairs of the company. HCCL's financials to June 30 last year showed current liabilities of $311 million, of which $256 million was under trade and other payables, against current assets of $61 million. It reported a full-year net loss of $115 million for 2015. *(The Source)*

Zimbabwe's largest gold miner, Metallon Corporation on Monday reported an annual production of 94,212 ounces for 2016, two percent lower than the 96,530oz achieved previously after a poor fourth quarter. The miner missed its revised target of 102,000oz, following delays in the construction of the New Processing Plant at Mazowe Mine and scheduled ramp up at Redwing Mine. It also said a ground fall at its largest operation, How Mine in December had impacted on production. Gold production for the fourth quarter fell 8,5 percent to 24,352oz. Earnings Before Income Tax Depreciation and Amortisation (EBITDA) grew 40 percent to $18,6 million against the $13,3 million obtained in

2015. The average gold price during the period was higher at $1,239 compared to $1,159 in 2015. Costs were largely stable. Capital expenditure across the group was $12 million of which $8.3 million was spent on new projects. The commissioning of the Mazowe Processing Plant was delayed to the first quarter of the new year due to equipment delays. "There have been impediments in taking delivery of final materials and equipment partly due to delays in making external payments in Zimbabwe. The Plant is now constructed and scheduled for commissioning in Q1 2017," said chief executive Ken Mekani in a statement. The miner is currently undertaking an ambitious expansion plan across all its operations, to become a 500,000oz per annum producer in the next five years. Mekani said for 2017 the group has targeted 115,000oz on increased sales volumes and lower average costs. In addition to How Mine, Metallon also operates Shamva, Mazowe, Arcturus and Redwing mines. *(The Source)*

Cigarette maker BAT's after-tax profit plunged 45 percent to $8.48 million in the full year to December 2016, down from $15.4 million previously after a sharp decline in sales, the company announced on Wednesday. BAT registered a 25 percent decrease in revenue from $45.3 million to $34.1 million in the full year to December 2016. The company's operating profit declined by 43 percent from $20.8 million in the previous year to $11.9 million. The overall sales volume decreased by 20 percent from the previous year, although international premium Dunhill brand recorded an increase in sales volumes. "Our local brands declined by 21.5 percent compared to the same period in 2015, whilst our Global Drive Brand, Dunhill grew by 7.2 percent compared to 2015 driven by a small but growing consumer base", BAT finance director Lucas Francisco told analysts on Wednesday. Francisco said administrative expenses went down by 3 percent to $10.4 million following a staff rationalisation exercise which was completed in 2015 and a reduction in management fees. Francisco said cash generated from operations was down 13 percent to $13.3 million as a the impact of declining profit was offset by improved collections, foreign payment delays and a decrease in inventory.

The company closed the year with $12.4 million cash compared to $3.9 million in 2015 due to an increase in net cash used in financing, attributable to the challenges the company is facing in paying foreign dividends. "Net cash used in financing activities declined by $11.5 million due to lower dividend paid in 2016," Francisco said. BAT managing director Clara Mlambo said the company has largely held its market share, which only dropped a marginal 1 percent from 80 percent in 2015 to 79 percent following the entry of new players into the market. Mlambo said the company was facing difficulties in importing critical raw materials due to a gridlock in foreign payments pervading the financial system. She said BAT continues to engage banks to get inputs paid for on time. She said the delays in importing the raw materials might negatively impact revenue in the coming period. "It could potentially affect sales if we can't find a solution to address it. The key is to continue engaging the banks and we have done that in the course of 2016 with a mixed success rate and we just have to continue that in the course of 2017," Mlambo said. The company declared a final dividend of $0.33 per share, and together with the interim dividend of $0.18 per share, the total dividend for 2016 amounted to $0.51. *(The Source)*

CBZ Holdings, Zimbabwe's largest local financial group on Thursday reported a 32 percent drop in profit after tax to $23,7 million in the full year to December from $35,2 million last year and its Treasury Bills holdings doubled to $766 million. Presenting company results on Thursday, finance director Colin Chimutsa said non interest income had contributed 43,4 percent to group revenue up from 34,3 percent in 2015 as the group tries to absorb the effect of reduced interest rates. The central bank in 2015 directed banks to lower interest rates, which had been as high as 30 percent, to between 6 and 18 percent per annum, depending on the borrower's risk profile. "We are fully aware of the pressure on margins given the reduction of interest rates…we need to accept that margins of 5 percent are now difficult to achieve hence our focus on non-interest income," he said. The banking unit contributed $118 million to group revenue, with deposits going up 5,5 percent to $1,7 billion from $1,6 billion last year. Non-performing loans (NPLs) were largely flat at 6.6 percent compared to 6,9 percent last year. Chief executive Never Nyemudzo said the bank would maintain 'strict credit granting and closer monitoring of borrowers.' Advances remained flat at $1 billion. "We will continue with our cautious approach to foreign lines of credit as we watch the trends on the local interest rates to avoid pricing challenges, as such we have deliberately allowed some lines to run down so that we take advantage of repricing at the appropriate time," he said. The group's building society and insurance businesses contributed $31 million and $9,7 million.
Total expenditure fell 6 percent as the group managed to review contracts with suppliers. Assets increased to $2,08 billion from $1,97 billion, the majority being Treasury Bills which nearly doubled to $760,5 million from $471,9 million last year.

Analysts have warned that TBs being issued by the Zimbabwe government now carry a high risk profile as the state's fiscal space shrinks. With no access to foreign money, Zimbabwe's budget is funded entirely through tax collections and has turned to the local market to fund its daily operations, with TBs as the primary instrument for raising the cash. But Nyemudzo said the TBs were less of a risk for the bank. "With the way local interest rates are going we are seeing in the short term a convergence where the effective interest rates on treasury bills will be lucrative than an ordinary straight loan because of reduced risks no provisions no tax," said Nyemudzo. "History has shown government's capacity to settle both the capital and interest and at this point there is no doubt that we will not be paid." The Zimbabwe government is the second largest shareholder in CBZ Holdings, with 110,000,000 shares or 16.01 percent of the total issued share capital according CBZ's latest report. Earnings Per Share (EPS) were down to $4,53 from $6,52. The board declared a dividend of $3,2 million. *(Source)*

THE Affirmative Action Group (AAG) has petitioned the Engineering Council of Zimbabwe to launch an inquiry into the structural competences of all Simbisa Brands Limited buildings including the recently collapsed Nando's Zimbabwe fast-food outlet in Bulawayo. The building collapsed last week on Saturday, killing one person and injuring three, after the roof was reportedly blown off by strong winds. Simbisa is the franchise owner of Nando's Zimbabwe, which is the mother company of Nando's. In a letter to the chief executive officer of the Engineering Council of Zimbabwe, AAG Matabeleland chapter president, Reginald Shoko, said an inquiry was needed on all Simbisa's buildings as the incident was not the first one to occur. The letter was also copied to Local Government, Public Works and National Housing minister Saviour Kasukuwere, Bulawayo City Council town clerk, Christopher Dube, Nandos Zimbabwe and Techno Expert Construction. "We have noted with concern the Nando's incident that has claimed a life and we have strong convictions to believe it is a case of reckless capitalism where companies, professionals and officials cut corners to increase profits," reads part of the letter. Shoko said the accident involving a Nandos Restaurant in Bulawayo was not the first one, with another Simbisa building caving in last December. "This is too much of a coincidence hence, placing doubt on the integrity of the company, construction engineers and the local inspecting authority. We have reason to believe letting the local authority to probe the circumstances leading to the accident will be counterproductive as they may be in a bid to cover their incompetence". "We therefore, kindly request that your organisation launch an inquiry into the structural competences of all Simbisa buildings including the recently caved in Nandos Bulawayo," the letter reads in part. "Please note that failure to the aforementioned within the next 14 days, litigation will ensue as we seek to ensure public safety and sound values within the engineering fraternity". The collapse of the building comes as a setback for Simbisa, which has been expanding its footprint locally and on the continent. Simbisa Brands Limited posted a profit-after-tax of $3,1 million in the nine months ending June 30, 2016 on the back of a growth in customers across the region. *(News Day)*

Economic News

The Zimbabwe Asset Management Corporation (Zamco) is set stop further acquisitions of non-performing loans (NPLs) and focus on resolution and resuscitation, as it moves to curb moral hazard in the banking sector. Zamco is a special purpose vehicle created to buy secured bad debts to free the balance sheets of banks to be able to lend again. Banks had cut back on lending on the back of rising defaults, which reached 20,45% in 2015. The NPL ratio stood at 7,87% as at December 31. In his monetary policy statement last week, Reserve Bank of Zimbabwe (RBZ) governor, John Mangudya said Zamco was in its final acquisition phase of the NPLs to be completed by March 31. "After these acquisitions, Zamco will stop further acquisitions and focus on resolution and resuscitation," he said. "This will curb moral hazard in the banking sector and is a standard practice internationally for all asset management companies formed to resolve NPLs. Going forward, the operationalisation of the credit registry would help the economy to contain NPLs." Mangudya said some of the accounts that were declined in phase one and two, because of non-viability of their businesses, could be eligible for phase three acquisitions if they are secured by mortgage bonds. Zamco will be using other resolutions methods (other than loan restructuring) to resolve loans acquired in the third phase. These acquisitions are expected to further reduce the levels of NPLs in the banking sector. As at December 31, 2016, Zamco had a

portfolio of acquired NPLs amounting to $812,52m, which comprised proprietary portfolio ($548,66m and managed portfolio $263,86m). Mangudya said the final acquisition would focus on the remaining NPLs secured by mortgage bonds, adding that a credit registry meant to contain NPLs went live last month. As at January 31, a total of 104 000 loans or 25% had been uploaded to the system. The registry is expected to enhance the credit culture among borrowers in various sectors of the economy. Mangudya said RBZ was on course to capture all the 414 262 loans, which are in the banking sector by March 30, 2017 onto the registry. "In line with the phased implementation approach, which the Reserve Bank adopted, banking institutions are already providing their loan records to the registry and updating the records regularly with payment patterns of clients when repayments are effected," he said. Banking institutions, microfinance institutions and other credit providers would be required to undertake credit background checks with the registry and the private credit bureaus when considering loan applications, he said. *(News Day)*

Zimbabwe's people and the ruling ZANU-PF party see no viable alternative candidate to President Robert Mugabe for general elections in 2018, state media quoted him as saying on Sunday. "They want me to stand for elections, they want me to stand for elections everywhere in the party ... The majority of the people feel that there is no replacement, successor who to them is acceptable, as acceptable as I am," he said in comments to state media ahead of his 93rd birthday this coming week. "The people, you know, would want to judge everyone else on the basis of President Mugabe as the criteria," Mugabe, who is Africa's oldest leader, said. Mugabe has been in power in the southern African country since 1980 and in December his party confirmed him as its candidate for the next presidential election expected in mid-2018, when he will be 94. "Of course if I feel that I can't do it any more, I will say so to my party so that they relieve me. But for now I think I can't say so," "When it comes to Donald Trump, on the one hand talking of American nationalism, well America for America, America for Americans - on that we agree. Zimbabwe for Zimbabweans," he said. The state-run Sunday Mail newspaper, which published the comments, said he added Trump might review the sanctions imposed on Mugabe and members of his inner circle by Washington in 2003 over alleged rights violations. The sanctions were extended by the Obama administration. No reason was given as to why Mugabe felt Trump might re-examine sanctions and his direct comments on the matter were not published. But Mugabe said he had not wanted Hillary Clinton to win the 2016 White House election because "I knew she could slap sanctions on us as a legacy." "We are just now under sanctions imposed not by Donald Trump, but by Obama. What arrogance is that?," Mugabe was quoted as saying. The comments were published in advance of the full broadcast of the interview on state-run TV on Monday and Tuesday. Critics accuse Mugabe of wrecking one of Africa's most promising economies through policies such as violent seizures of white-owned commercial farms and money printing. He and his party say the economy has been undermined by western powers. *(Reuters)*

Foreign investor appetite is diminishing on the Zimbabwe Stock Exchange, with most foreign transactions being sales as foreigners desert local listed companies due to their underperformance, MMC Capital Research has said. The stock broking and market research firm said low foreign investor sentiment is likely to persist on the local bourse. "We have witnessed a shift of investor appetite on the ZSE since 2015 as more foreign investors are now concentrating on the sale side. Our view is that this trend will likely continue into 2017 as economic headwinds continue to mount," said MMC Capital Research. The MMC Capital report said foreign payments to foreign investors continue to be fraught with problems due to restrictions imposed by the central bank as it battles a liquidity crisis. "Despite being ranked in the first category (of the central bank's offshore payment priority list), the repatriation of equity proceeds as well as dividends remain a mammoth task. This will likely weigh down on the upside potential of the market going forward as foreign interest on local equities diminishes," MMC Capital research noted. MMC Capital said the trading activity on the ZSE will likely be depressed in 2017, given the economic headwinds facing the economy and foreigners are most likely to remain net sellers on the bourse. "As a result of the liquidity crisis on the local front, foreigners' participation will continue to be on the selling side though at a slower pace than prior years as it seems most of them have sold out by now," MMC Capital noted. However, MMC Capital said the local institutional investors will likely continue to be active on the buy side. Institutional investors are long term investors, hence holding equities is desirable to them given the loss of confidence in other financial assets such as money markets owing to the unpredictable developments in the financial system.

The report also said buying will likely be centred on companies with strong fundamentals as well as with the capacity to pay dividends. Diverse revenue sources will also likely be a key input in stock screening for those investors who choose to invest in the local counters. As

depicted by the graph above, foreigners were net sellers throughout 2016 up to January this year, reflecting their low appetite for local shares. In the period between January 2016 and January this year, foreigners sold shares worth $145,84 million and bought shares worth $61,675 million , representing a $84,165 million net outflow. It is very worrisome to note that the $84,165 million net outflow is paid out from nostro accounts at a time when banks nostro accounts are running dry. *(Source)*

Zimbabwe's trade deficit narrowed to $126 million in January, compared to $146 million in the same period last year, official figures show. Figures released by the Zimbabwe Statistical agency (Zimstat) on Wednesday revealed that Zimbabwe imported goods worth $385 million in January, against exports of $259 million. Major exports during the month under review included flue cured tobacco worth $2.02 million granite, $29.3 million nickel, $7.5 million chrome, $8.55 million diamonds, $56.71 million gold and $26.12 million ferrochrome. Imports from South Africa, Zimbabwe's biggest trade partner, declined 30 percent to $146 million in January 2017 against exports of $214 million as the trade balance between the two countries normalised. Other import source markets in the period under review were Singapore at $69 million, China ($58 million), Zambia ($10 million) and Mauritius ($10 million). In his monetary policy statement earlier this month, Reserve Bank of Zimbabwe governor John Mangudya bemoaned the country's continued reliance on imports of finished goods, saying it was unsustainable. He said it undermined current efforts to resuscitate domestic industrial production, leading to significant trade and current account deficits. Mangudya said despite efforts being made by government towards containing the country's import bill, export growth has not been adequate to surpass that of imports. In 2016, Zimbabwe's exports decreased by 7 percent, to $3.37 billion from US$3.61 billion the previous year. Imports also declined by 11 percent over the same period, to $5.35 billion from $6 billion in 2015. *(The Source)*

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