SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	17-Jun-16	24-Jun-16	WTD % Change Local	WTD % Change USD	31-Dec-15	YTD % Change Local	YTD % Change USD
Botswana	DCI	10726.79	10144.27	-5.43%	-1.47%	10602.32	-4.32%	0.98%
Egypt	CASE 30	7420.39	7253.31	-2.25%	-2.50%	7006.01	3.53%	-8.99%
Ghana	GSE Comp Index	1772.12	1775.57	0.19%	-0.73%	1994.00	-10.95%	-13.55%
Ivory Coast	BRVM Composite	309.82	304.86	-1.60%	-0.11%	303.93	0.31%	4.52%
Kenya	NSE 20	3784.32	3706.44	-2.06%	-1.91%	4040.75	-8.27%	-7.19%
Malawi	Malawi All Share	12806.31	12887.38	0.63%	0.52%	14562.53	-11.50%	-19.05%
Mauritius	SEMDEX	1745.12	1756.09	0.63%	1.18%	1,811.07	-3.04%	-0.78%
	SEM 10	337.65	338.14	0.15%	0.69%	346.35	-2.37%	-0.10%
Namibia	Overall Index	955.14	966.61	1.20%	6.90%	865.49	11.68%	18.63%
Nigeria	Nigeria All Share	29247.27	30649.66	4.79%	-27.25%	28,642.25	7.01%	-25.40%
Swaziland	All Share	358.24	358.24	0.00%	5.63%	327.25	9.47%	16.28%
Tanzania	TSI	3821.26	3743.84	-2.03%	-3.86%	4478.13	-16.40%	-19.15%
Zambia	LUSE All Share	4780.22	4780.22	0.00%	-1.99%	5734.68	-16.64%	-17.13%
Zimbabwe	Industrial Index	93.99	97.40	3.63%	3.63%	114.85	-15.19%	-15.19%
	Mining Index	26.24	26.27	0.11%	0.11%	23.70	10.84%	10.84%

CURRENCIES

Currency	17-Jun-16 Close	24-Jun-16 Close	WTD % Change	YTD % Change
BWP	10.90	10.46	-4.02	5.54
EGP	8.86	8.88	0.25	-12.09
GHS	3.88	3.92	0.93	-2.91
CFA	584.83	576.10	-1.49	4.20
KES	99.50	99.35	-0.15	1.18
MWK	702.20	703.00	0.11	-8.53
MUR	34.09	33.90	-0.54	2.33
NAD	15.31	14.50	-5.33	6.22
NGN	196.47	283.00	44.04	-30.29
SZL	15.31	14.50	-5.33	6.22
TZS	2,147.10	2,188.00	1.90	-3.29
ZMW	10.79	11.01	2.03	-0.59

SECURITIES AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Egypt

Corporate News

Orange Egypt said on Sunday that Egypt's telecommunications regulator had asked it to pay 3.54 billion Egyptian pounds ($399 million) for a licence to offer fourth-generation mobile phone services. The regulator had asked it to pay 100 million Egyptian pounds to acquire a fixed-line licence and 1.8 billion pounds to offer international calls, Orange Egypt said in a statement. Orange Egypt said it was looking into the licence offers and had yet to make a decision. Egypt is selling the 4G licences as part of a long-awaited plan to reform the country's telecoms sector and the regulator has confirmed that it approached the three companies that currently offer mobile services about buying them. Telecom Minister Yasser al-Qadi told television channel CBC last month that Egypt was planning to offer high-speed 4G licences to companies already operating in Egypt. The reforms will allow Egypt's land-line monopoly Telecom Egypt (TE) to enter the mobile phone market directly while allowing mobile operators to offer fixed line services, ending its domination of the sector. TE, which is majority owned by the government, said on Sunday it had also been granted a 4G licence. It was not clear how much TE, which does not offer its own mobile services but does own a stake in Vodafone Egypt, would pay for the new spectrum. "This move will enable TE to fulfil our long awaited goal of becoming a total telecommunications operator, by offering mobile services," TE CEO Tamer Gadalla said in a statement. It was not clear what would happen to the Vodafone Egypt stake if TE begins offering mobile services directly. Under previous reform plans, which have since been scrapped, TE would have had to dispose of its stake. Vodafone Egypt said it received an offer from the telecoms regulator a week ago, but declined to give any numbers. Khaled Hegazi, external affairs and legal director at Vodafone Egypt, said, however, that not all the mobile service providers had necessarily been offered the same prices or terms. "Each company has specific conditions that are considered competitive. We receive different offers based on each company's condition in the market," he told Reuters. Etisalat, which also provides mobile services in Egypt, was not immediately available to comment. *(Reuters)*

British oil major BP has approved investment in the first phase of developing the large Atoll gas field offshore Egypt, only 15 months after it first announced its discovery. BP, which declined to give an investment figure for the project, said the field was on track to deliver its first gas in the first half of 2018, set to pump 300 million cubic feet a day of gas to the Egyptian market. BP decided in November to fast-track the development of Atoll, estimated to contain 1.5 trillion cubic feet of gas and 31 million barrels of condensates. The company is in a tight race with other oil and gas explorers in the region to develop the Mediterranean's huge untapped fossil fuel reserves. Italy's ENI discovered the Mediterranean's largest gas field, Zohr, last year and plans to bring the field on stream by the end of 2017. BP's decision to invest in the Atoll field is one of only a handful of go-aheads the oil major is expected to give this year as it seeks to save cash amid weak oil prices. *(Reuters)*

Egyptian Bank Al Ahly raised interest rates for account holders, an official at the bank said on Monday, becoming the first state-owned commercial lender to react to last week's increase in benchmark borrowing costs. Al Ahly - National Bank of Egypt's retail banking arm- raised rates on deposits by 0.75 percent and on saving accounts by 1 percent, the official told Reuters. Two of Al Ahly's main competitors, Banque Misr and Commercial International Bank, are also expected to review depositor rates on Monday, officials at both banks said. On Thursday, the central bank raised benchmark rates by 100 basis points to their highest levels in years, accelerating efforts to rein in surging inflation and ease downward pressure on the Egyptian pound. *(Reuters)*

Telecom Egypt will not be required to sell its stake in Vodafone Egypt following the introduction of fourth-generation mobile phone services, two telecommunications sector sources told Reuters on Thursday. The landline monopoly owns a 45 percent stake in Vodafone Egypt but hopes to offer mobile phone services itself following the introduction of high-speed 4G mobile technology in Egypt. The government announced in 2014 a plan to introduce 4G and at the time said Telecom Egypt would be allowed to offer mobile services if it paid 2.5 billion Egyptian pounds ($282 million) and sold its Vodafone stake within a year of offering the services. "The telecommunications regulator is not forcing Telecom Egypt in official correspondence over its application to offer 4G services to get rid of its Vodafone stake," one of the sources told Reuters. Telecom Egypt said earlier this week it was studying the terms in detail ahead of applying for the 4G licence.

"Telecom Egypt will not keep its stake in Vodafone long term after it offers mobile phone services but will sell when it gets an offer for a good price," a second source told Reuters. Egypt is selling the 4G licences as part of a long-awaited plan to reform the country's telecoms sector and the regulator has confirmed it has approached the three companies that currently offer mobile services - Orange Egypt, Vodafone Egypt, and Etisalat - about buying them. The reforms will allow Telecom Egypt to enter the mobile phone market directly, while allowing mobile operators to offer fixed line services, ending its domination of the sector. "Telecom Egypt will be obliged to pay 7.08 billion Egyptian pounds, half of which it has to pay in dollars, to get the 4G licence in addition to second and third generation services which it will offer through agreements with other companies," a third source told Reuters. All four companies have to submit applications for the licence by the first week of August. The mobile operators will also be able to apply for landline and international gateway licences. The government says a unified licence will put all four telecoms companies on an equal footing and end monopoly, as well as increase state revenues. *(Reuters)*

Economic News

Egypt's Suez Canal Authority has set new toll rates for oil tankers as part of a six-month experiment that came into effect on Thursday, it said on its website. Very large crude carriers (VLCCs) transitting the canal from the Arabian Gulf after discharging at the SUMED oil pipeline will be charged $155,000 if they are carrying more than 250,000 in deadweight tonnage. VLCCs are to pay $230,000 on their return ballast trip. The canal is one of Egypt's main sources of foreign currency. Egypt has been struggling to revive its economy since a 2011 uprising scared away tourists and foreign investors, other main sources of hard currency. President Abdel Fattah al-Sisi inaugurated an $8 billion expansion of the canal last year that aims to double daily traffic and increase annual revenue to more than $13 billion by 2023. *(Egypt.com)*

Egypt aims to import between 110 and 120 cargos of liquefied natural gas in 2017, the state-owned Egyptian Natural Gas Holding company (EGAS) told Reuters on Sunday. Separately, three trade sources said EGAS had purchased 10 cargoes of LNG from trade house Trafigura and one from PetroChina earlier this month. Egypt relies to a large extent on LNG to generate electricity for its 90 million people.
Once an energy exporter, Egypt has turned into a net importer because of declining oil and gas production and increasing consumption. It is trying to speed up production at recently discovered reserves to fill its energy gap. Egypt currently produces about 3.9 bln cubic feet of gas per day and imports about another 1-1.1 bln cubic feet per day. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Ghana

Corporate News

Dangote Cement Ghana Limited, has announced expansion plans to meet the growing demand of its products across the country. The company hopes to do by speedily completing its new plant being built in Takoradi and in addition to the expanded facility in Tema to increase its silo capacity beyond the current 21000 tonnes. Mr Etornam Komla Buami, the Media Relations Manager of Dangote Cement Ghana disclosed this to the Ghana News Agency at the sideline of the just ended Diplomatic Fair organised at the Accra International Trade Fair. "The demand for Dangote Cement is increasing by the day and we have no choice than to speed up our expansion works; and this is a positive development for the whole of Ghana in terms of job creation and contributions to the general economic growth of the country," he noted. He said the company, which entered into the Ghanaian market few years ago is currently having more than 700 workers with thousands of indirect employees in the industry. Mr Buami announced that by end of July the staffing strength could be increased to 1,700 as one thousand more workers would be recruited. He said Dangote Cement Ghana Limited, is contributing immensely to the economic growth of Ghana on account of its capabilities in job creation and meeting its tax obligations. He said the entry of Dangote cement into the Ghanaian market had created a competition that had resulted in price stabilisation throughout the country. Mr Buami said the company's cement factories are meeting all the international standards in production by producing the highest grade of 42.5R. This, he said makes the factory's products the strongest in the market and also lasts longer.

He said the quality of cement produced is unbeatable and is the preference of most block moulders and building contractors. Mr Buami said the 'R' which stands for 'Rapid' has the fast settling characteristics that make it faster for users to achieve higher levels of productivity. He gave the assurance that his outfit would soon take over the market because of the reliability of its products. On the recent strike by some factory workers, Mr Buami said it was very unfortunate as Management has completed work on a new salary structure and had communicated it to the local union. According to him, even though the strike was illegal, Management, led by Mr Tor Nygard, the Managing Director of the Company was on top of the demands and their concerns are being addressed. He advised staff to ensure that due process is followed at all times, since it is the only way a conducive working environment could be maintained. Mr Buami said the claim by some workers that they had not received salary increase since 2010 was inaccurate as management had increased their income since then. He said the Diplomatic Fair was an opportunity for the company to explain its mode of operations and advantages it has over competitors in the country and beyond. He called on the public to make use of Dangote cement to ensure long lifespan of building projects. *(GhanaWeb)*

Economic News

Ghana will issue a 5-year 500 million cedi ($127.2 million) domestic bond this week, as it seeks cheaper sources of funding to support its budget and restructure debt, the central bank and arrangers of the deal said on Monday. Thursday's bond will be sold through the book-building system that mainly targets institutional investors and offshore buyers, the arrangers told Reuters. They did not disclose any details on pricing, but interest rates in Ghana are among the highest in the region, reflecting the fiscal challenges its faces. The yield on its benchmark 91-day treasury bill stood at 22.8160 percent on June 17. The world's second largest cocoa producer and Africa's no. 2 gold miner has turned to the IMF for help to fix an economy dogged by a high public debt and inflation, securing a 3-year assistance programme.
Ghana raised 746.4 million cedis ($193 million) in a similar local bond transaction in March for a yield of 24.75 percent. It has also issued several other securities, including ones of 3-year maturity. The West African nation, which is due to hold elections in November, also has plans to issue Eurobonds of up to $1 billion, amid concerns from the IMF about the country's public debt, which stood at $26.3 billion, or 70 percent of GDP, at the end of December. The government has appointed Standard Chartered Bank, Citibank and Merrill Lynch as advisors for the Eurobond, the fifth since the country's 2007 debut. Unlike last year when the local cedi depreciated more than 30 percent to the dollar, it has withstood the downward pressure this year. It was trading at 3.93 to the greenback by midday on Monday, down 3.4 percent since the start of the year. *(Reuters)*

Ghana's economic growth quickened in the first quarter as farming output and telecommunication services expanded. Gross domestic product in the West African nation rose 4.9 percent from a year earlier compared with a revised 4.1 percent in the fourth quarter, Philomena Nyarko, government statistician at the Ghana Statistical Service, told reporters in the capital, Accra, on Wednesday. The economy grew 1.1 percent from the previous quarter, she said. Economic growth in Ghana, Africa's second-biggest gold producer, has been affected by lower global metals and oil prices, while chronic power shortages are limiting investment and tourism. GDP expanded 3.9 percent last year and the government is targeting growth of 5.4 percent for 2016. President John Dramani Mahama pledged to tighten the fiscal gap and boost the economy as he seeks re-election this year. "'We are seeing some positive growth, except that the growth is not quite what we anticipate," Nyarko said in an interview after the release of the data. "We should be growing at a higher rate." Annual agricultural production expanded by 2.8 percent, compared with 1.7 percent in the three months through December, and growth in services, which includes telecommunication and hotels, accelerated to 8.8 percent from 5.2 percent, Nyarko said. Industry output, which includes oil, contracted by 1.1 percent after expanding 7.2 percent in the previous quarter. Ghana, which may hold presidential and parliamentary elections as early as November, plans to raise as much as $1 billion in Eurobond sales after the International Monetary Fund endorsed its efforts to consolidate debt and stabilize a volatile currency. This will help plug the 2016 budget deficit, which the IMF said last month could reach 4.8 percent of GDP, lower than the government forecast of 5.3 percent. The cedi was unchanged at 3.91 per dollar by 12:40 a.m. in Accra.*(Bloomberg)*

Ghana's producer price inflation (PPI) edged up to 11.3 percent year-on-year in May from a revised 11.2 percent the month before, the statistics office said on Wednesday. PPI is a major component of consumer inflation, which has consistently remained above government target. The West African commodity exporter is implementing a three-year aid deal with the International Monetary Fund to restore fiscal balance. "We had a slight depreciation of the cedi in April, apart from a marginal rise in gold prices and those were the main drivers (of the increase)," government statistician Philomena Nyarko told a news conference in Accra. Year-on-year producer inflation for utilities for May stood at 37.0 percent, followed by manufacturing at 9.2 percent. Mining and quarrying was -1.4 percent. *(Reuters)*

Government has accepted 811.04 million cedis ($208 million) worth of bids for a five-year domestic bond and will pay a yield of 24.5 percent, slightly lower than the yield at the previous issue, the Bank of Ghana has announced. According to the central bank, total bids tendered at the sale, which was open to foreign investors, amounted to 816.04 million cedis. Government paid a yield of 24.75 percent on a similar transaction in March. Finance Minister, Mr. Seth Terkper had earlier stated that government will use cheaper sources of funding to support the 2016 budget and restructure the country's heavy public debt. Offshore investors accounted for 61 percent of sales of the bond, which was arranged by book-builders comprising Barclays Bank Ghana, Stanbic Ghana and Strategic African Securities. The government plans to issue a total of 16.83 billion cedis in short- and medium-term domestic securities in the third quarter. Of this amount, 14.91 billion cedis would be used to roll over maturing debt. There are also plans to issue a fifth Eurobond of up to $1 billion in coming weeks. *(Ghana Web)*

The Mining Industry last year, paid GHC463.12 billion in taxes to the Ghana Revenue Authority (GRA), Mr. Sulemanu Koney, Chief Executive Officer (CEO) of the Chamber of Mines, has announced. The figure, he said, represented 14.8 percent of the GRA's total direct taxes and comprised - mineral royalties, pay as you earn (PAYE) and other taxes. It also accounted for 31 per cent of the gross export revenue - reinforcing its position as the leading source of foreign exchange. Mr. Koney was speaking at a seminar held for selected journalists at Abesim, near Sunyani, to sensitize and aid them to have a better understanding of the work of the chamber. It brought together about 50 participants drawn from both the print and electronic media in eight municipalities and 19 districts in the Brong-Ahafo Region. Mr. Koney noted that mining's contribution to the economy had been substantial – putting total foreign direct inflows from the sector at US$950 million, in 2015. He therefore underlined the need for the government not only to adopt an integrated approach to mining taxation but to also come out with a Minerals Revenue Management Act.

He expressed worry about unrestrained illegal mining and said that was a huge challenge, which needed to be tackled head-on. Mr. Koney called for the media to put a spotlight on the utilization of minerals revenue to ensure that mining communities derived optimal benefits.

This, he noted, would help to ease the tension and confrontation often seen between the people in mining communities and the mining companies. He announced that between year 2011 and 2015, the sector spent GHC 160,792,149.00 on corporate social responsibility. Mr. Kwame Agbeko Azumah, the Communication Manager of Newmont Gold Ghana Limited (NGGL), Ahafo Mine, said the Newmont Ahafo Development Foundation (NADeF), the company's flagship social responsibility tool had accumulated US$25 million since it was established in 2008. *(Ghana Web)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Kenya

Corporate News

A law that could have saved Uchumi from being shut down by its creditors came 24 hours late. Kenya's oldest supermarket chain is now set to wind up over its debts, after it lost the first round of a court battle, whose success was hinged on the said law. The new legislation, the Insolvency Act No. 18 of 2015, which would have effectively stopped the creditors from proceeding with a winding up case against the retailer, is yet to be fully operationalised. The new Companies Act cannot be used to wind up a company until Parliament passes procedures to shut down a firm under the Insolvency Act of 2015. The procedural rules are the ones that would enable, or invoke the court's jurisdiction to hear and determine such disputes. Parliament is required to enact the procedural rules and guidelines required under the Insolvency Act No. 18 of 2015 for liquidation of companies. Until that happens, creditors today have been placed in limbo by the lawmakers as far as filing winding up cases is concerned. Uchumi was banking on a precedent set by the winding up petition for Blue Bird Aviation Ltd. In the case, High Court judge Eric Ogola ruled that the old Companies Act cannot be used to wind up a company until Parliament passes procedures to shut down firms under the Insolvency Act of 2015. However, High Court judge Farah Amin has found that the retailer cannot rely on that precedent because the creditor, who has sought to wind it up for its failure to pay debts, had actually commenced the process a day before the law changed. San Giorgio Ltd, while relying on Section 220 of the Companies Act Cap 486, now repealed, issued a statutory demand to Uchumi, dated November 5, 2015, stating that unless it is paid the outstanding sum of Sh53,106,754 within three weeks, it will petition the High Court for a winding up order without further notice. "The creditor was entitled to rely on the law then applicable. Uchumi had due notice of the outcome and the procedure that would be applied. Payment was not made and the subsequent steps followed," said Justice Amin.

The judge said the right to file a winding up petition arose on November 5, 2015, just one day before the new companies law came into force. "The company was deemed by the operation of the law to be unable to pay its debt on November 5, 2015. On November **6, to use a layman's words, the** law changed," said Justice Amin. She said the effect was that at the time the notice was issued, the Companies Act Cap 486, had not, on that day, been repealed. "Therefore, the law applicable to the question of whether or not Uchumi is unable to pay its debts was and is the now repealed Act." Last Friday, the retailer was told it would have to defend its desire to remain open after the suit to wind it up was allowed to proceed. The court explained that for the new law to apply to Uchumi, such retrospective application, to be fair, must be expressly and clearly provided for in the said law, but this is not the case. "If the court were to take the approach of retrospective application of the law, the creditors may justifiably argue that their legitimate expectations on serving a notice of demand and filing a petition had been thwarted," said Justice Amin. Uchumi owes suppliers Sh3.6 billion with another Sh2.5 billion debt held by banks with charged assets against a total asset base of Sh6.1 billion, which puts the retailer in the red. The company is, however, calling for bankruptcy protection. Imports and supply firm San Giorgio Ltd initiated the case that has seen several other creditors with a combined debt of Sh300 million join the suit to close down the retailer. Uchumi had sought to have the new Insolvency Act, which also rescues institutions in distress, to be applied to the case. Justice Amin has also stated that the court is fully aware of the public interest in the matter and the impact on the economy in terms of jobs or an opportunity for suppliers to market their produce. The case will be mentioned on July 22. *(Nation)*

NIC Bank Ltd., Kenya's ninth-biggest lender by market value, will acquire the deposits and some of the assets of collapsed lender Imperial Bank Ltd., central bank Governor Patrick Njoroge said. The Nairobi-based bank will conduct due diligence on Imperial, which was placed under statutory management in October, and will absorb most of its branches and staff, Njoroge told reporters Tuesday in the capital, Nairobi. The acquisition of the assets was agreed with the state-owned Kenya Depositors Insurance Corp. after Imperial failed to provide assurances on how to reopen the bank, he said. "Subject to a due diligence and contract review, and following negotiations, KDIC will dispose of, and NIC will assume, a portion of the remaining verified deposits along with certain other assets and liabilities," the central bank said in an e-mailed statement. "It is expected that depositors will be granted access in a structured manner to about 40 percent of the remaining amount of verified deposits above 2.5 million shillings." Kenya's banking industry is consolidating after the collapse of three lenders over the past year and as the government tightens capital requirements for the industry.

The $61 billion economy is over-banked, with 42 banks serving more than 40 million people, compared with 22 banks in Nigeria, which has a population of 180 million and gross domestic product that is nine times bigger, according to Cytonn Investments Management Ltd., a Nairobi -based money manager. Imperial was taken over by regulators after former Managing Director Abdulmalek Janmohamed died and the central bank was alerted by directors of the bank to inappropriate business practices. *(Bloomberg)*

NIC Bank is set to take over some deposits, assets and liabilities of the collapsed Imperial Bank, following an agreement with the Central Bank of Kenya (CBK). The move signals the banking sector regulator's intention to liquidate Imperial Bank through its agency, the Kenya Deposit Insurance Corporation (KDIC). "Subject to a due diligence and contract review, and following negotiations, KDIC will dispose of, and NIC will assume, a portion of the remaining verified deposits along with certain other assets and liabilities," said CBK in a statement yesterday. "NIC will also assume the majority of IBL (Imperial) staff and branches, and announcements on the way forward will be made in the near future." The arrangement is similar to the one reached by CBK and KCB Group, which gives the country's biggest bank an option to buy out the collapsed Chase Bank. NIC, which had earlier planned to open several new branches in Kenya in the short term, is likely to pick some Imperial Bank branches to achieve the physical expansion plan. The extent of the Nairobi Securities Exchange-listed firm's purchase of Imperial assets and the amounts involved are expected to emerge in the coming weeks. KDIC will retain management and control of all Imperial assets and liabilities that it will not have disposed of, the CBK said. Proceeds from the liquidation will be used to compensate Imperial Bank's depositors and creditors, with NIC also mandated to disburse the payments.

"NIC will disburse on behalf of KDIC a maximum of Sh1.5 million each to the remaining Imperial depositors, as soon as the High Court's suspension of payments to Imperial depositors is lifted, and subject to account and identity verifications that were conducted previously," CBK said in a statement. The banking sector regulator said this process would give some 45,700 customers an opportunity to claim their cash in full, equivalent to 92 per cent of all the depositors. The regulator had earlier contracted KCB and DTB to pay customers of the collapsed bank up to Sh1 million of their deposits, which raises the ceiling to Sh2.5 million. The CBK said depositors will be granted access to their deposits in a structured manner to about 40 per cent of the remaining amount of verified savings. A High Court ruling on the suspension of payments is expected on July 4, said CBK. *(Nation)*

Fusion capital has opened the sale of its development real estate investment trust, commonly referred to as D-Reit, to the public at a price of Sh23 per unit. Riziki Kenya director Mary Kinoti, Lands and Housing Cabinet Secretary Jacob Kaimenyi and Fusion Group chief executive Luke Kinoti during the launch of the Development Real Estate Investment Trust (D-REIT) offer on June 23, 2016 in Nairobi. Fusion Capital has opened the sale of its development real estate investment trust, commonly referred to as D-Reit, to the public at a price of Sh23 per unit. Fusion aims to raise Sh2.3 billion through the sale of 100 million units in a sale that closes on July, 15. The cash will be used to develop a mixed residential, office and retail project in Meru dubbed Greenwood City. Investors will require a minimum Sh5 million to participate in the first development Reit to be issued in Kenya. The units will be listed at the Nairobi Securities Exchange on July 28. "We are delighted to be the first to give other investors a chance to access development returns in Kenya by investing in property development through a D-Reit," said Fusion Capital's chief executive Luke Kinoti. A Reit is a unit of ownership in a real estate project allowing retail investors to participate in the capital intensive sector which has reaped high returns in the last decade. READ: Fusion Capital pays financiers after Athi River homes sale. *(Nation)*

Economic News

The International Monetary Fund said Kenya's failure to narrow its fiscal deficit may push up the costs of tapping international credit markets. East Africa's biggest economy projected a funding gap of 692 billion shillings ($6.8 billion) for the fiscal year starting in July, Treasury Secretary Henry Rotich said in his budget speech last week. That's about 9 percent of gross domestic product compared with 7.9 percent this year, according to the Washington-based lender's resident representative, Armando Morales. The deficit "is not consistent with fiscal consolidation," Morales said in an interview on Thursday in the nation's capital, Nairobi.

"The plan was that Kenya would move to a process of fiscal consolidation and that is still our expectation." Kenya increased planned spending by 28 percent to 2.3 trillion shillings for 2016-17. It plans to borrow 225 billion shillings in the domestic market and another 462 billion shillings from external creditors through bonds and concessional loans. The budget deficit has widened since Uhuru Kenyatta became president in 2013 as his government rolled out infrastructure projects including a $3.2 billion railway that's been the biggest investment in the economy since independence more than half a century ago. The country should be targeting a reduction in its fiscal deficit of 3 percentage points over the next two years as part of commitments made when the IMF extended a $1.5 billion precautionary facility in March to cushion the economy in times of shocks, the IMF official said. Traditionally, the country spends less than it budgets and a clearer fiscal outlook will emerge later in the year, Morales said.

Kenya has "a more positive story" than other frontier markets and investors still have an appetite for the $61-billion economy, Morales said. The ballooning deficit will, however, make for tougher negotiations when the government starts discussions for foreign debt, he said. As long as the deficit announced by the government is larger than it was the previous year, "it would be more difficult to approach creditors in global markets," he said. "That doesn't mean that they won't have access, but that normally translates into more expensive financing." Domestic Treasury yields have dropped to almostthree-year lows as a banking crisis following the collapse of three small lenders has caused big banks to seek the safety of government securities. The return on Kenya's three-month Treasury bill has fallen 337 basis points this year to 7.3 percent, the lowest since July 2013, according to central bank data. The government still has choices for raising external debt and can borrow cheaply from its liquid local markets, Morales said. *(Bloomberg)*

Kenya's central bank has enough foreign exchange reserves and funds available from an IMF standby facility to weather any fallout from a British referendum on whether to leave the European Union, the governor said on Tuesday. "We think we are in a comfortable position," Governor Patrick Njoroge told a news conference, adding that a British vote to leave the EU could hurt the global economy and Kenya would "feel the shock wave". Kenya's foreign exchange reserves stood at $7.6 billion on June 16, equivalent to five months import cover, according the central bank figures on its website. In March, the International Monetary Fund approved two-year standby facilities for Kenya worth about $1.5 billion, which can be drawn on if the East African nation faces unforeseen shocks. Britons vote in the referendum on EU membership on Thursday. *(Reuters)*

With commercial lending rates as high as 24 percent, more Kenyan companies are turning to the stock market to raise capital, according to Geoffrey Odundo, chief executive of the Nairobi Securities Exchange. Nairobi Business Ventures Ltd., a maker of leather shoes and accessories, sold shares on the exchange this week, and three other companies are lining up, including Deacons East Africa Plc, a homeware and clothing retailer, Odundo said in an interview Wednesday. The average lending rate of Kenyan banks is 18.3 percent, with some lenders charging as much as 24 percent for long-term business loans in the wake of the collapse of Imperial Bank Ltd. and two other banks, according to central bank data. Small- to medium-sized companies may find the stock exchange a cheaper option, Odundo said. "Traction is building," Odundo said. An 11 percent decline in the benchmark index in the past has made valuations more attractive, he said. "Every investor would like to buy into you when you are on the low." Elections set for August are adding impetus, with companies wanting to tap investors before political risks rise, said Edward Burbidge, CEO of Burbidge Capital. The official opposition has staged protests in Nairobi and other parts of the country since April to call for the removal of officials at the Independent and Electoral and Boundaries Commission, raising concern about instability before and after the poll. "It raises the issue in people's mind, and so companies, if they are ready to issue now, are going ahead to do it before the end of the year because they might as well," Burbidge said. Among companies considering listings are a real-estate business and a financial-services company, he said, without naming them.*(Bloomberg)*

Kenya has inked a deal with Ethiopia to construct a crude oil pipeline to run from the coastal town of Lamu to Addis Ababa months after Uganda chose to export her oil through Tanzania. Kenya has inked a deal with Ethiopia to construct a crude oil pipeline to run from the coastal town of Lamu to Addis Ababa months after Uganda chose to export her oil through Tanzania. President Uhuru Kenyatta made the pact with Ethiopian Prime Minister Hailemariam Desalegn in Nairobi as part of joint infrastructure projects to integrate the region under the Lamu Port- Southern Sudan -Ethiopia Transport (Lapsset) corridor.

Ethiopia is eyeing gas production and exportation starting next year following discoveries. "The two leaders witnessed the signing of bilateral agreements including a pact on the oil pipeline that will run from Lamu to Addis Ababa under the Lapsset project," a statement from State House said. Uganda had initially expressed interest for a joint pipeline with Kenya but later opted to take its oil to overseas markets through Tanzania's Tanga port. Kenya is set to start construction of the Sh210 billion crude oil pipeline to be completed in 2021, according to Ministry of Energy and Petroleum. Overall, Kenya and Ethiopia entered into five pacts, including cooperation in sports, cross-border livestock, health and education. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

The International Monetary Fund (IMF) will increase loans to Malawi by $76.8 million, the global lender said on Monday following an economic review of the drought-hit country. The IMF said it was also augmenting Malawi's Extended Credit Facility (ECF) arrangement, signed in 2012, by another six months with funding equivalent to $49.2 million. "Malawi's macroeconomic situation remains difficult, reflecting weather-related shocks and past policy slippages, which contributed to persistently high inflation," said IMF Deputy Managing Director Min Zhu in a statement issued in Washington after a meeting of the fund's executive board. More than half of Malawi's population is in need of food aid, the country's minister of agriculture said last month. An El Nino-induced drought has ravaged crops, triggering a sharp rise in food prices as reliance on imports increased. Economic growth in Malawi slowed to 3 percent in 2015 from 6.2 percent the previous year as the drought, the worst in decades, swept through the region and hurt the country's agricultural sector in particular. The IMF said the additional funds were granted based on Malawi's commitment to step up structural reforms and continued spending restraint by the government. "Accelerating the implementation of public financial management reforms is indispensable to building trust and confidence in the budget process and ensuring control over fiscal operations," Zhu said. The IMF had suspended the programme in 2015 following a scandal in which senior government officials were found to have siphoned millions of dollars from state coffers. *(Reuters)*

Malawi's headline inflation rose to 21.5 percent year-on-year in May, up from 20.9 percent in April due partly to an increase in food prices, the national statistics office said on Friday. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius is targeting Nigeria and other African nations to help sustain growth in tourism revenue that's expected to reach almost 10 per cent this year, the country's Deputy Prime Minister and Tourism Minister, Xavier Luc Duval has said. The country received 114,796 visitors from Africa in the first five months of this year, accounting for 22 per cent of the total, according to Statistics Mauritius. Of the visitors from Africa, more than half came from the nearby island of Reunion, and 37,168 from South Africa, the Port Louis-based agency's latest data show. "Africa represents a huge potential for Mauritius, which we need to seize," Duval told Bloomberg in an interview. "There are people who are very rich and there is a middle class that is growing on the continent. We are doing well in the South African market, but there are many other countries that interest us, like Nigeria or the entire West African region." Tourism in Mauritius is one of the biggest generators of foreign-exchange revenue for the $12 billion economy. The sugar- and textile-exporting nation expects to earn 55 billion rupees ($1.6 billion) from foreigners who visit the island this year, compared with 50.2 billion rupees in 2015, when it received 1.2 million visitors. Arrivals from Europe currently account for 58 percent of visitors, mainly from France, the U.K. and Germany. The number of visitors from Europe is expected to be boosted further by Deutsche Lufthansa AG's introduction last month of non-stop flights to the island by its low-cost budget unit EuroWings, Duval said.

The country also plans to draw more visitors from Asia. AirAsia Bhd, a Malaysian low-cost carrier, is expected to begin flights to Mauritius in October, and could bring about 50,000 passengers a year to the nation's shores, Duval said. That may help offset a decline in arrivals from China, after the decision by China Southern Airlines Co. to discontinue its flights to the country. The number of tourists from China dropped 3.9 per cent to 32,828 in the January-to-May period. "The recent agreement signed with the China National Tourism Administration is expected to revitalise the Chinese market," Duval said. "The agreement focuses on building the Mauritian product in China. We should remember the good progress recorded in tourist arrivals from China in recent years. We reached 90,000 arrivals in 2015, while five years ago we had only 7,000 Chinese who visited the country." Tourism accounted for 7.6 per cent of Mauritian gross domestic product last year, making it the fourth-largest industry in the country. The industry is expected to grow 6.4 per cent this year, compared with 8.5 per cent in 2015. The island nation will be competing for African travelers with other destinations on the continent such as South Africa, which is receiving more guests, attracted by a weaker currency. *(This Day)*

Mauritius' trade deficit narrowed 4 percent in April to 6.08 billion rupees ($172.5 million) from a year earlier helped by imports of mineral fuels and lubricants costing less, the statistics office said on Wednesday. The value of imports fell 16 percent to 12.44 billion rupees, with the cost of mineral fuels and lubricants down to 1.29 billion rupees from 2.63 billion rupees a year ago, the agency said in a statement. Exports from the Indian Ocean island dropped to 6.36 billion rupees from 8.40 billion rupees in the comparative period, the data showed. *(Reuters)*

The weighted average yield on a three-year government Treasury note rose to 3.62 percent at an auction on Wednesday from 3.48 percent at a previous sale on May 19, the central bank said. The Bank of Mauritius received bids of 1.285 billion rupees ($36.5 million) for 1.3 billion rupees it had offered. Yields ranged from 3.40 percent to 4 percent. The paper has a coupon rate of 3.40 percent and is due on June 24, 2019. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

Shareholders of Ecobank Transnational Incorporated (ETI) have approved a dividend pay-out of $48.2 million earlier declared by the pan-African bank. The dividend pay-out amounted to two cents per share. The approval was given at the bank's annual general meeting (AGM) that took place in Lome, Togo, at the weekend. ETI recorded a dip of 68 per cent in profit after tax (PAT) for the year ended December 31, 2015 in line with its warning of revenue drop for the period. ETI was among the five banks that sent profit warnings to the capital market community that revenue growth would be lower than expected due to a combination of low oil prices as weaker currencies hampered economic performance across the continent. The audited results of the bank showed that profit before tax (PBT) declined by 53 per cent from N86.4 billion in 2014 to N40.6 billion in 2015. PAT dipped by 68 per cent from N65.7 billion to N21.25 billion. Speaking at the AGM at the bank's head office in Lome, the Group Chairman, ETI, Mr. Emmanuel Ikazoboh said: "Our financial results were poor and clearly not representative of the earnings potential of our diversified pan- African business model. "Ecobank reported diluted earnings per share of $0.28, a fall of 83 per cent compared with the $1.69 reported in 2014. Return on total shareholders' equity was 4.2 per cent in 2015 versus 16.5 per cent the prior year.

Profit attributed to shareholders of ETI amounted to $66 million compared to $338 million in 2014." On dividends, he said: "I am happy to report that in light of the improvement in the parent company's profit which increased from $5.8 million in 2014 to $60.8 million in 2015, the board has recommended a total cash dividend of $48.2 million, which translates to a dividend of $0.2 per ordinary shares for the 2015 financial year." The board passed a resolution that a nominal value of the ordinary shares of the company be increased from 2.5 US cent per share to 50 US cent per share. This would be done by consolidating every 20 ordinary shares held into one new ordinary share each, and issuing in replacement, new ordinary shares of 50 US cents each Speaking against this consolidation, a former chairman, ETI, Mr. Sunny Kuku expressed concerns over consolidating the shares and the impact it would have on its share price. *(This Day)*

Shareholders of CAP Plc, a subsidiary of UAC of Nigeria Plc, are to receive a total dividend of N1.645 billion for the year ended December 31, 2015, following an impressive performance for the year. The dividend, which translated to 235 kobo per share, comprises 115 kobo interim, and 120 kobo final. While the interim had been paid since December last year, the final dividend was approved by the shareholders at the annual general meeting of the company held last Thursday. CAP Plc recorded a turnover of N7.06 billion and a profit after tax of N2.57 billion. Speaking at the AGM in Lagos, Chairman of the company, Mr. Larry Ettah, Chairman CAP Plc to further improve the brand visibility and accessibility to consumers, they opened additional Dulux Colour Centres in Yola and Gombe and Dulux Colour Shops in Lafia, Ada-George Port Harcourt, Ado-Ekiti, Dugbe Ibadan, Agbor, Suleja, Lugbe Abuja and Jalingo." "The company retained its ISO 9001:2008 and 14001:2004 certifications on Quality and Environmental standards respectively as we continued to offer high quality products and services to customers while complying with regulatory requirements and conduct our operations in a healthy and safe manner, ensuring minimal impact on the environment." Speaking on the on the outlook for 2016, Ettah said fiscal policy is expected to be largely expansionary as the government seeks to stimulate economic activities and generate employment. "The year has, however, started on an adverse mode, with acute shortage of foreign exchange. The cumulative effect of the scarcity of forex, falling oil prices, and the resurgence of restiveness in the Niger Delta, which could endanger the production output of 2.2m barrels per day and the continued depletion of foreign reserves pose serious threats to businesses and social activities in 2016." The challenging environment notwithstanding, the chairman stated that the board and management of CAP Plc company is alive to these challenges. "The board and management and of your company is alive to these challenges and have outlined mitigating strategies to ensure that these headwinds do not significantly impact our business negatively in 2016," he said. *(This Day)*

Lafarge Africa Plc has concluded its Series I and II N60bn bond issuance, comprising N26,386,000,000 three-year bond at 14.25 per cent, which is due in 2019, and a N33,614,000,000 five-year bond 14.75 per cent due in 2021. The firm stated that the proceeds of the bond issuance would be used to part refinance the debt of its wholly-owned subsidiary, United Cement Company of Nigeria Limited. "The dual-series issuance, the first of its kind and largest ever bond issuance by a corporate in Nigeria's debt capital markets, was concluded following a book build, with the order book oversubscribed. This transaction is Lafarge Africa's second bond issuance in the Nigerian capital markets, having previously issued a N11.8bn three-year fixed rate bond in 2011," the company said in a statement. It stated that a signing ceremony in respect of the Series I and Series II bonds was held on Wednesday last week following the Securities and Exchange Commission's approval, adding that the bonds would be listed on the FMDQ OTC.

According to the firm, Chapel Hill Denham acted as the lead financial adviser, lead issuing house and lead book runner on the transaction, while Citibank Nigeria acted as the joint lead financial adviser and book runner, with Standard Chartered and Stanbic IBTC as joint issuing houses and book runners. The Chairman, Lafarge Africa, Bolaji Balogun, was quoted as saying that the bond was the largest ever by a corporate organisation in the country's capital market, making the firm a prime issuer. Lafarge Africa's Group Managing Director, Michel Puchercos, was also quoted as saying that the proceeds would deliver savings in financing costs to Unicem and Lafarge Africa. "Unicem is currently undergoing a 2.5 million-metric-tonne per annum capacity expansion, which will be completed by the end of 2016," he stated. *(Punch)*

Wema Bank Plc on Monday announced that it had been appointed as one of the primary dealers in the foreign exchange inter-bank market by the Central Bank of Nigeria. The bank said in a statement that with this new appointment, it was positioned as one of the banks to deal with the CBN in wholesale foreign exchange transactions (minimum of $10m) on a two-way quote basis, among other obligations as stated in the new forex guidelines. The Managing Director and Chief Executive Officer, Wema Bank, Mr. Segun Oloketuyi, was quoted as saying, "This is a great achievement for the bank, which is presently undergoing a thorough business evolution. The appointment of Wema Bank as a primary dealer definitely implies that we control a relatively higher proportion of forex market volumes, which will be positive for our net interest revenue line." He said there was generally a huge backlog of forex demand (letters of credit, repatriations and foreign investment outflows) in the Nigerian economy, adding that the bank's appointment as one of the primary dealers would go a long way in fostering its bid to serve its customers better. While unveiling the broad forex market framework last week, the Governor, CBN, Godwin Emefiele, had said the primary dealers would be able to deal in minimum sizes of $10m for spot transactions and at least $5m for forwards, forex swaps and futures. According to the statement, the Foreign Exchange Primary Dealers system is one where interested authorised dealers are accorded access to transact forex products directly with the CBN. It noted that the FXPD authorised by the CBN would deal directly with the central bank for large trade sizes on a two-way quote basis. *(Punch)*

Nigeria's naira strengthened against the dollar, heading for its first gain since starting to trade without a peg three days ago, as the central bank sought to stabilize the market by selling dollars. The naira rose 0.7 percent to 282.5 per dollar by 5 p.m. in Lagos, the commercial capital of Africa's largest economy, after earlier dropping as much as 0.5 percent. The regulator has intervened in the market by selling foreign exchange since it ended the currency's 16-month fix of 197-199 per dollar on Monday. It sold $4 billion in the spot and forwards markets that day to clear a backlog of demand for hard currency, and followed that with about $100 million of sales on the spot market on Tuesday. "The market expects the central bank to continue to intervene on a daily basis for now as it is easily the only source of dollar supplies," Sewa Wusu, head of research at SCM Capital Ltd., said by phone from Lagos. "Foreign direct investment and portfolio flows are yet to start flowing in as investors wait on the sidelines to watch for liquidity, price discovery and stability." Forward contracts dropped as traders reduced their bets on how much further the naira will weaken, although they still see it dropping 6.5 percent by late September.

Three-month naira non-deliverable forward contracts fell 4.7 percent, the most on a closing basis since May 17, to 302.25 per dollar. Contracts maturing in a year declined 3.7 percent to 340 per dollar. "The monetary authority will be a regular participant in the interbank market, at least in the short term, to ensure that sufficient liquidity is available to facilitate two-way trade," analysts at Johannesburg-based Rand Merchant Bank, including Celeste Fauconnier and Nema Ramkhelawan-Bhana, said in a note to clients. Nigeria's benchmark equity index rose for a second day, advancing by 2.4 percent to 30,127.82, its highest close since Oct. 21. It has soared 34 percent since falling to a more than three-year low on Jan. 19, as local investors buy stocks anticipating a return by foreigners, who fled when the central bank imposed capital controls to defend the naira's peg. Yields on the West African country's $500 million bonds due in July 2023 were little changed at 7.09 percent. They've dropped 51 basis points since central bank Governor Godwin Emefiele announced on June 15 that he was ending the currency fix. *(Bloomberg)*

Nigeria's distributable revenues to the three tiers of government rose in May to 305 billion naira ($1.07 billion), up from 281.5 billion in April, boosted by higher oil prices and tax revenues, the finance minister said on Wednesday. Nigeria, an OPEC member with Africa's biggest economy which relies on crude sales for about 70 percent of national income, has been hit hard by the fall in global crude prices since mid-2014. Militants have carried out a series of attacks on oil and gas facilities in the southern Niger Delta energy hub in the last few months, pushing crude production to 30-year lows. But the output disruption has helped to push up global crude prices. "Companies Income Tax recorded marginal increase, even as the time for companies to file their returns is yet to fall due," Finance Minister Kemi Adeosun said in a statement. "There is exchange gain of 2.546 billion naira, which is proposed for distribution. The total revenue distributable for the current month, including VAT is 305.128 billion naira," she said.*(Reuters)*

Economic News

Nigeria's naira is expected to lose around a third of its value when market trading begins on Monday, bringing to an end the central bank's much-criticised fixed exchange rate system. The naira has been pegged at 197 to the U.S. dollar for the past 16 months but the currency trades at around 350 on the parallel market as a slump in oil revenues has hammered public finances and foreign currency reserves. The central bank said last week it would abandon the peg in a "managed float" and the median forecast from 10 analysts surveyed by Reuters suggests it will trade on Monday in a range of 275 to 300 per dollar. Nigeria's commercial banks will set the first exchange rate of the naira versus the dollar when the new market opens, a senior banking source said. Banks have asked customers to submit bids in recent days, in a sign trading will be market-driven and not simply dominated by speculative interbank dealing. Foreign investors and economists have called for months for a naira devaluation as chronic foreign currency shortages choked economic growth and led to widespread capital flight. Africa's biggest economy, which contracted by 0.4 percent in the first quarter, faces its worst crisis in decades after the decline in oil prices since 2014 and last year's introduction of a currency peg. With a likely sharp fall for the naira, Nigerian products will become relatively cheap and imports more expensive, which should stimulate the domestic economy but also lift inflation. President Muhammadu Buhari, who took office last year, has previously raised concerns about the inflationary impact that a weaker currency will have on Nigeria's poor. Nigeria, Africa's largest crude exporter, has resisted devaluing its currency for more than a year despite other major oil producers, including Russia, Kazakhstan and Angola, allowing currencies to fall after crude prices collapsed. *(Reuters)*

The Federal Government on Monday unveiled a new debt management plan for 2016 to 2019, aimed at raising the country's foreign debt portfolio to 40 per cent of the total debt mix. At a news briefing in Abuja, the Director-General, Debt Management Office, Dr. Abraham Nwankwo, said foreign loans were cheaper than domestic loans. At present, the country's total debt is steeped in favour of domestic borrowing at 84 per cent, while foreign debt accounts for the balance. However, in rebalancing the debt mix, Nwankwo said the government would take into consideration the current foreign exchange challenges, but expressed confidence in the capacity of a diversified economy to service foreign debts. Nwankwo said it was also important to borrow more from foreign sources in order to ensure that the private sector was not crowded out from the domestic debt market. The DMO boss said the government would also rebalance domestic borrowings in favour of long-term debts against short-term obligations. He said, "It is a medium-term project from 2016 to 2019 that sets out the broad guidelines within these four years. "The DMO plans to introduce new products with a view to further diversifying the investor-base, boost financial inclusion and national savings culture for increased gross capital formation, create more benchmarks, and deepen the domestic and external markets for government securities.

"A significant reduction in cost will require that the government accesses relatively cheaper long-term external financing in such a way that it first maximises the available funds from the concessional and semi-concessional sources, taking into consideration what may be readily available within a given period after which other external sources will be accessed." Nwankwo added, "The impact on maturity profile of the total domestic debt could be significant; hence reducing the risk of bunching, roll-over risk and the associated debt servicing costs. "The fact that the borrowings (both domestic and external) will be used to fund priority infrastructure projects, which will boost output and put the economy on the path of sustainable growth and competitiveness, and the fact that the loans are long-term (15 years and above), which means that the economy would have been sufficiently diversified for increased export earnings for ease of debt service payments."*(Punch)*

Nigeria's naira fell against the dollar for a second day on Tuesday after the central bank removed its currency peg in an effort to alleviate chronic foreign currency shortages choking growth. The naira opened 1.4 percent weaker at 286 to the dollar, with $2 million traded. It had tumbled 30 percent to 282 naira on Monday. *(Reuters)*

Nigeria's naira weakened against the dollar for a second day on Tuesday after the central bank removed its currency peg in an effort to alleviate chronic foreign currency shortages choking growth. The naira traded 1.1 percent weaker at 285 to the dollar at 1000 GMT, with $9 million traded. It had slumped 30 percent on Monday. The central bank caved into pressure to effectively devalue the naira in the wake of falling prices for oil, the country's main export, announcing last week that it would abandon its 16-month-old peg at 197 to the dollar. On Monday, the central bank sold $3.5 billion on the forward market after it auctioned $532 million and intervened on the interbank market to clear backlog of hard currency orders worth around $4 billion. "We know it's not every demand that has been settled. Trading will depend on what happens after what central bank did," one trader said. The central bank had yet to provide details of the forward deals including the settlement date, the trader added. The bank sold $697 million in one-month forward, $1.22 billion in two-month contract and $1.57 billion due in three months, in order to clear a backlog of $4.02 billion of demand, market operator FMDQ Securities Exchange said. In May, Nigeria lifted prices of petrol by 67 percent to 145 naira ($0.73) a litre to eliminate a costly subsidy scheme and ease severe fuel shortages. The government then used an exchange rate of 285 naira to the dollar to calculate petrol imports, which economists believed triggered the currency reform. In non-deliverable forward markets, the one-year naira-dollar forward were quoted at 349. The nine-month contract fell as low as 337 per dollar while the six-month contract traded at 327. Other major oil producers, including Russia, Kazakhstan and Angola, allowed their currencies to fall much earlier after crude prices collapsed. *(Reuters)*

Nigerian stocks ended near an 8-month high on Tuesday as investors renewed interest in shares after the central bank floated the naira to lift currency curbs viewed as harming investment and helping cause the economy to contract. The main share index rose 2.27 percent to 29,422 points, a level last seen on October 2015. Investors snapped up shares across banks, and consumer goods, hoping that a "freely" traded interbank forex market will help foreign buyers return to stocks after Nigeria ended an currency peg, which caused them to flee. *(Reuters)*

The Nigerian Stock Exchange (NSE) All-Share Index (ASI) hit a new high yesterday as the Bulls returned to the stock market following successful take-off of the flexible foreign market. The ASI, which fell by 1.63 per cent the precious day, appreciated by 2.27 per cent to close at 29,422.71 yesterday. This is the highest point the ASI reached so far this year. Similarly, market capitalisation added N224.2 billion to close at N10.1 trillion. The appreciation recorded in the share prices of Dangote Cement, Access Bank, Zenith Bank, UBA and GTBank were mainly responsible for the gain recorded in the ASI. Zenith Bank rose by 4.6 per cent, while GTBank and Dangote Cement appreciated by 3.1 per cent and 2.8 per cent respectively. A total of 37 stocks appreciated as against 10 that depreciated. Also, activity level strengthened as volume and value traded rose 28.0 per cent and 201.4 per cent to 533.3 million units and N6.8 billion respectively. Sectoral performance showed that the NSE Banking Index lead with 3.5 per cent on the back of gains by Zenith and GTBank. In the same vein, the NSE Industrial Goods Index advanced 3.1 per cent lifted by gains recorded by Lafarge Africa Plc(2.8 per cent) and Dangote Cement (2.8 per cent). The NSE Consumer Goods Index went up by 1. 6 per cent, while the NSE Insurance Index appreciated by 1.4 per cent, just as the NSE Oil and Gas Index grew by 0.4 per cent. Analysts have said the new forex policy will attract inflow of foreign portfolio investments (FPIs).They also added that it would impact positively on corporate earnings of many companies.

"We expect companies with U.S Dollar receivables to benefit from this development. Meanwhile, companies with Naira receivables but with dollar denominated financial obligations without any hedging strategy in place will record exchange rate losses. Some of the companies operating in the power sector may fall into this category. They may require additional bailout very soon if they have to improve power generation and distribution in the country. In addition, the impact of this may be transferred to the banking sector in the form of increase in the non-performing loans. But the opening of the foreign exchange inter-bank market and the futures market will create additional activities in the inter-bank market, with banks earning additional income. This will also promote trade finance businesses," analysts at FSDH Merchant Bank said. They added that introduction of the forex Futures market should reduce the frontloading of forex and consequently in the spot market. "In addition, we believe the market structure that the CBN announced was well thought out and investors will have confidence in the system to manage their exchange rate risks. On the supply side, we note that it would increase the supply of forex from FPIs and FDIs," they said. *(This Day)*

Fitch Ratings has downgraded Nigeria's long-term foreign currency Issuer Default Rating (IDR) to 'B+' from 'BB-' as well as the country's long-term local currency IDR to 'BB-' from 'BB'. But the global rating agency, in a statement yesterday, assigned a stable outlook to the country. The issuers rating on Nigeria's senior unsecured foreign-currency bonds was also downgraded to 'B+' from 'BB-'. Nigeria's Country Ceiling was also revised downwards to 'B+' from 'BB-' and its Short-Term Foreign-Currency IDR affirmed at 'B'. The agency, with dual head offices in New York and London, pointed out that the downgrade of Nigeria's IDRs, among others, was because its fiscal and external vulnerability had worsened due to a sharp fall in oil revenue and fiscal and monetary adjustments that were slow to take shape and insufficient to mitigate the impact of low global oil prices. It hinged its decision to the renewed insurgency in the Niger Delta in the first half of 2016, which has lowered oil production, magnifying pressures on export revenues and limiting the inflow of hard currency. Fitch also forecast that Nigeria's general government fiscal deficit was expected to grow to 4.2 per cent in 2016, after averaging 1.5 per cent between 2011-2015, before beginning to narrow in 2017. "The government has adopted a fiscal adjustment strategy centred on raising non-oil revenue and has made some progress in raising tax revenue by improving revenue collection and improving the control over revenue raised by government departments and state-owned enterprises. "Despite expected increases in non-oil revenue, the agency expects overall general government revenue to drop to just 5.5 per cent of Gross Domestic Product (GDP), from an average of 12 per cent in 2011-2015. "On the expenditure side, Nigeria has also cut fuel subsidies and adopted a number of public financial management reforms that have contained the growth of current expenditure, including the move to a Treasury Single Account and the implementation of information systems that have reduced the number of ghost workers. "Nigeria's low level of general government debt, forecast to be 14 per cent of GDP in 2016, is well below the 'B' median of 53 per cent and a rating strength. However, the fall in general government revenue represents a risk to the country's debt profile.

"Fitch estimates general government debt/revenue will rise to 259 per cent in 2016 from 181 per cent in 2015, higher than the 223 per cent median for 'B' rated peers. "At end-2015, only 19 per cent of central government debt was denominated in foreign currency. Nevertheless, depreciation of the naira will increase the debt and debt service burden. "A weak policy response to falling external revenues has led to an increase in external vulnerabilities, slower GDP growth and a widening of the current account deficit," it added. The Central Bank of Nigeria (CBN) recently commenced trading on the inter-bank foreign exchange market under a revised set of guidelines paving the path for a floating exchange rate. Commenting on this, Fitch held the view that the new regime would not be fully flexible, as it would still involve a parallel market as importers of 41 items are excluded from the inter-bank market. This would continue to hinder growth, capital inflows and investment, in Fitch's view. It added: "The delayed change in exchange rate policy casts some uncertainty over the authorities' commitment to a more flexible system. The CBN's previous exchange rate policy of managing demand for hard currency and restricting access to dollar auctions at the official FX rate resulted in a significant shortage in dollar liquidity. "Fitch expects that some continued intervention in the FX market will reduce international reserves, which were below $27 billion before the new market began trading compared with $34 billion at end-2014. "Fitch expects reserves to fall to 3.4 months cover of current external payments by end-2016. Fitch forecasts GDP growth to fall to 1.5 per cent in 2016, down from 2.7 per cent in the previous year, after GDP contracted by 0.4 per cent year-on-year in first quarter of 2016, stemming partly from low hard currency liquidity. "Second quarter 2016 is likely to experience a further contraction, as the resurgence of violence in the Niger Delta has brought oil production levels down to around 1.5 million barrels per day (mbpd) in May, from approximately 2.1 mbpd in January. "Nigeria's 'B+' IDRs also reflect the following key rating drivers: In the medium to long term, the move to a more flexible exchange rate mechanism, if implemented effectively, is likely to be supportive of economic growth and economic rebalancing in the face of the drop in oil revenues. "The accompanying depreciation of the naira will also increase foreign currency denominated fiscal revenue in naira terms. However, the positive effects of naira devaluation will take some time to fully materialise and, in the meantime, Nigeria will be vulnerable to a number of downside risks.

"Fitch expects the current account deficit to widen to 3.3 per cent of GDP in 2016, from 2.6 per cent in 2015 and compared with the median of 'BB' rated peers at two per cent. "Increased external borrowing will reduce Nigeria's position as a small net external creditor, although this will remain stronger than the 'B' range median. "The authorities' move to liberalise fuel prices has allowed more supply to come to market, but together with FX restrictions it has led to a rise in inflation to 15.6 per cent in May. "Inflationary pressures from the depreciation of the naira will be partly balanced by improved foreign currency access which should reduce supply constraints. Fitch forecasts inflation to end the year at lower than 12 per cent. "Our base case for Nigerian banks is that regulatory total capital ratios will not decline significantly due to the effective devaluation. "Any impact will be offset by still strong profitability and high levels of internal capital generation. The new FX regime crucially also provides access to US dollars for the banks to meet demand and their internal and external obligations. "Political risks include the insurgency by Boko Haram and ethnic and sectarian tensions in the Niger Delta and Biafra regions." Commenting on the rating by Fitch, Managing Director/Chief Economist, Africa, Standard Chartered Bank, Razia Khan, in a note to THISDAY yesterday described the rating action as a catch-up with the ratings already assigned to Nigeria by the other rating agencies, saying any market impact was likely to be blunted. According to her, of much more relevance was Nigeria's recent move to currency flexibility, adding that although the new FX regime was still being tested, over time – if sustained – it was expected to be positive for Nigeria's credit rating. "A more flexible FX regime should relieve the pressure on growth, with the real economy no longer needing to bear the full burden of adjustment to the oil price shock. "Although this is not immediately evident at the outset, currency flexibility should also mean that Nigeria's FX reserves are eventually better protected, and that access to external financing is enhanced. "Both are important factors that will allow Nigeria to adjust more favourably to weaker oil prices.

"Meaningfully, the adjustment in the FX rate should provide an immediate boost to fiscal revenue. Both oil revenue and customs receipts should see an immediate uplift, helping to offset partially the impact of more subdued oil output. "In our view, the key threat to Nigeria's creditworthiness at the moment would be a reversal of any of the key reforms – especially the transparency effort and the adoption of currency flexibility. "The risk of a prolonged shortfall in oil production related to Niger Delta militancy is also significant, although over time sustained structural reforms might lessen its overall impact," she added. Meanwhile, the FMDQ yesterday announced a revision of the NIFEX methodology and publication standard. The decision would become effective today. The FMDQ in a notice on its website announced "the revision of the NIFEX methodology and publication in line with the principles for the financial benchmarks of the International Organisation of Securities Commission (IOSCO), effective June 24, 2016". During currency trading, the naira gained N1.13 or 0.4 per cent to close at N281.67 to a dollar yesterday, stronger than the N282.80 on Wednesday. Also, as a result of the move by the central bank to strengthen liquidity in the market, the overnight tenor of the Nigeria Interbank Offered Rate (NIBOR) dropped to 34.42 per cent yesterday, from 68.50 per cent on Wednesday. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

CRDB Bank is waiting eagerly for East African Monetary Union to springboard their regional expansion drive, its Managing Director, Dr Charles Kimei, has said. Dr Kimei said the monetary union will harmonise bank regulations and in that way cut costs and time for banks in the bloc in opening branches in the region. "We (CRDB) have a plan to cross more borders. But of late we have been hesitating as there is a plan to create monetary union for EAC," Dr Kimei told the 'Daily News' in special interview. Dr Kimei, who is also the chairperson of Tanzania Bankers' Association, said once the monetary union is created it will be easier to open a branch anywhere in the EAC member states because they will harmonise banking regulations in the region. "This will help us in doing business. If I want to cross to Kenya, for example, I just open a branch like I open in Tanzania, because it will be supervised by Central Bank of Kenya like what our central bank does," Dr Kimei said. The monetary union would also apply to Uganda, Rwanda, Burundi, and even South Sudan. CRDB currently has a subsidiary in Burundi with three branches. In the run-up to achieving a common currency, the EAC nations aim to harmonize monetary and fiscal policies and establish a common central bank. At the moment Kenya, Uganda, Tanzania and Rwanda are presenting their budgets simultaneously every June. In late 2013 the EAC countries signed a joint protocol setting out the process and convergence criteria for the monetary union. The union envisaged in 2024 is the introduction of a common currency to replace the national currencies of member countries. Out of EAC, CRDB Bank eyes to expand to Lubumbashi in DR Congo to tap the growing potential in the area. "There are a lot of businesses in Congo and our approach is to follow our customers and we have them already in Lubumbashi," Dr Kimei said. The bank estimates that some 1,500 Tanzanians are doing various businesses in Lubumbashi, including government institutions such as Tanzania Port Authority. *(Daily News)*

CRDB Bank's e-payment sensitisation campaign using Tembo cards has paid off just a month since it was flagged off as number of transactions increased by almost 20 per cent. The number of transactions increased from 162,181 in April to 193,604 in May signifying the raise of using e-payments system in short period. CRDB Bank Managing Director Dr Charles Kimei said the first fruits of the campaign have been observed in just one month signifying better days ahead. "This shows that our customers have started understanding the use of electronic payments through Tembo debit cards...and it's very encouraging," Dr Kimei said yesterday when presenting awards for the first five winners. Late April, the bank launched a 1.0bn/- campaign dubbed 'Win Big with TemboCard' that geared, among other things to change people cash payment culture to electronic payment with a view to promote a move towards a cashless society. The MD said the value of transactions also climbed encouragingly from 11.56bn/- in April to 14.89bn/- of May while online purchasing transaction graphic too went north from 5,937 to 6,948.

The online purchasing assisted to increase the value of transaction through point of sales (PoS) on that category from 638.43m/- in April to 715.56m/- in May. The overall winner, Mr Ismail Omary Jimroger, who won a trip to Dubai with his family, said he regularly makes payment using his Tembo Card to refill his car, phone top up as it is hassle free. "I don't believe if I won a trip to dubai with my family. I am more than happy. Words are not enough to explain it," Mr Jimroger said. Other winners are Zubeda Ahmed Chandewon a Mac Book Pro laptop; Nam Jin won an iPad; Dereck Donald Mazige walked home with Apple's iPhone 6 and Belinda Deogratius Msaki won a Samsung J5. The big number of transaction increases the chances to enter into top 20. However, a transaction at any PoS in the country, should not be less than 50,000/-. The campaign is part of 20 years celebration of the bank since privatised. The campaign follows a survey by the bank that revealed that majority of the people prefer paying in cash to e-payment as some want to dodge taxes, cash-base culture and lack of e-payment infrastructure. *(Daily News)*

Economic News

Tanzania's central bank should rally to the defense of the shilling using means at its disposal, including stopping "dollarization" of the economy, President John Magufuli said. The currency of the natural gas-producing country has weakened almost 2 percent against the dollar this year, extending depreciation of 19 percent in 2015. Tanzania held $3.9 billion of gross international reserves at end-March, sufficient for 4.1 months of imports. "The central bank must defend the value of the shilling," Magufuli said Wednesday at an event marking the Bank of Tanzania's 50th anniversary. "You have many ways you can use, but one is to stop dollarization." Neighboring Kenya and Rwanda have secured stand-by facilities from the International Monetary Fund that they can draw down to underpin their economies in times of shock. Magufuli, in power since November, also asked Tanzania's central bank to stop supporting under-performing lenders, including state-owned Twiga Bancorp, saying they pose a risk to the economy. "There are these banks that are violating regulations," he said. "Don't hesitate to take action, even those that belong to government. They wait for government bailouts to survive. If they can't survive let them die." Magufuli urged the Bank of Tanzania to monitor mobile-money transfers closely to ensure the government receives its share of revenue from about 5.5 trillion shillings ($2.5 billion) transacted monthly. The banking regulator should also scrutinize foreign-exchange bureaus more closely to curtail money laundering. The central bank and Treasury should work together to guarantee the government is receiving its due revenue from mining and telecommunication companies. Tanzania is Africa's third-largest gold producer and holds 58 trillion cubic feet of natural gas reserves. "The miners claim to be making losses, but if you are making losses why stay here for 10 years? You leave," he said. *(Bloomberg)*

THE Bank of Tanzania (BoT) will continue pursuing prudent monetary policy in 2016/17 to keep inflation close to the medium-term target of 5 per cent, while ensuring that liquidity level is consistent with demands of various economic activities. According to the bank's monetary statement for the period ended June, this year, the bank will continue to deploy a mix of monetary policy instruments, while ensuring that money market operates efficiently towards sustaining stability of short-term interest rates. The financial market will continue to be strengthened in line with the objective of widening participation and deepening financial markets instruments to facilitate better and efficient price discovery. The bank will also implement reserve averaging framework that will provide flexibility to banks in managing liquidity more efficiently and thus help to reduce volatility of short-term interest rates. The bank will continue to improve the monetary policy framework by solidifying its role in stabilisation of banks' free reserves. Further, the BoT will enhance information sharing with banks to improve the functioning of the money market. Also BoT will continue to monitor monetary aggregates cautiously and review them when need arises. Interest rates will continue to be determined by market forces with Treasury bills market being an anchor. The bank will continue to work closely with market players to improve transparency of monetary policy operations and instil greater efficiency in the determination of market based interest rates. This will further improve the function of the money market and reduce volatility in the interbank cash market, while increasing the role of interest rates in the transmission of impact of monetary policy actions. The exchange rate will continue to be market determined, with the bank participating in the foreign exchange market for liquidity management purposes and intervening occasionally to smooth out excessive short term volatility in the exchange rate. This will be done while ensuring that foreign exchange reserves are maintained at not less than four months of import cover. *(Daily News)*

MALAWI government has contracted Tanzania-Zambia Railway Authority (TAZARA) to transport 48 million litres of petroleum products from Dar es Salaam port in the next 12 months, starting from next month. This was revealed after a meeting between TAZARA and a delegation of eleven officials from the Malawi government in Dar es Salaam on Monday. The Malawi delegation was headed by Mrs Estelle Nuka, Board Member of the Malawi Energy Regulation Authority, according to a statement issued in Dar es Salaam. TAZARA Managing Director, Bruno Ching'andu, assured the Malawi delegation that with the new leadership, the railway authority had the best management team to compete with any in the world and was fully geared to take the firm to another level. "Our shareholders have recently appointed me and my deputy and between us we have vast engineering and business experience. Together with the rest of our management, we have the best team that can compete with any in the world and are well prepared to handle the cargo you will be bringing to us," Mr Ching'andu is quoted as saying in the statement. TAZARA is also in discussion with the Zambian government and another private firm to begin transporting at least 14 million litres of fuel per month from the Port of Dar es Salaam to Zambia and the Democratic Republic of Congo (DRC) within the month of July 2016, he said. The new leadership is credited for instilling discipline in the railway operations, with the firm now registering consistent and shorter transit times in freight trains as well as passenger trains, an impediment that tended to drive clients away in the past. The new managing director has also ordered his management team to be customer-centric, giving maximum respect to the clients and being responsive to their needs. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

No Corporate News This Week

Economic News

Zambia's city populations are expanding at an average rate of nearly 4 percent per year and it is projected that Zambia must create 1.2 million new urban jobs by 2025 and 2.8 million by 2035. A report published today by ZIPAR, the International Growth Centre and Just Jobs Network states that the number of Zambian workers employed in agriculture fell steeply from 71.4 percent to 48.9 percent. Zambia is witnessing a shift as the workforce moves out of agriculture into services and industry between 2008 and 2014 The report which forms part of ZIPAR's on-going Flagship Project on "More and Better Jobs" shows that despite the country's high levels of economic growth, its labour markets are not creating enough jobs that can propel inclusive growth and that this is having a big effect on cities. It shows that between 2012 and 2014, purchasing power in Zambia's heavily urbanised Provinces-Lusaka and Copperbelt declined and in Lusaka, urban workers earned nearly 17 percent less in 2014 than 2012. The report says that in both Lusaka and the Copperbelt, the number of workers who work without pay in a family business or on a farm was growing faster than the number of paid workers. It notes that most growth recorded in urban employment was in low productivity informal services adding that this is an early warning that productivity may not be rising fast enough to sustain continued job growth in the long run. "While the situation is likely to worsen with the current economic slowdown, there are some positive trends which could offset the declining rate of urban employment. For example, the construction sector employed 128 percent more workers in 2014 than in 2008.

The hospitality sector also expanded formal employment by 63 percent in the same period. But these bright spots cannot outshine the warning signs of a severe lack of productive jobs in urban areas, outside the small, and shrinking, formal sector, which employs just over a quarter of urban Zambians," the report shows. The researchers propose policy changes which could inform the development of the seventh national development plan, which is currently being worked on by government. They proposed strengthened efforts to recognize and upgrade informal settlements and extend cluster-based industrial policy to urban areas and upgrade urban markets. "The cluster approach to industrialization, which the Zambian government is currently pursuing in rural areas, is well suited to an urban economy. While the cluster approach can also succeed in rural areas there is significant scope to promote manufacturing activities in urban areas in order to create more jobs." Improve intra- and intercity connectivity and leverage new infrastructure investment to stimulate growth-intensive sectors. Connectivity-both within the city and between centres of production is one of the keys to leveraging mass effects of urban economies to create more and better jobs. Effective public transportation networks can help MSMEs to move their goods to markets. Moreover, new investments in national road and rail infrastructure can be harnessed to support the growth of labour-intensive sectors and MSMEs. The researchers also recommended the revitalization and diversification of the Copperbelt to create a more dynamic, job-creating urban region. "The Copperbelt is one of the most important urban regions of Zambia, but today its economic fortunes are endangered, largely because of its overdependence on copper mining. Policy makers can reverse the province's down turn by building on its existing assets and engaging the right mix of interventions to create a vibrant urban labour market through diversifying its economic output." *(Lusaka Times)*

Zambia's tax authorities have shut down a newspaper critical of the government, accusing it of failing to pay taxes, its managing editor said on Wednesday. The Post's managing editor Joan Chirwa said Zambia Revenue Authority (ZRA) officials had ignored a court order preventing its closure over a disputed debt of 68 million kwachas ($6 million). "We have been paying the taxes and this outstanding bill is from an old debt which is in dispute," Chirwa said. She said the newspaper had been closed because of its critical editorial policy. "It is not a secret that we are being targeted because of our stand," she said. Tax agency officials were not available to comment. Lee Habasonda, president of Transparency International Zambia, said the action taken by ZRA was excessive. "We are very concerned that such a thing is happening at this time of campaigns for the August 11 elections," he said. In April, police briefly detained two Post journalists over a story quoting an opposition leader as saying President Edgar Lungu had used public funds to pay for a holiday. Lungu has been in power for just over a year after winning a ballot triggered by the death of his predecessor, Michael Sata, in October 2014. He faces a strong challenge from opposition leader Hakainde Hichilema of the United Party for National Development at the polls. *(Reuters)*

Zambia's copper output will rise by 5.5 percent to 750,000 tonnes this year and output is expected to double to 1.5 million tonnes in 2017, Mines Minister Christopher Yaluma said on Thursday. Copper production in Africa's second-biggest producer of the metal was at 711,515 tonnes in 2015. *(Reuters)*

Zimbabwe

Corporate News

Integrated financial services group Old Mutual Zimbabwe on Friday announced plans to construct a mall which will house small scale businesses and informal traders in Harare's city centre. Small to medium enterprises and informal trading have taken centre stage as country's formal economy remains listless. Old Mutual Zimbabwe chief executive Jonas Mushosho told journalists that the company had seen an opportunity in the provision of business infrastructure to the small scale traders. "In response to the changes in sectorial composition of Zimbabwe's economy, we saw a business opportunity to develop the Eastgate market specifically for SMEs and the informal sector," he said, referring to a site adjacent to the Eastgate mall, also owned by Old Mutual. According to an April 2015 report by the National Vendors Union of Zimbabwe (NVUZ) an estimated 20 000 vendors trade in Harare's central business district. "The growth of the informal sector has natural provided real estate investors with an opportunity to design and construct suitable working space for SME's and informal sector." The project is expected to take 18 months to complete, with a delivery date set for December 2017. The mall will have five hundred and thirteen market stalls, forty residential single bedroom flats and fresh produce supermarket. Mushosho said Old Mutual is working with several other local authorities to replicate the model in other parts of the country. Old Mutual has a sizeable property portfolio with several office complexes and shopping malls around the country. Property developers have started to move to meet growing demand by Zimbabwe's burgeoning informal sector. Ken Sharpe's West Properties last year opened its $5 million Mbudzi People's Market on the outskirts of Harare, to accommodate 380 informal traders and 88 formal ones. *(Source)*

Rainbow Tourism Group's revenue for the first four months of 2016 grew 13 percent to $8,6 million in comparison to $7, 6 million recorded in the prior year. Group chief executive Tendai Madziwanyika told the company's annual general meeting last week that occupancy for the period under review grew to 48 percent from 38 percent recorded during the same period last year while market share increased to 32 percent compared to 27 percent recorded during the prior year. "Revenue generation programmes will remain the main driving force for growth in the domestic and foreign markets," said Mr Madziwanyika. While Zimbabwe hotels registered strong performance, Rainbow Hotel Mozambique's revenue was down 46 percent in comparison to the same period in 2015. The Hotel has continuously recorded declining revenues year on year. "This subdued performance is attributable to the current political instability in Mozambique. We will continue to keep a close eye on the performance of this unit," said Mr Madziwanyika. Rainbow Beitbridge Hotel was closed on March 31, 2016 following the termination of the lease agreement with the National Social Security Authority. During the two years of operation, the RBBH recorded unsustainable losses. Market factors characterised by depressed occupancies, low margins and high costs were the major contributing factors in exiting Beitbridge. The furniture, fittings and equipment which belonged to RTG were removed from the Beitbridge hotel and transferred to Rainbow Towers Hotel, New Ambassador Hotel and Bulawayo Rainbow Hotel allowing for the immediate refreshing and refurbishment of these hotels at no additional cash outlay.

Employees affected by the group's exit from Beitbridge have been offered alternative employment within the group. Mr Madziwanyika said the cost reduction trend has continued in the 2016 performance. Year to date total operating costs reduced 17 percent compared to the prior year. He said the group will continue to reduce costs through the introduction of new innovative techniques to reduce costs. Over the four months the group reduced costs by $1,3 million while revenues grew by $1 million. "It is now evident that the company is now benefiting from the cost reduction journey implemented since 2013. Over the period 2013 to 2015 total operating costs reduced by $5 million year on year. "The operation is now leveraging on innovation to drive service excellence. This process will include establishment of self checking systems through the creation of quality circles and job re-engineering by re-defining roles through job enlargement and job enrichment. This approach will enable more efficient processes throughout the company," said Mr Madzivanyika. During the past three years the company has reduced the working capital gap by $3,2 million from $12,4 million to $9,2 million. Operationally the business managed to generate an average EBITDA of $4 million which has been channelled towards refurbishment of the hotels and loan servicing. Mr Madziwanyika said the company's financial position remains burdened by the balance sheet structure and is expecting to have a lasting solution during the course of the year.

He said the company is now focusing on rebuilding the balance sheet to create a sustainable capital structure which will be key to the completion of the turnaround journey. *(Herald)*

PAN African banking group, Ecobank has unveiled a plan that aims to boost financial inclusion for those currently unbanked across Africa. The plan mainly targets people in rural areas and emerging small to medium enterprises. Speaking on the sidelines of the launch in Lome last Friday, Ecobank group CEO Mr Ade Ayeyemi said a large percentage of Africans have remained on the periphery, without access to banking facilities yet active in the economy. Now Ecobank's thrust is to tap into that market through provision of affordable banking services in all countries in which it operates. "Financial inclusion is something we talk about, not only in Zimbabwe or Kenya today, our responsibility is to find a way to have everyone included. "This time we are not targetting people with a lot of money but even the smallest amount of money, that is how everyone can be connected to banking. Banking is not about just those in Harare alone, but everyone and our job is to create an opportunity," he said. In Zimbabwe and other African countries, the level of financial inclusion is skewed in favor of the urban population as opposed to the rural population despite having larger populations residing in rural areas.

The campaign is premised on three pillars – convenience, relevance to communities and choice. Mr Ayeyemi emphasized the need for use of POS, ATMs, internet banking and mobile money to enhance efficiency and convenience in banking. In line with this, the bank is targeting mobile banking to anchor the financial inclusion campaign in all the 36 countries it operates. "We believe we have a responsibility to be socially relevant to communities we serve. We are also strongly committed to sustainable development of the region," he said. In Zimbabwe, mobile perpetration is above 100 percent giving more scope for using mobile banking to tap into the unbanked communities. Yet an estimated 70 percent of Zimbabweans are still unbanked according to a Finscope 2014 survey. The survey further shows only 14 percent of micro-small to medium enterprises owners were banked and 1 percent adult population made use of capital markets. Further, the World Bank consumer protection and financial literacy diagnostic report of 2014 reveals low financial literacy in Zimbabwe despite having a high rate of general literacy. The Ecobank group is the largest pan African banking group with over 11 million customers and assets worth $23,4 billion. Its total equity is $2,7 billion.*(Herald)*

Lowveld sugar producer, Tongaat Hullet Zimbabwe (THZ) intends to push the capacity utilisation of its ethanol plant to around 70 percent this year, backed by increased sugar output. Hippo Valley, THZ's local unit, is currently operating its ethanol plant at 50 percent of its installed capacity of 41 million litres per annum, according to company spokesperson Adelaide Chikunguru. "We project 70 percent capacity utilisation in the current year, representing an increase of 28 million litres in 2016/17 up from 20 million litres in 2015/16," she in an emailed response to The Source. The country's blending threshold is currently at E15 and Green Fuel, a joint venture between the government's Agricultural and Rural Development Authority (Arda) and businessman Billy Rautenbach's Macdom and Rating Investments, is the country's sole licensed producer of ethanol for blending purposes. It has struggled to meet demand. THZ is still seeking clearance from authorities to become an independent ethanol producer. The company has been producing through a temporary licence. Chikunguru said an application was lodged with the Zimbabwe Energy Regulatory Authority (ZERA) to enable the company to produce fuel-grade ethanol for the domestic market.

Hippos' ethanol production has over the years been averaging 21 million litres per year. Tongaat Hullets sugar operations in Zimbabwe consist of Triangle and a 50,3 percent stake in Hippo Valley Estates, representing a combined installed sugar milling capacity of more than 640,000 tonnes. The group's operations recorded a 21 percent decline in revenue in the year to March and the group attributed the performance to poor growing conditions as a result of low rainfall and restricted irrigation levels and to a lesser extent electricity unavailability. However, total industry sugar production for the 2016/17 season is estimated between 379,000 tonnes and 440,000 tonnes compared to 412,000 tonnes produced in the 2015/16 season. *(Source)*

Shareholders of Lafarge Zimbabwe on Wednesday approved the plan by the company to give 10 percent of its equity to workers and the community as part of plans to comply with Zimbabwe's local ownership laws. Lafarge Zimbabwe is the local unit of LafargeHolcim, the world's biggest manufacturer of building materials with operations in 90 countries. The shareholders approved the transfer of four million ordinary shares, being five percent of ordinary shares in issue as at 31 March 2016 to establish an Employee Share Ownership Trust as well as the transfer of another four million ordinary shares to set up a Community Share Ownership Scheme. Chief financial officer Host Mapondera told reporters at the company's AGM on Wednesday that following shareholder approval the company now awaits governments' approval of the plan. "We are fine tuning the document in line with the latest pronouncements made on the policy. So in the next few weeks we will be engaging our parent ministry," he said. Zimbabwe's Indigenisation and Empowerment Act of 2008 requires foreign owned companies valued at over $500,000 to cede 51 percent to black locals. However, a recent pronouncement by President Robert Mugabe indicated that compliance to the policy could take several forms with emphasis being placed on companies retaining earnings in Zimbabwe. *(The Source)*

Zimbabwe's Hwange Colliery Company is considering cutting a third of its 3,000 workforce as part of measures to revamp the loss-making coal miner, a government official said. Hwange, in which Zimbabwe's government is the biggest shareholder with a 37 percent stake, is the nation's second-largest coal producer and supplies coke to state-owned electricity generating firm Zimbabwe Power Company. Fred Moyo, the deputy minister in the mines ministry, told parliament on Wednesday that Hwange, which has been making losses for more than a decade, would cut overheads, trim its workforce and has set a meeting with creditors next month. The firm should have 2,000 employees, the official parliament record, Hansard, quoted Moyo as saying on Wednesday. Moyo did not say when the job cuts would be effected. The deputy minister said the High Court had approved a scheme by Hwange that would suspend all litigation against the company from creditors who are owed $160 million. Hwange chief executive Thomas Makore said on Thursday approval for the scheme was granted in the first week of June. Moyo said Hwange would meet the creditors on July 14 to find an agreement on how to repay its debts. Hwange produces 150,000 tonnes of coal a month and Moyo said the company was working to double the output by end of year. *(Reuters)*

Zimbabwe's largest media group, Zimpapers, on Thursday said it has plans to invest $2,6 million in capital expenditure this year, despite revenues slowing in the first five months of the year. "We have put money in print to purchase new equipment and renovated our building in Mutare for Diamond FM. We have spent $547,000 and our 2016 full year capex envelope sit around $2.6 million to look at our various processes including television and what we need to do," said chief executive Pikirai Deketeke at the group's annual general meeting on Thursday. The group posted a profit before interest of five percent for the five months to May driven by the newspaper segment. Revenues fell seven percent, with the newspaper segment contributing 80 percent to revenue, while the commercial printing and broadcasting contributed 10 percent each. The group publishes The Herald, The Chronicle, Sunday News and Sunday Mail among other titles and also owns radio stations Star FM and Diamond FM and various digital platforms. Deketeke said the group would invest in digital media to position itself in the market. "We believe in digital media and we are investing in that space because that's the business of the future," he said. The group did not declare a dividend due to a recapitalisation process. *(Source)*

Zimre Holdings recorded a profit after tax of $2,2 million in the first quarter of this year compared to a loss of $5,2 million in the same period last year. Last year the company attributed its loss to negative fair value adjustments of investment properties, retrenchment costs and the poor performance of CFI Holdings of which it has a 28 percent stake.In the period under review, profit before tax for the group increased by 89 percent to $2,1 million. Speaking at the company's 18th Annual General Meeting, chief executive officer Stanley Kudenga said the increase in profitability was a result of cost containment measures which had seen a 31 percent decline in operating costs.
"We expect this to go even further with the measures we are currently implementing," he said. Mr Kudenga said the company had made profits in all sectors except for its interests in the agribusiness with the most encouraging figures coming from Baobab Reinsurance which contributed 52 percent of the profits earned. Gross premium written for the group declined by 11 percent during the period, which Mr Kudenga attributed to a strong United States currency and its negative impact on commodity prices. "Impact of depreciation on regional currency resulted in a fall in commodity prices," he said.

He added that the groups' main challenges were collection of premiums and the debtors' book which currently accounted for 36 percent of the company's total assets. Mr Kudenga said it was a major priority to move the debt ratio "significantly downwards" during the year. He noted that the company's credit rating had been revised upwards from BB to BBB – in April and after implementation of restructuring measures was optimistic that an August review would result in another upward rating. Going forward Mr Kudenga said the good performance was expected to be maintained despite the weak economic outlook. "That trend is going to be maintained because it is one of the areas we are looking at in terms of implementing a turnaround programme of cutting down our costs and realigning our structures to the current environment," he said. *(Herald)*

RIOZIM Limited anticipates gold production to increase by 50 percent this year largely driven by its Cam and Motor project, which is now in full production. The diversified mining group registered an 85 percent increase in gold output in 2015 at 1 200 kilogrammes, after it commissioned Cam and Motor.Cam and Motor is expected to do better in its first year in full operation. About 80 percent of own equipment has been procured from China. RioZim has been using a nearby rented plant to process its ore, which yielded 458kg in 2015 as output increased to 1 200kg from 658kg the prior year. The new processing plant will be commissioned in the last quarter while a contract for a floatation plant, required towards year end, has been signed. Group chief executive officer Mr Noah Matimba told journalists after RioZim's annual general meeting yesterday that production will be better this year. Average gold production is anticipated to increase from 100kg per month to 142kg per month while total output is forecast at 1 699kg this year. The CEO said gold output, from its only operational unit, is performing ahead of 2015 driven by the newly commissioned Cam and Motor Mine, in Kadoma. Mr Matimba said production has also been buoyed by improved performance at Renco Mine in Masvingo, the group's traditional flag bearer. "In terms of performance outlook we continue to perform better, generally, compared to 2015. '' Currently, we are only doing gold, as the only production unit. "The nickel and copper refinery is under care and maintenance because we have been unable to get material from our sole supplier," Mr Matimba said. "So we have been 100 percent reliant on our gold production, as we said, is performing better than prior period given that the first half of 2016 saw full production of our second mine, Cam and Motor," the CEO added. As was expected, Cam and Motor has significantly enhanced RioZim's gold output and the mine's full potential is set to be seen at the end of this year.

"If you compare to 2015, we anticipate that we will come out 50 percent or so better; a lot better than 2014 and this is driven by fact that our second mine Cam and Motor would have operated for a full year," he said. Cam and Motor went into production in the second quarter of last year, as such, the eagerly awaited project was in production for eight only months. RioZim raised $10 million through rights issue last year to fund the project. RioZim's traditional flag bearer, Renco, is also doing better than last after its plant and equipment were recapitalized to enhance its condition. Mr Matimba said that RioZim's 22 percent associate, Murowa Diamond, is being resuscitated to resume production after controlling shareholder, Rio Tinto Plc, had closed it on account of poor performance. "As an associate company we are pleased with developments there and we anticipate that in the second half of 2016 Murowa will be producing a decent level of carats and as an investment we are looking forward to good return." Mr Matimba said in 2015, RioZim accounted for a loss of $2,2 million from Murowa. RioZim expects better financial performance this year, after interest and administrative costs went down by 26 percent and 15 percent, respectively, in 2015. The group's loss for the year to December 2015 fell 52 percent to $8,2 million as gold operations posted good profits, despite the fall in bullion prices. The group restructured debt valued at $33,8 million with various banks and the Zimbabwe Stock Exchange listed mining group and an exchange that saw it issuing redeemable preference shares at 9 percent interest per year. *(Herald)*

Economic News

Non-life insurance firms registered a 38.95 percent decline in profit after tax in the first quarter of 2016, writing a lower volume of business as economic activity continues to slowdown, an industry regulator's report shows. According to the Insurance and Pensions Commission's (IPEC) report for the quarter to March 31 2016, the non-life insurance sector's total profit after tax amounted to $2.39 million, compared to $3.92 million in the same period of 2015. "The decrease in the profit after tax was mainly attributable to decrease in business volumes. In addition investment income which was considered low to supplement underwriting income was shrinking," IPEC said. "The decrease in the volume of business translated into a deterioration in the industry average return on assets (ROA) and return on equity of (ROE) from 2.16 percent and 5.05 percent for the quarter ended 31 March 2015 to 1.25 percent and 2.89 percent respectively, for the quarter under review."

The volume of business written by the non-life insurance industry declined by 6 percent, with gross premium written (GPW) for the quarter being $66.59 million, down from $70.89 million in the first quarter of 2015. "The shrinkage in the volume of business was mainly driven by declining business generated from fire and motor insurance. The decrease in business written could generally be attributable to the slowing down economy since the insurance industry performance usually follows the fortunes of the economy," IPEC said. Fire and motor insurance makes up the bulk of short-term insurance business, accounting for 37.14 percent and 23.1 percent of the sector's total GPW, respectively.

While all 20 registered short-term insurers meet the current minimum mandatory capital level of $1.5 million, only 9 of these are above the soon to be gazetted $2.5 million capital threshold. IPEC has also raised the possibility of some insurers including non-admissible assets in calculating their capital levels. "However, the capital positions reported do not account for non-admissible assets. The Commission will be issuing a Statutory Instrument that operationalises the recently increased minimum capital requirements of $2.5 million and deals with admissibility of assets in due course," IPEC said. The quarterly report shows Old Mutual's insurance arm's continued dominance of the market, with 18 percent of GPW and 17 percent of assets. In the GPW rankings, Cell Insurance follows Old Mutual, with Zimnat Lion, Nicoz Diamond, Alliance, Eagle, CBZ Insurance, Champions, Tristar and Clarion completing the top ten in that order. In terms of market share by assets, Alliance comes second after Old Mutual with 14.74 percent, edging Nicoz Diamond (14.21 percent) into third place. Zimnat Lion (9.71 percent), Cell (7.63 percent), Eagle (6.53 percent), CBZ Insurance (4.91 percent), Champions (3.37 percent), THI (3 percent) and Tristar (2.7 percent) completing the top ten. *(Source)*

Zimbabwe registered a 19 percent decline in exports in the first five months of the year, reflecting a significant slow-down in the economy, trade figures from the national statistics agency showed on Thursday. Data released by the Zimbabwe National Statistics Agency (Zimstat) on Thursday shows that exports to May amounted to $949 million against $2,07 billion imports, which remain heavily skewed towards consumptive products following a significant drop in raw materials importation. Total imports also declined by 13 percent of the same period. In the corresponding period of 2015, Zimbabwe's exports stood at $1,177 billion, while imports were $2,38 billion, according to Zimstat figures. Most of the imports are consumptive products such as bottled water, sugar, soap, cooking oil, cellphone handsets, electronics, vehicles spares, clothing and second hand vehicles, which account for over 70 percent of the import bill. Zimbabwe's exports include beef, tobacco and other agricultural produce as well as wines, minerals and scrap metal, Zimstat said. Last year, the southern African nation's total imports were $2.7 billion against imports of $6 billion, giving a $3.3 billion gap. The country's exports have declined from $3.9 billion in 2012, while imports have also come off from $7.5 billion that year, Zimstat data shows. The decline is largely attributed to the weakening of commodity prices, which make up the bulk of Zimbabwe's exports, since 2012. Last month, in a bid to boost flagging exports, the central bank announced a $200 million incentive to be paid out in bond notes whose value is tied to the United States dollar. The move has drawn widespread criticism from industry and consumers who fear a return to a much-loathed local currency, which was replaced in 2009 by a basket of foreign currencies – chiefly the US dollar and South Africa's rand – after hyperinflation rendered it worthless. *(Source)*

Total imports in the five months to May amounted to $2,07 billion, a decline of 12 percent compared to the same period last year. According to the latest data released by Zimstat, there was, however, an increase of 16 percent in month on month imports in May to $413,6 million from $356,4 million in April when the payment delays due to depleted nostro balances were more severe.Imports in the five months were weighed down by a cocktail of import restrictions placed on selected products by Government, weak industry demand for raw materials, weakness in the South African rand against last year, a decline in the value of petroleum products due to lower crude oil prices and troubles in the external payment systems. Analysts expect the import pattern to show further decline at half year showing the full effects of the priority list. According to the Reserve Bank of Zimbabwe, there are nine items in the import high priority list which will guide banks in the distribution of foreign currency towards competing demands. These include, net exporters who import raw materials or machinery, non-exporting importers of raw materials and value addition that directly substitute import of essential goods, imports of critical goods such as basic food stuffs and fuel and agro-chemicals. Less critical imports which make up the bulk of the country's trade bill are listed under Not Priority. According to the Zimstat data, the country imported wheat worth $36,8 million, oil cake at $22,8 million and maize at $97,37 million. Maize imports rose sharply in May at $29,9 million from $13,3 million the previous month. Bulk rice imports amounted to $26,01 million and soya bean flour and meal imports were at $4,68 million.

The country also imported apples worth $1,7 million, grapes worth $1,4 million while the fruit and veggie list also included items which are readily produced in the country like tomatoes ($293) carrots ($232 490), lettuce ($2 477), peas ($620 213), beans ($768 075) and lemons ($100 408). Crude soya bean oil imports amounted to $39,6 million with Industry and Commerce minister Mike Bimha saying Government would continue assisting cooking oil manufacturers in importing raw materials. Margarine worth $2,16 million was also brought into the country, cane or beet sugar at $9,79 million, chewing gum at $576 041, mixed condiments and seasoning at nearly $5 million and water (all types) at $2,.5 million. In spite of enough capacity in the local industry, the country brought in $3.44 million worth of Portland cement. Petrol imports were at $175 million, paraffin at $8,3 million while diesel imports were at $323 million. About $43,1 million worth of electrical energy was imported as ZESA seeks to curtail load shedding. South Africa accounted for the bulk of the imports at $798 million followed by Singapore at $475,8 million. Exports were at $948 million a decline of 9 percent from the same period last year. The major exports remained primary commodities although there is a current push to beneficiate raw materials in the country.

The manufacturing sector's export performance between 2014 and 2015 indicates that the sector's capacity to export is declining. In addition, the process of obtaining export documentation (permits/licences) and achieving export compliance makes it cumbersome to export. The challenge with the permits is not only their cost but also the time it takes to process them, which in itself is a higher cost. ZimTrade is currently pushing for export reforms while the organisation is at the forefront of calling for the addressing of trade facilitation issues for the country to realise an export economic growth. Some countries in the region (e.g. South Africa), provide export incentives to facilitate their companies to do business across borders while more recently the RBZ announced plans to introduce export incentives which will only be paid in October through bond notes, backdated to May 4 when the announcement was made. Resultantly the trade deficit narrowed by 15 percent to $1.2 billion and the total trade decreased 11 percent to $3.01 billion from $3.4 billion last year. *(Herald)*

Zimbabwe's new state-owned diamond miner has produced 513,000 carats since March when it started operations after the government ordered all mining companies to halt work in the Marange fields, its acting CEO said on Monday. The government on Feb 22 evicted all diamond mining firms in the Marange fields in eastern Zimbabwe saying their licences had expired and after they declined to merge under the state-owned Zimbabwe Consolidated Diamond Company (ZCDC). Ridge Nyashanu, ZCDC acting chief executive, told a parliamentary committee that the company was mining from two concessions and exploring another two previously owned by firms ejected from Marange. The firms did not oppose their eviction. However, ZCDC is unable to mine from bigger concessions owned by Mbada Diamonds, the largest producer before the February evictions as well as two Chinese-run companies, Anjin and Jinan, which are all challenging their expulsion in court, Nyashanu said. The court action has reduced diamond mining in a country desperate for dollar inflows at a time the state has been forced to delay June salaries for its workers. Diamond production figures are not readily available from the ministry of mines but Zimbabwe was the eighth largest diamond producer in the world with 4.7 million carats in 2014, according to industry group Kimberly Process.*(Reuters)*

This week the Government is to finalise its agreement to repay some $1,8 billion of arrears to multilateral financial institutions triggering its re-entry into the international financial system after almost two decades in the cold. The news comes as Zimbabweans continue to struggle with a chronic shortage of the US dollar bills, the main denomination in the country's multi-currency financial system, and the Government has announced it will be phasing the payment of salaries for June over the next three weeks. The boards of the International Monetary Fund, the World Bank and the African Development Bank are due to meet in September to confirm the settlement of all outstanding payments to them and discuss plans for fresh loans to Zimbabwe. The road map for Zimbabwe's return to the international system was launched at the IMF and World Banks' annual meeting in Lima last September and was finalised at a special meeting at the African Development Bank in Lusaka on May 27. Finance Minister Patrick Chinamasa is due to arrive in France on June 30 for talks with the Paris Club of official creditors on a schedule to resolve arrears on bilateral debts. A team from the IMF arrived in Harare on June 15 for follow up discussions after it had assessed Zimbabwe's adherence to agreed reforms as satisfactory. He will then go to London to address the Africa Confidential conference: "Zimbabwe: rebooting and rebuilding" on July 5. He'll be accompanied by a senior delegation including John Mangudya, Governor of the Reserve Bank and the ministers of Trade and Commerce, Mining, and Investment.

The next step is for the Government to negotiate a medium-term programme of economic restructuring with the IMF which will include much tougher measures and more rigorous monitoring but could be worth as much as $1 billion. The loan conditions will include deep cuts to the public sector payroll, commercialisation and privatisation of state-owned enterprises, and a roster of pro-business policies in agriculture, banking and industry. All that will require much greater accountability and public audits of Government institutions. While some diplomats and foreign governments differ over the Government's plan, China, Russia and India are broadly supportive but have been less forthcoming with budgetary cash than the Government hoped. But all three are lining up to invest in mining and power projects. European governments have given conditional support to the deal with the IMF and World Bank but want to see further political and constitutional reforms. *(Herald)*

THE country's trade deficit for the five months ending May 31 was $1,1 billion on the back of a surge in imports and falling exports. Information released by the Zimbabwe National Statistics Agency (ZimStat) recently shows that imports for the five months to May totalled $2,07 billion. Exports during the period were $948 million. The exports in the period under review included furniture, tobacco and other agricultural produce, as well as wines and minerals. Imported products included maize, wheat, oil cake and rice, soya beans, flour, tomatoes, apples, grapes, vegetables, carrots, lettuce, peas, beans and lemon among other things. According to Zimstat, there was an increase of 16% in month on month imports in May to $413,6 million from $356,4 million. In May, exports grew by 5% on month to month to $165,3 million compared to $158 million in April 2016. The government has predicted a $3 billion trade deficit for the whole year. Imports were projected to decline marginally from $6,3 billion in 2015 to $6,2 billion this year, while exports were expected to grow to $3,7 billion this year from $3,4 billion projected last year. In 2014, Zimbabwe registered trade deficit of $3,3 billion, while in 2013 it was $4,19 billion.
Recently, ZimTrade noted in a report that Zimbabwe's huge trade deficit continues to widen, due to low exports and a growing import bill, made up mostly of consumer goods. Estimates from the Reserve Bank of Zimbabwe showed that in 2015, Zimbabwe exported manufactured goods worth $475,2 million, 7% lower than in 2014. The fall in international commodity prices hit Zimbabwe's overall export figures, as minerals constitute the bulk of the country's exports. Value added or manufactured exports, which normally fetch higher earnings, performed poorly during the same period as industry continued to struggle. *(Reuters)*

ZIMBABWE'S current economic situation is under spotlight as an International Monetary Fund mission is engaging Government and other stakeholders to chat the possible way forward. The mission started on June 15 and will end tomorrow. The mission's coming could be seen as preparatory to the meetings of the boards of the IMF, the World Bank and African Development Bank in September which is expected to confirm the settlement of all outstanding payments tothe international finance institution. The September meeting will also discuss possible fresh support to Zimbabwe. Responding to questions from The Herald Business, IMF resident representative in Zimbabwe Christian Beddies said the purpose of the mission is to discuss the current economic situation and possible way forward. "Consultations are being held with all stakeholders. The mission also comes after the conclusion of the African Development Bank meetings and is an opportunity for stakeholders to continue the discussions to expedite the re-engagement agenda," said Mr. Beddies. New mission chief, Ms Ana Lucía Coronel is leading the team which comprises of Mr. Edgardo Ruggiero, senior economist (African Department), Mr. Vimal Thakoor, economist (African Department) and Ms Haimanot Teferra, senior economist, (Strategy, Policy and Review Department). The IMF mission also comes as Government is this week expected to finalise its agreement to repay $1,8 billion arrears to multilateral financial institutions which could mark Zimbabwe's return to the international financial system.

For almost two decades, Zimbabwe has been ostracised by the international community and cut off from international funding. The isolation meant Zimbabwe could not access international capital. So far the country has made significant strides and stacked a huge claim for full re-engagement with international financiers. The IMF board, seating at the beginning of May, approved the country's Staff Monitored Programme and Article IV consultations laying a solid foundation for re-engagement. Zimbabwe met all the quantitative targets for end-December 2015 and these included the recapitalisation of the Reserve Bank of Zimbabwe through the Debt Assumption Act, amendment of the Reserve Bank and Banking Acts and the establishment of the Zimbabwe Asset Management Corporation. The country also amended the Labour Act, instituted reforms to the fiscal regime for the mining sector and developed a strategy to reduce the public service wage bill by 2019. The re-engagement process includes the clearance of the $1,8 billion arrears to multilateral creditors, expected to be concluded this week, a fund arrangement and debt treatment under the Paris Club. *(Herald)*

Zimbabwe says it plans to import 250,000 tonnes of maize from the south American country of Mexico to fill a shortfall caused by a severe drought that has left about four million people in the country needing food aid. Agriculture Minister Joseph Made said on Thursday that Zimbabwe will also import maize from neighbouring South Africa and Zambia, as well as from Ukraine, but did not give figures. "The bulk of the maize will be coming from Mexico and Zambia," Made told reporters in Harare. "The maize is in two parts in terms of importation, that is from government and from the private sector. We anticipate that upwards of 250,000 tonnes will be coming from Mexico and the balance will obviously be coming from Zambia as well as from South Africa and Ukraine," said Made. Previously, officials have previously said the imported maize will be in the country by September this year. A regional drought worsened by the El Niño weather phenomenon has left up to 36 million people across the region in need of food aid. In February, Zimbabwe declared a state of disaster in rural areas hit by a severe drought and appealed to local businesses and charities for $1,5 billion in aid. *(Herald)*

Disclosures Appendix

This Publication is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Securities Africa Limited, or its subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction. Neither this Publication nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law and any persons into whose possession this Publication comes should inform themselves about, and observe, any such restrictions.

The information contained in this Publication or on which this Publication is based has been derived from sources believed to be reliable and accurate however no representation or warranty, express or implied, is made as to the fairness, completeness, accuracy, timeliness or otherwise of the information or opinions contained in this Publication and no reliance should be placed on such information or opinions. The information contained in this Publication has not been independently verified by Securities Africa Limited. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted as to or in relation to the fairness, completeness, accuracy or timeliness or otherwise of this Publication or as to the reasonableness of any assumption contained, nor for errors of fact or omission or for any opinion expressed in this Publication.

Past performance should not be taken as an indication of future performance, and no representation of any kind is made as to future performance. The information, opinions and estimates contained in this Publication are provided as at the date of this Publication and are subject to change without notice. Distribution of this Publication does not constitute a representation, express or implied, by Securities Africa Limited, or its advisers, affiliates, officials, directors, employees or representatives (the "Parties") that the information contained in the Publication will be updated at any time after the date of the Publication. The Parties expressly do not undertake to advise you of any information coming to any or all of their attention.

Any opinions expressed in this Publication may differ or be contrary to opinions expressed by other business areas or groups of Securities Africa Limited as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results.

All projections and forecasts in this Publication are illustrative only. The actual results may be materially affected by changes in economic or other circumstances, which cannot be foreseen. No representation or warranty is made by any of the Parties as to the achievability or reasonableness of any projection or forecast contained in this Publication.

This publication is provided to you for information purposes only on the understanding that Securities Africa Limited is not acting in a fiduciary capacity. It does not address specific investment objectives or financial situations, and any investments discussed may not be suitable for all investors. Prospective investors must make their own examination and evaluation of the merits and risks involved in the securities set out in this Publication including any legal, taxation, financial and other consequences of investment and should not treat the contents as advice relating to legal, taxation or other matters. This report is not to be relied upon in the substitution of independent judgment with respect to any investment decision. Investors should consider this Publication as only a single factor in making their investment decision, and as such, the Publication should not be viewed as identifying all risks, direct or indirect, that may be associated with any investment decision.

Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk.

Securities Africa Limited conducts designated investment business only with eligible counterparties and professional clients. To the extent permitted by law and regulation, Securities Africa Limited accepts no liability whatsoever for any loss howsoever arising, directly or indirectly, from any use of this Publication or its contents or otherwise arising in connection with that. This Publication is not intended for distribution to retail clients.

By receiving this Publication, the recipient agrees to keep confidential the information contained in this Publication together with any additional information made available following further inquiries. None of the material, nor its content, nor any copy of it, may be altered in any way, disclosed, published, reproduced or distributed to any other party, in whole or in part, at any time, without the prior written permission of Securities Africa Limited.

Nothing in this Publication constitutes or forms part of, and should not be construed as, an offer for sale or subscription of, or solicitation of any offer to buy, sell or subscribe for, the securities of the Company, nor should it or any part of, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Securities Africa Limited and/or its associates and/or any of their respective clients may have acted upon the information or opinions in this Publication prior to your receipt of it. Securities Africa Limited and/or its associates may provide investment banking services to the Company and in that capacity may have received confidential information relevant to the securities mentioned in this Publication which is not known to the researchers who have compiled this Publication.

Securities Africa Limited and/or its associates and/or their officers, directors, employees or representatives may from time to time purchase, subscribe for, add to, dispose of or have positions or options in or warrants in or rights to or interests in the securities of the Company or any of its associated companies mentioned in this Publication (or may have done so before publication of this Publication) or may make a market or act as principal or agent in any transactions in such securities.

This report may not have been distributed to all recipients at the same time. This report is issued only for the information of and may only be distributed to professional investors (or, in the case of the United States, major US institutional investors as defined in Rule 15a-6 of the US Securities Exchange Act of 1934) and dealers in securities and must not be copied, published or reproduced or redistributed (in whole or in part) by any recipient for any purpose.

English law governs the issue, publication and terms of this Publication and any disputes arising in relation to any of them will be subject to the exclusive jurisdiction of the English courts.

By accepting this Publication, you agree to be bound by the foregoing limitations. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Securities Africa Limited.

SECURITIES AFRICA®