SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

**PAN-AFRICA**

# WEEKLY AFRICAN FOOTPRINT

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

**TRADING**

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


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


## AFRICA STOCK EXCHANGE PERFORMANCE

| | | | | WTD % Change | | | YTD % Change | |
|---|---|---|---|---|---|---|---|---|
| Country | Index | 19-Aug-16 | 26-Aug-16 | Local | USD | 31-Dec-15 | Local | USD |
| Botswana | DCI | 9504.24 | 9542.81 | 0.41% | -2.37% | 10602.32 | -9.99% | -5.16% |
| Egypt | CASE 30 | 8317.17 | 8131.49 | -2.23% | -2.21% | 7006.01 | 16.06% | 2.09% |
| Ghana | GSE Comp Index | 1810.89 | 1808.57 | -0.13% | -0.14% | 1994.00 | -9.30% | -12.05% |
| Ivory Coast | BRVM Composite | 283.42 | 287.79 | 1.54% | 1.62% | 303.93 | -5.31% | -2.29% |
| Kenya | NSE 20 | 3462.56 | 3216.62 | -7.10% | -7.08% | 4040.75 | -20.40% | -19.69% |
| Malawi | Malawi All Share | 13165.26 | 13174.36 | 0.07% | -0.59% | 14562.53 | -9.53% | -18.74% |
| Mauritius | SEMDEX | 1810.22 | 1818.23 | 0.44% | 0.37% | 1,811.07 | 0.40% | 2.99% |
| | SEM 10 | 346.16 | 347.55 | 0.40% | 0.33% | 346.35 | 0.35% | 2.94% |
| Namibia | Overall Index | 1051.75 | 1030.79 | -1.99% | -7.74% | 865.49 | 19.10% | 29.56% |
| Nigeria | Nigeria All Share | 27650.32 | 27450.91 | -0.72% | -3.28% | 28,642.25 | -4.16% | -42.83% |
| Swaziland | All Share | 368.21 | 368.21 | 0.00% | -6.38% | 327.25 | 12.52% | 22.40% |
| Tanzania | TSI | 4006.43 | 3968.06 | -0.96% | -1.21% | 4478.13 | -11.39% | -12.59% |
| Zambia | LUSE All Share | 4504.83 | 4401.43 | -2.30% | -2.79% | 5734.68 | -23.25% | -15.30% |
| Zimbabwe | Industrial Index | 99.83 | 99.00 | -0.83% | -0.83% | 114.85 | -13.80% | -13.80% |
| | Mining Index | 26.35 | 26.32 | -0.11% | -0.11% | 23.70 | 11.05% | 11.05% |

## CURRENCIES

| Currency | 19-Aug-16 Close | 26-Aug-16 Close | WTD % Change | YTD % Change |
|---|---|---|---|---|
| BWP | 10.19 | 10.48 | 2.84 | 5.37 |
| EGP | 8.88 | 8.87 | -0.02 | -12.04 |
| GHS | 3.92 | 3.92 | 0.01 | -3.03 |
| CFA | 582.24 | 581.76 | -0.08 | 3.19 |
| KES | 99.67 | 99.64 | -0.03 | 0.88 |
| MWK | 711.21 | 715.95 | 0.67 | -10.18 |
| MUR | 33.79 | 33.82 | 0.07 | 2.59 |
| NAD | 13.33 | 14.15 | 6.22 | 8.79 |
| NGN | 322.22 | 330.76 | 2.65 | -40.35 |
| SZL | 13.25 | 14.15 | 6.82 | 8.79 |
| TZS | 2,139.51 | 2,144.99 | 0.26 | -1.36 |
| ZMW | 9.87 | 9.92 | 0.51 | 10.36 |

SECURITIES AFRICA

## Botswana

### Corporate News

*No Corporate News This Week*

### Economic News

*No Economic News This Week*

# WEEKLY AFRICAN FOOTPRINT

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## Egypt

### Corporate News

**Egypt's Orascom Construction reported a 25 percent fall in second quarter net income to $26.4 million on Wednesday.** The engineering and building business, which is dual listed in Cairo and Dubai, reported a 0.7 percent rise in revenue to $1.024 billion. *(Reuters)*

### Economic News

**Yields on Egypt's three-month treasury bills dropped while yields on the nine-month bills rose at Sunday's auction, data from the central bank showed.** The average yield on the 91-day bill dropped to 14.035 percent from 14.154 percent at the last auction on August 14. The 273 -day bill rose to 15.969 percent from 15.889 percent at a similar auction a week ago. *(Reuters)*

**Egypt expects its eurobond issuance at the end of September or early October to have a yield between 5.5 percent and 6 percent, Deputy Finance Minister for fiscal policies Ahmed Kojak told Reuters on Sunday.** Egypt's government this month approved plans for international issuance of between $3 billion and $5 billion. Last week Egypt appointed JPMorgan, Citi, BNP Paribas and Natixis to lead manage its international bond offering. "We aim to issue eurobonds worth $3 billion with interest rates ranging between 5.5 and 6 percent and with maturity of five to ten years," Kojak said. "If we find great appetite and demand from investors for this issuance and at appropriate prices then we could increase the amount issued and we can lower the cost of the issuance if the interest rate prices offered are high," he said. *(Reuters)*

**Egypt's central bank on Monday rolled over its one-year euro-dominated treasury bills, selling 651.9 million euros ($736.39 million) worth of them at an auction, the bank said.** The average yield on the bills was 2.298 percent, the bank said. *(Reuters)*

**A fact-finding commission investigating corruption in Egypt's domestic wheat supplies has delivered its final report to parliament, a lawmaker said on Monday, amid mounting pressure on the minister of supplies to resign.** Egypt, the world's largest importer of wheat, has been mired in controversy over whether much of the roughly 5 million tonnes of grain the government said it procured in this year's harvest exists only on paper, the result of local suppliers falsifying receipts to boost government payments. The wheat corruption report, delivered late last week to the head of parliament, concluded some 200,000 tonnes of wheat was missing at ten private storage sites visited by the commission, Yasser Omar, a lawmaker on the commission, told Reuters. "Of course there is more than one million tonnes missing ... but we won't be able to know exactly how much is missing because we cant inspect every single site," he said. Minister of Supplies Khaled Hanafi told Reuters last month only 4 percent of this year's procurement was missing. Grains industry officials have said the figure likely exceeds 2 million tonnes. If Egypt's local wheat procurement numbers were misrepresented, it may have to spend more on foreign wheat purchases to meet domestic demand - even as the country faces a dollar shortage that has sapped its ability to import. Parliament will discuss the report this week before questioning Hanafi and possibly holding a vote of no-confidence that could remove him from office, Omar said.

Egypt's fact-finding commission has brought an unprecedented level of scrutiny to Hanafi's management of the commodities sector which has already faced criticism from grains industry officials over issues such as hacked bread distribution smart cards to subsidised rice shortages. Nader Nour El-Din, a former adviser to the ministry of supplies, said Hanafi's policies had allowed corruption to flourish, prices on staple commodities to jump to "unprecedented levels," and public sector companies to be "destroyed" amid favouritism for private sector businesses. Hanafi maintains that his stewardship of the supplies ministry has led to numerous successes that include savings in flour and wheat as well as the end of bread lines. While Hanafi has not been accused of directly profiting from corruption, parliamentarians, industry officials, and media commentators have in recent weeks pinned blame for the wheat crisis largely on his shoulders, with many calling for his resignation. "The minister has to bear political responsibility for this," said Omar. Criticism took an unexpected turn late last week, when

fiery media personality and lawmaker Mustafa Bekry accused Hanafi on television of using 7 million Egyptian pounds ($788,300) in state funds to maintain a residency at a posh downtown Cairo hotel. The minister later said in a statement he had paid for the long-term hotel residence with his own personal funds. Appearing before a parliament committee on agriculture on Monday, Hanafi chose not to respond to questions about the hotel controversy, saying only that he had no plans to step down. My resignation is not whatsoever on the table," he said.*(Reuters)*

**Egypt plans to lift fuel subsidies within three years and is aiming to increase fuel prices to 65 percent of their actual cost during the 2016/17 fiscal year, two government sources told Reuters on Tuesday.** Egypt, which is struggling to revive its economy after an uprising in 2011 shook investor confidence and drove tourists and foreign investors away, has been trying to cut its spending on subsidies which eat into its state budget. In April, government officials said there was a plan to reduce spending on fuel subsidies by nearly 43 percent in the 2016/17 budget. *(Reuters)*

**Egypt's Minister of Supply Khaled Hanafi has resigned amid the highest-profile corruption case since President Abdel Fattah al-Sisi came to power in 2014.** Hanafi's resignation is the most senior-level fallout from a probe into whether millions of dollars intended to subsidise farmers were used to purchase wheat that did not exist. "Experience has proven that being in a position of authority is no longer a picnic," Hanafi said as he announced his resignation on state television. Egypt, the world's largest importer of wheat, has been mired in controversy over whether much of the roughly 5 million tonnes of grain the government said it procured in this year's harvest exists only on paper, the result of local suppliers falsifying receipts to boost government payments. If Egypt's local wheat procurement figures were misrepresented, it may have to spend more on foreign wheat purchases to meet local demand - even as it faces a dollar shortage that has sapped its ability to import. "It's important that whoever comes next knows that the minister is not above accountability and will always be monitored and under the spotlight," Nader Noureldin, a former supply ministry advisor, said. Egypt's supply ministry is in charge of a massive food subsidy programme and the main state grain buyer, the General Authority for Supply Commodities (GASC). Parliamentarians who formed a fact-finding commission to investigate the fraud have said upwards of 2 million tonnes, or 40 percent of the locally procured crop, may be missing. The general prosecutor has ordered arrests, travel bans, and asset freezes for several private silo owners and others allegedly involved in the scandal.

While Hanafi has not been accused of directly profiting from misallocated subsidies, parliamentarians, industry officials, and media commentators have in recent weeks pinned blame for the crisis squarely on his shoulders. "Hanafi started very strong but unfortunately he trusted the wrong people who ran the ministry for their own benefit which led to huge loss of the subsidy," said Waleed Diab, Managing Director of Egyptian Millers Company, one of the country's largest private mills. The prospect of hundreds of millions of dollars in squandered government subsidies comes as Egypt gears up for a raft of austerity measures, including various subsidy cuts agreed to as part of a $12 billion IMF programme that could bring pain for its poorest people. Pressure has been mounting on the minister, who was appointed in 2014, ever since earlier this year when parliament began investigating whether a bumper wheat crop -- nearly 5 million tonnes delivered by farmers versus 3-3.5 million normally procured -- may be the result of foul play. In recent weeks parliament's wheat commission has captured the attention of the Egyptian public, with MPs making highly publicised site visits to private silos suspected of fraud, arriving unannounced to tally missing wheat before reporting their findings to the local press. Critics have also accused Hanafi of bungling an array of the ministry's most critical duties. From smart cards for bread distribution that were hacked, wasting millions of dollars in subsidised flour, to the ministry's failure to purchase rice last harvest -- an oversight that led to nationwide shortages of subsidised rice and price spikes that hit the country's poorest -- Hanafi has drawn a broad coalition of critics. Criticism took an unexpected turn last week, when fiery media personality and MP Mostafa Bakry accused Hanafi on television of using 7 million Egyptian pounds ($788,300) in state funds to maintain a residency at a posh downtown Cairo hotel. The minister later said in a statement he had paid for the long-term hotel residence with his own personal funds. *(Reuters)*

## Ghana

### Corporate News

*No Corporate News This Week*

### Economic News

**President John Dramani Mahama has expressed optimism in the economy, predicting that Ghana will experience growth above 5 percent by end of 2016, whiles the figure further hits over 8 percent next year.** This is not the first time, President Mahama is making such predictions despite low enthusiasm among the private sector due to high interest rates, unreliable power supply, and high inflation. In 2015, real Gross Domestic Product was at 3.4 percent after government targeted over 5.0 percent. Speaking at the Ghana Club 100 Awards ceremony organized by the Ghana Investment Promotion Center(GIPC), President Mahama maintained that even though there have been some challenges, economic indications recorded in the first quarter of the year show a recovery. According to him, government has been able to reduce the country's budget deficit through fiscal discipline, hence Ghana may experience over 5.0 percent economic growth by end the year. "Indeed growth in the fourth quarter of this year increased to 4.9 percent and growth is expected end of this year to exceed the 5.0 percent mark. It is our hope that we will progressed above 8.0 percent by next year," he said. He explained that as the end of 2015, government was able to narrow the budget deficit to 6.3 percent from a projected 7.3 percent. "We are seeing a significant drop in the debt to GDP ratio from 72 percent at the end of 2015 to 63 percent at the end of may 2016. Inflation has begun to fall", he said. He forecasted that inflation, which is currently at 16.7 percent as at July will fall to 14 percent by December, and achieve single digit by next year. Theme for this year's Club 100 Delivering a welcome address, the Chief Executive Officer of the GIPC, Mrs. Mawuena Trebarh stated that this year's edition focused on ways to expand Ghana's manufacturing sector.

According to her, Ghana's manufacturing sector holds the key to expanding the economy through export. "The theme for this year, 'Manufacturing, Steering Ghana's Development', could not have been more appropriate given that the country is in an era where government's focus is on leveraging investment in manufacturing," she said. She stated that the focus of manufacturing is part of a broader import substitution strategy to grow the economy. She pointed out that, the GIPC as the lead investment promotion agency in the country has over the few years prioritized the manufacturing sector as a major opportunity area for both local and foreign companies. "In that respect, the GIPC ACT 865 of 2013 makes provision for special incentives for manufacturing entities," she said. She explained that the manufacturing sector holds an important role in linking all economic activities in the country to stimulate growth and create jobs. Citing some achievements made by Ghanaian indigenous manufacturers in creating jobs, Mrs. Trebarh announced that there are many Small and Medium Enterprises(SMEs) in all the ten regions manufacturing products for export into the West Africa region. "This is what the Ghana Club 100 shows to the world. Since it started, it has become the most prestigious awards ceremony in the country," she said. Some winners Newmont Golden Ridge Limited was adjudged the best company followed by indigenous oil marketing company, Goil. Golden Star Resources, Total Petroleum Ghana and Ecobank Ghana followed in the third, fourth and fifth positions respectively. UniBank was adjudged the sixth best company, while Zenith bank came seventh. Other companies followed to the hundredth position. *(Ghana Web)*

**The International Monetary Fund (IMF) is evaluating Ghana's fiscal outlook for the rest of 2016 and will consider the third review of the country's $918 million assistance programme next month subject to the outcome, the Washington-based lender said on Monday.** Ghana, which exports cocoa, gold and oil, signed the three-year aid deal in April last year to bring down budget deficits, inflation and a high public debt. "Discussions between staff and the authorities are currently ongoing to update macroeconomic projections, firm up the fiscal outlook for the remainder of 2016 and ascertain that financial pressures in SOEs will not pose additional risks to the central government budget," the Fund said in a statement. "Subject to a quick and positive conclusion of these discussions, staff expects the third program review to be considered by the IMF Executive Board around mid-September," it said. The government had expected the Executive board to conclude the

third review in June to enable it receive a fourth disbursement of around $115 million in balance of payment support. The West African economy has agreed remedial measures including financial and institutional reforms to cut spending and spur growth. Finance Minister Seth Terkper said last week the IMF deal was yielding positive results and that Ghana was on target to halve its fiscal deficit this year. *(Reuters)*

**Ghana's producer price inflation (PPI) rose to 10.3 percent year-on-year in July from 7.6 percent the month before, driven by rising gold prices, the statistics office said on Wednesday.** PPI is a major component of consumer inflation, which has for years remained above government targets. The West African commodity exporter is implementing a three-year aid deal with the International Monetary Fund to restore fiscal balance. "The rise was mainly influenced by the inflation rate in the mining sector as a result of increases in the price of gold in the world market," government statistician Philomena Nyarko told a news conference in Accra. Year-on-year producer inflation for utilities for July stood at 36.6 percent, followed by mining and quarrying at 30.4 percent. The manufacturing subsector was at 1.0 percent, Nyarko said. The government said last week Ghana is on target to halve its fiscal deficit this year as a result of the $918-million IMF deal, in comments apparently designed to allay uncertainty after parliament rejected one of its key components. *(Reuters)*

## Kenya

### Corporate News

**Equity Group Holdings Ltd., Kenya's biggest bank by market value, said first-half profit grew 18 percent as its income from loans jumped.** Profit increased to 10.1 billion shillings ($99.6 million) in the six months through June as the lender's net interest income rose 37 percent to 21.2 billion shillings, Chief Executive Officer James Mwangi told reporters Monday in the capital, Nairobi. Operating income climbed 22 percent to 32.1 billion shillings. The lender, which has operations in six African countries, almost tripled loan-loss provisions to 1.93 billion shillings. Non-performing credit jumped 29 percent to 10.8 billion shillings. The lender's shares have shed 5.6 percent this year. *(Bloomberg)*

**Equity Group Holdings Ltd., Kenya's biggest lender by market value, will expand mobile-banking services outside its home market where the platform accounts for more than eight out of every 10 loans.** The bank, based in the capital, Nairobi, plans to offer Equitel in Uganda, Rwanda and Tanzania by the end of this year, Chief Executive Officer James Mwangi said in an interview Monday. It's seeking partnerships with the local units of Bharti Airtel Ltd., MTN Group Ltd. and Millicom International Cellular SA, he said. At least 82 percent of Equity's new loans in the first half of 2016 were done through Equitel, with the number of transactions almost quadrupling to 97.8 million compared with a year earlier, he said. The bank earlier reported first-half profit that grew 18 percent to 10.1 billion shillings ($100 million.) The bank will cautiously extend the services because "we don't know whether the behavior of customers there will be like Kenyans," he said. Introducing the service should help the lender be among the top five banks in all three countries by 2020, he said. Kenyans have embraced the use of mobile-phones to pay for purchases, buy airtime, make transfers and apply for loans, with the market dominated by Vodafone Plc's Safaricom, which processed transactions last year equivalent to 85 percent of Kenya's total economic output.

Equity is expanding its mobile-phone services regionally as profitability from some of the company's units in Tanzania, Rwanda, South Sudan and the Democratic Republic of Congo declines. The stock slipped 3.3 percent to 36.50 shillings by the close in Nairobi, the lowest since April 2014, and extending losses this year to 8.8 percent. The lender almost tripled loan-loss provisions in the first half to 1.93 billion shillings, while non-performing loans increased 29 percent to 10.8 billion shillings. The "aggressive roll out of its banking channels on which the bank earns much lower revenue per transaction and is facing increasing competitive pressure from Safaricom's M-Pesa" contributed to a drop in Equity's core fee and commission income during the first half, Ronak Gadhia, an Africa equity analyst at Exotix Partners LLP in London, said in a note. Overall loan growth also moderated compared with the second half of 2015, he said. *(Bloomberg)*

**Kenya Airways has entered the road transport business to diversify earnings with a Sh1,000 bus ride from the city centre to Jomo Kenyatta International Airport (JKIA).** The shuttle buses are expected to compete with taxis that currently charge more than Sh2,000 for the journey. The buses will depart from the city centre at 6am, 11am and 5pm. They will depart from JKIA to the city centre at 9am, 2pm and 9pm. KQ reckons that the buses are meant to offer comfort and reliability in what could add to the sales of a carrier that posted a loss of Sh26.2 billion in the year to March. "Spacious KQ shuttle buses now leave from the Sirios Car Park on Loita Street CBD, whisking you to JKIA in comfort and style," the airline said in a notice. "Why go through the hassle of finding your own way there when we will take you for just Sh1,000 one way?" The carrier adds that each passenger will be allowed two pieces of luggage plus hand-held items. The introduction of the shuttle service will compete with taxis that offer the services to tourists from hotels across the city and Kenyans who are flying in and out of the airport. The Sh1,000 charge is, however, well above the Sh100 charged by public service vehicles that operate from the city centre to the airport. Data from the Kenya National Bureau of Statistics shows that JKIA handles more than 300,000 travellers every month, providing KQ with a rich base to tap into. The shuttle service will see the national carrier diversify its revenue sources as the airline struggles to return to profitability. Kenya Airways announced a record net loss of Sh26.2 billion in the year ending March, widening the Sh25.7 billion net loss the year before. The carrier, which is part-owned by Air France KLM, has been reducing its fleet, selling land and cutting jobs to recover from losses caused by a slump in tourism and the cost of renewing its fleet. Finance director Dick Murianki said the airline, which says it ferries 11,500 passengers a day, reduced its operating loss by 75 per cent. Gross profit rose 42 per cent and the operating loss shrank to Sh4.1 billion.

KQ passenger numbers rose to 4.23 million from 4.18 million as the proportion of occupied seats, the "cabin factor", rose five percent to 68.3 per cent. *(Daily Nation)*

**ARM Cement is banking on the $140 million (Sh14 billion) capital injection from a British government-owned fund CDC Group to finance the setting up of a new clinker and cement plant in Kitui County.** The Nairobi bourse listed firm said the expected financial backing from the development finance institution would jumpstart work on the integrated cement factory which has been on the cards since 2014 and is estimated to cost $300 million (Sh30 billion). Chief executive Pradeep Paunrana said finer details on the proposed 2.5 million tonnes per year Kitui plant would be divulged after shareholders' approval of CDC's proposed investment in return for a 40.66 per cent stake in the cement manufacturer. ARM Cement shareholders will have a special meeting tomorrow to discuss CDC's capital boost meant to retire expensive debt, reduce interest burden, and generate free cash flow for the loss making company. "We plan to have this project in the next four to five years. It will be similar to the Tanga plant in terms of size," Mr. Paunrana said in an interview. "I will give more details after the extra ordinary general meeting," he said.

He declined to disclose whether ARM had completed land acquisition or acquired a mining licence for the Kitui project. Mr. Paunrana also decline to reveal the debt to equity ratio for the planned multibillion shilling project. The cement maker, currently majority owned by the Paunrana family, was forced to seek a strategic investor after borrowings jumped 50 per cent to Sh24.3 billion as at December 2015 from Sh16.2 billion in 2013 — resulting in high finance costs that drove the company to losses. ARM Cement, which also blends fertiliser, saw finance costs surge twelvefold to Sh2.3 billion in the year ended December 2015 on the back of a debt binge. This financing expense contributed to ARM Cement reporting a net loss of Sh2.8 billion in the period under review, reversing the net profit of Sh1.4 billion reported in 2014. ARM last year completed a clinker plant in Tanga, Tanzania, with a capacity of 1.2 million tonnes per annum. The company already owned a grinding factory in the seaport city. The firm's expansion plans in limestone rich Kitui County, located about 180km east of Nairobi, will see it take on Nigerian billionaire Aliko Dangote who has announced plans to set up a cement factory in the same area. Mr. Dangote has already has secured a licence to prospect for limestone in Kitui. London-based CDC Group's entry into ARM Cement comes at a time when Kenya's cement industry is facing margin pressures as a result of increased competition from new players such as Savannah Cement, Mombasa Cement, and National Cement – resulting in cement prices remaining flat for more than a decade. *(Business Daily)*

**The net profit of the Nairobi Securities Exchange (NSE) fell by 54 per cent in the six months to June 2016 to Sh81.9 million as the bourse paid the price of a downturn in the market that has seen investors reduce their trading activity.** The NSE draws the bulk of its revenue from levies on trading activity, meaning that its bottom line suffers whenever the market hits a rough patch like has been the case since March last year. The equity turnover in the bourse for the first half of this year fell by 31 per cent to Sh147 billion from Sh213 billion over the same period last year, and was directly responsible for the decline in the NSE's income by 17 per cent to Sh334.3 million from Sh401 million last year. "The period witnessed reduced equity trading volumes from foreign investors as well as subdued activity from local retail and institutional investors," said NSE chief executive Geoffrey Odundo in a statement. "Income from equity transactions levy declined by 31 per cent from Sh255.7 million for the first six months in 2015 to Sh176.7 million in 2016 owing to the reduced trading activity. "Income from the bond transactions levy improved by 39 per cent from Sh13.2 million for the six months to June 2015 to Sh18.4 million for the period to June 2016." Other than trading transaction levies, the NSE also earns income through annual equity and fixed-income listing fees charged on listed firms and bonds, data vending, interest income, rental income from its building in Westlands and broker back office fees.

In the six months to June, the annual listing fees stood at Sh42.8 million from Sh40.7 million last year, data vending brought in Sh12 million from Sh11 million in 2015, broker back office fees stood at an unchanged Sh12.24 million and rental income amounted to Sh10.3 million compared to Sh13 million the previous year. The NSE had expected to be earning additional income from derivatives trading during the second quarter of the year, but the launch was postponed to later in the year in order to allow brokers more time to learn the derivatives system and also to allow for public education on the new instruments. The exchange has been investing heavily in the derivatives market, including capitalising part of its cash reserves (Sh260 million) through a bonus share issue in order to raise the paid-up capital to Sh1 billion in order to meet the minimum requirements to operate a derivatives market.

In the second half of the year, the outlook for the market remains grim, which would put further pressure on the earnings of the NSE. "Going into the second half, we expect performance to remain subdued due to the delayed launch of the derivatives market as well as continued reduced equities trading activity," said Standard Investment Bank in a note on the NSE results. *(Business Daily)*

## Economic News

**Commercial banks cut their deposits at the central bank by half last week as they sought to meet liquidity needs, thereby partly avoiding the interbank market.** The deposits — which do not earn interest — stood at Sh4.8 billion down from Sh9.7 billion the previous week, this being the excess reserves above the 5.25 per cent requirement. Commercial banks must keep 5.25 per cent of their total customer deposits with the Central Bank of Kenya (CBK) for prudential purposes, namely to mitigate the risk that comes with all cash being held only in the individual financial institutions. "The money market was relatively tight during the week ending August 17, 2016 with commercial banks' excess reserves above the 5.25 per cent averaging requirement by Sh4.8 billion compared with Sh9.7 billion the previous week," said the CBK in its latest weekly bulletin. Liquidity was mainly coming from government payments to contractors or suppliers and redemptions of Treasury bill securities. There were no T-bill rediscounts or redemptions from Treasury bonds nor were there maturities from repurchasing agreements (repos).

Even then liquidity injections into the system were less than withdrawals, leading to the need for rollover of maturing reverse repos (equivalent to injection of money) to ensure there was cash circulating for optimal banking operations. "Liquidity flows comprised mainly government payments and Treasury bills redemptions. These were more than offset by withdrawals through taxes, Treasury bills issues and reverse repos maturities, leading to a net withdrawal of Sh2.5 billion from the market," said the CBK. "The central bank rolled over some of the maturing reverse repos to improve liquidity distribution in the money market," the regulator added. The CBK floated Sh35 billion worth of reverse repos, but it only accepted Sh10.6 billion, leaving some of the institutions to take cash from the interbank market. The CBK has been saying that distribution of liquidity is the main cause of the frequent tightness in the market, rather than actual lack of money among the banks. Cash tends to be concentrated among large banks to the detriment of small and medium-sized institutions. CBK governor Patrick Njoroge is on record saying that 80 per cent of the liquidity in the market is concentrated among seven banks. As a result of the fall in commercial banks deposits at the CBK, the institutions were partly able to avoid the interbank market that in turn saw their rates fall by 1.13 percentage points to 4.25 per cent. "The average interbank rate declined by 112.8 basis points (1.13 percentage points) to 4.25 per cent from 5.38 per cent on a slightly lower volume of Sh18.6 billion compared to Sh19.0 billion transacted the previous week," said the CBK. *(Business Daily)*

**Kenya's President Uhuru Kenyatta signed into law on Wednesday a bill capping commercial bank lending rates, saying banks had in the past failed to live up to pledges to lower their rates when parliament tried to introduce caps.** Parliament passed changes to the banking law in early August to cap commercial interest rates at 400 basis points above the central bank's policy rate, now 10.5 percent. The changes had since been awaiting presidential approval. Businesses in the east African country have complained that high commercial lending rates, which can reach 18 percent or more, hobble corporate investment. Individuals say the high rates put borrowing out of reach of many. Though the National Treasury and the central bank had opposed caps, they have both urged commercial banks to lower rates, saying they would continue to work with industry players, government and lawmakers to find a solution. The amended law also sets a minimum interest rate for bank deposits of 70 percent of the central bank's benchmark rate. Kenyatta said it was the third time parliament had tried to reduce interest rates and that banks had twice promised to lower rates, before reneging. "In those instances, banks failed to live up to their promises and interest rates have continued to increase along with the spreads between the deposit and lending rates," he said. The presidency noted difficulties the new legislation might present, including "credit becoming unavailable to some consumers and the possible emergence of unregulated informal and exploitative lending mechanisms." *(Reuters)*

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TRADING

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

**Kenya has finalised an agreement with oil explorer Tullow Oil and its partners Africa Oil and A.P. Moller-Maersk for the development of a crude oil pipeline, as it bids to become an oil exporter, the president's office said.** Tullow and Africa Oil first struck oil in the Lokichar Basin in the country's northwest in 2012. The recoverable reserves are an estimated 750 million barrels of crude. The two firms were 50-50 partners in blocks 10 BB and 13T where the discoveries were made. Africa Oil has since sold a 25 percent stake in those blocks to A.P. Moller -Maersk. A statement from President Uhuru Kenyatta's office quoted Energy and Petroleum Minister Charles Keter as saying the three partners and the government had finalised the pipeline's development plan. "He said the Government and its upstream partners, Tullow Oil, Africa Oil and Maersk Companies, have concluded a Joint Development Agreement (JDA) for the development of the pipeline," the statement said. In April, Keter said the pipeline - to run 891 km between Lokichar and Lamu on Kenya's coast - would cost $2.1 billion and should be completed by 2021. The government and the companies are pushing to start small scale crude oil production in 2017, at about 2,000 barrels per day to be initially transported by road. "We have started and we are not moving back. We want to be at the top of the pile. So, we have set a path and by 2019, Kenya is going to be a major oil producer and exporter," Kenyatta said. The statement said Tullow Oil had confirmed it would start production in March 2017 and quoted Paul McDade, its chief operating officer, as saying the company would be ready to start exports in June next year. Neighbouring Uganda is also looking to build a pipeline to export its oil. Though it initially favoured a route though Kenya, Kampala has decided to build its pipeline through Tanzania instead. *(Reuters)*

**Kenyan bank shares fell sharply at the start of trade on Thursday after the country's president signed a law capping commercial banks' interest rates.** Shares in KCB Group, which operates Kenya's biggest bank by assets, fell 9.9 percent to trade at 29.50 shillings ($0.2912) per share. Shares in Co-op Bank of Kenya and Equity Bank were down by a similar margin. Traders said there were millions of shares on offer without matching bids. *(Reuters)*

**Shares of Kenya's biggest lenders fell to multi-year lows on Thursday and the central bank was forced to sell dollars to keep the exchange rate stable after the president signed a law capping commercial interest rates.** President Uhuru Kenyatta signed the amendment law on Wednesday, accusing banks of failing to honour past pledges to lower their rates. The law caps commercial interest rates at 400 basis points above the central bank's policy rate, now 10.5 percent, and sets the minimum deposit rate at 70 percent of the benchmark rate. Armando Morales, the IMF resident representative in Kenya, said the new law was likely to lock out small borrowers as banks shun consumers who are deemed too risky. Shares in KCB Group, which operates Kenya's biggest bank by assets, fell 9.9 percent to 29.50 shillings ($0.2912) each, a four-year low. Equity Bank fell to a two-year low while other lenders were also not spared as nervous investors offered millions of shares for sale without reciprocal demand. "There was blood on the dance floor. Let's call it a terrible Thursday," said Daniel Kuyoh, a senior investment analyst at Alpha Africa Asset managers. The Kenya Bankers Association, which represents all lenders, said on Thursday it would comply with the law, once it comes into effect in the next few weeks. Kuyoh said investors were dumping banking stocks due to uncertainty over how the new law will be implemented and how it will affect lending by commercial banks. "We will be expecting volatility probably till the end of next week," he said.

On Wednesday, Kenyatta said the government was still committed to a liberalised economy, adding it was time for banks, which enjoy the highest returns-on-equity in Africa, to pass on the benefits of the growth in the banking sector to their customers. Analysts read political considerations in Kenyatta's decision to sign off the law. He faces re-election for a second and final five-year term next August. "The decision may have been influenced by the close proximity of the 2017 presidential elections and we think this could have negative consequences for the banking sector as well as the economy," said London-based frontier market specialist, Exotix, in a note to clients. The East African nation had been held up as a model of rapid financial inclusion, after it increased the share of the population with access to formal financial services 50 percent in the last decade, to 75.3 percent of its 45 million people. A tightening of supervision by the central banks after three medium and small sized lenders collapsed in the nine months to last April has however put pressure on private sector lending and Morales said the new law could worsen that. "Credit growth is an area that is now under stress," Morales told Reuters. Before Kenyatta signed the law, the IMF shared the Treasury's and the central bank's preference for the use of other measures, like fiscal consolidation, to lower commercial lending rates over time. "That explains the haste by some parliamentarians to find a short cut but unfortunately from international experience these shortcuts are never as effective as they look on the surface," the IMF's Morales said. *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT

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



**The weighted average yield on Kenya's 91-day Treasury bill dipped to 8.607 percent at auction on Thursday from 8.609 percent last week, the central bank said.** The bank said it received bids worth a total 1.68 billion shillings ($16.58 million) for the 4 billion shillings of bills it offered. It accepted 1.46 billion shillings. *(Reuters)*

**The Kenyan shilling inched down on Friday due to dollar demand from the energy sector but traders said flows from the tourism industry were likely to offer support.** At 0718 GMT, commercial banks quoted the shilling at 101.30/50 to the dollar, compared with 101.25/45 at Thursday's close. "We've seen some hotels selling dollars," said a trader from a commercial bank, referring to inflows from the tourism industry. On the Nairobi Securities Exchange, banking stocks fell for a second day, in reaction to President Uhuru Kenyatta approving an amended banking law capping commercial lending rates. The falling prices contributed to a 4.4 percent fall in the NSE-20 Share Index on Wednesday with the index finishing the session at a four-year and five month low. *(Reuters)*

## Malawi

### Corporate News

*No Corporate News this week*

### Economic News

*No Economic News this week*

## Mauritius

### Corporate News

*No Corporate News this week*

### Economic News

**Mauritius said on Monday its trade deficit widened 7.1 percent to 6.21 billion rupees in June from the same period a year earlier, hit by a dip in exports of machinery and transport equipment.** The Indian Ocean island nation's earnings from exports fell 15 percent to 7.37 billion rupees, the government's statistics office said in a statement. France was the main destination for Mauritius's exports, followed by the United States and Britain. Foreign sales of machinery and transport equipment declined to 621 million rupees from 1.48 billion. Total imports fell 6.1 percent to 13.59 billion rupees. Some 19.9 percent came from China. *(Reuters)*

**The weighted average yield on Mauritius' 3-year Treasury bond fell to 3.20 percent on Wednesday from 3.38 percent at the previous sale of a similar bond on July 27, the central bank said.** The Bank of Mauritius sold all the 1.5 billion rupees ($42.86 million) worth of debt that it had offered. Bids totalled 4.575 billion rupees, with yields ranging from 3.12 percent to 3.53 percent. The bond 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

**Heavy transactions in the shares of some banks, especially United Bank for Africa (UBA) Plc and Access Bank, last week, lifted the volume of shares traded, as a turnover of 1.375 billion shares worth N12.940 billion were recorded in 16,915 deals.** This volume of shares traded, was, however, higher than a total of 1.361 billion units, valued at N10.711 billion that changed hands in 16,070 deals during the preceding week. Last week, the financial services industry (measured by volume) led the activity chart with 1.195 billion shares valued at N8.631 billion traded in 10,365 deals; thus contributing 86.90 per cent and 66.70 per cent to the total equity turnover volume and value respectively. The conglomerates industry followed with 76.489 million shares worth N154.736 million in 964 deals. The consumer goods industry trailed with a turnover of 38.048 million shares worth N1.768 billion in 2,676 deals. Specifically, trading in the top three equities namely – United Bank for Africa Plc, Access Bank Plc and FBN Holdings Plc (measured by volume) accounted for 559.065 million shares worth N2.452 billion in 3,690 deals, contributing 40.66 per cent and 18.95 per cent to the total equity turnover volume and value respectively. Also traded during the week were a total of 57,828 units of Exchange Traded Products (ETPs) valued at N766,162.96 executed in 37 deals, compared with a total of 1,003 million units valued at N12.116 million transacted last week in 43 deals.

A total of 3,127 units of Federal Government Bonds valued at N3.057 million were traded in six deals compared to a total of 4,044 units of Federal Government Bonds valued at N4.062 million transacted last week in six deals. The NSE All-share index and market capitalisation appreciated by 1.48 per cent to close the week at 27,650.32 and N9.496 trillion respectively. Similarly, all other Indices finished higher during the week, with the exception of the NSE Insurance and NSE Oil and Gas Indices that shed 1.19 per cent and 3.44 per cent respectively while the NSE ASeM Index closed flat. Twenty-five equities appreciated in price during the week, higher than 18 equities of the previous week. 39 equities depreciated in price, higher than 38 equities of the previous week, while 116 equities remained unchanged lower than 124 equities recorded in the preceding week. Meanwhile, 10 firms emerged top gainers, at the end of last week's transactions. Unilever Plc led the chart with 10.23 per cent to close at N38.58 per share. NEM Insurance followed with 10.00 per cent to close at N0.88 per share. Nigerian Breweries added 5.75 per cent to close at N138.01 per share. Lafarge Africa garnered 5.11 per cent to close at N56.00 per share. Eterna oil gained 5.06 per cent to close at N2.70 per share. Seven-UP added 4.97 per cent to close at N114.45 per share. Stanbic IBTC also added 4.32 per cent to close at N14.50 per share. On the other hand, Champion Breweries led others on the losers' chart, shedding 19.53 per cent to close at N2.76 per share. Wema Bank trailed with 15.07 per cent to close at N0.62 per share. National Aviation Handling Company shed 14.00 per cent to close at N3.44 per share. Cement Company of Northern Nigeria dropped 11.97 per cent to close at N5.81 per share. Fidson lost 11.67 per cent to close at N1.59 per cent. *(Guardian)*

**Access Bank Plc's shares rose 4.8 per cent last Friday as investors reacted positively to its impressive half year audited results to June 30, 2106.** Despite the headwinds in the operating environment, Access Bank reported positive top and bottom-lines and recommended an interim dividend of 25 kobo per share for shareholders. Specifically, Access Bank ended the H1 of 2016 with gross earnings of N174billion, up three per cent from N168.3 billion recorded in 2015. Interest income rose by 14 per cent from N98.8 billion to N112.3 billion in in 2016, while net interest income jumped by 42 per cent to N48.2 billion to N68.5 billion. Operating expenses was contained, recording a marginal 0.4 per cent increase from N69.64 billion to N69.93 billion. Profit before tax stood at N50 billion, showing increase of 28 per cent, above the N39 billion in 2015, while profit after tax grew to N39.5 billion, from N31.3 billion in 2015. Commenting on the results, the Group Managing Director/Chief Executive Officer of Access Bank, Mr. Herbert Wigwe said the performance continues to be resilient in the face of a challenging macro-economic environment, which has been further exacerbated by double-digit inflation, amidst an untimely devaluation. "Despite these macro uncertainties, we delivered gross earnings of N174 billion, while pre-tax profits grew 28 per cent N50 billion in the period. The results underscore our continued ability to grow sustainably whilst effectively adapting to a challenging operating landscape. He explained that during the period, the bank grew its retail market share, leveraging innovation and technology to create lifestyle products and enhance customer experience. "This growth has led to significant increase in our transaction volumes and fee-related income. In addition, our cost of funds dropped by 170 basis points year on year reduction, reflecting the increase in our low cost funding base.

Notwithstanding the high inflation and the impact of the currency devaluation on cost, operating cost remained stable owing to our cost management initiatives. Optimising operational efficiency will remain an imperative for the second half of the year, as we continue to see the benefits of our cost initiatives intensify over the next few months," he said. According to him, the priority of the bank in the coming months will be "to strengthen our position in the industry, increasing focus on risk and operational efficiency, with customer-centricity at the heart of our strategy."*(This Day)*

**Wema Bank has announced plans general meeting, Wema Bank Plc has announced plans to raise additional N20 billion debt capital in the next few weeks.** The capital, which would position the bank to leverage future opportunities in the industry was sequel to an approval received by shareholders at the last yearly general meeting to issue bonds or preference shares this year to raise N20bn in the first tranche of a N50 billion programme Speaking at a media parley in Lagos, the Managing Director of Wema Bank, Segun Oloketuyi, explained that the Tier 2 capital will position the bank for further growth after it obtained a banking licence upgrade from the Central Bank of Nigeria (CBN). He noted that the bank is fully prepared to scale up its operations to cover locations in the North and Eastern parts of the country."To ensure that this approval is leveraged appropriately, we are already in the process of raising N20 billion in Tier 2 capital. We expect to re-open five (5) branches in the next three months in Kaduna, Lokoja, Minna, Aba and Enugu. "In spite of the challenges in the economy and in the industry, we remain optimistic about the future of the Bank. Our retail focus is beginning to yield good numbers and we are already ramping up efforts to ensure that we deliver on the promises to our stakeholders."

He assured that the bank would increase the drive of the ongoing cost containment initiatives and leverage on technology to increase efficiency across all channels and platforms.Oloketuyi explained that in 2009 when the new management took over the operation of the bank, the lender was in a distressed situation with negative capital. He added that the non-performing loan ratio was 89 per cent but due to prudent risk management framework by 2014, the non-performing loan came down to 15 per cent and currently reduced further down by 2.9 per cent. Wema Bank recorded a 11.11 per cent growth in profit after tax for the half year ended June 30, 2016.In a filing from the Nigerian Stock Exchange (NSE), the bank's net earnings for the half-year stood at N1.1 billion as against N99 million posted in 2015, representing an increase of 11.11 per cent. Pre-tax profit also stood at N1.3 billion during the period under review, from N1.2 billion posted a year earlier, accounting for 8.33 per cent. The bank's gross earnings grew by 16.3 per cent from N20.9 billion in 2015 to N24.3 billion during the second quarter of 2016. "The 2016 financial year has been a rather eventful one for the Nigerian economy. The year has been characterised by deceleration on a number of economic indicators coupled with increasing energy costs, intensified by rising inflation, all within a tough operating environment. " The banking industry has not been immune to these challenges as we witnessed a decline in customer deposit growth rate, reduction in margins, and an increase in NPLs in some sectors. "In spite of these challenges, Wema Bank has been able to deliver a modest improvement in the first half of the year. Interest income grew by 15.2 per cent from N17.5 billion in H1 2015 to N20.2 billion in the current period."*(Guardian)*

**African Development Bank has approved $300 million and $50 million loans to First Bank of Nigeria and FSDH Merchant Bank Nigeria respectively to support import-export activity of local enterprises.** The AfDB disclosed this in its monthly newsletter signed by the Nigeria Country Field Office on Wednesday in Abuja. The Bank stated that the two facilities were part of AfDB's broader efforts to provide countercyclical support to the Nigerian economy at a time of falling commodity prices. It said that the fall had caused shortages in foreign currency supply and led to unmet demand for trade finance instruments to support Nigeria's ongoing economic transitions. The bank said, "The facilities will support local enterprises involved in import-export activity. "The loans will help to address critical market demand for trade finance and dollar liquidity by supporting vital economic sectors. "Such sectors include agri-business, chemicals, construction and engineering, food processing, manufacturing and non-traditional exports. "It will foster financial sector development, enhance regional integration, contributing to increased government revenue generation at a time when the Nigerian economy is facing fiscal pressures and foreign currency liquidity challenges. "The loans will also enhance support to domestic enterprises whose businesses are being hamstrung by shortages in dollar funding." AfDB said that if fully utilised, counting rollovers, the interventions were expected to facilitate about 2.5 billion dollars of export-import related activity in intermediate and finished goods, raw materials and equipment. The bank said this would lend support to economic growth and tax generation over a 3.5-year period.*(Punch)*

# WEEKLY AFRICAN FOOTPRINT



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**United Bank for Africa Plc yesterday reported profit before tax of N40.270 billion for the half year ended June 30, 2016, showing a marginal increase of 3.1 per cent from N39.046 billion recorded in the corresponding period of 2015.** Profit after tax similarly rose from N31.999 billion in 2015 to N32.621 billion, the directors recommended an interim dividend of 20 kobo per share. An analysis of the results showed the UBA recorded gross earnings of N165.5 billion, indicating a marginal fall from N165.7 billion in 2015. Net interest income stood at N107 billion, down from N14.9 billion, while net impairment charges rose from N2.211 billion to N6.8 billion. Fees and commission income grew from N30.357 billion to N36.936 billion, just as net trading and foreign exchange income improved from N18.217 billion to N19.637 billion. The bank also recorded a significant growth in total assets, rising 20 per cent to N3.3 trillion, crossing the three trillion naira mark. Following the sterling performance, the bank's Board recommended the payment of N0.20 interim dividend on every ordinary share of N0.50 each.

Commenting on the results, the Group Managing Director/CEO, UBA Plc, Mr. Kennedy Uzoka, said; "The results have been achieved amidst waning economic fundamentals. We delivered profit in excess of N40 billion and grew balance sheet by 20 per cent, with our on-balance sheet total assets crossing the N3trillion mark. Even as Naira depreciation and inflationary pressure increased the cost of doing business in Nigeria, we leveraged our economics of scale, enhanced operational efficiency and Group shared service structure to moderate our cost-to-income ratio by 90bps." UBA achieved several strong positives in its performance for the half year. The bank's net loan position rose 29 per cent to N1.29 trillion partially boosted by the depreciation in the value of the Naira. UBA also recorded a significant 16 per cent growth in deposits to N2.41 trillion already surpassing the 15 per cent target growth in deposits set at the beginning of the year. "UBA will sustain its culture of keeping a healthy balance sheet, with strong liquidity and capitalisation, as reflected in the liquidity and BASEL II capital adequacy ratios of 45 per cent and 18 per cent respectively," Uzoka assured. *(This Day)*

## Economic News

**The pursuit of price stability and by extension, economic stability is behind the persistent liquidity mop up in the last 60 days, which has reached N1.3 trillion.** The Central Bank of Nigeria (CBN), has in the period under review, raised its frequency in using the Open Market Operations (OMO) auctions, like treasury bills to control the quantity of money in circulation. Consequently, the moves have also led to varying degrees of impacts on the exchange rates, interest rates, inter-bank lending rates, inflation and foreign direct investments. The interventions, described by traders as an aggressive efforts to push interest rates higher and attract foreign capital — foreign portfolio and direct investments — is only N40 billion short of the total value of auctions throughout the second half of 2015. According to an economist in one of the nation's top five banks with international presence, it shows CBN's awareness of the declining fortunes of the economy and its readiness to stimulate foreign investments' inflow to the country and reduce external sector pressures. At the weekend, the two interbank lending instruments- Open Buy-Back (OBB) and Overnight rates, rose further to 23 per cent and 25.6 per cent as system liquidity closed the week at N70.6 billion. The rates had started Tuesday's trade at 7.2 per cent and 8.2 per cent for OBB and Overnight respectively, but sustained a rising profile all through the week as a result of OMO auctions. Specifically, CBN auctioned N205 billion by Tuesday, while another OMO auction of N236.1 billion was floated and cleared at a marginal rate of 18.5 per cent on Thursday.

Also, in a note from Afrinvest Securities Limited over the weekend, "although tight monetary policy stance has remained largely predominant since November 2011, the recent policy thrust of the CBN suggests the aggressive nature of tightening for which a number of criticisms have been generated from both trade and industrial circles as well as political space." Shorter term rates in the secondary fixed income market have risen to 15.7 per cent on average from below 12 per cent in May this year, with discount yields on 364-day treasury bills instrument trading very high. However, for operators in the manufacturing sector, the weakened consumer spending power and foreign exchange shortages constraining demand and stifling profitability, have kept them at the receiving end. Besides, the prospect of a tighter monetary policy and the consequences on borrowing cost and consumer spending decisions have added to the headwinds facing the sector. CBN's monthly survey- Purchasing Managers' Index (PMI), showed the industrial sector is already in a 15-month long recession. Manufacturing has been below 50 points– the threshold separating activity expansion from contraction – since the start of the year.

CBN had last month increased benchmark rate riding on the back of its pursuit of price stability, as well as reduce the existing negative rate of -4.5 to -2.5. The move was expected to attract foreign investments too. "CBN appears to be comfortable with compensating exchange rate risk through interest high rate, hence the gravitation towards aggressive liquidity tightening to force shorter term rates higher and attract foreign capital. "To compensate for the foreign exchange risk, the CBN's FX futures contracts are being priced below market rate, while the apex bank continues to intervene in the FX spot market to guide Naira trading band. "Despite the negative impact of higher interest rate on consumer and real sector investment decisions, the economy appears to be a lot more sensitive to foreign exchange stability than it is to increase in interest rate. "The robust GDP growth figures recorded in the last era of aggressive policy tightening (between 2011 and 2012) further supports this. This explains the willingness of the CBN to take a gamble on tightening policy to attract portfolio inflow, with the expectation that feedback on growth will be limited, a financial analyst, Ayodeji Eboh, noted. A further analysis showed that investors have continued to display higher appetite for shorter-term treasury instruments due to higher attractive yields relative to longer tenured instruments. Average treasury-bills rate which opened the week at 17 per cent, rose to 17.7 per cent and eventually closed at 18.1 per cent, while the nine-month and one year tenors remain the most attractive, with rates closing as high as 19 per cent and 22.4 per cent respectively. *(Guardian)*

**Nigerian President Muhammadu Buhari will ask parliament for extra powers for one year allowing him to take "emergency" decisions to revive the flagging economy, a government source said on Monday.** Africa's biggest economy contracted in the first quarter and government officials have said recession is likely as vital oil revenues have crashed due to low crude prices. GDP data for the second quarter is due this week. The government put together a bill titled "Emergency Economic Stabilisation" giving Buhari extra powers such as amending laws which will be submitted to parliament, the source said. Buhari was seeking to accelerate plans to improve the investment climate, the source said. The bill would allow him for example to ease visa restrictions for investors and give them incentives, plans that have been delayed. In June, the central bank floated the naira, allowing the currency to devalue by around 40 percent to attract investment and ease hard currency shortages. On Friday, Finance Minister Kemi Adeosun said Nigeria is to allocate 60 billion naira ($182 million) more spending on capital projects as part of the 2016 budget, coming on top of 400 billion already spent. But critics of Buhari says the government has not done enough to end Nigeria's worst economic crisis for decades. Tens of thousands of workers have been laid off, while companies across sectors say they cannot get enough hard currency to import spare parts or raw materials. There was no immediate reaction from the two chambers of parliament which is currently in recess.*(Reuters)*

**Nigeria's naira closed firmer on the interbank market on Monday after the central bank sold dollars to some commercial lenders towards the end of a session that featured no trades in the first four hours, traders said.** The naira closed at 305.50 to the dollar, 0.81 percent firmer than its Friday close. Traders said the central bank selectively sold dollars to commercial lenders just before the market close. "The central bank came to the market toward the close, and sold dollars to only few banks, which helped to support the naira," a trader said. The central bank has been selling dollars almost daily to boost liquidity and support the naira. *(Reuters)*

**Sun International Ltd. plans to exit Nigeria after the South African casino and hotel operator's earnings in the country plunged amid a weakening economy and a dispute involving the company's local partners.** Sun International bought 49 percent of the Nigerian Stock Exchange-listed Tourist Company of Nigeria 10 years ago, giving it part-ownership of the Federal Palace hotel in Lagos, one of the main hotels used by businessmen traveling to the commercial capital. Earnings before interest, taxes, depreciation and amortization at the Nigerian operations fell 58 percent in the 12 months through June, Sun said in a statement on Monday. Occupancy rates at the property fell to 42 percent. "The Federal Palace continues to operate in a difficult environment with the Nigerian economy facing a number of crises including the low oil price," the Johannesburg-based company said in the statement. The Islamist insurgency led by the Boko Haram group and a weakening naira also hurt trading, while an "ongoing shareholder dispute has frustrated all attempts to develop and improve the property," the company said. Other South African companies to have left Nigeria include retailers Woolworths Holdings Ltd. and Truworths International Ltd., citing tough regulation and rising costs. Johannesburg-based MTN Group Ltd., Africa's biggest mobile-phone provider, agreed to pay a 330 billion naira ($957 million) regulatory fine in the country earlier this year, leading to its first-ever half-year loss.

Sun has been drawn into a "long-standing family dispute" between fellow shareholders in Nigeria, the company said earlier this year, after workers, including South African expatriates, were detained without charges by Nigeria's Economic and Financial Crime Commission. The employees have still not had their passports returned to them, while no charges have been laid against them or the company, Sun said on Monday. The process of exiting Nigeria is likely to be "protracted," as Sun seeks to ensure it receives fair value for the investment, the company said. The hotelier said in May it plans to sell minority interests in properties in countries including Zambia, Botswana and Namibia for 394 million rand ($29 million) to reduce debt. The shares were 0.4 percent lower at 91.76 rand as of 2:02 p.m. in Johannesburg, valuing the company at 10 billion rand. Sun, owner of the Sun City resort northwest of Johannesburg, said full-year diluted adjusted earnings per share excluding one-time items fell 20 percent to 6.28 rand, while sales gained 15 percent to 12.2 billion rand. The final dividend was cut to 1.35 rand a share from 1.75 rand the previous year. *(Bloomberg)*

**Nigeria's central bank has asked commercial lenders to allocate 60 percent of their foreign exchange purchases to manufacturers, in a bid to boost their ability to pay for imports and boost the economy.** Widespread dollar shortages, caused by a fall in oil revenues, have hit manufacturers' ability to import raw materials and spare parts, forcing many plants to close. The central bank said in a circular it wanted to encourage the production of local goods by asking banks to allocate more hard currency to industrial firms. "Authorised dealers (banks) are hereby directed to dedicate at least 60 percent of their total foreign exchanger purchases from all sources to end-users strictly for the purposes of importation of raw materials, plant and machinery," the bank said in a circular dated Aug 22 and seen by Reuters on Tuesday. In June, the bank abandoned its currency peg to the dollar, allowing the naira to weaken by 40 percent in a bid to attract more foreign investment. But so far trading in the official foreign exchange market has been limited as those with dollars prefer to sell them for a higher rate on the black market. Nigeria's economy contracted in the first quarter and officials have said recession is likely. In a separate circular, the central bank asked commercial banks not to sell foreign exchange without appropriate documentation and disclosure to authorities, irrespective of the source of funds. (*Reuters)*

**Nigerian bank executives met with central bank officials, banking sources told Reuters on Wednesday, a day after the monetary authority suspended nine lenders from foreign exchange transactions for failing to remit money owed to the government.** The suspensions from the interbank market were imposed after the banks failed to remit $2.1 billion, the government's share of dividends from state-owned gas company NLNG, the sources said. They were due to pay the funds into the government account at the central bank. Investors dumped bank shares on Wednesday while traders said the black market naira sank to a record low of 402 per dollar. Last year, President Muhammadu Buhari ordered all state accounts merged into that single account in a bid to reduce corruption. Bankers told Reuters the central bank wanted the funds remitted in dollars, which are in short supply as Africa's largest economy suffers its worst financial crisis in decades due to a slump in the price of oil, its dominant commodity. The central bank tightened restrictions on the flow of dollars to domestic lenders in March, forcing the banks to delay hard-currency loan and trade repayments and increasing their risk of default. One of the nine banks, FCMB, said it was working with the central bank to resolve the issue, which was function of illiquidity in the currency markets and the weak economy rather than willful non-compliance. A second, UBA, denied it had withheld any government funds. A third, First Bank, said it remits government funds when due but was discussing with the central bank and state-oil firm on ways of retaining the dollars to help solve forex shortages and meet its obligations.

There was no comment from the other six banks. There were no trades on the interbank market until three minutes before the end of the session, when the central bank intervened with dollar sales, traders said. Only three deals worth $0.75 million were traded at 305.50 naira per dollar, the level the market has closed at since Monday. Traders said the central bank, which has been selling dollars almost daily since it floated the naira in June, had reduced the volumes of dollars it supplied. Foreign investors - other past suppliers of dollars - have remained on the sidelines during the West African country's financial crisis, making the central bank the main source of hard currency. On Wednesday, Nigeria's dollar reserves fell 2.5 percent from a month ago to $25.67 billion, its lowest level in more than 11 years, according to central bank figures. But reserves may be far less when all future dollar commitments are included. The central bank settled $1.2 billion worth of outright forward contracts it sold in June at 280 per dollar this week. It is due to pay $153 million in futures contract settled in naira on Wednesday. *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT

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



**The Nigerian currency was quoted at 402 naira per dollar on the black market on Wednesday, traders said, weaker than 397 it traded at its previous session as dollar shortages gripped the official market.** The naira, which hit fresh record low since the central bank floated the currency on the official interbank market in June, first touched 400 on the black market this month. On the interbank market on Wednesday, no trades were posted until three minutes before the end of the session, when the central bank which has been reducing its dollar sales, intervened, traders said. Only three deals worth $0.75 million were traded at 305.50 per dollar, a level the market has closed at since Monday. The naira hit an all-time low of 365.25 per dollar on the interbank on Thursday. *(Reuters)*

**Nigeria's government has approved a 3-year spending plan, assuming a benchmark oil price of $42.50 per barrel in 2017 and production at 2.2 million barrels a day, the budget minister said on Wednesday.** The budget sees oil production and prices rising each year to 2019, and the naira recovering to settle at 290 per dollar, Budget Minister Udoma Udo Udoma told reporters after a cabinet meeting in Abuja. "The highlights is that the government intends to intensify efforts in pursuing non-oil driven economy," he said. "We'll continue to spend money on roads, rail transport infrastructure, ports and so on." Nigeria's economy has been devastated by low crude prices and attacks in the southern Niger Delta energy hub that have cut oil production from 2.2 million barrels per day to 1.5 million since January in the OPEC member state. Projections for 2018 and 2019 were $45 and $50 a barrel and output of 2.3 million and 2.4 million, respectively, Udoma said. He said the government was assuming a rate of 290 naira per dollar. The currency closed at 305.50 on the official market on Wednesday and had hit a record low of 402 naira on the black market during the session. Currency forwards put the naira at 388 to the dollar in 12 months' time. The West African country budgeted a record 6.06 trillion naira of expenditure this year, assuming oil production of 2.2 million barrels per day at a price of $38 a barrel. But with low oil prices, the government has struggled to fund the budget. It is now seeking advisers to manage a $1-billion eurobond it intends to offer this year. Udoma forecasted economic growth rates of 3 percent for 2017, 4.6 percent for 2018 and 4.4 percent for 2019, up from a contraction of 0.4 percent in the first quarter of 2016. *(Reuters)*

**Nigeria's distributable revenues to the three tiers of government fell in July to around 444 billion naira after 559 billion naira in June as militant attacks hit oil revenues, the finance ministry said on Thursday.** Nigeria, Africa's biggest economy and an OPEC member 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 facilities in the southern Niger Delta energy hub in the last few months, reducing oil output by 700,000 barrels a day, according to state oil firm NNPC. "Crude oil export volume decreased... partly because of a subsisting force majeure declared at (Shell's) Forcados Terminal," said Mahmoud Isa-Dutse, permanent secretary of the ministry of finance. "Also, shut-in and shut-down of pipelines at other terminals due to the activities of vandals and maintenance impacted negatively on production," he said. The distributable revenues includes value-added tax payments of 64.308 billion naira, the ministry said.*(Reuters)*

**Nigeria's naira was quoted at an all-time low of 409 to the dollar on the black market on Thursday, compared with 402 the previous day, after the suspension of some banks from forex trading made dollars even harder to obtain.** The central bank suspended nine commercial banks from forex transactions on Tuesday for failing to pay money owed to the government - although one was readmitted after making a payment. Shares in some of the banks hit dropped by up to 7.8 percent. Traders said the local currency fell due to the impact of the suspensions, compounding the dollar shortages Nigeria has been suffering due to the slump in the price of its oil exports. "The suspension of some banks from transaction in the forex market has really increased pressure on the market," said Aminu Gwadabe, president of the bureaux de change association. Bank executives have been meeting central bank officials to resolve the forex issue as investors continued to dump their shares second day. Skye Bank fell the most of those suspended from foreign exchange transactions, shedding 7.81 percent, followed by Fidelity Bank down 3.0 percent. FBN Holdings shed 1.9 percent while Diamond Bank and FCMB were down 0.8 percent. The falls pulled the main index down 1.8 percent. On the interbank market, the currency gained 0.2 percent to close at 305 naira to the greenback with traders attributing the rise to central bank dollar sale to prop up the unit. The bank has been selling dollars almost daily to boost liquidity. However, currency forwards put the naira at 344.50 to the dollar in one months' time. On Thursday, the central bank settled $152.48 million of naira futures contracts it sold in June at an exchange rate of 279 naira per dollar, further draining its reserves, which is at its lowest in more than 11-years. In June, the central bank abandoned its currency peg to the dollar, allowing the naira to weaken by 40 percent in a bid to attract more foreign investment.

But so far trading in the official foreign exchange market has been limited as those with dollars prefer to sell them for a higher rate on the black market. *(Reuters)*

**Nigeria's central bank has settled $152.48 million of naira futures contracts it sold in June at an exchange rate of 279 naira per dollar, market regulator FMDQ OTC Securities Exchange said.** The bank also entered a fresh 12-month contract at 241 per dollar due on Aug. 16, 2017. In June, the central bank introduced an over-the-counter futures market on the currency, to help manage dollar demand, quoting the naira at 279 to the dollar in a month's time and at 210 by April next year. The local currency closed at 305.50, the level it has closed at since Monday.*(Reuters)*

## Tanzania

### Corporate News

**NATIONAL Microfinance Bank (NMB) has met with emerging and large corporates from Eastern Zone to foster business relationship and explore opportunities through training, capacity building and networking.** The NMB Executive Network members brought together over 100 emerging and large corporate who commands annual turnover of at least 10bn/- each and some top end SME's customers with turnover of over 2.5bn/-. The NMB Managing Director, Ms Ineke Bussemaker, said in Morogoro at the weekend that the aim of holding such meetings is to strengthen business relations with its top end business and corporate customers. "NMB is committed in ensuring that we do continuous improvement of products and services to match the changing needs of customers. This is achieved through feedback from customers such as from the Executive Network," she said. Ms Bussemaker said that improvements done by the bank so far will help to bring services more close to this segment of customers where they will not only get the best services but also acquire various trainings including the ones received at the meeting on Wellness and Governance. Members of the Executive Network normally get trained on capacity building in areas affecting business including business planning, taxation, business regulations, sponsorship to major trade countries (China, Hong Kong, Dubai). Fast track counters at all NMB Branches, preferential forex rates, special customer ID as a recognition to all NMB Branches – all these are done in order to support businesses become and remain competitive. NMB Executive Network is a forum that started in 2014 targeting major cities like Dar es Salaam, Arusha, Mbeya, Mwanza and Morogoro with Kilimanjaro to be launched soon. *(Daily News)*

**TANZANIA Breweries Limited (TBL) has posted six per cent profit increase to 228.98bn/- for the year ended March 2016 compared to 216.55bn/- registered in the previous year, despite challenging market and economic conditions.** The company's financial results show a four per cent revenue increase to 1.11tri/- from 1.073tri/- of the preceding year, driven mainly by volume growth mainly due to price stability following non rise of excise duty and well stable disposal income. TBL is listed at the Dar es Salaam Stock Exchange (DSE) and yesterday it traded at the price of 13,500/- per share compared to 13,590/- per share on Tuesday. Traditional beer volumes were significantly up on prior year with impressive growth from Chibuku super. Other brands that performed exceptionally during the period under review are Eagle Lager, Balimi and Bia Bingwa while wines and spirits volumes decreased on account of increased competition. The operating profit increased by four per cent to 330.07bn/- compared to 318.33bn/- of the year before due to production and cost efficiencies. The total cash generated from operations during the period was 373bn/- of which 93bn/- utilised to pay corporate tax and the remaining amount funded capital expenditure, repayment of bank borrowings and interest expenses. During the period the depreciation of the local currency by over 25 per cent against the US dollar placed additional pressure on the cost of imported raw materials. Shareholders earnings continued to increase with 184bn/- being paid as dividends largely due to volume growth, improved efficiencies and focused cost management. The TBL subsidiaries comprises of the Tanzania Distilleries Limited, DarBrew Limited and Kibo Breweries Limited. The brewer also engages in the production, distribution and sale of malt beer and alcoholic fruit beverages in the country. It operates breweries in Dar es Salaam, Arusha, Mbeya and Mwanza and thirteen depots throughout the country.*(Daily News)*

**TANZANIA Breweries Limited will invest 27bn/- to support farmers to boost production of local raw materials for beer, wine and spirits making.** TBL Managing Director, Robert Jarrin said here last week that the funds would help barley, grapes, sorghum and maize farmers to increase their production of local materials for the beer making company which will in turn boost their growth. He said the farmers would be provided with seeds, extension services as well as facilitating them with access to credits from a number of banks including CRDB, National Microfinance Bank (NMB) and Bank of Africa (BOA). He said his company would continue to support the development of the commercial farming of barley, sorghum and maize crops in the country. "Barley farming is a source of livehood for more than 3,000 farmers in rural Tanzania. Barley is converted into malt, a key ingredient in the manufacturing of beer which is enough to met most of TBL group's requirement for its Arusha and Mwanza breweries," he said. Mr. Jarrin also said his company contributed 384bn/- to the government's revenue in 2015. "TBL group is the country's largest taxpayer having contributed 2.3tri/- in taxes to the government over the past ten years.
Our group contribution to the development of Tanzania through the collection and payment of tax continues to be recognized by various stakeholders in the country through the collection and payment of tax accolades accorded to us by Tanzania Revenue Authority (TRA) over

the past four consecutive years", he said. The company has large scales manufacturing plants in Tanzania in Mwanza, Mbeya, Arusha and Dar-es-Salaam which rank among the best in SAB Miller's African operations. TBL Mwanza and Mbeya brewing plants feature among the top 10 and 15 breweries in the world. Mr. Jarrin also said the company's beer business has a 78 per cent market share of the formal beer market which is primarily driven by Safari, Kilimanjaro, Ndovu, Castle Lager and Castle lite brands while company's leading spirits and wines are Konyagi, Valeur and Dodoma wine. On the other hand, Mr. Jarrin said the beer business has stagnated due to affordability as majority of Tanzanians earn low income. The business has also stagnated due to prevalence of a large informal alcohol market and lack of incentives that encourage local production of key raw materials such as malt. *(Daily News)*

**AIRTEL Tanzania has paid back another quarterly Airtel Money profit share amounting to 3bn/- to its money customers in the country including the super and retail agents.** The mobile phone company pay interest for a period from January to June 2016, where every customer will receive some money as interest based on their account balances every day. Airtel Money Public Relation Manager, Jackson Mmbando told reporters in Dar es Salaam yesterday that they were excited to share the 3bn/- profit with customers noting the money would support their customers to meet their various financial obligations. According to him, the company has so far paid a total of 10bn/- to Airtel Money users since the launch of the service in 2014. The Airtel Money service allows customers perform various activities including send and receive money, pay for utility bills purchase bundle, banks' deposit and with draw and access unsecured loans through Airtel Timiza loan service which offer quick, convenient, and instant loans to customers and Airtel Money agents. To date three quarter of Airtel agent network of more than 50,000 access loans where some agents are now qualifying for loans of as much as 1m/-*(Daily News)*

## Economic News

**TANZANIA Share Index, analysing local listed stocks trends on Dar es Salaam Stock Exchange, has made an abrupt u-turn rallying to almost eight months high.** The TSI closed last week at 4,006.43 points compared to 4,630.13 points of last week of 2015, signifying returning of investors trust for local stocks after General Elections. The stocks prices went on bearish mode immediately after the last year elections as investors were uncertain of the economic future to withdraw some of their shares. Zan Securities Chief Executive Officer (CEO) Raphael Masumbuko said the TSI gain shows signs of full recovery of the stock market. "Though there is a new player (DSE), but the trends clearly show that we are heading to same stock prices as of last year," Mr Masumbuko told the 'Daily News'. The CEO said the share prices gain closely to last August "tell us that the prices are closely of what stocks had traded last year….and the future is positive". Also, the TSI upsurge was helped by the listing of DSE share that appreciated by some 190 per cent in the last three weeks to 1,480 of yesterday. "Recent DSE volatility has created fertile ground for traders," Zan said. Going by weekly statistics, the top gainers were TOL Gases appreciating by 6.67 per cent to close at 800/- and National Microfinance Bank (NMB) improving by 1.48 per cent to 2,750/- as of last Friday. Top trading equities that dominated the market share this week were DSE at 48.47 per cent followed by TBL at 36.17 per cent and CRDB Bank 9.77 per cent. Similarly, the stock exchange equity market strengthened by 57 per cent, closing this week with a turnover of 3.37bn/- against previous week turnover of 2.15bn/-. Total market capitalization increased by 0.67 per cent, closing last week at 23.40tri/- while domestic market cap increased by 0.02 per cent to 8.42tri/-. *(Daily News)*

**SEVEN-YEAR treasury bonds has failed to capture investors' attention as tight liquidity continues to haunt the market ending up undersubscribed.** According to the auction summary in a session held on Wednesday, a total of 138.46bn/- was offered for tendering but in the end the instrument fetched 25.31bn/-. However, the successful amount was 8.18bn/-. Similarly, the local money markets liquidity remained fairly tight, with interest seen for short-term funds from several market players that may have affected investors' participation in the seven years bond trading. This is the fourth seven year Treasury bond to be auctioned this year that ended up undersubscribed. An interest or weighted average yield to maturity increased to 17.91 per cent compared to 17.45 per cent held in June as well as 18.16 per cent and 16.23 per cent for the sessions held in April and January respectively. Also the Bank would pay investors the weighted average coupon yield of 14.52 per cent compared to 13.23 per cent for June and 14.68 per cent for April and 13.48 per cent offered in the session held in January. Proceeds from the bond, would be used to finance long-term infrastructure projects as well as settle some maturing debts.

The minimum successful price/100 was 68.00 compared to 66.48, 63.51 and 66.11 of the preceding seven years debt instrument. Similarly, the weighted average price for successful bids was 69.39 compared to 70.79, 68.66 and 74.77 of the previous sessions. Also the highest bid/100 for the long-term government paper was 72.50 while the lowest bid/100 was 59.60. A total of 72 bids were received and 24 emerged successful. Some of the investors in the instrument are the Commercial banks, pension funds, insurance firms and few micro-finance institutions. *(Daily News)*

**Tanzanian president John Magufuli ordered officials on Monday to speed up long-delayed work on a planned liquefied natural gas (LNG) plant, saying implementation of the project had taken too long.** BG Group, recently acquired by Royal Dutch Shell, alongside Statoil, Exxon Mobil and Ophir Energy, plan to build a $30 billion-onshore LNG export terminal in partnership with the state-run Tanzania Petroleum Development Corporation (TPDC) by the early 2020s. But a final investment decision has been held up by government delays in finalising issues relating to acquisition of land at the site and establishing a legal framework for the nascent hydrocarbon industry. "I want to see this plant being built, we are taking too long. Sort out all the remaining issues so investors can start construction work immediately," the presidency quoted Magufuli as saying in a statement. Magufuli, a reformist who took office in November, has sacked several senior officials for graft and cut spending he deemed wasteful, such as curbing foreign travel by public officials. The president's office said Magufuli issued the instructions for the LNG project to be fast-tracked during talks with Oystein Michelsen, Statoil's Tanzania country manager, and senior Tanzanian government energy officials. The Tanzanian presidency did not give the construction schedule for the project, but said once completed the LNG plant would have an expected economic lifespan of more than 40 years. The government said it has acquired over 2,000 hectares of land for the construction of the planned two-train LNG terminal at Likong'o village in the southern Tanzanian town of Lindi. Tanzania discovered an additional 2.17 trillion cubic feet of possible natural gas deposits in February, raising the east African nation's total estimated recoverable natural gas reserves to more than 57 trillion cubic feet. East Africa is a new hotspot in hydrocarbon exploration after substantial deposits of crude oil were found in Uganda and major gas reserves discovered in Tanzania and Mozambique. *(Reuters)*

**IMPORTED cement is nowhere to be seen in the market after being pushed out by enhanced competition among local producers in new findings that raise doubts on the authenticity of claims of influx of imported products by local cement makers.** Our survey in Dar es Salaam revealed that cement by local producers are dominating the market particularly from the second half of last year after cement makers slashed prices of their products due to intense competition. Hardware stores had stocked cement from Tanzania Portland Cement company, Rhino Cement and Dangote Cement. Our reporters could not find imported cement during the survey in Buguruni, Kariakoo, Mwenge, Mbezi and Bunju areas of the city, raising doubts on the claims that imported or smuggled in cement have flooded the market, creating unfair competition with local products because they are sold cheaply. The survey revealed there were no imported cement in hardware stores and according to traders interviewed it would not make economic sense to stock imported cement as it would not sell because prices of locally made cement have been reduced. Some agreed to have been selling imported cement from Pakistan until last year when local cement producers lowered prices of their products in the market. Local masons interviewed in Dar es Salaam also gave a similar picture, saying they were using local cement because their prices were now more affordable and were good in quality. "I haven't seen cement from Pakistan lately.

We use Dangote, Twiga or Rhino," said Mzee Elibariki Moshi, a local mason referring to cement from Dangote plant in Mtwara, Twiga brand of the Tanzania Portland Cement company and Rhino brand produced by ARM Cement Limited. A building contractor who did not want his name to be mentioned also confirmed that imported cement was no longer in the market after local cement prices were slashed. The Confederation of Tanzania Industries (CTI), Policy and Advocacy Director, Mr. Hussein Kamote, said the cement industry has turned its focus into capturing the new and maintaining the old markets by producing high quality cement at affordable prices which have pushed out imported products. "Some of the new players who entered the cement industry focused on producing not only high quality cement but also at an affordable prices," he said. The two concepts of quality and prices have automatically reduced or taken out cheap imports from Asian countries from the local market. Instead most of the cement players were currently investing in promoting their products in order to maintain their status in the market and sustain stiff competitions.

Tanzania's cement industry has been dominated for years by three major producers, Tanzania Portland Cement, owned by a subsidiary of Germany's Heidelberg Cement AG, Tanga Cement, majority owned by Afrisam Mauritius Investment Holdings Limited; and Mbeya Cement, owned by France's Lafarge SA. A team of new players include Arthi Rhino Cement, Camel Cement, Lake Cement, Lee Building Materials and Dangote Cement which have enhanced competition in the market. However it is the coming of Dangote Cement that changed the landscape significantly after it slashed cement prices up to 10,000/- per 50kg bag last year being only months after it started operations. Other players had to follow suit by lowering prices of their products and begin sales promotion campaigns so as to survive in the market. Local cement producers are complaining that imported cement have flooded in the market subjecting them to unfair competition since they are cheap as a result of subsidies from exporting countries or tax evasion. Tanga Cement Managing Director, Reinhardt Swart told the Minister for Industry, Trade and Investment, Charles Mwijage in Tanga last week that they have been subjected to unfair competition in the market due to cheap imported cement that are nevertheless of low quality.

He said some of the cheap products were clinkers on transit that are diverted in local market and sold cheap because they are not taxed. "We ask the government to either stop the imports or at least impose higher tariffs on imported clinkers... We are pleading with the government to ensure clinkers on transit reach their destinations. This will remove unfair competition in the market," he said during the inauguration of the second clinker manufacturing line at Pongwe area. The minister advised local cement producers they need to build a compelling case that will convince the government to act on their complaints. The minister said that they should file their complaints at special desks on ease of doing business that have been established in the ministry in efforts of the government to improve business environment in the country. "Let's reason together so that we can build our case that I can defend to the government," he said noting they need to reason together and build a compelling case on their complaints before the government. *(Daily News)*

**The weighted average yield on Tanzania's 91-day Treasury bill inched lower to 7.46 percent at an auction this week from 7.54 percent at the last sale two weeks ago, the central bank said.** The Bank of Tanzania (BoT) accepted a total of 134.35 billion shillings ($61.60 million) worth of bids for the debt that came in a range of maturities at the auction, held on Wednesday. It had sought to borrow 139 billion shillings. (*Reuters)*

## <u>Zambia</u>

### Corporate News

*No Corporate News This Week*

### Economic News

**Zambia's inflation slowed to 19.6 percent year-on-year in August from 20.2 percent in July, due to a decrease in food prices, the central statistical office (CSO) said on Thursday.** The monthly inflation rate inched up to 0.4 percent from 0.1 percent in July, the statistics agency said. *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT

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



## Zimbabwe

### Corporate News

**The country's sole yeast manufacturer, Lesaffre Zimbabwe says it will inject $1 million in fresh capital and new equipment to raise production at its Gweru plant by 50 percent.** In September last year, French firm Sociètè Industrielle Lesaffre (Lesaffre), a global leader in the manufacture of yeast and fermentation products with a presence in over 180 countries, acquired a 60 percent stake in Zimbabwe's Anchor Yeast. The deal revived the firm, which was facing closure at the time. General manager Bernard Laguerre said the company expects to commission the new at the end of October. This will raise output to 9,000 tonnes of yeast per annum from the current 6,000 tonnes and the company will look to export into the region. The new investment brings to $3 million which Lesaffre has injected into the business since the beginning of the year. "We have invested a lot in this plant and this year alone we have injected $2 million in bringing in the latest technology," said Laguerre. "Once we commission the equipment we will then move into exports, targeting the region with Mozambique, Zambia and Malawi as our prime targets." He said the company will target to export 30 percent of its total production. *(The Source)*

**ECONET Wireless Zimbabwe's funeral assurance scheme, EcoSure, has registered significant growth in the past few months with indications that since 2015, more than 1 500 burial societies in Bulawayo have joined the scheme.** Speaking on the sidelines of the company's Mabhodho Promotion function in Bulawayo on Friday where more than 15 burial societies received kitchen utensils worth $6 000, EcoSure general manager, Godwin Mashiri said the scheme was growing from strength to strength especially in Bulawayo. "We launched the service (concept of burial societies) in Bulawayo last year and now we have over 2 000 burial societies that have already joined EcoSure and its growing. In Bulawayo, we have over 1 500 (burial societies) while countrywide we have over 2000. We have processed more than 400 claims per month, which is over 10 claims per day," he said. Mashiri said the reason why they had engaged burial societies was because they wanted to complement them. "We are complementing the burial societies that were there previously. We are making life easy for them to manage their membership and risk," he said. The firm has partnered a number of service providers such as Nuffield, Doves, Fidelity, Kings and Queens among others to roll out the product.

The company has also roped in more than 500 agents who will be facilitating claims. EcoSure offers two payout options in the event of death, either through nominating a relative who will receive the money in their EcoCash account or through a chosen service provider. EcoSure replaced the once-popular, but now defunct EcoLife which was terminated in 2012. Econet terminated EcoLife in 2012 — its first venture into the insurance sector — as the initial agreement with Trust Co barred it from engaging another technical partner. Before termination, an estimated 1,2 million customers had subscribed to the service. At the time, Econet said it did not owe Trust Co money as it was offering life cover for free to its customers. Early 2014, an arbitrator dismissed a claim by Trust Co that it was owed $6,9 million by Econet and instead ordered that the Namibian firm pay the latter $455,500. EcoLife allowed Econet's subscribers to get free life cover on minimum airtime of only $3 per month. Subscribers did not pay any monthly premiums, as with normal insurance schemes. *(News Day)*

**Mobile operator NetOne says that its average daily revenue has grown to about $400,000 in August from $300,000 in June, driven by an increase in subscribers.** Latest data from the Postal and Telecommunications Regulatory Authority of Zimbabwe (Potraz) shows that NetOne is the fastest growing network in the country, with the number of its active subscribers rising 5,5 percent to 4,360,208 over the previous quarter. Over the same period, Econet, the largest mobile network saw a 0,2 percent growth to 6,714,939 while Telecel dropped 5 percent to 1,824,936. "The figure has gone up and it's now close to $400,000 ….within the next months we will hit the 5 million mark (active subscribers) and as we continue to grow obviously revenues grow," acting chief executive Brian Mutandiro told journalists on Monday during the commissioning of a new base station in Nyanga. "We have to be selective where we put new base stations. We have to put them where there is economic activity and we are doing that," Mutandiro added. The telco, which is wholly owned by government, reported revenue of $57,8 million in the six months to June 2015 in making a $5,8 million loss. NetOne is funding its network expansion through a $263 million Chinese concessional loan over two phases. The loan attracts an interest rate of two percent payable over 20 years.

A planned third phase will cost $485 million and is expected to commence next year under which 3,000 Long Term Evolution (LTE) base stations will be installed in two years. "It will give NetOne the capability to connect 10 million subscribers at any given time ," Mutandiro added. *(The Source)*

**Ecobank Zimbabwe posted a 52 percent growth in after tax profit to $3,4 million for the six months to June, 30, from $1,6 million in the comparable period last year.** Net interest income was 15 percent up to $7,5 million from $6,4 million last year. "This was a result of combined effect of improved quality in earning assets and reduced cost of funds which helped offset the impact of falling lending margins due to regulatory and markets forces," said managing director Daniel Sackey in a statement accompanying financial results. Total deposits grew by 13 percent to $191 million in the six months. Sackey has since been moved to Ghana to head Ecobank's West African Anglophone operations. The bank's capital stood at $48, 4 million, a growth of 17 percent year on year. Operating costs fell three percent to $7,4 million due to cost containment initiatives. Loans and advances were 22 percent lower at $136 million from 165 million as at 31 December 2015. Assets were 12 percent up to $262,7 million from $234 million in December 2015, driven by growth in liquid assets on the back of successful deposit mobilisation initiatives. *(The Source)*

**FBC Holdings on Thursday reported 13 percent increase in after tax profit to $9,3 million in the six months to June, driven by a 36 percent growth in net interest income.** Net interest income at $22,5 million contributed 48 percent to the group's total income. The group recorded total income of $46,6 million, registering a 17 percent increase on the $39,9 million achieved in the same period last year. "The growth in net interest income was mainly driven by an improvement in the cost of funding, overall growth in interest earning assets and the reclassification of suspended interest income to earned interest income, following the performance of some material non-performing loans," said chairman Herbert Nkala in a statement accompanying the unaudited results Thursday. Net fee and commission income grew 16 percent to $12, 5 million from $10, 8 million, as a result of increased volumes of electronic transactions but its contribution to total income remained flat at 27 percent. The insurance business registered a 6 percent decline in revenue, though net earned insurance premium was flat. Basic Earnings Per (EPS) rose 15 percent to 1.41 cents per share and the board proposed an interim dividend of 0,22 cents per. *(The Source)*

**Turnall Holdings recorded a net loss of $1,8 million in the six months to June 30, from a comparative profit of $400,000 last year but management expects to return a profit by end of the year.** Briefing analysts, managing director Caleb Musodza said the company had resized and realigned its level of operations to match its operating income, which resulted in its Harare sheeting plant being placed under care and maintenance. "This process entailed employment costs rationalisation and plant operations consolidation," said Musonza, adding that a total 80 employees have been retrenched. Musodza said benefits of the staff rationalisation programme are expected in the second half of the year together with improved margins and an operating profit. "However, due to the very significant once off retrenchment and plant impairment costs, the group is expected to report a loss for the year ending 31 December 2016," he said.
Musodza said the model is capable of meeting current and short-term market requirements while producing an acceptable gross margin and optimizing the use of working capital. The group expects to become profitable in 2017 going forward. During the half-year, revenue declined 38 percent to $8,73 million from $14 million previously as a result of a decline in volumes. Musodza said the company continued with its cash model given the extreme liquidity challenges in the market. *(The Source)*

**NMBZ Holdings, the holding company of NMB Bank on Wednesday reported a 17 percent decline in after tax profit to $2,6 million in the six months to June as income decreased by nine percent.** Total income in the half year period fell from $28 million last year to $26 million this year. The drop in income was partially cushioned by a four percent drop in operating expenses to $13, 5 million as a result of cost containment measures Interest income was almost flat, at $17 million while fee and commission income, declined from $10, 5 million to $7, 5 million. NMBZ chairman Benedict Chikwanha said the bank had adopted a cautious approach to lending reducing its loan book from $243,2 million to $225, 2 million. "In view of the deteriorating operating environment, the bank went on a drive to reduce exposures on clients in vulnerable sectors while selectively issuing loans to those in strong and growth sectors, hence the decline," he said in a statement accompanying the unaudited results.

Its non-performing loans ratio came down from 14.9 percent as at June 30 2015 to 11,1 percent as a result of aggressive collection efforts and loan disposals to ZAMCO The bank surrendered to the Zimbabwe Asset Management Corporation (ZAMCO) loans amounting to $11,6 million. Chikwanha said the group was in the process of drawing down a $20 million line of credit and finalising the legal documentation for an approved further $15 million facility. Total assets decreased by seven percent from $333 million as at December 31, 2015, to $311 million as at June 30. *(The Source)*

**Zimbabwe's largest short-term insurer, Nicoz Diamond on Wednesday said its net profit for the half year to June 30 dropped eight percent to $1,2 million compared to $1,3 million previously after contributions by associates weakened.** Chairman James Karidza said while the remainder of the year is expected to remain subdued, the company plans to acquire new business but will focus on managing associated costs as well as other operating costs. During the period, gross premiums written grew three percent to $22,9 million compared to $22,4 million in 2015 previously. Operating profit grew 52 percent to $1,87 million from $1,23 million, mainly to 15 percent savings on operating expenses. The Zimbabwean operation recorded a growth of 10.4 percent and remained the largest contributor to revenue. Claims rose 4.8 percent as the company processed heavy fidelity guarantee claims and growing claims in other classes during the period. Profits from insurance underwriting amounted to $1,35 million. The Zimbabwean unit's underwriting profit increased 83 percent compared to prior year while the Malawian operation reported an underwriting loss in the period due to the impact of the Malawian Kwacha devaluation. In Uganda, the operation had a positive contribution to underwriting profits. Managing director Grace Muradzikwa told the shareholders at the company's annual general meeting in July that the company plans to dispose of the Uganda operation, First Insurance Company (FICO) because of low returns and a difficult operating environment. Karidza said the final phase of the Diamond Villas housing project, which resumed in May, is expected to be complete by end of September but demand for sales has been low given the limited and expensive mortgage facilities available in the market. But the company is realizing good yields from the completed units, he said. "The group will endeavor to maintain profitability for the 2016 financial year but the company is mindful of the developments on the property market in Zimbabwe that might have negative impact on property valuations at year end," said Karidza in a statement accompanying the results.

In a post half year update, operations manager Noel Manika told analysts that Gross Premiums Written to July 16 were up by 3,7 percent to $26,5 million compared to $25,5 million in the same period last year. "Up to July, we have seen in terms of the top line growth of 3,7 percent which we are happy about given that within the local market we have seen the income going down but not for Nicoz Diamond,"said Manika. Retention ratio for the half year stood at 65 percent and the group is targeting to reach 70 percent in a mid term plan. "We are far ahead in terms of retention ratio. At Nicoz Diamond we are retaining more which is a much healthier position… As Nicoz Diamond we want to get at least at 70 percent," said Manika. The group's claims increased by 32 percent to $4,9 million in the first six months largely driven by motor section with claims worth $3,3 million. "What is important is to focus on the performance of our biggest class which is motor and our main focus area for now is to insure that claims for the motor book remain under control," said Manika. *(The Source)*

**The Central Africa Building Society, a subsidiary of the Old Mutual Group, recorded a net surplus of $20,75 million for the half-year to June 2016,** up from $10,63 million realised in the comparative period in 2015. Society chairman Dr Leonard Tsumba said the net surplus was attributable to a decrease in impairments through the income statement, from -$9,92 million to $1.6 million, as there was a limited growth in the loan group. Dr Tsumba said some of the loans previously provided for were settled in the period under review. Net interest income declined by 4 percent compared to the same period in 2015, while fee and commission income increased by 5,8 percent. Comparatively, operating expenses increased by 10,7 percent, thus increasing the Society's cost to income ratio from 54,3 percent in 2015, to 60,3 percent in 2016. Dr Tsumba said "Total assets increased by 7,3 percent, from $923 million in June 2015 to $991 million in June this year while deposits grew by 6,7 percent during the same comparative period. The Society's total loans and advances increased by 7.6 percent from $496 million, as at June 30, 2015, to $533 million, as at June 30, 2016."The Society's prudential liquidity ratio stood at 36,5 percent, against the minimum regulatory ratio of 30 percent. In future prospects Dr Tsumba said together with Old Mutual the Society believed extended period of economic decline in the country would come to an end and therefore had adopted a long term view, to follow opportunities that were not apparent in the short term.

"As a result, the Society continues to invest in its customers by pursuing initiatives to enhance its role in both housing finance and banking. "As these initiatives are progressively realised, the Society, as part of a strong and integrated financial service group, will remain a positive and progressive force in the country's financial services sector and in the economy as a whole," added Dr Tsumba. The Central Africa Building Society, a subsidiary of the Old Mutual Group, recorded a net surplus of $20,75 million for the half year to June 2016, up from $10,63 million realised in the comparative period in 2015. Society chairman Dr Leonard Tsumba said the net surplus was attributable to a decrease in impairments through the income statement, from -$9,92 million to $1.6 million, as there was a limited growth in the loan group. Dr Tsumba said some of the loans previously provided for were settled in the period under review. Net interest income declined by 4 percent compared to the same period in 2015, while fee and commission income increased by 5,8 percent. Comparatively, operating expenses increased by 10,7 percent, thus increasing the Society's cost to income ratio from 54,3 percent in 2015, to 60,3 per cent in 2016. Dr Tsumba said "Total assets increased by 7,3 percent, from $923 million in June 2015 to $991 million in June this year while deposits grew by 6,7 percent during the same comparative period. "The Society's total loans and advances increased by 7,6 percent from $496 million, as at June 30, 2015, to $533 million, as at June 30, 2016." The Society's prudential liquidity ratio stood at 36,5 percent, against the minimum regulatory ratio of 30 percent. In future prospects Dr Tsumba said together with Old Mutual the Society believed extended period of economic decline in the country would come to an end and therefore had adopted a long term view, to follow opportunities that were not apparent in the short term. "As a result, the Society continues to invest in its customers by pursuing initiatives to enhance its role in both housing finance and banking. "As these initiatives are progressively realised, the Society, as part of a strong and integrated financial service group, will remain a positive and progressive force in the country's financial services sector and in the economy as a whole," added Dr Tsumba. *(Herald)*

## Economic News

**COTTON output is expected to fall to its lowest level since the 1992 drought because of the serious drought last season and the reduction in finance from cotton companies.** Production is expected to be between 30 000 tonnes and 35 000 tonnes, down from 102 000 tonnes produced last year, an official with a leading cotton company said. The sector used to support about 400 000 households. It is a major source of livelihood in communities such as Gokwe, Chiredzi and Muzarabani. Free inputs disbursed by the Government last year had the potential of producing 130 000 tonnes. "The worst harvest was in 1992 when the country produced 52 000 tonnes and this was because of the drought," said the official who requested not to be named for professional reasons. "But it is likely to be worse this year, from the assessment that we have made, we could reach 35 000 tonnes, but chances are that it could be lower. "The major reason is drought while some farmers might not have planted the seed, which was provided by the Government for free. Late input disbursement is also an issue." No comment could be obtained from the Agricultural Marketing Authority by the time of going to print. But observers have pointed out that "a formal enquiry" should be conducted to establish why the crop size "has come down to unimaginable levels". "We can't simply shrug off and say its drought; there are deeper issues which need to be explored."

Zimbabwe National Farmers Union vice president Mr. Gari Musika said while the poor rains have affected crop output, particularly during 2015 /16 season, major contractors have scaled back on their inputs funding to the detriment of grower yield realisation. "To optimise production, we need to give farmers the requisite inputs," said Mr. Musika. "If you give farmers seed only; and there is no fertilizer and chemicals, they will not get good yields. I think the agronomy of the crop is not being handled properly." Since the beginning of this year's cotton selling season, farmers have delivered 16 million kilogrammes of cotton, below half of what was delivered in the same period last year. Seed cotton intake as at July 29, 2016 showed 15,9 million kg of the crop had been delivered, down from 36,5 million kg during the same period last year, the Agriculture Marketing Authority said. Eight companies were licensed to buy the crop this year. Most merchants are paying an average price of 36c per kilogramme. While Cottco is paying 35c per kilogramme on the spot, the company is issuing promissory receipts to farmers indicating that it will adjust the price to 45c kg. Cottco, which is buying the crop on behalf of the Government has bought about 6 million kg, followed by Olam (3,1 million kg), Grafax (2 million kg and Alliance Ginners at 1,5 million kg. *(Herald)*

# WEEKLY AFRICAN FOOTPRINT

TRADING

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

**Zimbabwe has stopped hiring new state workers after failing to pay its soldiers and teachers on time, according to an official notice, as President Robert Mugabe's government struggles with a big financial squeeze.** The southern African nation dumped its hyperinflation-hit currency in 2009 and adopted the U.S. dollar, but it is facing biting dollar shortages and is struggling to secure international financing. August salaries for the army and teachers have been delayed by a week. Such delays could fuel political tensions in Zimbabwe, which has also been hit by drought and a drop in mineral prices, all factors behind recent protests against 92-year-old Mugabe, the only leader independent Zimbabwe has known. Zimbabwe first announced it plans to freeze new hirings for public workers after a March 2015 civil service audit, whose results were never made public. Pretty Sunguro, the secretary in the Public Service Commission, which employs all state workers, said in a memorandum dated Aug. 2 to all government departments that it had frozen "the filling of all vacant critical, non-critical and promotional posts with immediate effect." In the notice, seen by Reuters on Monday, Sunguro said "recruitment of critical areas only will be considered on a case by case basis. Please note that in the same vein, all other forms of regrading have also been frozen." Public Service Minister Prisca Mupfumira declined to comment. Without balance of payments support or funding from its traditional Western backers, Harare spends 82 percent of its national budget on public sector salaries. Harare owes $110 million to the IMF, $600 million to the African Development Bank and $900 million to the World Bank. Western powers imposed sanctions on Mugabe's government over allegations of vote rigging and human rights abuses, which he rejects, while lenders such as the International Monetary Fund have frozen financial aid since Harare defaulted in 1999. *(Reuters)*

**Zimbabwe signed an agreement on Monday with Chinese and Austrian firms to upgrade a busy highway, a deal that will be one of the country's biggest road projects since independence 36 years ago.** China Harbour Engineering Company Ltd (CHEC), a subsidiary of China Communications Construction Co Ltd, will partner Austria's Geiger International to upgrade and add more lanes to the 900 km (558 mile) highway from Beitbridge on the border with South Africa to Chirundu on the Zambian border. The highway is economically significant as it links landlocked Zimbabwe and Zambia to the Indian Ocean ports of Durban and Richards Bay in South Africa. Transport Minister Joram Gumbo said the cost of the project, which the minister had estimated at $2.7 billion in March, was yet to be determined. CHEC joins several Chinese firms that have been given contracts in Zimbabwe, for projects such as building power stations or revamping water plants, since President Robert Mugabe's government fell out with Western financiers in 2000. The road project is split in two phases, with the Chinese-Austrian venture building and getting a 20-year concession to operate part of the road, while the other part will be financed by a loan from an unnamed party and investment from CHEC. *(Reuters)*

**TOBACCO exports have raked in $317 million as at August 2016 with the bulk going to China according to latest statistics from the Tobacco Industry and Marketing Board (TIMB). During the same period last year, tobacco worth $347 million was sold.** In 2016, seasonal exports increased to 62,3 million kilogrammes at an average price of $5,09 compared to last year's 65,6 million kg at an average price of $5,29 per kg. The value of the crop exported to China was $174 375 805 at an average price of $8 per kg. South Africa was the second highest buyer, purchasing 11 000 326 of the golden leaf valued at $30 767 792. The average price was $2.80. According to statistics from the TIMB, of the total exports 21 804 592 kg of the golden leaf had been shipped to China. Belgium was the third after buying 4 990 290kg of tobacco worth $23 312 497 at an average price of $4,67 per kg. During the same period last year, China was leading after buying 21 894 505kg valued at $183 984 629. The average price was at $8,40 per kg, while South Africa brought 8 413 267kg valued at $23 722 979. The average price was at $2,82 and Indonesia purchased 5 090 721kg valued at $21 586 300 at an average price of $4,24 per kg. As of Friday last week tobacco totalling 198,3 million kg and valued at $584,5 million had been sold. The deliveries were 3,3% up from the 191,9 million kg recorded last year valued at $564,9 million. *(News Day)*

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