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:

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	21-Feb-14	28-Feb-14	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	9,232.55	9,169.50	-0.68%	1.07%	1.28%	0.64%
Egypt	CASE 30	7,840.68	8,127.44	3.66%	5.06%	19.82%	20.91%
Ghana	GSE Comp Index	2,439.20	2,420.91	-0.75%	-2.39%	12.85%	4.91%
Ivory Coast	BRVM Composite	243.40	240.51	-1.19%	-0.64%	3.66%	3.95%
Kenya	NSE 20	4836.25	4933.41	2.01%	1.54%	0.13%	0.19%
Malawi	Malawi All Share	12,661.60	12,661.60	0.00%	-0.48%	1.04%	-0.59%
Mauritius	SEMDEX	2,085.39	2,079.22	-0.30%	0.27%	-0.79%	-0.20%
	SEM 7	402.81	401.08	-0.43%	0.14%	-0.63%	-0.05%
Namibia	Overall Index	1,028.00	1,040.00	1.17%	4.03%	4.31%	1.88%
Nigeria	Nigeria All Share	38,535.64	39,331.96	2.07%	2.41%	-4.83%	-6.79%
Swaziland	All Share	294.27	294.27	0.00%	2.83%	3.01%	0.60%
Tanzania	TSI	2,918.80	2,928.29	0.33%	0.54%	2.98%	0.90%
Tunisia	TunIndex	4,687.92	4,713.72	0.55%	1.02%	7.59%	12.28%
Zambia	LUSE All Share	5,297.19	5,297.22	0.00%	-0.96%	-0.96%	-5.85%
Zimbabwe	Industrial Index	190.71	189.01	-0.89%	-0.89%	-6.49%	-6.49%
	Mining Index	33.61	39.24	16.75%	16.75%	-14.30%	-14.30%

CURRENCIES

Cur-rency	21-Feb-14 Close	28-Feb-14 Close	WTD % Change	YTD % Change
BWP	8.86	8.70 -	1.74	0.64
EGP	6.94	6.85 -	1.34 -	0.90
GHS	1.87	2.54	1.68	7.57
CFA	477.92	475.30 -	0.55 -	0.28
KES	84.65	85.04	0.46 -	0.06
MWK	417.37	419.37	0.48	1.64
MUR	29.01	28.85 -	0.57 -	0.59
NAD	11.04	10.74 -	2.76	2.39
NGN	163.44	162.89 -	0.34	2.10
SZL	11.04	162.89 -	2.76	2.39
TZS	1,592.36	1,588.90 -	0.22	2.07
TND	1.58	1.57 -	0.46 -	4.18
ZMW	5.73	5.78	0.97	5.19

SECURITIES AFRICA

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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

Egyptian Juhayna Food Industries , one of the countrys largest dairy product and juice makers, posted 2013 net profit of 328.3 million Egyptian pounds ($47.16 million) on Thursday, up 0.9 percent. *(Egypt.com)*

Economic News

A shake-up of Egypt's food import and storage authorities has seen an official from its main food buying agency referred to prosecutors over suspected corruption on local rice deals, while the head of its silos and storage holding company was fired. Egypt is the world's biggest wheat importer, normally buying some 10 million tonnes a year and while the suspected corruption is focused on rice, the moves come just days after two senior officials from the General Authority for Supply Commodities (GASC) were transferred from their posts. Traders fear any disarray within GASC could hurt its ability to launch international tenders. GASC has said the re-shuffles would not impact its import activity. It has also unnerved companies involved in importing grain to Egypt and potentially a small group of global traders that supply them. "It's chaos, even the people inside GASC don't know what's going on and are concerned," said an international grain trader. On Saturday, Supplies Minister Mohamed Abu Shadi had referred the head of the central import administration at GASC to administrative prosecutors for suspected corrupt dealings with traders. "The case has no relation at all with wheat, it is about dealings to purchase local rice from local traders in which the official had extended traders' deadlines to 10 days instead of a week," ministry spokesman Mahmoud Diab told Reuters but declined to name the man. While GASC were not immediately available for comment, rice industry insiders were sceptical about the supply ministry's assessment.

Egypt suspended rice exports in November to meet its domestic needs for a government subsidy programme. The country had an exportable surplus estimated at 800,000 tonnes of rice last year. Local consumption amounts to around 4 million tonnes of white rice a year, of which around 1.1 million tonnes are used for its subsidised rice programme. "It seems odd as there is an abundance of rice available for the local market since Egypt shut the door for exports," a senior rice industry source said, referring to Diab's comments. Abu Shadi also sacked the head of the silos and storage holding company and other officials for failing to reach targets set for 2012/13. Diab said it was within the minister's rights to inject new blood into the company. Two senior GASC officials, dealing with wheat imports and procuring local rice, were moved from their posts a few days ago. Diab said they were still working within GASC. The changes mark another flashpoint in Egypt's food supply after deposed Egyptian President Mohamed Mursi spent his year in power dramatically reducing wheat imports in a failed attempt at self-sufficiency. Abu Shadi has said self-sufficiency needs swift action towards increasing Egypt's wheat storage capacity from 1.5 million tonnes to 6 million tonnes. The Egyptian company for silos is responsible for building 50 new ones. The United Arab Emirates, one of the Gulf Arab states that showered Egypt with billions of dollars after Mursi's fall, is funding 25 other silos. *(Reuters)*

Egypt's draft new investment law will contain provisions to prevent third parties from challenging contracts made between the government and an investor, a cabinet source said on Monday. The clause is intended to reassure investors unnerved by previous legal challenges to such deals, some of which have left companies in a legal limbo after being sold by the government. Since the uprising that toppled Hosni Mubarak in 2011, Egyptian courts have issued at least 11 rulings ordering the state to reverse deals signed by the former president's administration. The lawsuits have been brought by activists and lawyers who alleged that companies were sold off too cheaply in deals that were representative of corrupt business practices during the Mubarak era. Many Gulf companies were exposed to the risk of renationalisation. Private Arab Gulf businessmen have repeatedly cited a lack of guarantees that their money will be safe in Egypt as a reason for holding back investment. The draft must be approved by Egypt's president before it becomes law. Egypt's economy has been battered by three years of political turmoil which left the biggest Arab nation in dire need of foreign investment. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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TRADING

Egypt's government resigned on Monday, paving the way for army chief Field Marshal Abdel Fattah al-Sisi to declare his candidacy for president of a strategic U.S. ally gripped by political strife. After the July overthrow of elected Islamist President Mohamed Mursi and subsequent crackdown on Islamists and liberals with hundreds killed and thousands jailed, critics say Cairo's military-backed authorities are turning the clock back to the era of autocrat Hosni Mubarak, when the political elite ruled with an iron fist in alliance with top businessmen. The outgoing government "made every effort to get Egypt out of the narrow tunnel in terms of security, economic pressures and political confusion," Prime Minister Hazem el-Beblawi said in a live nationwide speech. Beblawi, who was tasked by interim President Adly Mansour with running the government's affairs until the election, did not give a clear reason for the decision. But the resignation effectively opened the way for Sisi to run for president since he would first have to leave his post as defense minister in any case. "This (government resignation) was done as a step that was needed ahead of Sisi's announcement that he will run for president," an Egyptian official said. He told Reuters that the cabinet had resigned en masse because Sisi did not want to appear to be acting alone. Government spokesman Hany Salah said only: "This government feels that it did what it had to do in this critical period, and maybe it's time for a change." Sisi has unveiled a political roadmap meant to lead to elections after toppling Mursi of the Muslim Brotherhood following mass unrest against his increasingly arbitrary rule. But promises of democracy have not borne fruit in what is the world's biggest Arab nation, where hundreds of thousands of people gathered in 2011 in an army-backed uprising that overthrew Mubarak and raised hopes of a new political landscape.

The United States, Cairo's main Western ally and military backer, has expressed concern for democracy since Mursi was ousted, but has also described Egypt, which has a peace treaty with Israel and controls the Suez Canal, as a vital partner. On Monday, the U.S. State Department said it was surprised by the government's resignation. Washington is watching the situation closely and seeking details from Egyptian counterparts, State Department spokeswoman Jen Psaki said. "This step was unexpected, so we are looking to obtain information on it," she told a regular news briefing. "Our focus ... remains on pressing and encouraging Egypt to take steps forward that will advance an inclusive transition process that leads to a democratic civilian-led government selected through a credible and transparent elections process," Psaki said. Egypt's stock market rose 0.26 percent after news of the government's departure to 8029.37 points, reversing losses from earlier in the day. Mursi's removal touched off the bloodiest political crisis in modern Egyptian history. Security forces killed hundreds of Brotherhood supporters and jailed thousands, and top leaders were put on trial.

The Muslim Brotherhood accused Sisi of plotting a coup to restore military-dominated government, and human rights groups say abuses are spreading by the day, allegations the army-backed government denies. Housing Minister Ibrahim Mahlab, a former official in Mubarak's National Democratic Party, was expected to be named prime minister of the new government, said a security source. The Egyptian authorities are likely to remain preoccupied with efforts to further weaken and isolate the Muslim Brotherhood and fight a mushrooming Islamist insurgency. The government has also clamped down on some secular activists who were instrumental in the popular uprising that deposed Mubarak, and who supported Mursi's removal. They are now languishing in prisons and face trial. Compounding the instability, Islamist militants based in the widely lawless Sinai Peninsula have intensified attacks on police and soldiers, killing hundreds since Mursi's fall. The Sinai-based group Ansar Bayt al-Maqdis claimed responsibility for a suicide bombing that killed two South Koreans last week, inflicting yet more harm on a tourism industry gutted by political turmoil and protests. Ansar also said that it was behind assassinations of army and Interior Ministry officials. A security source said Interior Minister Mohamed Ibrahim, who has been spearheading the campaign to crush the Brotherhood, was expected to retain his post in the hope he could provide tight security before elections. He survived an assassination attempt by a suicide bomber last year. The Gulf Arab states of Saudi Arabia, United Arab Emirates and Kuwait, deeply suspicious of the Muslim Brotherhood, showered Egypt with billions of dollars in aid after Mursi's political demise. That raised the morale of the government and filled state coffers. But any new government will be under pressure to come up with long-term plans to strengthen the tottering economy.*(Reuters)*

The outlook for Egypts banking system is negative because of political instability and banks increasing exposure to the indebted government, Moodys Investors Service said in a report that contrasted with many investors growing optimism. Yields on Egypts international bonds have tumbled and its stock market has soared 62 percent since last July, when the ouster of Islamist President Mohamed Mursi brought to power an army-backed government promising better economic management. Billions of dollars in aid to Egypt

from Gulf allies since Mursis ouster have averted a balance of payments crisis and allowed the government to spend on economic stimulus plans. But credit rating agency Moodys, which rates Egypts sovereign debt Caa1, deep in junk territory, said on Tuesday that it still had a negative outlook for the mass of Egyptian banks - unchanged since 2011, when the countrys political turmoil began. One reason is Egypts continuing political tensions, Moodys said. Although it is moving towards elections, the government remains locked in a confrontation with Mursis Muslim Brotherhood and also faces incidents of militant violence. "Against the backdrop of the unsettled security situation and political climate, the banks operating environment will remain difficult," Constantinos Kypreos, senior credit officer at Moodys, said in a statement. "This is because the outlook for foreign investment, tourism and consumer confidence remains weak, leading to subdued credit growth and low business generation for banks."

The rating agency forecast Egyptian gross domestic product growth of just 2.6 percent in 2014, well below an average of 4.9 percent between 2001 and 2010 - and below the roughly 5 percent which many analysts think is needed to cut high unemployment. Moodys also cited "banks high and increasing exposure to Caa1-rated Egyptian government debt", which ties the systems solvency to sovereign default risk. It predicted that over the next 12 to 18 months, banks exposure to government securities, which reached 5.7 times shareholders equity in September 2013, would rise further. "The government continues to rely on local banks to fill the funding gap in the absence of foreign funding and continues to run high budget deficits," Moodys noted, predicting banks asset quality metrics would deteriorate further as corporate loans were restructured. Although Egyptian banks reported an average Tier 1 capital ratio of 11.8 percent last September, Moodys said that level was low given the likelihood of deterioration in assets.

Egypts national regulator gives a zero risk-weighting to the banks holdings of Egyptian government securities but applying a weighting of 150 percent, more in line with global standards, would yield a capital ratio below 6 percent, it said. However, Moodys said it expected Egyptian banks to remain well-funded because of their strong deposit bases, supported by remittances from Egyptians working abroad. This lets them avoid relying on riskier funding from domestic or foreign markets. Last month Fitch Ratings raised the outlook for its B-minus rating of Egypt to stable from negative, citing financial aid from the Gulf and a somewhat calmer political situation. But it said public finances remained the main weakness in the countrys sovereign credit profile, and that it did not expect the state budget deficit to drop significantly in the next two years. *(Egypt.com)*

The Central Bank of Egypt said Thursday that Egyptian M2 money supply climbed 16.7 percent in the year to the end of January Money supply rose to 1.40 trillion Egyptian pounds at the end of January and 1.20 trillion pounds at the end of January 2013. Following is a table of the latest M2 figures in billions of Egyptian pounds, according to the central banks website (cbe.org.eg): (In bln pounds) Jan. 2014 Dec. 2013 Jan. 2013 Domestic liquidity (M2) 1,398.7 1,387.7 1,198.1. **.** *(Egypt.com)*

Egypts central bank left official interest rates on hold on Thursday, as it tries to stimulate an economy hurt by three years of political turmoil while keeping inflation in check. Economic growth in the Arab worlds most populous nation has slowed markedly and many foreign tourists and investors have shied away from Egypt since the uprising that toppled autocrat Hosni Mubarak in 2011. Egypts interim government, installed by the army after Islamist President Mohamed Mursi was forced from office in July, unexpectedly resigned on Monday, but many ministers have been reappointed since then. Presidential and parliamentary elections are due to be held within months.
The bank said its monetary policy committee (MPC) left the overnight deposit rate unchanged at 8.25 percent and its overnight lending rate at 9.25 percent. It also kept its discount rate and the rate it uses to price one-week repurchase and deposit operations at 8.75 percent, the bank said in a statement. Egypts annual urban inflation rate slowed to 11.4 percent in January from 11.7 percent in December. Core annual inflation slid to 11.7 percent in January from 11.9 percent in December.

The economy grew a meagre 2.1 percent last fiscal year, which ended on June 30. Gross domestic product (GDP) for the first quarter of this fiscal year, the three months through Sept. 30, grew just 1.04 percent. "The pronounced downside risks to domestic GDP combined with the persistently negative output gap since 2011 will limit upside risks to the inflation outlook going forward," the bank said, repeating the wording of its last statement. "As upside risks to the inflation outlook continue to moderate as the possibility of a rebound in international food prices is unlikely in light of recent global developments, annual inflation is projected to ease from their current levels in the coming

months." Five of six economists surveyed by Reuters had expected the bank to keep rates unchanged on Thursday. One expected a cut of 50 basis points. *(Egypt.com)*

WEEKLY AFRICAN FOOTPRINT

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Ghana

Corporate News

No Corporate News This Week

Economic News

The Bank of Ghana (BoG) has justified the introduction of measures by it in recent times, saying, they were meant to streamline foreign exchange market operations to shore up the fallen cedi. The bank also said the measures were simply reflecting enforcement of existing guidelines to halt dollarization in the country, and check mis-lodging of funds into the Foreign Current Account and Foreign Exchange Account. The BoG has not revised a single principle, but only sought to introduce clarity into existing guidelines which have been flouted for a very long time with impunity, it said. Dr Benjamin Amoah, Head of Financial Stability Department of BOG made these remarks on Wednesday, during a policy forum organised by the Institute of Economic Affairs (IEA) on the theme: "The Cedi Crisis: Implications and Way Forward." On February 4, the Central Bank of Ghana announced measures to shore up the cedi against the major foreign currencies, especially the US dollar, triggering mixed reactions from the business community and the public. But Dr Amoah assured the business community and the public that there was no need to panic, because the BoG knew "what it is doing… it is a well thought of programme." He said BoG was convinced by its actions, and with the collaboration of the Ministries, Department and Agencies it would succeed in the implementation of the policies. Dr Anthony Akoto Osei, Minority Spokesperson on Finance, blamed the fast fallen cedi on mismanagement of the economy through uncontrolled borrowing, irresponsible spending and over expenditure. He said the cedi crisis has inflicted untold hardships on businesses, and lives of the people, leading to total loss of confidence in the economy. Ghana's total debt has risen from eight billion dollars in 2008 to 23 billion in 2013, with total expenditure having been 36 billion dollars, matching against total revenue of 26 billion dollars. Dr Osei called on government to revise the budget, and ensure prudent fiscal expenditure management, but not to necessarily focus too much on growth. He said government ought to work seriously on eliminating ghost names from the public service payroll, avoid imposing new taxes, but focus on tax administration. Mr Fifi Kwetey, Minister of State for Economic Planning and Financial Services debunked the notion that the fallen cedi stemmed from economic mismanagement. He said exogenous factors or shocks, particularly poor external market conditions for cocoa, oil and mining, put too much pressure on the local currency. He said the depreciation of the cedi had been going back and forth since the 1990s, and therefore called on politicians to direct energies at discussing and analysing causes and the way forward for the structural challenges. Mr Kwetey said government's measures were designed to tackle the ailing cedi in both the short and long term, to guarantee stronger stability of the economy. He, however, expressed worry that people preferred to go into buying and selling rather than venturing into productive sectors for export to generate more foreign exchange. *(Ghana Web)*

Ghana's provisional 2013 budget deficit has been revised to 10.8 percent, up from the government's previous forecast of 10.2 percent, Finance Minister Seth Terkper told Reuters on Tuesday. The West African nation recorded one of the fastest growth rates on the continent in 2011 after it began pumping oil. But it has missed its spending targets since 2012, when its deficit almost doubled to 11.8 percent of gross domestic product (GDP), raising questions over economic management. Terkper said the final deficit figure for 2013 could be further revised depending on final figures for economic growth last year. He did not give any details or comment on whether Ghana was on track to hit a deficit target of 8.5 percent for 2014. A senior finance ministry official, who asked not to be named, told Reuters that the 2013 deficit figure was pushed up by a shortfall in tax revenues and payment of wage arrears. Borrowing costs were also 30 percent higher than forecast, the official added. Ghana exports gold, cocoa and oil and has one of West Africa's most stable democracies. However it is grappling with high inflation and its cedi currency has weakened by nearly 8 percent against the dollar this year. *(Reuters)*

Ghana's economy grew 5.5 percent in 2013, less than the 8 percent targeted by the government, the International Monetary Fund said on Wednesday. The 2013 fiscal deficit rose to 10.9 percent of gross domestic product on revenue shortfalls, wage overruns and rising interest

costs, the Fund said in a statement at the end of a mission visit. That figure is higher than the government's revised target of 10.8 percent and the Fund also said the government's 2014 deficit target of 8.5 percent of GDP was at risk. The West African nation, which exports gold, oil and cocoa, saw one of the fastest growth rates on the continent in 2011 after it began pumping oil but has missed fiscal targets since 2012, when its deficit jumped to 11.8 percent of GDP. The Fund called for urgent measures to address the macroeconomic imbalances, saying the weakening growth and inflationary pressures could continue into 2014. "The large fiscal deficit, combined with a weaker external environment, led to a widening of the current account deficit to 13 percent of GDP and to further pressure on international reserves," the Fund said. Ghana's year-on-year consumer inflation rose to a fresh three-year high of 13.8 percent in January, fuelled by a persistent decline in the local cedi currency. The cedi has depreciated nearly 8 percent this year, prompting measures to stabilise it earlier this month. *(Reuters)*

The producer price inflation rate for the month of January has shot up to 23.3 percent. The index which measures the average change in prices from domestic producers increased from 15.3 recorded in December last year representing a monthly change of 7.2percent. The Utilities group recorded the highest inflation rate of 55.3percent, representing a 14.3 percentage points increase from 41percent recorded in December. The manufacturing group recorded a high year-on-year inflation of 24.2percent. The group was dominated by the manufacture of machinery which recorded an astronomical inflation rate of 76percent. Head of Industrial Statistics at the Ghana Statistical Service, Anthony Kraker said that "for the manufacturing group, it is as a result of depreciation of the cedi and the increase in utility prices." Manufacture of electrical machinery and apparatus however recorded the lowest in the group recording a deflation of 0.8percent. Mining and Quarrying though recorded an increase in inflation rate, continuous to have its rate in the negatives. It recorded a year on year deflation of 5.8. *(Ghana Web)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Beer maker EABL has shifted to use of aluminium cans for packaging exports to cut on distribution expenses resulting from breakages and loss of returnable glass bottles. The regional brewer says its exports to Rwanda, Burundi, South Sudan and Eastern DRC will now be transported in cans as opposed to glass bottles. The company is hoping to reduce its selling and distribution costs, which in the six months to December jumped 20 per cent to Sh3 billion compared to Sh2.5 billion incurred in a similar period a year ago. "Packaging products in cans is actually more expensive than in glass, but after a series of round trips, it makes more economic sense to transport the products in non-returnable cans," said Charles Ireland, the EABL managing director. A combination of new taxes and stringent alcohol-consumption regulations saw EABL recently announce the slowest first-half sales growth in four years and the brewer is keen to slash costs to protect its bottom line. It has set a target of saving Sh800 million on its selling and distribution costs this year. "Cans (are) more cost-efficient when it comes to savings on breakages, losses on return rates of glass bottles as well as haulage costs," said Mr. Ireland. EABL exports its products using its subsidiary EABL International (EABLi). The brewer also ships to far-flung markets of North America, Canada, Asia, Australia and the United Kingdom. In these markets, cans are the preferred packaging, but it is still possible to find some products in glass bottles. In the trading model used in the export markets closer to Nairobi, alcohol products (which are packaged in glass bottles) are loaded onto trucks at the Ruaraka brewery and driven to their respective export destinations.

In 2011, the brewer awarded global logistics firm DHL the contract to transport its products to major distribution points. Once in their respective markets, truckers offload the products, collect the empty ones and then repeat the cycle. It is this cycle that EABL wants to make more economical. The beer maker is also reviewing its supply chains in Tanzania and Uganda. EABL has already opened a depot in South Sudan to improve availability of its products. Opening of depots will see EABL store more of its canned products in countries where it lacks a brewing presence, ensuring more reliable supply. "As our business in these export markets grow, the investment and economic benefit of cans will pay off," said Mr. Ireland. In mid-2012, EABL invested Sh1 billion in a new canning line at its Ruaraka brewery. The canning line came after passage of the Mututho Law which, through restrictive rules on bar operating hours, had severely hurt the industry resulting in reduced sales. By packaging most of its products in cans, EABL was targeting drinkers who prefer to buy their drinks for home consumption. *(Business Daily)*

Kenya Airways has signed a deal to sell tickets for its low-cost carrier through mobile phones, helping to save on extra costs that come with use of agents. The budget carrier, JamboJet, has partnered with mobile technology firm Cellulant to enable booking and payment through M-Pesa, Airtel Money and banks such as Barclays, Standard Chartered, CfC Stanbic, NIC, Faulu, Bank of Africa, DTB, Ecobank, I&M and First Community Bank. JamboJet tickets will go on sale from February 27. The low-cost carrier will start operations on April 1 with one-way tickets as low as Sh2,850 to domestic destinations such as Mombasa, Kisumu and Eldoret. Return tickets on other commercial airlines cost up to Sh10,000 more to the same destinations. "The mobile payment platform is part of our strategy to keep costs minimal, thus enabling us to deliver on our promise to offer customers affordable air travel," said JamboJet's chief executive Willem Hondius. To maintain the low fares the airline has a leaner cost structure including distribution of tickets and outsourcing non-core functions like maintenance, ground handling and human resources. The airline is looking to make most of its sales on the internet, where customers can book and pay using their cards or mobile money. Mr. Hondius said the market, especially the people it is trying to attract who are used to ground transport, was still wary of e-commerce forcing the airline to seek an alternative distribution channel from the internet and sales offices. Passengers can expect to pay slightly more on this platform. "Internet will also be the cheapest channel, if you buy through the internet you will get the lowest fares we will have available," said Mr. Hondius in an earlier interview. Airlines mainly use Global Distribution Systems (GDS) such as Amadeus and Travelport who charge a fee for every ticket, raising costs. Travel operators will also get the tickets on the internet. Cellulant operates in 10 African countries, making it easy for JamboJet to continue with the partnership when it rolls out on routes outside Kenya in a year's time. The budget airline will initially launch on Kisumu, Eldoret and Mombasa routes from Nairobi. JamboJet flights will come with fewer comforts found on international airlines and passengers could be asked to pay for extras like food and baggage.

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(Business Daily)

In a move likely to upset the apple-cart in the telecom sector, Equity Bank has applied for a licence to operate a mobile telephone business. Kenya's largest bank in customer base has submitted an application to the Communications Commission of Kenya (CCK) for a licence to become a Mobile Virtual Network Operator (MVNO). This means the company will not operate its own network but will ride on the infrastructure of an existing Mobile Network Operator (MNO) to roll out mobile telephone services. In a telephone interview, CCK director general Francis Wangusi admitted receiving Equity Bank's application, saying the regulator was assessing it. "The Equity Bank licence application is not yet approved. It still has to go through several stages which are required by law," Mr. Wangusi told Smart Company. He added that the application has been forwarded to the National Intelligence Service (NIS) for security evaluation before it is remitted to a CCK committee that will decide whether to grant Equity an MVNO licence. Four more firms have also applied for similar licences, although Mr. Wangusi could not, at the time, reveal their identities. By the time Smart Company went to press, Equity Bank Group had not responded to calls and emails for comment on this story. However, yuMobile's managing director Madhur Taneja admitted that his company was in talks with the bank and hoped to clinch a deal to share infrastructure if Equity is granted a licence. "We are in discussion with them as they are partners but I cannot comment on any developments in progress," said Mr. Taneja in a text message.

In such a deal, yuMobile would benefit by renting Equity Bank's surplus or unused resources on its network. On the other hand, Equity Bank would perhaps roll out branded SIM cards. In keeping with the Banking Act requirements, however, approval by the Central Bank of Kenya is needed before operations are rolled out. At the moment, Equity Bank has more than 8 million customers. If they all join the bank's mobile services, this would push it to the second position in Kenya's mobile telephone business after Safaricom, which has about 21 million subscribers. An industry expert who spoke to Smart Company on condition of anonymity said Equity Bank was likely to focus on providing its customers with mobile payment and banking services. Although Equity is already doing this through partnership with telecom firms, independence would see the bank gain greater control of these services and the market. "Equity feels that it needs the SIM cards in order to win the mobile banking and electronic payments battle," noted the industry expert. Gaining MVNO status would actualise a long-held but rarely articulated goal of Equity's management. Equity is the most affected bank by the advent of mobile money in Kenya. Safaricom's M-Pesa, the first mobile money service in the local market, targeted the under-served and unbanked population that had been the key driver of Equity's exponential growth. Efforts by the bank to partner with telcos to enter mobile banking and electronic payments have not met expectations and the bank has admitted to its frustrations. In a book exploring the history of M-Pesa, Mr. John Staley, Equity Bank's chief officer for Finance, Innovation and Technology, is quoted saying the success of such mobile banking services lies in controlling the SIM cards used by subscribers. "If we are going to provide mobile services to customers, we need to access SIM cards…Whoever controls the SIM card controls the ecosystem," said Mr. Staley as quoted in the book: Money, Real Quick: Kenya's Disruptive Mobile Money Innovation by Tonny Omwansa and Nicholas Sullivan.

In 2010, Equity Bank and Safaricom brought to the market what was arguably Kenya's first mobile banking application — M-Kesho. However, following wrangles over revenue sharing, and as each firm tried to protect its base of customers, the application was stillborn. Over the past four years, the local mobile money and mobile banking markets have grown increasingly sophisticated. Safaricom has gone on to launch a merchant payment service Lipa na M-Pesa. And in partnership with Commercial Bank of Africa (CBA), Safaricom has launched M-Shwari, a banking service that is similar to M-Kesho. Equity has also deepened its presence in mobile banking by signing deals with both Airtel and Telkom Kenya. The bank also enabled M-Pesa withdrawals from its Automated Teller Machines (ATMs) countrywide. Recently, Equity has been active in growing the market for electronic payments. Separate deals have been struck with Visa and MasterCard to increase use of payment card in Kenya. In January last year, MasterCard and Equity announced plans to roll out mobile points of sale (MPOS) to enable cashless transactions over handsets. Equity was to start by issuing out five million MasterCard-branded cards to its customers, agents and merchants. The bank wanted to target kiosk operators, retailers and other merchants. "The benefit to the bank is that people will not need to withdraw money to make transactions. They will do so by simply swiping their cards to settle transactions at points of sale," said Equity Bank's chief executive officer James Mwangi at the time. In July, Equity Bank followed this with a partnership with MasterCard and Kenyatta University to issue prepaid cards to the KU alumni spread across the world. Most significantly, however, Equity has partnered with

technology giant Google to bring electronic payments to Kenya's public transport sector. BebaPay uses Near Field Communication (NFC) to enable payment of fares using prepaid cards. There are plans to expand the service beyond transport and into other sectors including hospitality. Safaricom has also made its entry into this arena with its Lipa na M-Pesa service for fare payments, which poses a challenge to the Equity-Google venture. Safaricom currently has 75 per cent of the adult population on M-Pesa services, conducting transactions worth more than Sh2 billion daily.

Lipa na M-Pesa was initially targeted at the retail sector, competing head-to-head with electronic payment solutions offered by banks such as Equity. Central Bank of Kenya data shows that transactions valued at Sh1.9 trillion were made through mobile money in 2013. In December alone, 25 million people carried out a transaction using mobile money. Two weeks ago, Equity Bank upgraded its core banking system to hold more than 150 million accounts and one million transactions per second, equaling Safaricom's M-Pesa's system. During the launch of the new system, the management noted that the upgrade would allow the bank to "roll out its future technology-driven innovative products" and "explore new lines of business." The market for cashless payments in Kenya is expected to expand significantly in the coming months. Last year, President Uhuru Kenyatta directed that cash payments be banned from the public sector beginning April 1, 2014. By the end of July, all public transport vehicles are expected to be using electronic payments, according to regulations gazetted by the National Transport Safety Authority earlier this year. Therefore, if Equity Bank can provide the market with an integrated ecosystem with which to handle all these payments seamlessly, then this could provide a fresh and robust revenue stream. The management knows the benefits of going mobile. "To really bank the unbanked, we need to go cashless because the biggest cost of doing financial transactions is actually cash," Mr. Staley added.*(Daily Nation)*

Kenya's KCB Bank posted a 17 percent jump in pretax profit to 20.1 billion shillings ($232.37 million), boosted by a strong performance from its Kenyan business. The lender, the largest by assets in the country, said net interest income rose 8 percent to 32.98 billion shillings. It also operates in the greater east Africa region in South Sudan, Uganda, Burundi, Tanzania and Rwanda. It proposed a dividend of 2 shillings per share, a 10 cents rise from the previous period. KCB also attributed the growth to a fall in costs that drove its cost-to-income ratio to 54 percent from 57.4 percent in the previous year. Other income increased by 52 percent to just over 1 billion shillings while provision for bad debts fell 53% to just under 1 billion shillings, the lender said.*(Reuters)*

Kenya Power on Thursday posted a 17-percent rise in pretax profit to 4.19 billion Kenyan shillings for the six months to the end of December helped by higher revenue and despite a jump in finance costs. The sole electricity distributor in east Africa's biggest economy said its financing costs rose to 2.63 billion shillings from 908 million a year earlier. Revenue from the sale of electricity, which excludes foreign exchange and fuel cost recovery, rose 16 percent to 26.92 billion shillings. Operating expenses edged up to 41.82 billion shillings from 41.30 billion. Kenya suffers from frequent blackouts due to supply shortfalls and an aging grid, forcing most businesses and wealthy people to have stand-by generators. Kenya Power said last week it planned to spend 86 billion shillings over the next three years to upgrade its electricity distribution network in order to keep up with the growing demand. "The company has firm plans in place to expand its network, reduce power outages and improve voltages throughout the country," it said in a statement, without offering details. Kenya plans to add 5,000 megawatts of power generation capacity by 2017 to the existing 1,664 MW to meet growing demand on the back of expanding economic activities. Kenya Power said its earnings per share for the period eased to 1.54 shillings from 1.59 shillings and recommended an interim dividend of 0.20 shillings per share. It did not pay an interim dividend in the same period of the last financial year. *(Reuters)*

TransCentury Group has announced plans to acquire all of the shares held by the private equity fund Aureos Capital Ltd in Cable Holdings Kenya (CHK) Ltd. This is in exchange for the shares of the Nairobi Securities Exchange (NSE) listed infrastructure company by way of a share swap. CHK presently controls 68.38 per cent of the voting shares of East African Cables Limited, listed on the NSE. In a statement yesterday TransCentury said the completion of the conditional sale and purchase agreement is subject to regulatory approvals from Capital Markets Authority (CMA) and the NSE. "Shareholders will shortly be receiving a detailed circular, which will provide a full explanation of the reasons for and the terms of the proposed transaction," the company said. "In the meantime, shareholders of the company are advised to exercise caution when dealing in the company's shares until further announcements are made." The company, however, could not divulge more

details on the proposed transaction. This comes barely a month after Transcentury Group also announced major investment plans with a view to reviewing its shareholding in the Kenya-Uganda Railways Holding Ltd, the lead investor in Rift Valley Railways. The company said its wholly owned subsidiary Safari Rail Company Ltd has exercised an option that will result in a change of its shareholding in KU Railways Holding Ltd. Chief Executive Gachao Kiuna said the transaction is in line with the Group's overall strategy to maximize the value of its investments for its shareholders. *(Standard Media)*

Kenyan flour miller Unga Group Ltd reported a 53 percent jump in pretax profit in the six months ended December, helped by slim foreign exchange gains after heavy losses on the local currency the year before. The miller said profit before tax rose to 298.7 million Kenyan shillings during the first half as net revenues climbed eight percent to 8.8 billion shillings. However, the firm said new taxes in east African economies were putting a strain on margins. "The introduction of VAT on animal nutrition products resulted in reduced demand as farmers sought alternative sources," the company said in a statement. Meanwhile, a new 10 percent duty on wheat imported into Uganda and a 60 percent import duty on flour brought into Uganda from Kenya meant that illegal imports would pose an increasing challenge to Unga's Ugandan subsidiary. Earnings per share increased to 1.61 shillings from 1.12 shillings. The firm did not recommend the payment of interim dividend. *(Reuters)*

Economic News

The highest price for top Kenyan tea fell to $3.95 per kg at this week's auction from $4.00 per kg last week, Africa Tea Brokers (ATB) said on Wednesday. Kenya is the world's leading exporter of black tea and the crop is a major foreign exchange earner for east Africa's largest economy, together with horticulture and tourism. Prices for Best Broke Pekoe Ones (BP1s) sold at $2.80-$3.95 per kg compared with $2.94-$4.00 per kg last week, ATB said. Best Brighter Pekoe Fanning Ones (PF1s) fetched $2.40-3.00 per kg from $2.34-$3.30 per kg, ATB said. It said 12.34 percent of the 145,870 packages weighing 9.3 million kg offered were left unsold. Last week, 14.82 percent of the 143,489 packages weighing 9.2 million kg offered were left unsold. Demand was highest from buyers from Pakistan, while Egyptian, Yemen and UK also lent support. Most of the tea sold at the Mombasa auction is from Kenya, but it also offers tea from Uganda, Tanzania, Rwanda, Burundi and other regional producers. *(Reuters)*

Kenya's biggest bank by assets, KCB, and its largest lender by depositors, Equity , reported double-digit earnings growth last year, helped by increased lending across several African countries. The growth in pretax profit was however curbed by rising bad debts and conflict in South Sudan where they both have operations. The chief executive of Equity, which has operations in five regional countries, said the bank booked a 0.7 billion Kenyan shillings ($8.1 million) impairment charge on its South Sudan business, after conflict erupted in December. James Mwangi said business volumes had fallen by 40 percent since the rebellion started. Equity has a 40 percent market share in South Sudan while KCB, which operates in six east African states, has about 52 percent. Both banks said non-performing loans rose, an industry-wide trend that analysts in part blame on delays in payments by government to contractors which have sought bank financing for state road and other infrastructure projects. Those delays are blamed on Kenya's election last year. KCB's non-performing loans rose to 8.1 percent from 6.7 percent the previous year, reflecting difficult conditions at home and conflict in South Sudan. Collins Otiwu, KCB's chief financial officer, said the bank was confident about longer-term prospects for South Sudan, which contributes about 10 percent of profit, despite shutting down four of its 21 branches due to the fighting. "We have put in all the provisions that we needed to put in so you won't see anything significant in 2014," he said. Equity said its non-performing loans rose to 5.19 percent during the year from 3.1 percent, citing similar reasons.

KCB said it aimed to increase its return on assets to 4.1 percent this year from 3.8 percent last year. It is also aiming for a 30 percent return on equity from 24.4 percent. Chief Executive Joshua Oigara said the bank would do this by cutting the cost-to-income ratio to just under 50 percent from 54 percent last year. He said one step would be to centralise routine processes such as opening accounts. KBC shares, some of the most frequently traded, rose 2.3 percent to 44.75 shillings. Standard Investment Bank said in a note to clients that KCB's outlook was

promising, but it must cut costs and deal with bad debts. It put a fair value of 53.37 shillings on the bank's shares. KCB aims to lend more to small and medium firms and consumers to cut reliance on lower-yielding corporate lending. CEO Oigara said the bank was already lending to firms exploring for oil and gas in Kenya's far north where London-listed Tullow Oil struck oil in 2012. Analysts said KCB, which retained more than half its earnings and raised the dividend by just 5 percent to 2 shillings a share, was preparing for opportunities from regional integration in east Africa. "This speaks to a bank looking to conserve its cash in order to bet bigger on East African Community (EAC) common market growth," said Aly Khan Satchu, an analyst and trader. Profit at KCB rose 17 percent to 20.1 billion shillings ($232 million) last year. Equity's profit climbed 11 percent to 19.15 billion shillings. *(Reuters)*

Kenya's year-on-year inflation rate slowed to 6.86 percent in February from 7.21 percent in January, the statistics offices said on Friday. Consumer prices rose 0.38 percent month-on-month. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Malawi

Corporate News

No Corporate News this week

Economic News

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Mauritius

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Nigeria

Corporate News

Ecobank Nigeria has projected power sector funding of about $5 billion per annum over the next five years. This according to the bank is in line with its policy to support the growth and development of the Nigerian power sector. A statement at the weekend explained that Ecobank played a major role on the buy-side of the recent power sector privatisation by providing financial advisory services, lead arranger role, acquisitioning financing and guarantees to Distribution Companies (DISCOS) , Generating Companies (GENCOS) and National Integrated Power Plants (NIPP). It quoted Ecobank Country Head, Power and Energy, Olufunke Jones, to have stated that the bank's objective was focused on playing actively at all levels of the sector's privatisation which includes distribution, transmission and generation. She noted that Nigeria has one of the largest gaps between demand and supply for electricity. To bridge this gap the country requires a combination of favorable government policies, private sector participation and foreign direct investment (FDI), as well as transparency and persistent monitoring that will guarantee an improved business environment, she added. According to Jones, the current power reforms have created opportunities for capital expenditure and operating expenditure funding. "There is the urgent need to rehabilitate the distribution networks in order to make them robust and flexible enough to accommodate the nation's demand for power," she added. On her part, the Local Account Manager, Corporate Banking Group, Ecobank Nigeria, Mrs. Funmilola Ogunmekan, noted that unlike the telecoms industry where new investors were able to take advantage of new technologies to redefine industry norms, the power sector is faced with the challenges of upgrading mostly obsolete equipment and processing under a traditional technology framework. Ogunmekan reiterated that in 2014 Ecobank would leverage its position as a bank with the third largest branch network to provide effective utility collections and cash management services while providing the required additional capital and operating expenditure funding requirement for at least five of the distribution companies across the country. Ecobank had collaborated with companies to put in place an effective and seamless Utility Collection System devoid of leakages and supported by a robust information technology infrastructure. The bank has provided bid bond facilities to some of the major approved contractors in line with National Electricity Regulatory Company expectations, for the Credited Advanced Prepaid Metering Implementation (CAPMI) Scheme. *(This Day)*

The board of Nestle Nigeria, on Wednesday presented its audited financials for the full-year ended December 31, 2013, offering a dividend of N24 per share to be paid after shareholders' approval at the annual general meeting on May 12, 2013. According to the result, turnover rose from N116.707 billion in 2012, to N133.084 billion, while gross profit grew from N50.168 billion to N56.785 billion. Profit before tax rose to N26.047 billion from N25.050 billion, just as profit grew from N21.137 billion to N22.258 billion. Meanwhile, the Nigerian Stock Exchange (NSE), at the midweek also said the practice of submitting corporate actions with accompanying financials has been very effective for companies listed on the stock exchange. This, the bourse said, is in line with its efforts at aligning with global best practices which requires listed entities to submit financial statements, giving detailed information especially on corporate actions. Head of the NSE' Legal and Regulation Division, Ms. Tinuade Awe, said the practice became effective, with the introduction of the first ever issuers' portal in the Nigerian Capital Market styled as X-Issuer. Trading on the Exchange closed in the red on Wednesday, with equities capitalisation closed at N12.483 trillion after it depreciated by N95.474 billion; while the All-Share Index dropped by 297.23 basis points or 0.76 per cent to close at 38.862.87 points.*(Daily Independent)*

Honeywell Flour Mills (HFM) Plc has recorded revenue of N41.03 billion for the nine months ended December 31, 2013, showing an increase of 24 per cent above the 33.04 billion posted in the corresponding period of 2012. The increase in revenue, according to the company, was driven, largely, by the increased production capacity of the company having recently added 1,000 metric tonnes per day via two new mills. The cumulative effect of revenue increase and reduction in costs led to a growth in company's Profit after Tax (PAT) by 18 per cent from N1.7 billion in the corresponding period of last year to N2 billion in the period under review. The income statement also showed that gross profit for the same period was N7.76 billion, from the N5.48 billion reported for the corresponding nine-month period ended December 2012. This was primarily attributed to the company's ability to manage input costs that resulted in a slower increase (relative to revenue growth) in the cost of sales, which grew by 21 per cent to N33.27 billion from N27.56 billion. However, increase in

operating costs, which rose by 42 per cent from N3.04 billion to N4.33 billion was attributed to increased overheads necessary to operate the expanded production capacity, rising finance costs and increased marketing expenses needed to maintain brand equity, to increase consumer awareness and increase product visibility. Rising finance costs had an adverse impact on profitability as the company fulfils its obligations on the debt component of funds used to finance the additional production capacity. But the management said it is currently exploring several strategic options to reduce this cost. The expansion activities, contributed to the growth of the company's total assets which rose by 20 per cent from N55.4 billion as at March 2013 to N66.2 billion as at December 2013. Commenting on the financial results, the Executive Vice-Chairman and CEO of HFM, Mr. Babatunde Odunayo, said: "the company's results are in line with our expectation for revenue growth stemming from our recent expansion and as we move closer to the end of the financial year, we expect to record an even stronger financial performance in the final quarter."*(This Day)*

Ecobank Nigeria has projected power sector funding of at least $5 billion p.a. over the next five years starting from 2014. This according to the bank is in line with its policy to support the growth and development of the power sector in Nigeria, being its own contribution to the sector's transformation initiated by the Federal Government through its privatization programme. Ecobank has played a major role on the Buy-Side of the Power Sector Privatization Exercise by providing Financial Advisory Services, Lead Arranger Role, Acquisitioning Financing and Guarantees to Distribution Companies (DISCOS) , Generating Companies (GENCOS) and National Integrated Power Plants (NIPP). Ecobank Country Head, Power & Energy, Olufunke Jones stated that the bank's objective is focused on playing actively at all levels of the sector's privatization which includes Distribution, Transmission and Generation. She said Nigeria has one of the largest gaps between demand and supply for electricity. To bridge this gap the country requires a combination of favorable government policies, private sector participation and Foreign Direct Investment (FDI) as well as transparency and persistent monitoring that will guarantee an improved business environment.

According to Mrs. Jones, the current power reforms have created opportunities for Capital Expenditure (CAPEX) and Operating Expenditure (OPEX) funding which is a consequence of the handover to the new owners. In her words "there is the urgent need to rehabilitate the distribution networks in order to make them robust and flexible enough to accommodate the nation's demand for power". Also commenting, Mrs. Funmilola Ogunmekan Local Account Manager, Corporate Banking Group said unlike the telecoms industry where new investors were able to take advantage of new technologies to redefine industry norms, the power sector is faced with the challenges of upgrading mostly obsolete equipment and processing under a traditional technology framework. This, amongst others, is the immediate challenge before the potential of the industry is fully manifested. Mrs. Ogunmekan reiterated that in 2014 Ecobank will leverage its position as a bank with the 3rd largest branch network to provide effective Utility Collections and Cash Management services while providing the required additional CAPEX/OPEX funding requirement for at least five of the Distribution Companies across the country. Ecobank has partnered with these companies to put in place an effective and seamless Utility Collection System devoid of leakages and supported by a robust IT infrastructure.*(Vanguard)*

IHS Nigeria Plc has, through its Stockbroker – Atlas Portfolios Limited - notified The Nigerian Stock Exchange that it has obtained a Court Sanction in respect of the Scheme of Arrangement of IHS Nigeria Plc. Consequently, the share price of IHS Nigeria Plc has been placed on FULL SUSPENSION, TODAY, FEBRUARY 27, 2014 to enable the company complete the Scheme of Arrangement which will result in the delisting of its shares from the Daily Official List of The Nigerian Stock Exchange.

Dangote Flour Mills said on Thursday its first-quarter loss before tax widened to 2.87 billion naira from a loss of 1.77 billion in the same period a year ago. Turnover at the Nigerian unit of South Africa's Tiger Brands fell to 8.36 billion naira in the three months to December 31 from 9.67 billion naira a year earlier, it said in a filing with the Nigerian Stock Exchange. Dangote Flour attributed the loss to the impact of price discounting in the industry and an increase in financing costs. "The situation is exacerbated by the significant over-supply ... in the industry," it said in a statement. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Economic News

A Nigerian court has issued an order on the security agencies, barring them from arresting suspended Central Bank Governor Lamido Sanusi, after he was briefly detained and his passport seized at the airport, a document viewed by Reuters showed. Justice Buba Ibrahim issued the order on Friday, after Sanusi complained that his detention had breached his right to freedom of movement, since he had not yet been charged with committing the financial malpractices for which he was suspended. President Goodluck Jonathan suspended Sanusi on Thursday, removing an outspoken critic of his government's record on corruption, citing "acts of financial recklessness". Since the suspension, presidential spokesman Reuben Abati has accused the central bank of procurement irregularities during Sanusi's tenure, most of them dating back to 2011. Sanusi, who was due to end his term in June, had been presenting evidence to parliament that he said showed the state oil company Nigeria National Petroleum Corporation (NNPC) failed to pay $20 billion it owed to federal government coffers, fuelling suspicion his arrest was meant to silence him. The presidency denies it was politically motivated. NNPC has repeatedly denied Sanusi's allegations, which brought the bank governor into conflict with Jonathan's administration a year before presidential elections in Africa's leading oil producer. The court ruling will remain in place until a case Sanusi brought alleging violation of his human rights in his brief airport detention, after he arrived back in the country from neighbouring Nigeria, has been decided, the judge said. That case will continue on February 28. Sanusi's suspension caused panic in the markets, with the naira falling to record lows, as foreign investors sold off bonds, money and stocks. *(Reuters)*

Nigeria's incoming central bank governor Godwin Emefiele is seen as a steady hand who will maintain tight monetary policy in the face of currency weakness and avoid his predecessor's controversial forays into politics. President Goodluck Jonathan swiftly nominated Emefiele as the next governor last week after suspending incumbent Lamido Sanusi, who had become an increasingly vocal critic of the government's record on corruption. Sanusi, internationally respected for his commitment to reining in inflation, implementing a successful bailout of Nigerian banks in 2009 and cracking down on money laundering and corruption in the banking sector, had been due to step down in June. His early departure caused a panic selloff in financial markets, although currency and stocks are now stabilising. Emefiele, who at 52 is the same age as Sanusi, boasts more than 20 years' experience in the banking sector. He is the managing director of Zenith Bank, Nigeria's third biggest, where he has built a well-capitalised and stable institution, banking sources say. "He's done a solid job at Zenith and is likely to be a steady hand who will be calm, but markets are jittery right now, so he's got a challenge on his hands," a Nigerian banking source said, asking not to be named. Emefiele's appointment still has to be confirmed by the Senate. His office at Zenith declined to comment and he was not immediately available to comment on his new post. His biggest challenge will be protecting the naira, which has come under pressure over the past year on concerns that reduced U.S. monetary stimulus will crimp fund inflows to emerging markets. It slumped to a record low of 169.25 to the dollar in the wake of Sanusi's suspension and was trading at around 163.5 to the dollar on Tuesday, outside the bank's preferred 150-160/$ range.

Repeated intervention by the central bank to keep the naira within the band has run down foreign exchange reserves, and liquid reserves have declined by about $2.2 billion or 5.2 percent from $42.46 billion at the start of 2014. That is about $45 million a day and raises the prospect that interest rates, which have been on hold at 12 percent since October 2011, may have to rise at some point this year to protect the currency. "We expect he will maintain the current monetary policy tightening stance," Vetiva Capital said in a research note. "In the short term, we believe the currency will remain under pressure which would require continuous monetary tightening - restraining loan growth within a high interest rate environment," it added. Analysts expect the new governor will be more discreet than Sanusi, who was often criticised by government officials for going far beyond his remit, happy to talk openly about anything from bloated government spending to the social problems which are feeding a bloody Islamist insurgency in northeast Nigeria. He won't dip into politics, given the manner of Sanusi's exit, analysts say, and was described by several banking sources as a conservative figure who appears confident in public but gives little away. Sanusi, who was suspended soon after opening up questions about corruption within the government, has said the biggest challenge his successor will face is keeping the central bank independent. President Jonathan says Sanusi's suspension was due to irregularities found in an audit of the central bank and that the regulator would remain independent.

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Foreign investors hold around $7 billion in Nigerian fixed income assets, down from $9 billion in November, banking sources told Reuters. This is likely to dwindle further in the coming months, heaping pressure on the naira, they said. Bank of America Merrill Lynch downgraded its rating on Nigeria's external debt to underweight from market weight on Tuesday, adding that it expects the naira to weaken to 170 against the dollar this year, despite tight monetary policy. Yvonne Mhango, economist at Renaissance Capital, expects forex reserves to fall to $35 billion by the end of this year and thinks Emefiele will be forced to devalue the midpoint in the naira exchange band to 170/$ in July. "We believe he is likely to maintain a firm policy environment and would be inclined to tighten policy in the current environment of naira weakness," Mhango said. Deputy governor Sarah Alade will be acting governor until Emefiele takes up his post in June, assuming Senate approval. *(Reuters)*

In anticipation of the responses to the 50 questions on the state of the economy expected from the Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo-Iweala, the House of Representatives Committee on Finance yesterday suspended the consideration of 2014 budget revenue framework. The public hearing on the 50 questions, which commences on Monday, would be declared open by the House Speaker, Aminu Tambuwal, as the continuation of the 2014 budget revenue framework resumes after the hearing. Prior to yesterday's ruling with regard to the state of the economy, various revenue generating agencies and independent revenue generating agencies have appeared before the committee with a view to presenting updates on the status of revenue generation, collections and remittances between the 2011 and 2013. The Clerk of the Committee, Farouk Dawaki, indicated in a statement that the suspension had vitiated the planned appearance, for the same purpose, of the finance ministry, Director-General, Budget Office, Office of the Accountant General, Nigerian National Petroleum Corporation (NNPC), Nigeria Customs Service (NCS), among others

"The suspension is informed by the committee's decision to first conclude work on the state of the economy investigative hearing scheduled to ascertain the true state of our economy and robustly engage the Coordinating Minister for the Economy and Minister of Finance on her responses to our 50 questions," Dawaki stated. Members of the committee, the statement added, are "fully determined in our resolve to once and for all unravel the authentic state of our economy," as "relevant stakeholders, interest groups and the public have already been invited to submit memoranda." *(This Day)*

WEEKLY AFRICAN FOOTPRINT

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Tanzania

Corporate News

Tigo, a unit of emerging markets telecom group Millicom Cellular International, launched on Monday a mobile money transfer service between Tanzania and Rwanda, opening a potentially lucrative market in cross-border mobile transfers. Tigo has pipped other regional rivals, such as Kenya's Safaricom which led the way in mobile money with its popular M-PESA service but said it had yet to break into the field of cross-border transactions. Tigo's service allows subscribers in Tanzania and Rwanda to make mobile money transfers and automatically converts them to the new currency, which it said was a world first. "The system integrates currency conversion, whereby money is sent in either Tanzania Shillings or Rwandan Francs and delivered already converted into in the currency of the recipient's country," Tigo said in a statement. Tigo Tanzania General Manager Diego Gutierrez said the product was the first "that allows dual currency international mobile wallet to mobile wallet transfers with currency conversion included." It said the service would benefit trade by helping exporters and importers, and assisting truck drivers and families with family members across the border. Tigo is Tanzania's third-largest mobile phone operator, with a 23 percent market share in east Africa's second-largest economy, which has around 27 million mobile phone subscribers. Mobile money transfers, pioneered by Vodafone's Kenya unit Safaricom, has grown rapidly in the region, tapping a market where many people do not have bank accounts, and allowing even small sums to be transferred between individuals or to pay bills. Safaricom Chief Executive Bob Collymore said his firm did not yet have cross-border transfers capabilities but said it was applying for an international money transfer service from the Kenyan central bank. For now, he said Kenyans abroad could send money back home through an arrangement with Western Union. *(Reuters)*

Economic News

No Economic News this week

WEEKLY AFRICAN FOOTPRINT

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Zambia

Corporate News

Zambia suspended operations at an underground mine owned by a unit of Vedanta Resources Plc following an accident, the deputy minister of mines said on Tuesday. Richard Musukwa said the government halted ore hoisting operations at the Konkola Deep Mining Project (KDMP) following last Friday's accident. "The mine safety department has with immediate effect suspended normal hoisting activities at shaft number 4 pending detailed investigations and thorough risk assessment," he said. "The company also needs to replace the hoisting ropes and clear the spillage that happened as a result of the accident." KDMP is aiming to expand the production of copper ore at Konkola Mine from 2 million tonnes per annum to 7.5 million tonnes by accessing a rich ore body lower down, Konkola says on its web site. The project involves the sinking of a new mine shaft to the depth of about 1,500 metres, it said. *(Reuters)*

A MINING expert has called for mitigation measures at Konkola Deep Mining Project (KDMP) after suspension of operations to cushion revenue losses to the mine and country. On Monday, Government suspended operations at the Konkola Copper Mine (KCM)'s KDMP to pave way for investigations following an accident that left seven miners injured. Dr Mathias Mpande, who is a senior lecturer in the school of mines at the University of Zambia, said suspension of mining operations is not the solution as it will halt production and result in revenue losses. Dr Mpande urged Government to revisit the mine's initial plan of mechanising KDMP to mitigate accidents at the mine. "Government should have allowed the mine to mechanise the KDMP and moved the labour force to other projects being operated by the mine because the mine was initially designed to be mechanised," he said. He said failure to lift the suspension will result in Chilabombwe being transformed into a ghost town as mining activity is the main economic driver of the area. Dr Mpande who described the fatality at the mine as unfortunate said Government should instead stiffen laws on staff training by mining companies to avoid accidents. "Most workers working in these mines are not properly trained and this has been a source of many accidents. Government needs to ensure that training of workers becomes a must in the mines," he said. He alleged that mining companies have abandoned the responsibility of conducting routine training for miners and employing skilled labour resulting in unnecessary accidents. *(Daily Mail)*

Gemfields Plc, producer of about a fifth of the world's rough emeralds, said revenues from its latest auction in Zambia were a record $36.5 million. Shares of the company, owner of the luxury jewellery brand FabergÃ©, rose as much as 3 percent in early trading. Gemfields had been selling output from its flagship Kagem mine around the world until the Zambian government said last April that all emeralds mined in the country must be auctioned at home. The February auction of rough emeralds and beryl was the fourth to be held in the Zambian capital Lusaka in the last 11 months. Gemfields has been lobbying the Zambian government to extend its emerald auctions beyond the country. The company said total revenue from rough emerald and beryl sales in the financial year-to-date have reached $96.4 million. It had reported a 42 percent fall in revenue for the year ended June 30, 2013 as the Zambian government directive resulted in a delay in holding the auctions. In the latest auction, held between Feb. 21 and Feb. 25, the average price was $59.31 per carat. Fifteen of 17 lots on offer were sold, Gemfields said in a statement. The miner said two more auctions were scheduled to take place before the end of the financial year, including the inaugural auction of rough rubies and corundum from the Montepuez ruby deposit in Mozambique. Having earlier risen nearly 3 percent, Gemfields' shares were trading flat at 35.50 pence on the London Stock Exchange. *(Reuters)*

Economic News

THE Bank of Zambia (BoZ) has decided to rise the statutory reserve ratio to 14 percent from eight percent effective March 10, 2014 to strengthen the Kwacha in the long run. According to Citibank's market commentary, the planned increase of the reserve ratio to 14 percent from the current eight percent is expected to ease the Kwacha that has been trading on a downward trend in the past months. Citibank says the decision is expected to help the Kwacha recoup the losses being witnessed since the start of the year. "In a bid to arrest the growing local currency liquidity levels, the central bank has with effect from the March 10, 2014 increased the statutory reserve ratio by six percentage points to 14 percent from eight percent," the bank notes. On Monday, the local currency opened the week at K5.77 and K5.8

before depreciating to K5.78 and K5.81 against the United States dollar. However, Cavmont Bank says the Kwacha is expected to remain under pressure after Government ruled out the central bank's possibilities to intervene in the market to stabilise the currency. Recently, Minister of Finance Alexander Chikwanda ruled out that Government will not allow the BoZ to offload dollars into the economy to stop the rapid depreciation of the Kwacha but would allow forces of demand and supply to determine the currency's performance. Cavmont Bank says the local unit on Monday lost against the dollar due to increased demand for the greenbuck by importers. "The local unit is likely to remain under pressure in the short-term following the Government's remarks that the central bank's intervention to stablise the Kwacha would be limited," the bank's market report says.

Finance Bank also says the Kwacha has depreciated by about 4.3 percent against the dollar since the opening of this year. The bank says, like other currencies in Africa, the Kwacha has not been not been spared by global developments particularly in the US economy. "The Kwacha is not the only currency depreciating but other major African currencies have experienced similar situation if not steeper slides and this has coincided with US slowdown of its quantitative easing. "The expected depreciation, global investments to the continent ultimately slows as the dollar is siphoned back into the Federal Reserve instead," the statement reads. On the local money market, a sharp increase in the liquidity levels is expected this week as the central bank returns to the open market, offering term deposit borrowings in an attempt to mop up excess local currency and help raise the value of the Kwacha. *(Daily Mail)*

Zambia's gross domestic product has expanded 25.2 percent after a rebasing exercise that updated the base year from 1994 to 2010, the country's statistics office said on Thursday. "According to the new benchmark estimates the GDP for 2010 is estimated at 97,215,9 million kwacha. The new estimates are 25.2 percentage points higher than the old," acting Central Statistical Officer director Goodson Sinyenga said. *(Reuters)*

Zambia's inflation quickened to 7.6% year-on-year in February from 7.3 percent in January, official data showed on Thursday. *(Reuters)*

Zimbabwe

Corporate News

BRITISH American Tobacco Zimbabwe (BAT) volumes dropped 17 percent in the full year to December 2013 in tandem with the economic slowdown but the company expects an improvement in 2014 after government maintained previous duty charges. Revenues at $44.6 million were 14 percent lower after the company cancelled tobacco exports to Mozambique in June to focus on building its cigarette portfolio. Managing director, Lovemore Manatsa told an analysts briefing on Monday that volumes for the year under review were 1.3 billion sticks, 17 percent lower than in the prior year after a price increase of 30 percent, which was caused by a 50 percent increase in excise duty in December 2012. Manatsa however, expects sales to rebound by around 12 percent to 1.450 billion cigarettes for 2014. Financial director Peter Doona said gross profit in the year increased by $200,000 to $30million driven by cost savings and the business focusing on more viable sales of manufactured cigarettes. Operating profit was lower at $9.8 million from $17.6 million in 2012 primarily as a result of the empowerment payment expense of $10.9 million. The company, which employs 170 people has complied with the indigenisation law which requires foreign owned firms to cede 51 percent of their shares to local blacks. Other income of $4.2 million, mainly from the write-back of payables to a related party accumulated during the hyperinflation period helped the company to an after tax profit of $3.8 million for the year. The company declared a final dividend of $0.18 per share. Manatsa said the company expects a stagnant economy in 2014 but constancy in excise duty would allow for pricing stability and volume recovery. "Increase in capital investment now underway," Manatsa said without giving figures. "Key focus areas are further enhancements in manufacturing, employee health and safety and distribution capabilities." BAT International Holdings UK Limited holds 42.98 percent in the company while Old Mutual Life Assurance holds 11.97. Employees own a combined 20.76 percent while the rest is held mainly by pension funds. *(New Zimbabwe)*

Mwana Africa Plc, the parent company of Bindura Nickel Corporation and Freda Rebecca, has sacked non-executive board chairperson Mr Mark Wellesley-Wood amid suspicion he was an agent for a hostile takeover. The London Alternative Investment Market listed multi-commodity extractor confirmed Mr Wellesley-Wood's abrupt departure, but did not state the reasons behind this. However, The Herald Business has it on good authority that Mr Wellesley-Wood was sacked at a board meeting on Monday after it emerged that Centar Mining, a group linked to him, which has also partnered Meikles Limited, was angling to take control of the mining junior. The rumour mill had been turning, since Mr Wellesley-Wood's appointment, that Mwana Africa was not done with earlier attempts to fend off attempts for a hostile takeover. The latest attempts were linked to Mr Wellesley-Wood. "With vast diamond and ore reserves, and upside development in nickel and gold, Mwana's activities in Zimbabwe are yielding successful results. Exploration indicates an exciting and bullish future in the DRC, all of which make the junior miner a target for raiders," said a well placed source who requested anonymity. Mwana appointed Mr Wellesley-Wood to the position of chairperson in September last year after unsuccessful attempts by some investors to gain control of the firm and its vast resources earlier in the year. Market sources alleged Mr Wellesley-Wood was linked to Centar, which had earlier attempted to snap away Mwana's cash cow, Freda Rebecca. "Non-executive chairman Mr. Mark Wellesley-Wood did not take long to reveal his hand in manoeuvring to gain control of the company (hence his sacking)," the source said.

Attempts to get more details surrounding the unceremonious departure of Mr. Wellesley-Wood were not successful by the time of going to press yesterday. But chief executive Mr Kalaa Mpinga said in a statement on Mwana's website; "On behalf of the board I would like to thank Mark for his contribution to the group and to wish him the very best for the future." Mr Stuart Morris, who is senior independent director and chairman of the audit committee, has been appointed interim chairman and will fulfil this role until a new non-executive chairman has been appointed. It was feared the "corporate vultures" were counting on Mr Wellesley-Wood's history of using his board positions to oust long-term directors and gain control of the companies' resources compromising long-term viability. Ironically, it is Mwana founder and CEO (Kalaa Mpinga) who endorsed Mr Wellesley-Wood as chairman in 2013 due to his background in mining and corporate finance. His murky history last year prompted respected mining industry analyst John Meyer from SP Angel LLP to predict disaster for Mwana, immediately after Mr Wellesley-Wood was appointed as Mwana's non-executive chairman. "Why would (Mwana) take on a character who previously presided over a failing high-cost African gold miner, while enjoying the benefits of an excessive salary at the vast expense of shareholders

and the company. "Having cut directors' salaries, bonuses and fees, why make a change that is likely to be unpopular with investors, unpopular with brokers and unpopular with staff?"

This was despite the fact that Mr Wellesley-Wood's mentor was Mr Julian Barring, the older brother of Mwana Africa's previous chairman, Mr Oliver Baring, who was allegedly instrumental in organizing the hostile take-over for Ian Hannam's group Centar Mining. Mr Wellesley-Wood is however not new to controversy. He once allegedly ousted ex-Durban Roodepoort Deep (DRD) Gold founder and chairman Mr Roger Kebble from the board of a company accusing him of fraud relating to DRD Gold's business activities in the Australasia. Mr Wellesley-Wood was also alleged to have caused delays in the listing of Rand Gold Resources where Mr Kebble was a director, by undertaking negative publicity he generated. Mr Wellesley-Wood allegedly illegally retrieved bank and telephone statements through a firm of privately contracted investigators, "industrial and international espionage", and organised a raid of the owner's accounts by the South African Revenue Services, reports said. Subsequently, he was refused re-entry into South Africa ahead of a litigation case against former business associates JCI Gold and Consolidated African Mines. At that time, the director-general of Home Affairs, Billy Masetlha-previously head of the South African Secret Service-was widely quoted in national newspapers saying Mr Wellesley-Wood was not permitted to enter South Africa ever again after he showed disrespect "for the rules and procedures of immigration laws". After South Africa Home Affairs Minister, Mangosuthu Buthelezi permitted Mr Wellesley-Wood to appeal directly to the minister, the ban from re-entering South Africa was overruled in what many observers attributed to Mr Wellesley-Wood's links with the UK Government. Upon his return, he presided over six losses in seven years at South Africa's fourth-largest gold producer and its dismantling. Sources said Mr Wellesley-Wood's calamitous management of an initial public offering attempt mooted in 2004, aborted in extremis, blocked Mzi Khumalo Metallon Zimbabwe's access to financial markets for years to follow. He left his position as CEO of the gold mining giant in 2008 saying the gold industry had no future under the present Government, but would return five years later to join another mining entity with its roots in Zimbabwe. *(Herald)*

THE Zimbabwe Stock Exchange yesterday ordered regional hotel group Africa Sun Limited to withdraw its statement on the proposed disposal of Dawn Properties shares until the deal has been formally approved by the local bourse. The company last week announced plans to dispose of 406 466 976 Dawn Properties limited shares to Lengrah Investments. However, ZSE said the disposal plans were not in line with the listings rules. Part of the statement reads: "In terms of Section 9 of the ZSE listing rules, the proposed transaction is Category 1 transaction that requires shareholder approval. The circular and notice thereon for the proposed transaction had not yet been approved by ZSE for distribution to shareholders in accordance with the ZSE Listings rules at the time the notice was published. "The ZSE, therefore, directed African Sun Limited to issue a retraction statement for the special business section of the Annual General Meeting notice until the approvals have been obtained." African Sun immediately published a retraction circular reversing the proposed transaction. "A separate notice for shareholders meeting will be made in due course for the purpose of obtaining the requisite shareholder approval of the transaction as required, pursuant to the Zimbabwe Stock Exchange listing requirements," African Sun said in a statement. Last year, ZSE ordered African Sun to republish its financial results after the group failed to provide a detailed account. The group last year disposed of 294 705 134 shares in Dawn Properties for $4,3 million to Lengrah Investments — a hoteland real estate investment company. Lengrah is a subsidiary of Brainworks Capital and the transaction was meant to reduce the group's short-term debt. Dawn Properties also sold its 12% stake to Brainworks which in turn bought a stake in African Sun. *(News Day)*

CBZ Holdings is set to issue a record US$200 million Diaspora bond in April to be guaranteed by the African Export and Import Bank to replace the current US$68 million bond which expires the same month. The current US$68 million three-year Diaspora bond was issued in 2011 by the bank as a way of speeding up economic recovery. It was floated on the Cayman Stock Exchange. It is set to expire in April this year, prompting the bank to renew the bond by issuing another US$200 million bond. The bond was arranged and guaranteed by Afreximbank with proceeds expected to be used in infrastructure investment and development. Speaking at an analyst briefing in Harare yesterday CBZ group chief executive Dr John Mangudya said the development showed the country's capital markets could begin to open up. "The renewal of the bond is an important step in Zimbabwe's recovery from the hyperinflation period to the current environment characterised by a liquidity crisis. This is a positive step towards opening new platforms for investment either local or international," he said. He said he now prefers to call it a bond rather than a Diaspora bond since very few Diasporans subscribed to the current one. The bond will

be at a common rate of plus or minus 7 percent compared to the current rate at 8,5 percent. Dr Mangudya said once the bond is secured, on -lending margins will be around plus or minus 10 percent. "This rate enables the organisation to achieve return, pay for guarantee fees for Afreximbank among other administrative costs," he said.

Dr Mangudya said CBZ has also established a global fund team based in Mauritius that is going to play a role of mobilising funds for the bank. "The global fund has been approved and managers have already been appointed to do the job and we are glad that the move came at the same time as the renewal of the bond," Dr Mangudya said. CBZ welcomed the decision by the Government to promote inter-banking and the issue of lender of last resort. Dr Mangudya said the financial sector has failed to realise its full potential due to the absence of inter-banking systems. "It is quite surprising that the local banking sector has managed to survive by operating without inter-bank systems for five years." He said the companies remain hopeful for an improved working environment which is conducive to sustainable investment. CBZ is looking for long lasting solutions to the funding challenges and resuscitation of the manufacturing sector which remains a priority for the economy to register positive growth. The group has since 2009 sourced lines of credit worth US$289,67 million. In terms of the financial performance, Finance director Mr. Never Nyemudzo said the group managed to achieve a solid performance under a constrained environment. "The Memorandum of Understanding restricted bank revenue initiatives while performance was hampered by tight market wide liquidity conditions," said Mr. Nyemudzo. As a result total income had registered a marginal growth of 4,4 percent to US$150,5 million while there was an 18,4 percent dip in the bottom line to US$36,7 million. Earnings were down 14,75 percent to US6,3c per share. In terms of income contribution; net interest income was on 63 percent, non interest income at 32 percent while underwriting income contributed 5 percent. Mr. Nyemudzo said the group had managed to maintain net interest income levels despite the MoU effects. *(Herald)*

Listed cement manufacturer, Lafarge Cement is looking at investing US$20 million towards the rehabilitation of its cement manufacturing plant in order to boost its volumes. The cement manufacturing company will increase production capacity to 90 percent from the current 70 percent once the rehabilitation of the plant is completed by next year. In an interview yesterday, Lafarge Cement chairman Mr. Johnathan Shoniwa said the investment was part of the short-term projects to increase volumes of cement. "As you recall for the past five years we have been spending about US$5 million every year for plant refurbishments, so it is not a new thing but we are now focusing on specific projects which will give us more capacity on the existing plant. "In the short-term we are focusing on existing plant rehabilitation as believe there is potential to produce more volumes that will satisfy the local and the export market," Mr. Shoniwa said. He said the company's long-term plan will be focused on setting up a new plant to complement the one that is currently in existence. "We will be importing new technology as well as sophisticated equipment for the plant. In 2014 and 2015 we would be focusing on projects that will increase the capacity for the existing plant. "Feasibility studies are being conducted on the long-term projects and we hope this will help us increase our revenue inflows," said Mr. Shoniwa.

He said the company has reduced its export volumes of cement to regional markets due to the fluctuation of the South African Rand. "In the past, the export market has been a big one for us from a foreign currency point of view. We channelled a lot of products into the export market but lately the situation has changed," he said. The low demand of cement has been a major challenge to the operations of the company but Mr. Shoniwa said they are rolling out strategies to correct the situation. The third quarter is usually the peak demand period and the volumes are not at the level that the company had anticipated. "We understand there is the issue of liquidity but there are some avenues that investors are looking at in terms of development," he said. Demand has been on the softer side because a number construction projects have been on hold due to funding issues. Lafarge Cement has in the past five years injected about US$25 million into its plant upgrading exercise, a move that is aimed at boosting the company's operations while easing product supply. "The demand has been on the softer side but we are aware of a number of construction projects that are on hold due to funding issues and we believe once things start happening, demand would actually go up," Mr. Shoniwa said. While presenting financial results for the company last year, Former Lafarge chairman Mr. Muchadeyi Masunda said he was optimistic that the company's performance would improve as a result of measures being implemented for instance plant rehabilitation. "Following the successful implementation of various cost reduction exercises, profitability is expected to improve," he said. *(Herald)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

MASHONALAND Holdings' revenue in the four months to January was 4 percent lower than last year's at US$2,5 million but this was, however, 9 percent ahead of the budgeted US$2,3 million as the group had not anticipated new lettings. Chief executive Mr Manfred Mahari told the annual general meeting yesterday that the environment continues to be subdued with liquidity situation expected to worsen. "The rental market has stagnated and may remain subdued for the rest of the year." The group reported an operating profit of US$1,2 million, which was 28 percent below the comparable period last year but 7 percent above current budget. The margin dropped to 48 percent against a budget of 50 percent. Mr Mahari said the profit margin was now at par with industry average but is expected to improve to 54 percent by year end. Occupancy was at 80 percent above the industry average while the forward yield was unchanged at 8 percent. Arrears were at 16 percent. Voids were 16 771 square metres representing 16 percent of the lettable portfolio compared to the budgeted 15 percent. The bulk of the voids were office at 12 percent. Mr Mahari said rental debtors had grown to US$1,4 million from the September year end position of US$1 million. "As such the resulting arrears at 16 percent are consistent with this period after the annual shutdown."
Mr Mahari added that in spite of the weakening economic fundamentals, management continues to actively ensure that arrears remain under control. Property expenses rose 13 percent to US$302 009 and were just in line with the budget of US$301 097. Voids related costs constituted 40 percent of the spend and continued to be the key cost drivers of this line. Property expenses to income ratio was 12 percent and in line with the budget. Mr Mahari said provision for bad debts was at 14 percent of the total at US$22 865.

Admin expenses rose 51 percent to US$1 million, driven mainly by the performance of a long term incentive scheme and payments for the short term incentive scheme which were made during that period. The admin expenses to income ratio was 40 percent against a 38 percent budget. In terms of projects, Mr Mahari said the group will spend over US$15 million on property development projects which are currently at different stages. The US$5, 1 million Natal project in Avondale is progressing well and on target for beneficial occupation earmarked for the end of August. "To date we have spent $2,7 million. The commercial building is actually a banking hall which will cater for the greater Avondale area," he said. He said the major view was that the area is occupied mainly by non-governmental organisations which are not supported by banking activities. Mr Mahari said the Westgate and Hazeldene residential projects had a combined cost of US$10 million. Construction on the two sites will commence within the financial year. "These are residential projects and they are at different stages of municipal approvals," said Mr Mahari. He said US$4 million will be spent on Westgate housing development while US$6 million will be spent on Hazeldene which is a residential cluster development in Borrowdale. "This takes the total investment to over US$15 million inclusive of the Avondale project," he said. On property maintenance, Mr Mahari said new lift installations projects at ZB Life Towers and ZB Centre have neared completion. He said the company's preventative maintenance remains in place to ensure preservation of market value. *(Herald)*

Economic News

FOREIGN investors will continue to drive the stock market as liquidity challenges continue to push out local investors, a local research firm has said. MMC Capital said the market will remain under pressure as the economy runs out of steam. "Foreign investors will continue to be the major drivers of the market as the participation by locals remains depressed by the obtaining liquidity squeeze," the firm said. Zimbabwe has been experiencing liquidity challenges since 2009 when it adopted the multi-currency system as no major financial inflows were made to the country. Foreign direct investments is still ranked lowest in the region. The research firm said the improvements in relations between the country and the European Union is most likely to help the country in accessing medium to long term capital. The EU last week removed some people from the sanctions list except President Robert Mugabe and his wife Grace. Zimbabwe has been suffering as it has been failing to attract foreign currency and to transact with the EU due to sanctions. The industrial index opened the week weaker after losing 0,46 points to open at 190,25 points after closing last week at 190,71 points. The index gained last Friday on the good performance of beverage maker Delta and telecommunication firm Econet; and Hippo. The mining index opened the week 2,41 points firmer to 34,42 points. Total market capitalisation for the market stood at $4,93billion as of Friday last week. Turnover rose to $6,5 million as of Friday from $5,7 million the previous week. Foreigners were net buyers last week having bought $3,31 million and sold shares worth $1,71 million. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

GOVERNMENT intends to create a special purpose vehicle (SPV) that will assume the Reserve Bank of Zimbabwe's debt estimated at US$1,35 billion outside the central bank's books, a Government official has said. Finance and Economic Development Acting Secretary, Mr Pfungwa Kunaka yesterday told members of the Parliamentary Portfolio Committee on Lands, Agriculture, Mechanisation and Irrigation that there are options being pursed in order to deal with the RBZ debt. He was giving oral evidence on the central bank's debt and the capital adequacy for the Agricultural Development Bank this farming season. "What is happening in terms of RBZ debt is that we are not liquidating it at one go but the strategy that we are following is to create a special purpose vehicle which will assume the debt outside the RBZ book. "So we are simply looking at parking the RBZ debt somewhere outside its books as opposed to immediately liquidating it and once we have the SPV in place, other new strategies will have to be taken to now deal with this debt without it continuing to affect the RBZ," he said.

Finance and Economic Development Minister Patrick Chinamasa last December announced in his 2014 National Budget statement that Cabinet had approved the RBZ debt that accrued in the past years to an estimated US$1,35 billion be assumed by Government. Mr Kunaka also said efforts to offload a 49 percent stake in Agribank to a potential investor were still on-going while the financial and legal due diligence processes have already been completed. "Cabinet's decision of May 2011 to privatise Agribank still stands and we are looking for an equity partner to claim 49 percent stake while Government will retain the remaining 51 percent. To date, the contracted technical team has completed the financial and legal due diligence processes and the next stage will be the asset and business evaluation which will then be followed by the bidding process," he added. Mr Kunaka said they would be looking at engaging an investment partner with a strong financial base that would enable the bank to mobilise funds on a continuous basis for onward lending. Agribank chief executive, Mr Sam Malaba recently told the same portfolio committee that plans to privatise the bank were commendable as a way of capacitating it. The move is expected to address capitalisation challenges that Agribank is facing which have continued to hamper its meaningful contribution towards the country's agricultural sector. In the 2014 National Budget, the bank was allocated US$4 million which Mr Malaba said was inadequate as they wanted at least US$50 million. *(Herald)*

TOBACCO farmers have so far earned US$9,7 million after the sale of 3,6 million kilogrammes of flue-cured tobacco since the season began last week. The tobacco was sold at an average price of US$2,67 per kg. This is marginally lower than the US$10,5 million that was earned from the sale of 3,2 million kg at an average price of US$3,22 per kg during the same period last year. The tobacco selling season got off to a slow start this year as most farmers have been rejecting prices offered at the auction floors. The impasse over prices has seen some farmers withholding their crop accusing buyers of colluding to buy their tobacco for a song. TIMB licensed 20 auction floor buyers this season compared to 15 last year, however, its understood that not all buyers are active. Of the US$9,7 million, US$4,9 million was realised through the auction system after the sale of 2,06 million kg at an average price of US$2,40. The balance of US$4,7 million was received after 1,5 kg were sold under the contract system at an average price of US$3,04 per kg. Of the 2,04 million kg sold under the auction system, 1,02 million kg worth US$2,5 million was sold at Tobacco Sales Floor, 610 271 kg worth US$1,4 million was sold at Boka Tobacco Floors and 430 883 kg worth US$938 989 at Premier Tobacco Floors. *(Herald)*

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