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

				WTD % Change		YTD % Change	
Country	Index	21-Mar-14	28-Mar-14	Local	USD	Local	USD
Botswana	DCI	8,933.27	8,946.45	0.15%	1.12%	-1.18%	-2.00%
Egypt	CASE 30	8,459.38	8,251.83	-2.45%	-2.53%	21.66%	21.05%
Ghana	GSE Comp Index	2,388.74	2,386.39	-0.10%	-1.66%	11.24%	-0.52%
Ivory Coast	BRVM Composite	239.76	240.61	0.35%	0.16%	3.70%	3.80%
Kenya	NSE 20	4971.50	4972.45	0.02%	-0.27%	0.92%	0.74%
Malawi	Malawi All Share	12,665.43	12,727.48	0.49%	1.24%	1.57%	3.03%
Mauritius	SEMDEX	2,062.46	2,092.40	1.45%	1.18%	-0.16%	-0.14%
	SEM 7	402.19	405.87	0.91%	0.64%	0.55%	0.57%
Namibia	Overall Index	1,020.64	1,085.89	6.39%	8.66%	8.92%	7.14%
Nigeria	Nigeria All Share	37,790.12	38,331.78	1.43%	1.77%	-7.25%	-9.56%
Swaziland	All Share	294.83	284.32	-3.56%	-1.51%	-0.47%	-2.09%
Tanzania	TSI	2,940.54	2,936.72	-0.13%	0.16%	3.28%	0.25%
Tunisia	TunIndex	4,614.35	4,585.18	-0.63%	-0.67%	4.65%	8.68%
Zambia	LUSE All Share	5,690.01	5,688.15	-0.03%	2.51%	6.34%	-6.16%
Zimbabwe	Industrial Index	181.10	175.94	-2.85%	-2.85%	-12.95%	-12.95%
	Mining Index	32.54	25.51	-21.60%	-21.60%	-44.29%	-44.29%

CURRENCIES

Cur-rency	21-Mar-14 Close	28-Mar-14 Close	WTD % Change	YTD % Change
BWP	8.80	8.72	- 0.96	0.84
EGP	6.94	6.95	0.08	0.50
GHS	1.87	2.64	1.59	11.82
CFA	475.28	476.18	0.19	- 0.10
KES	85.00	85.24	0.29	0.18
MWK	409.79	406.76	- 0.74	- 1.42
MUR	28.94	29.02	0.27	- 0.02
NAD	10.89	10.66	- 2.09	1.66
NGN	164.16	163.61	- 0.33	2.56
SZL	10.89	163.61	- 2.09	1.66
TZS	1,608.44	1,603.79	- 0.29	3.02
TND	1.58	1.58	0.04	- 3.70
ZMW	6.39	6.23	- 2.48	13.33

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

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Egypt

Corporate News

Revenues from Egypt's Suez Canal, one of the country's main sources of foreign currency, are expected to reach $5.5 billion in the current fiscal year, the head of the authority that manages the waterway said on Thursday. Suez Canal Authority chief Mohab Memish said this would be a record high. Revenues from the canal rose 8.5 percent in November from a year earlier to $442.4 million, according to the latest statistics. *(Reuters)*

Egypt-focused gold miner Centamin said its core profit rose by one percent in 2013 as higher production offset a sharp fall in gold prices last year. Earnings before interest, tax, depreciation and amortisation (EBITDA) came in just over $234 million for the year to December, slightly below analysts' consensus of $239 million according to Reuters I/B/E/S. Centamin production rose by 36 percent in 2013, beating its output target by 12 percent and the company aims to grow production further this year. *(Reuters)*

Italy's Maire Tecnimont won a deal to develop facilities for a petrochemical complex at the entry of the Suez Canal in Egypt worth almost $1 billion, helping the engineering company expand its business in North Africa. The company said on Wednesday the project, which it will share on a 50-50 percent basis with Dutch group Archirodon NV, had an estimated value of between $1.7 billion and $1.95 billion. News of the deal, one of the biggest contracts ever sealed by Maire Tecnimont, sent shares in the Milan-based company up more than 7 percent to reach 2.36 euros, its highest level in more than two years. "It is a big contract that will to boost Maire's backlog," said an analyst for the energy sector who declined to be named. Maire will have to wait until the financing of the project is secured before including its stake of the contract in its backlog. This is expected later this year, the company said. At the end of 2013 Maire Tecnimont's order book was 3.5 billion euros ($4.82 billion). According to the agreement signed with Egypt's privately-owned Carbon Holdings, Maire Tecnimont will build utilities and offsite facilities for the Tahrir complex, which is expected to boost Egypt's annual export by more than 25 percent. Dubai contractor Drake & Scull International will also join the works, even if its contribution to the project is yet to be decided. "It's good news since the contract falls in Marie Tecnimont's core business," said another analyst. The company said the deal will consolidate its leadership in petrochemicals. Last year oil, gas and petrochemicals generated almost 80 percent of Maire Tecnimont's revenues. *(Reuters)*

Economic News

No Economic News This Week

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Ghana

Corporate News

Guaranty Trust Bank plc, the parent company of Guaranty Trust Bank (Ghana) Limited, has declared a profit before tax of N107.09 Billion (about USD650 million) for the financial year 2013. The banks audited financial results for the year ended December 31, 2013 were announced at the Nigerian and London Stock Exchange. According to a release issued in Accra, a review of the results showed a strong and positive performance across all financial indices and also affirmed the bank's position as one of the most profitable financial service providers in Nigeria. In terms of value creation, GTBank maintained its top position in the industry with pre-tax return on equity (ROE) of 34.9 per cent and pre-tax return on asset (ROA) of 5.6 per cent. A glance through the numbers revealed a 28.6 per cent growth in loan book from ?783.91bn (about USD4.7 Billion) in 2012 to ?1.01tn (about USD6 Billion) in 2013 while customer's deposits grew by 24.3 per cent from ?1.15tn (about USD7 billion) in 2012 to ?1.43tn (about USD8.6 billion) in 2013. Consequently, the group closed the 2013 financial year with a balance sheet size in excess of ?two trillion (about USD12 billion) while shareholders' equity increased by 17.9 per cent from ? 281.83bn (about USD1.7 billion) in 2012 to ?332.35bn (about USD2 billion) in the period under review. Risk management framework in the bank remains very strong as non-performing Loan (NPL) ratio decreased to 3.58 per cent in 2013 from 3.75 per cent in the comparative period of 2012. Commenting on the results, the release quoted Mr Segun Agbaje, the Managing Director and CEO of Guaranty Trust Bank plc, as saying that, "As a growing franchise and in spite of the regulatory headwinds, our Bank has posted respectable results that reaffirm our reputation as a market leader and a highly ethical financial institution". "We have maintained our cost-leadership position as typified by the cost-to-income ratio (2013: 43.5 per cent; 2012:43.1 per cent) among peers year-on-year", he added. He further stated that "with this performance, we will maintain our commitment to maximising shareholder value with a proposed 10 per cent increase in dividend pay-out over what was paid in 2012 and a share price appreciation of 17 per cent in 2013. Our acquisition of Fina Bank Limited, a Kenyan bank with significant business footprint in Rwanda and Uganda, gives us the opportunity to commence business in three East African countries via the acquisition of one bank. This will give us great mileage and an opportunity to leverage our brand equity. We hope to further tap into the growth potentials of emerging African economies thus bringing us closer to our philosophy of being 'A proudly African and truly international' financial brand". The Managing Director of Guaranty Trust Bank (Ghana) Limited, Mr Lekan Sanusi, stated, "Our group's performance is a reflection of the health of all subsidiaries adding that "Customers and other stakeholders are thus assured that they are dealing with a strong institution". *(Ghana Web)*

SIC Insurance Company Limited paid over GH¢27 million in claims in the year ending 2013 representing a 4 percent increase compared with that of 2012, which stood at GH¢ 25.9 million. A rundown of the claims composition paid by the country's largest underwriting company revealed that Motor Insurance claims recorded the highest figure of GH¢11.8 million, followed by Fire Insurance accounting for GH¢7.9 million, while GH¢5.67 million was paid as claims against Marine and Aviation. General accident claims recorded GH¢1.87 million.
Commenting on the claims payment during the past year, the company's Deputy Managing Director (Technical) Mr. Kwei-Mensah Ashidam, said there is no compromise in claims settlement at SIC Insurance adding that the company remains focused in keeping customers resilient whenever the unfortunate happens. He said the 2013 figure shows a progressive increase in claims settlement within the last four years. SIC Insurance has also put in place a convenient process to short-circuit the purchase of insurance and claims procedures. Customers can now log on to SIC's e-insurance platform online and track their claims processes from the start to the period of final settlement. Mr. Ashidam stressed that prompt settlement of genuine claims and customer focused services will remain the topmost agenda for the company. *(Ghana Web)*

Ecobank Ghana's profit after tax hit 190 million Ghana cedis for last year. According to the Bank's 2013 financial statement released on Thursday shows that, Ecobank's profit after tax went up by 44 percent over the 132 million Ghana cedis recorded 2012. Ecobank's increase income increase substantially to 473.5 million Ghana cedi, while total assets reached 4.6 billion Ghana representing a 37 percent Ecobank also made some strong growth in the areas of deposits, loans advances to customers, However the impairment charges on loans advanced increased substantially to 55.3 million Ghana cedis. *(Ghana Web)*

Barclays Bank ended last year with a profit of GH¢202.5 million, representing a 35 percent increase in earnings for 2013 from GH¢150 million recorded for 2012. This makes Barclays the second most profitable bank after Standard Chartered Banks' GH¢208 million, according to the financial results released so far by commercial banks in the country. Speaking at the Bank's Annual General Meeting Luncheon, Managing Director, Patience Akyianu, said the bank will explore digital channels to grow their profits even more for this year. "We will also focus on some key thematic initiatives to drive the achievements of the bank's short-term plan, in our bid to become the 'go-to' bank in Ghana", she revealed. She adds that their impressive 2013 bottom line is the result of a progressive income growth, and not merely from impairment releases and savings in costs. She maintained that a renewed focus on business banking and recognizing that the SME sector remains the driving force of Ghana's economy has compelled the bank to be committed to developing excellence in that area. "This is a central strategic theme for the business. Total income grew by 31.2% in 2013, driven by significant growth in our total loan book and higher yields on Government bills and bonds. This was a result of dedication to growing the business", Patience Akyianu said. The bank's operating expenses inched up by 22.0% as a result of the general increases in inflation, utility and fuel prices experienced in the year.

Also, the bank's growth in impairment was partly attributed to the growth in loans and advances. The bank's balance sheet also grew quite well with total assets growing by 18.6% to end 2013 at GH¢2,343.0 million. Loans and advances grew significantly by 25% to GH¢993.8 million at the end of 2013. This was as a result of aggressive strategies embarked on in 2013 targeted at increasing the loan book balance in the face of intense competition. Customer deposits grew by 9.5% in a competitively challenging environment from GH¢1,454.3 million in 2012 to GH¢1,592.4 million at the end of 2013. Meanwhile, recent figures released by Guaranty Trust (Ghana) Limited also points a significant growth in its pre-tax profit of GH¢75 million for the financial year 2013 as against GH¢50 million recorded in 2012. The banks operating income rose to GH¢129 million in 2013 as compared to GH¢106 million in 2012 and profit after tax increased to GH¢53 million by end of 2013 from GH¢39 million recorded in 2012. *(Ghana Web)*

Economic News

Ghana has cancelled plans to issue a 5-year domestic bond worth 300 million cedis this month, the central bank said on Friday, a move analysts said was to avoid a further spike in already high yields. Central bank treasury head Yaw Abalo told Reuters the planned auction, open to offshore investors, had been called off but he did not provide a reason. Abalo said Ghana's finance ministry had made the decision not to go ahead with the auction. It follows on the heels of the government's decision earlier this week to put on hold plans to issue a $1 billion Eurobond in 2014, to avoid paying a higher yield. The cancellations could put a further strain on the government's budget which is already strangled by a high wage bill, analysts say. The cocoa, gold and oil exporter announced plans to issue a series of short- and medium-term debt as part of the government's debt restructuring. They included a 5-year bond slated for this month and a 7-year bond auction in May. Yields on government debt have been on the rise since January. The rate for Bank of Ghana's benchmark 91-day bill rose to 23.1678 percent last Friday, from 22.8927 percent at the previous auction. Yields on Ghana's 3-year bond were trading at around 24 percent on Friday, according to Reuters data. In comparison, the yield on Kenya's three-year bond is around 10.9 percent. Kenya is set to go ahead with a Eurobond issue soon. Analysts said Ghana's high rates reflect pressures on its public finances, which have deterred foreign investors from its debt.

The cancellation of the 5-year auction was expected and meant the government was becoming uncomfortable with the level of interest rates, they said. "Clearly, the government is now wary of high interest payments. The market now has to determine if longer-term yields have reached their peak," a trader at an Accra-based bank said, projecting that the 5-year issue would have attracted not less than a 27 percent yield. The last 5-year bond auctioned in September attracted a 19.04 percent yield. Ghana's GDP growth shot up to 14.8 percent in 2011, the first full year of oil production, and the country is seen as one of Africa's dynamos due to its economy and stable democracy. But it has missed a series of fiscal targets in the past year and growth has been hampered by a fall in gold prices, an energy crisis and signs that a government decision to slash subsidies has hurt consumer spending. The IMF estimates the economy grew 5.5 percent last year, below the government's estimate of 7.4 percent. *(Reuters)*

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Ghana's annual producer price inflation rose sharply for a second month in February to 27.1 percent year-on-year from 23.3 percent in January, due mainly to utility price hikes and the depreciation of the cedi currency. Ghana's producer price inflation has nearly doubled over the past two months from 15.3 in December. It is watched as an advance indicator of Ghana's consumer price inflation, which rose to a fresh three-year high of 14.0 percent in February. "The utilities sector recorded the largest increase of 55.7 percent, followed by manufacturing at 27.2 oct," said Philomena Nyarko, government statistician. She said that producer prices increased by 2.9 percent month-on-month, marking a slowdown from a 7.2 percent monthly rise in January. The cedi has depreciated around 12 percent so far this year on strong dollar demand by local firms and trading companies operators for imports. Ghana has posted rapid economic growth after starting offshore oil production in 2010, but the IMF estimated growth slowed to 5.5 percent last year, below the government's estimate of 7.4 percent. With interest rates running high, the government cancelled a $114 million 5-year domestic bond this month and put on hold plans to issue a $1 billion Eurobond *(Reuters)*

The International Monetary Fund (IMF) wants the Bank of Ghana to review the recent foreign exchange rules it implemented. The IMF's country representative Samir Jahjah says the fund has recommended to the Bank of Ghana to 'review the measures in light of the reaction of the business community and investors'. The bank last month implemented new and revised rules aimed at saving the cedi from further fall against major foreign currencies. Among the rules commercial banks were banned from issuing cheques and cheque books on Foreign Exchange Accounts (FEA) and Foreign Currency Accounts (FCA). Banks are also prohibited from granting a foreign currency-denominated loan or foreign currency-linked facility to a customer who is not a foreign exchange earner. The central bank also banned offshore foreign deals by resident companies, including exporters in the country. Also over-the-counter cash withdrawals from foreign exchange and foreign currency accounts not exceeding US$10,000 shall only be permitted for travel purposes outside Ghana or its equivalent in convertible currency per person per travel. However the introduction of the rules immediately sparked concern among local and foreign investors, who anticipate a tougher operating environment. IMF's representative in Ghana Samir Jahjah tells Citi Business News the central bank would have to listen to concerns raised and look at reviewing it. 'Are these measures hurting the economy or not? Are they affecting capital flows? We (IMF) don't have that response. That is why it is important that after a while they look at the impact of these measures on the various parts of the economy the financial sector but also the real sector, and based on this review, reassess these measures if needed", Samir Jahjah added. *(Ghana Web)*

Cocoa purchases declared to Ghana's industry regulator have reached 673,215 tonnes by March 13 since the start of the main crop on Oct. 18, up 12.85 percent from the previous year, Cocobod data showed on Thursday. The purchases, which covered 21 weeks of the 33-week main crop season, was higher than the 596,559.7 tonnes declared in the same period last year. Ghana the world's second-largest cocoa producer after Ivory Coast, last month raised its October-May main crop output target by 20,000 tonnes to 850,000 tonnes, citing improved weather. *(Reuters)*

Kenya

Corporate News

The Kenya Commercial Bank (KCB) has stabilised its activities in South Sudan, with investors and customers now enjoying normal services. The bank's group chairman, Mr Ngeny Biwott, said operations have resumed following recent fighting in Africa's newest nation. The bank assured both local and international clients that peace had been restored and business was picking up. "We have 22 branches in South Sudan and they are all operational, despite the fact that some of our buildings were demolished. We have recovered and are serving our customers," he said. He was speaking during a customer appreciation dinner at Rift Valley Sports Club in Nakuru County at the weekend. The bank expanded to South Sudan in 2006 and is said to enjoy a 50 per cent market share. But recent troubles in the country jolted the bank's activities in Bor, Bentiu and Malakal. Speaking at the same function, the bank's managing director, Mr Samuel Makome, said KCB was working closely with CMC Group to help the troubled motor company make a comeback in business. "When Uchumi supermarkets was experiencing financial trouble no bank would dare touch it but KCB went on and bail it out and today it is expanding to Kampala in Uganda," said Mr Makome. He said the bank would not shy away from assisting local entrepreneurs achieve their reams of driving the economy of this country to the next level. "We shall continue to support Small and Medium Enterprises (SMEs) and as bank we 're ready to fund them because we believe SMEs are the real drivers of our economy as they create millions of jobs to our youths," said Mr Makome. Mr Ngeny said the bank was investing heavily in internet banking, agency banking and would continue to revamp its contact centre in a bid to meet the demand of its customers. The bank which was started in Nakuru town in 1896 has a network of 178 branches countrywide. *(Daily Nation)*

Tea on Monday reported a 72 percent plunge in full-year pretax profit on lower valuations of some of its assets and weaker auction prices, mirroring weakening earnings in the sector. Kenya is the world's leading black tea exporter, and the crop is a major foreign exchange earner in east Africa's largest economy alongside horticulture and tourism. Limuru Tea's pretax profit fell to 41.5 million shillings after the underlying assets such as the tea planted on its estates fell in value, the company said in a statement, while costs and wages rose during the year. Limuru tea said this year had started "on a slow pace due to lower rainfall than normal", adding that if rains and market conditions improved then it should be an "average" year. Revenues fell by 10 percent to 104 million shillings, largely due to a fall in auction prices during the year. The company said it would pay a dividend of 7.50 shillings per share, unchanged from the previous period. The country's tea is auctioned weekly at the port city of Mombasa, where prices have weakened this quarter. Kenyan tea producer Kapchorua issued a profit warning on Friday, blaming a sustained fall in the commodity's price at auction. Earlier last week, agricultural firm Kakuzi Ltd said its pretax profits halved in 2013, hurt by a steep decline in the turnover of its avocado and tea divisions. *(Reuters)*

Standard Chartered Bank of Kenya posted a 16 percent rise in pretax profit to 13.4 billion shillings in 2013, driven by a rise in net interest income, its chief executive said on Tuesday. Growth in total loans pushed the bank's net interest income 18 percent higher to 16.8 billion shillings in 2013, chief executive Lamin Manjang told an investor briefing in Nairobi. Manjang added that non-performing loans rose to 3.8 billion shillings, representing 3 percent of gross loans, from 2.2 billion shillings in the previous year or 2.2 percent of total loans. Kenyan banks including the largest lender by depositors, Equity Bank, and the biggest by assets, KCB, posted double-digit earnings growth last year, though rising bad debts have curbed pretax profit. Standard Chartered raised its dividend per share to 14.5 shillings from 12.5 shillings in the prior year. *(Reuters)*

Standard Chartered Bank of Kenya expects east Africa's burgeoning middle class to drive growth in 2014 after it recorded a 16 percent rise in 2013 pretax profit, its chief executive said. The lender, which is controlled by Standard Chartered Plc, said its net interest income jumped by 18 percent to 16.8 billion shillings, driving pretax profits to 13.4 billion shillings. Lamin Manjang, who took over the leadership of the bank this year after running its business in Oman, attributed the positive outlook to a range of opportunities across personal, corporate and project financing. "On the consumer banking side, the growing middle class clearly is an area that plays into our focus in terms of strategy, therefore we see the outlook for 2014 as being quite positive," the chief executive told Reuters. He said the bank would also benefit from a range of planned infrastructure and energy investment projects by the government, as well as the country's nascent oil and gas sector, that would bring it new business. Kenya is racing to alleviate infrastructure bottlenecks by constructing new roads and a modern railway line. It is also expanding its main airport in the capital Nairobi. It is also building new power plants and electricity lines to meet growing demand for energy and to cut the cost per unit of electricity, which is viewed as too high. Manjang said bad loans, which rose to 3.8 billion shillings, representing 3 percent of gross loans, from 2.2 billion shillings in the previous year or 2.2 percent of total loans, had started to improve this year. Standard Chartered plans to open only two new branches this year, 50 percent fewer than last year, and instead make "significant" investments in mobile phone and Internet banking. "We will give more focus on the digital channels because we see this as the wave of the future. This is what our clients want," Manjang said. Mobile phone-based financial services have helped the east African nation of 40 million people to raise its financial inclusion to 70 percent of the population in recent years. Kenyan banks including the largest lender by depositors, Equity Bank, and the biggest by assets, KCB, posted double-digit earnings growth last year, though rising bad debts curbed earnings. Standard Chartered raised its dividend per share to 14.5 shillings from 12.5 shillings in the prior year. Its shares rose by as much as 2.2 percent to 315 shillings each, after the results, before giving up some of the gains to trade at 310 shillings each in mid-morning. The bank launched Islamic banking earlier this month to take advantage of a low reach in that area. Islamic banking accounts for about 2 percent of the market, in a country where the Muslim population makes up 15 percent of the population. *(Reuters)*

National Bank of Kenya posted a 57 percent jump in pretax profit to 1.81 billion shillings last year and its plans to raise capital from shareholders are on track, it said on Wednesday. Munir Ahmed, the bank's managing director, told an investor briefing the bank plans to add seven new branches, to appoint 1,400 agents across the country and to launch new cash points as well as Internet and mobile phone-based banking. "We are increasing our capital by way of a rights issue ... (by) 10 to 13 billion shillings." he told an investor briefing. Ahmed was hired from Standard Chartered in 2012 to turn the bank around after its model of focusing on banking to the government, a major shareholder, caused it to be overtaken by nimbler rivals such as Equity Bank. National's net interest income rose to 5.64 billion shillings in 2013 from 4.78 billion shillings in the previous year, Ahmed said. Its earnings per share rose to 2.32 shillings last year from 1.52 shillings in 2012, while the dividend per share was raised to 0.33 shillings from 0.20 shillings. Kenyan banks, including the largest lender by depositors, Equity Bank, and the biggest by assets, KCB, posted double-digit earnings growth last year, though rising bad debts curbed pre-tax profit. National is striving to reclaim its position as one of the country's top three lenders after losing it due to poor management. The bank said its provisions for bad debts dropped to 288 million shillings during the year from 726 million shillings. During the year under review, National ventured into new business segments like bancassurance, investment and corporate banking, Ahmed said. *(Reuters)*

Safaricom Ltd., East Africa's biggest mobile-phone company, said it may abandon its bid to acquire assets owned by Essar Telecom Kenya Ltd. in the absence of regulatory approval. A month after the Nairobi-based company requested clearance from the Communications Authority of Kenya to make the acquisition, the regulator has yet to acknowledge receipt of the application, Corporate Affairs Director Nzioka Waita said in an interview in the city. CAK Director-General Francis Wangusi declined to comment when Bloomberg called him yesterday and didn't immediately respond to e-mailed questions. "For all concerned, this transaction was very time-bound," Waita said March 24. "We are giving very serious consideration to pulling out for the simple reason that the lack of regulatory certainty puts us in a place where the key fundamentals of the transaction have changed." Safaricom, 40 percent owned by Vodafone Plc, and rival Airtel Kenya Ltd. may spend "in the hundreds of millions of dollars" acquiring Essar, which operates Kenya's third-biggest mobile company, according to Waita. Safaricom plans to buy Essar's network base stations and transmission equipment. The regulator has demanded that Safaricom improve its network quality before being granted a new license. Airtel, the second-biggest operator, is set to take over Essar's 2.75 million subscribers and licenses.

Essar Telecom, which is being sold after accumulating "substantial" losses over the past six years, has also yet to hear from the regulator, Chief Executive Officer Madhur Tanejasaid in a March 24 interview in Nairobi. "We are yet to see any formal response coming from the Communications Authority of Kenya to be able to understand how they are looking at this transaction," Taneja said. "We also understand that the application has not been put to the board." Essar, Airtel and Safaricom currently have a memorandum of understanding, though they have yet to sign a legally binding agreement, Taneja said. The delay in considering the deal by the authority may become protracted because its board's term of office ends on April 2, Waita said. The process of interviewing and reconstituting the board has only "just been kicked off" by the Ministry of Information and Communications Technology, he said. "The delay is surely disturbing," Essar's Taneja said. "Time is of the essence in all such transactions because it sends anxiety to every stakeholder." Essar Telecom is unaware of any objections to the transaction, which has been under discussion for seven months, he said. Before agreeing to a deal with Safaricom and Airtel, Essar approached Orange SA, Emirates Telecommunications Corp.,MTN Group Ltd. and a Vietnamese telecommunications company over the past 18 months about a possible acquisition, Taneja said. Airtel Kenya, owned by Bharti Airtel Ltd., India's largest mobile operator, declined to comment on the delay beyond a March 2 statement outlining its plans to take over Essar's subscribers, Airtel spokesman Michael Okwiri said in an e-mail yesterday. Adding those clients will boost Airtel's Kenyan market share to 26.4 percent from 17.6 percent, according to Bloomberg Industries.

Airtel will also bring in more than 100 of Essar's distributors, and more than 5,000 mobile-money agents will become part of its network, Taneja said. At least 185 of Essar Telecom's 220 employees will be recruited by both Airtel and Safaricom after being handed severance packages, he said. "This is the only commercially viable option," Taneja said. "It will be extremely unfortunate if this transaction falls through and it will be the regulatory bodies which will then have to explain to the people who may get impacted." Safaricom has a 67 percent share of Kenya's total mobile-phone market, while it also controls 79 percent of voice traffic and 96 percent of all mobile text messages, according to data compiled by Bloomberg Industries. The company's shares have advanced 14 percent this year to 12.40 shillings. The stock may gain further if the deal goes ahead because it will "give them an opportunity to increase capacity on their network," Faith Atiti, a research analyst at CBA Capital Ltd. in Nairobi, said today. Shareholders could also expect a higher dividend payout after the acquisition, she said. Essar Telecom, a unit of Mumbai-based Essar Group, began operations in Kenya in December 2008 after purchasing Econet Wireless Kenya Ltd. The company's market share fell to 8.3 percent in September 2013 from 9.6 percent a year earlier, according to the regulator. *(Bloomberg)*

Economic News

Kenya's property abroad risks being auctioned as the Treasury awaits guidance from the Attorney-General on payment of Anglo Leasing debts. The government had been given until Monday to pay Sh924 million ($10.6 million) to First Mercantile Securities Corporation following a December 2012 judgement in a Swiss court. The firm's lawyers, Tavers Smith, had warned that failure to clear the debt could precipitate proceedings to enforce the judgement in England. Essentially, this means that Kenya's properties abroad could be attached and auctioned. However, Treasury Cabinet Secretary Henry Rotich said he had referred the matter to the State Law Office and was awaiting guidance. "The important thing is that settling these debts can be a three month process. The A-G is going to advise us on how to manage the settlement to ensure that it works," said Mr Rotich. He said First Mercantile was yet to attach any of Kenya's properties abroad. Officials from the State Law office had not responded to calls from the Daily Nation for comment by the time of going to press advising reporters to contact the A-G's office today at 9 am. In the letter to the National Treasury and Attorney-General Githu Muigai, First Mercantile threatened to "take steps with a view to commencing enforcement proceedings in England to recover the judgment debt and any related costs." "Despite repeated demands for payment, the judgment debt remains unpaid. Interest on the judgment continues to

It is feared that what is due could be significantly higher than $10.6 million given that the government is charged an interest of $1,400 (Sh126,000) daily for failing to pay. "We understand that First Mercantile's Kenyan advocates, A. H. Malik & Co, have previously written to the Republic of Kenya in relation to the non-payment of the debt but that the Republic of Kenya has neither responded to that correspondence nor paid the debt to First Mercantile," reads a letter. Mr Rotich had told the Nation that money to settle the debts would be factored in the second supplementary budget estimates expected in parliament in May. Anglo Leasing remains one of the biggest scandals in Kenya and has cost taxpayers billions of shillings paying for goods that were never delivered. The government had promised to ensure no tax -payers' money would be lost in the scam but efforts to appeal against the judgment have borne no fruit. Mr Rotich now hopes parliament approves his request to be allocated money to settle the debt alongside another one owed to Universal Satspace Company. *(Daily Nation)*

Kenyan stocks firmed on Tuesday, led by banks including Standard Chartered Bank of Kenya after it announced stronger full year profits, but importers' appetite for dollars weighed on the shilling. The main NSE-20 share index rose 13.03 points to stand at 4,974.05 points. StanChart Kenya was among the top gainers, up 1.6 percent to 313 shillings per share. Shares in the lender rose after it reported a 16 percent rise in pretax profit and a higher dividend. "We note that the (2013) results are above our forecasts ... Due to the bank's trading multiples, we maintain our 'hold' recommendation on StanChart Bank," Kestrel Capital said in an analyst note. Overall, the banking sector had 4.3 million shares traded, representing 30 percent of the day's traded volume. Kenyan banks including the largest lender by depositors, Equity Bank, and the biggest by assets, KCB, posted double-digit earnings growth last year, though rising bad debts curbed earnings. In the foreign exchange market, the shilling lost some ground as dollar demand from manufacturers and other importers picked up. At the 1300 GMT close of the market, leading commercial banks posted the shilling at 86.60/70 per dollar, down from Monday's close of 86.40/60. "There is slight demand in the market from manufacturers and importers and that's pushed the shilling lower," said Andlip Nazir, a senior trader at I&M Bank. The shilling has recently been under pressure from a drop in short-term interest rates, which makes it easier for banks to fund long dollar positions, but the central bank's mopping up of liquidity has provided some support. Nazir said the shilling's direction could hinge largely on whether the central bank continues to mop up excess liquidity. In such operations, the central bank makes it relatively more expensive to hold onto long dollar positions, which in turn makes the shilling strengthen. The bank stayed out of the market on Tuesday. "We could see a move towards 86.70/80 but I don't see a major depreciation of the shilling (this week)," he said. In the debt market, bonds worth 2.51 billion shillings were traded, rising sharply from a volume of 82 million shillings in the previous session. *(Reuters)*

The average price of Kenyan tea was down by a quarter in December to $2.46 per kg from the same month a year earlier, the industry regulator said on Thursday. The Tea Board of Kenya said production of the crop, which is one of the country's top foreign exchange earners, edged up to 41.7 million kg from 41.4 million kg in December 2012. The average price for a kg of tea during the calendar year 2013 dropped 20 percent to $2.53, mainly due to a higher supply and adverse conditions in some key markets that sapped demand, the tea board said. *(Reuters)*

The Kenyan shilling strengthened against the dollar on Thursday after the central bank moved to take excess liquidity out of the market. Shares drifted lower. At the 1300 GMT close of the market, leading commercial banks posted the shilling at 86.40/50 per dollar, up from Wednesday's close of 86.60/70. The central bank took 6.35 billion shillings out of the market through a repurchase agreement (repo) at a weighted average interest rate of 8.248 percent. It had sought to mop up 10 billion shillings but only got bids for 6.35 billion shillings ($73.09 million). "Central bank came in with a repo which drained excess liquidity from the market, thereby making the shilling strengthen," said Sheikh Mehran, a trader at KCB Bank. The central bank's action followed a drop in the overnight borrowing rate on the interbank market to 8.1425 percent on Wednesday from 8.4044 percent the previous day. Lower short-term interest rates usually make it slightly cheaper for banks to fund long dollar positions, exposing the shilling to downward pressure.

On the stock market, the benchmark NSE-20 share index, edged down 0.2 percent to close at 4,958.62 points. "Generally, the market looked weak," said Eric Musau, a research analyst at Standard Investment Bank. Shares in national carrier Kenya Airways dropped 3 percent to close at 12.20 shillings each, after reports in local newspapers that it wanted exemptions from sales tax on purchases of spare parts for its aircraft, which have been driving up its costs. "They are trying to get tax concessions, but that communication reaching the market is being viewed negatively," Musau said. National Bank was the biggest loser, shedding 8 percent to close at 28.50 shillings a share, as the market continued to react to its full-year earnings report, issued the previous day. National plans to raise 10 billion to 13 billion shillings in a cash call to fund expansion. "That (cash call) remains the key issue. It is going to be under pressure until that transaction is completed," said Musau. In the debt market, bonds worth 2.17 billion shillings were traded, up from the previous day's 1.2 billion shillings. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Mauritius

Corporate News

Terra Mauricia, a leading Mauritian sugar producer, on Wednesday posted a 29.3 percent fall in full-year pretax profit on poor performance by its sugar and electricity units. Terra, which has diversified from a focus on sugar to interests in energy and alcohol production as well as property development and financial services, said profit fell to 520 million rupees ($17.30 million). Earnings per share fell to 1.60 rupees from 2.20 rupees in 2012. Terra's results were released after market trading in which the shares rose by 1.35 percent to 37.50 rupees. *(Reuters)*

Mauritius-based luxury hotel group Sun Resorts swung into the red last year, posting an annual pretax loss of 43.9 million rupees ($1.46 million), it said on Wednesday. The group, in a statement, said losses at Ambre, its resort on the east coast of the island, were the main contributor to the group loss. Ambre has yet to recover the costs of a 10 million euro refurbishment in 2012, analysts said, and depends heavily on French tourists, whose numbers have declined as the French economy has barely grown since exiting recession in the first half of last year. Sun Resorts' annual loss reversed a profit of 7.07 million rupees in 2012. Tourism, a key driver of the Indian Ocean island's economy, has been hit by weakness in its key European markets. Tourist arrivals from Europe fell by 1.5 percent last year, with visitors from France down 4.7 percent. However, overall visitors to Mauritius rose 2.9 percent last year. Lux Island Resorts, another Mauritius-based luxury hotel group, announced last month a jump in its first-half pretax profit to 145.5 million rupees ($4.8 million) from 35.7 million a year ago and rebounding from a previous quarterly loss as it benefited from a rise in visitors from the UK and China. Lux and Sun Resorts both have hotels in the Maldives as well. Sun Resorts said it intends to undertake a rights issue of 1.2 billion rupees to be offered to all its shareholders in order to enable the company to reduce its leverage position, innovate and pursue its growth strategy. It posted a loss per share of 0.34 rupees against earnings per share of 0.17 rupees in 2012. The results came out after the stock market close. *(Reuters)*

Economic News

No Economic News this week

Nigeria

Corporate News

The Executive Director, First City Monument Bank (FCMB) Capital Market Limited, Mr. Tolu Osinibi, at the weekend revealed that the FCMB Group has committed about $400 million to power sector financing. Osinibi, who spoke on the sidelines of a Power Investors' Summit Nigeria tagged "Maintaining Momentum in Nigeria's Power sector," held in Lagos at the weekend, also revealed that the FCMB Group is considering investing about $200 million into the power sector going forward. He stated that before the recent privatisation of the power assets, his institution had been funding small captive power projects. He said FCMB's commitment to the power sector is very broad, adding that it is also about national development. "Nobody from outside Nigeria is going to come and fix the power sector for us. I believe it is a case of every individual and every institution that has the means and skills to contribute towards the growth of the power sector to reposition it. "So within FCMB, as a group, our focus is that the sector is a place where we need to allocate resources so as to create a larger market for our self," Osinibi added. He maintained that the ongoing privatisation of power assets would have a multiplier effect on the economy, saying that the impact of the exercise would be felt mostly in terms of job creation. The education sector, healthcare, everything requires power, he said. "For FCMB, we would be there; we would look for the best transactions. It is a long journey; power is not something you do in one, two or three years. "Our policy is that we would see out to firms who realise it is a long-term journey and we would do everything we can in bringing our skills and expertise to help them realise their objectives," he explained. *(This Day)*

The Group Managing Director/Chief Executive Officer, Access Bank Plc, Mr. Herbert Wigwe, has said that the bank is working with indigenous independent and small producers in the oil sector to improve on their governance structure. This, according to the Access Bank boss is to enable the firms attract the much needed financing to drive their operations and develop the sector. A statement released at the Nigerian Oil and Gas Exhibition and conference held recently, quoted Wigwe to have also disclosed that the bank had realised the challenges confronting indigenous operators. According to him, Access Bank would help the operators address the challenges by strengthening their governance structure, as well as helping to address the issue of infrastructure in the sector. He explained that despite the challenges, Nigerian banks have built capacity over the last 15 years, and are working together with international institutions to support the sector. He said local banks working together with international institutions have been able to support much larger projects. "There are several problems that have to do with the companies themselves. The first and most important one is governance. "Most of them lack the corporate governance structure to support that kind of debt and even when they do have the structure, there are issues around capacity and how much equity they have built in and there are also issues of those that are growing a bit too rapidly and the capacity to manage their growth," he further said. He however noted that the issue about governance was about the appropriate systems, processes, procedures, controls to ensure that the business remain sustainable. Wigwe pointed out that if a company is growing very fast and does not have the appropriate framework, does not have the right board structure, does not have people with the right skills on the board, over time, it will not be competitive and would not continue to exist. "However, what some of us have done in our own institution is to create a structure that has helped to support the governance framework of those we chose to support. "There are also issues that have to do with infrastructure around the sector. If you want to support somebody, what is the nature of the infrastructure for the evacuation of the products. This is a topical issue," he added. He expressed confidence on the viability and bankability of indigenous oil companies, stating that some of the companies have put in place the right structures from the governance standpoint, while a number of them have also built up enough equity which they are deploying into the business. *(This Day)*

The Nigerian unit of British drugmaker GlaxoSmithKline on Tuesday reported 2013 pretax profit up 3.4 percent to 4.31 billion naira, from 4.17 billion naira the previous year. Turnover grew 15.3 percent to 29.18 billion naira during the period, compared with 25.31 billion naira a year earlier, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

Royal Dutch Shell said on Tuesday it had declared force majeure on exports of the Forcados oil grade due to a pipeline leak caused by oil theft. OPEC member Nigeria is Africa's top oil producer although it rarely pumps at full capacity due to rampant oil theft, costing the country billions of dollars. "Unknown persons had installed a crude theft point on the line in water depth of about eight metres," Shell said in the statement. A "slight sheen" was visible near the line, it added. The firm said on March 14 that it had suspended third-party exports of Nigeria's Forcados grade. Ship-tracking data showed that one Suezmax tanker has been in the vicinity of the Forcados terminal since March 9, indicating a waiting period of at least two weeks. Shell did not give a timeframe for repairs, adding only that it was seeking to reopen the export line as soon as possible. *(Reuters)*

The Standards Organisation of Nigeria (SON) yesterday formally gave approval to Dangote Cement Plc to commence the rolling out of 42.5 higher grade of cement into the Nigerian market. The agency said it had inspected the company's manufacturing facilities across the country and found the processes to have been upgraded to efficiently produce the 42.5 cement grade, which provides higher strength in building and construction. SON made this declaration during Dangote's pre-media launch of its newly-introduced 42.5 cement grade, Dangote 3X cement, in Lagos, stressing that the indigenous cement manufacturer had been given full certification by the standards agency to produce the high quality cement. The SON Director General, Dr. Joseph Odumodu, who was represented by an enforcement official of the agency, Mr. Adeoye Onipede, commended the move by Dangote to increase its value proposition to Nigerians with the new product and urged the company to keep abiding by the strictest manufacturing standards. The Group Managing Director, Dangote Cement Plc, Mr. Devakumar Edwin, who presented samples of the new product at the event said the launch by Dangote was to show the company's commitment to the safety of human lives rather than maximising profits alone in the country, maintaining that incidences of building collapses in the country do not only destroy lives and properties, but also bring about huge economic losses to the nation. Edwin said most of the building collapses in the nation were caused by varied factors among which poor quality cement is significant, pointing out that the lifetime investment by Dangote was to further demonstrate the company's effort to guard against unfortunate incidents of failure of buildings and the attendant loss of lives and property.

He said to contribute its quota towards checking the spate of building collapse in the country, "Dangote has stopped the production of the 32.5 lower cement grade," saying as a corporate organisation, it values human lives rather than just making money. According to him, "This is why we are focusing heavily on 42.5 cement grade, because we believe as a responsible organisation, human life is more precious than making profits. The introduction of Dangote 42.5, 3X cement, is not to dominate the cement industry but to follow the acceptable global trend, which has also been adopted by West African countries like Ghana, where the focus is shifting towards the 42.5 cement grade as the preferred quality of cement for building and construction activities." Describing the features of the Dangote 3X 42.5 cement and the differences between the 32.5 and 42.5 cement grade, the Group Chief Marketing Officer, Dangote Cement Plc, Mr. Oare Ojeikere, stated that the 42.5 cement grade is 30 per cent stronger than the 32.5 cement grade, adding that the 3X is specifically designed according to the block maker's specification. He said a higher grade of cement is vital in putting an end to building collapse in the country, adding that it is about time Nigeria joined other countries in the sub-region to move away from 32.5 cement grade to 42.5 cement grade. According to him, the 3X, which stands for "Xtra strength; 'Xtra life and Xtra yield" is the brand name for the Dangote 42.5 cement grade now sold in 50 kilogramme bags across the country. He stressed that because of 3X's higher strength characteristics, 42.5 grade cement gives higher yield than 32.5 to users in situations where strength is not a crucial factor.

The Honorary Adviser to the President, Dangote Group, Mr. Joseph Makoju, said in 2002 local production of cement in the country was less than 2 million tonnes, noting that with the efforts of Dangote cement and other cement producers in the country, the cement industry has come to stay. Association of Housing Corporation of Nigeria, Mr. Toye Eniola, said there had been issues bothering on building collapse in the country, leading to loss of lives and destruction of buildings, stressing that with the introduction of 3X, the association will collaborate with Dangote to ensure that the product gets the necessary support and patronage it deserves to put an end to the spate of building collapse in the country. The president, Brick Moulders Association, Mr. Abel Kayode, said brick moulders were very excited about the introduction of the 3X and said the association would recommend the product to it's over 3 members. "We have been looking for a product like 3X and we believe this cement will help us carry out activities in the most efficient and affordable manner," he said. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

As part of efforts to encourage more participation in the Nigerian capital market, regulators of the market have disclosed plans to bring down the cost of transactions. The Director General, Securities and Exchange Commission (SEC), Ms. Arunma Oteh said this while speaking at the Nigeria Summit organised by the Economist magazine in Lagos. She explained that SEC is currently working with the Central Securities Clearing System (CSCS) and the Nigerian Stock Exchange (NSE) on a transaction cost analysis. The outcome of the analysis, according to her, would help determine what the appropriate transaction cost to be charged by operators. "We are working with the stock exchange along with the CSCS to sponsor the transaction cost analysis. This is because the issue around cost of transaction in Nigeria is an issue that we have heard about and I think it is important that we have the exact data. When the volume of transactions goes up, the brokers and other participants would be more inclined to reducing cost," the SEC boss said. According to her, in the last six years, SEC had reduced cost of transactions twice. "I think the transaction cost analysis would be concluded very soon and there would be more flexibility," she added. Oteh said with the introduction of market makers in the capital market, there has been a 20 per cent increase in daily trading volume.

Also speaking at the forum, the Chief Executive Officer, African Capital Alliance, Mr. Okechukwu Enelamah urged financial institutions to invest in the real sector of the economy. On his part, the Managing Director, Goldman Sachs, Mr. China Onyemelukwe revealed that investors in emerging markets are always look out for the ability of the potential investing company to absorb and manage foreign exchange risk. This, he described, as a very key factor in taking investing decisions in emerging markets. Also, the Chief Executive Officer, Financial Derivatives Company Limited, Mr. Bismarck Rewane, while speaking on the performance of the Nigerian economy noted that "If you look at the Nigerian economy, wholesale and retail trade constitute almost 75 per cent of the GDP which means that this economy trades actively tangible goods." He stressed the need for regulations to protect investors from pyramid schemes. *(This day)*

Dangote Cement Plc (DANGCEM), Nigeria's largest company and the continent's biggest producer of the building material, said full-year profit gained 39 percent as sales in the local market surged. Net income for the year through December rose to 201.9 billion naira ($1.2 billion) from 145.1 billion naira a year earlier, the Lagos-based company said in a statement today. Revenue rose 29 percent to 386.2 billion naira, while sales in Nigeria increased 28 percent to 13.3 million metric tons. The company, controlled by billionaire Chairman Aliko Dangote, has production capacity of 20.3 million tons across three Nigerian plants. It plans to expand into 13 other nations on the continent, bringing total capacity to more than 60 million tons by 2016. "As the Nigerian cement market grew by a strong 15.6 percent, we managed even better growth," Chief Executive Officer Devakumar Edwin said in the statement. "We increased our margins despite continuing disruption to our gas supply." Nigeria's economy has expanded 6 percent a year since 2006, according to the World Bank. Dangote Cement will invest about $1 billion on plant expansion this year, Edwin said at an investor conference in Lagos today. The company plans to complete building work on the Ibese and Obajana plants as well as projects in Zambia, Senegal and Cameroon from 2014 to 2016, he said. The company said it would more than double its dividend to 7 naira a share, compared with 3 naira the previous year. The stock closed unchanged today in Lagos at 230 naira. Dangote Cement has gained 51 percent in a year, compared with a 13 percent gain on the 193-member Nigerian Stock Exchange All-Share Index. *(Bloomberg)*

Ashaka Cement Plc has faulted the federal government's plan to ban the production of 32.5 cement grade in the country. The Chairman of the Board, Ashaka Cement Plc, Alhaji Umaru Kwairanga said during a chat with journalists in Abuja that rather than ban the 32.5 cement grade, it should be produced alongside the 42.5 cement grade. This, he argued, would not only provide consumers with the freedom of choice, but also assist in securing jobs that had already been created through the production of the 32.5 cement grade. According to the News agency of Nigeria (NAN), there had been arguments that the use of the 32.5 per cent cement grade in the construction sector was a major reason for the increase in building collapse. The development had made the Standards Organisation of Nigeria (SON) to set up a technical committee to review cement standardisation in the Nigeria. However, commenting on the development, Kwairanga said, "I want to state that cement is not responsible for building collapse in Nigeria and I can say that, especially in the Northern Nigeria where Ashaka is located. "I can tell you that so many researches around this have already been done and we have seen practically that the issue of building collapse is more related to the other issues than the cement itself. "It's either from the professionals or consultants that are handling the building jobs have not followed the specifications. "Definitely the issue of banning 32.5 should not be the solution in Nigeria. Like I've said there is no way you can relate the issue of building collapse in Nigeria to 32.5 cement class. If there is no way you can relate that with the 32.5,then banning it will not solve the problem," he said.

The chairman also said that the company has approved plans to expand its operation with the investment of fresh N100 billion in cement production in the North-east. The amount, he said, would help to increase the plant production capacity of the company to 2.5 million metric tonnes, explaining that barring any last minute change, the ground breaking ceremony for the project would be made by President Goodluck Jonathan within the next two weeks. He said the investment, which is the first of its kind in the troubled region would help to further boost economic activities as well as reduce the level of unemployment in the North-east. Kwairanga said, "We are taking investment to North-east, Gombe that is worth over N100bn. The value of setting up that plant of 2.5 million metric tonnes of cement and a whole power plant is 513m Euros. "We are ready for the ground breaking ceremony, all the issues of logistics have already been concluded, we have gotten the approvals from our board and we have already appointed and engaged the contractor. "In the next two weeks, we will go and do this groundbreaking ceremony. And this is the first time that his type of investment is going to the North-east," he stressed. When asked why the price of cement was still high despite the promise by the federal government to reduce the price to N1,500 per bag, the Ashaka Cement chairman said it would be difficult to achieve that objective now owing to the high cost of production. "When you look at our prices, whatever we are going to charge as cement price is based on cost of production and we may not be able to control the retailers' prices because of several reasons such as logistics, transportation and the rest. "But there are some other cost that you cannot control. I can tell you that when I look at the cost profile of producing one bag of cement in Ashaka, more than 50 per cent is related to power. So how can you bring down the price? The cost of energy is high." He, however, expressed optimism of a reduction in the price of cement when the challenges in the power sector are addressed. *(This Day)*

Economic News

The Central Bank of Nigeria (CBN) has expressed its resolve to sustain the single-digit inflation in the country. Specifically, the central bank stated that its objective is to bring inflation down to six per cent before the end of 2015, even as it fixed an upper limit of nine per cent for inflation. The CBN stated this in its "Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for Fiscal Years 2014/2015," posted on its website at the weekend. Nigeria's inflation stood at 7.7 per cent as at February. According to the central bank report, the primary objective of monetary policy in 2014/2015 remains the maintenance of price stability. It assured Nigerians that it would continue to adopt a medium-term framework for the conduct of monetary policy in the period. The CBN pointed out that the rationale for the framework was anchored on the fact that monetary policy impacts on its ultimate goal with a lag, saying that the framework would thus enable it to avoid over-reaction to temporary shocks and time inconsistency problems associated with frequent changes in policies. "The aim is to create an environment characterised by low inflation that is conducive for sustainable economic growth and job creation. "The Bank shall continue to take necessary steps to ensure banking system soundness and overall financial system stability as well as enhance the efficiency of the payments system. It shall sustain the effective enforcement of financial market rules to promote the evolution of credible financial markets," it stated. Furthermore, it pointed out that there would be close monitoring of growth in broad money supply (M2), with projections of 14.52 and 14.74 per cent in 2014 and 2015, respectively. The also said it would continue to take necessary steps in ensuring banking system soundness and overall financial system stability. "It shall sustain the effective enforcement of financial market rules to promote the evolution of credible financial markets. The Monetary Policy Rate will continue to be the anchor rate for short-term interest rates. The Monetary Policy Committee (MPC) will regularly review the rate in response to prevailing liquidity conditions and other developments in the economy," it added. According to the CBN, Open Market Operation (OMO) auctions would continue to be its major tool for liquidity management. *(This Day)*

Nigeria is scheduled to export no cargoes of Okwori crude oil in May due to maintenance work, a trading source said on Monday, reducing supplies from Africa's top exporter. Okwori is a relatively small stream and April's schedule shows exports of two cargoes of 650,000 barrels each, or 43,000 barrels per day (bpd), a fraction of Nigeria's total planned April shipments of 1.86 million bpd. Unipec, the trading arm of China's Sinopec, markets Okwori cargoes. The full picture of Nigeria's crude exports in May is not yet available, because the loading schedule of one of the larger crudes, Forcados, and of a small number of other streams, have yet to emerge. Based on information available so far, Nigeria's total crude exports in May are likely to be less than in April as loadings amount to 52 cargoes, down from 61 in April. Forcados is operated by a Nigerian venture led by Royal Dutch Shell. Shell said on March 14 it had suspended third-party exports of Forcados due to a pipeline leak. Shell has not given an estimate of how long repairs will take, saying on Monday they were still ongoing. *(Reuters)*

The International Finance Corporation IFC), which is the private sector arm of the World Bank, has unfolded plans to commence an annual investment of $1.5 billion in critical sectors of the Nigerian economy. The first tranche of the investment would be channelled into housing and other infrastructure, particularly power generation, distribution and natural gas. Executive Vice President/Chief Executive Officer of IFC for Africa, Mr. Jin-yong Cai, made the disclosure in Abuja yesterday after a meeting with the World Bank and the Coordinating Minister for the Economy and Minister of Finance, Dr. Ngozi Okonjo–Iweala, in her office. The corporation, Cai said, was willing to invest $1.5 billion on a yearly basis, noting that the proposed yearly investment in the country was not like the World Bank loan with tenor and interest rate components. But he said the IFC would work with the private sector in carrying out the various projects with the federal government only providing the needed guarantee for the fund. In her remarks, Okonjo-Iweala said she was elated that the discussion with the IFC team yielded good results, noting that with the proposed yearly investment, the scope of investment in Nigeria would have been expanded and would boost the Nigerian economy in the process.*(This Day)*

As part of efforts to encourage more participation in the Nigerian capital market, regulators of the market have disclosed plans to bring down the cost of transactions. The Director General, Securities and Exchange Commission (SEC), Ms. Arunma Oteh said this while speaking at the Nigeria Summit organised by the Economist magazine in Lagos. She explained that SEC is currently working with the Central Securities Clearing System (CSCS) and the Nigerian Stock Exchange (NSE) on a transaction cost analysis. The outcome of the analysis, according to her, would help determine what the appropriate transaction cost to be charged by operators. "We are working with the stock exchange along with the CSCS to sponsor the transaction cost analysis. This is because the issue around cost of transaction in Nigeria is an issue that we have heard about and I think it is important that we have the exact data. When the volume of transactions goes up, the brokers and other participants would be more inclined to reducing cost," the SEC boss said. According to her, in the last six years, SEC had reduced cost of transactions twice. "I think the transaction cost analysis would be concluded very soon and there would be more flexibility," she added. Oteh said with the introduction of market makers in the capital market, there has been a 20 per cent increase in daily trading volume. Also speaking at the forum, the Chief Executive Officer, African Capital Alliance, Mr. Okechukwu Enelamah urged financial institutions to invest in the real sector of the economy. On his part, the Managing Director, Goldman Sachs, Mr. China Onyemelukwe revealed that investors in emerging markets are always look out for the ability of the potential investing company to absorb and manage foreign exchange risk. This, he described, as a very key factor in taking investing decisions in emerging markets. Also, the Chief Executive Officer, Financial Derivatives Company Limited, Mr. Bismarck Rewane, while speaking on the performance of the Nigerian economy noted that "If you look at the Nigerian economy, wholesale and retail trade constitute almost 75 per cent of the GDP which means that this economy trades actively tangible goods." He stressed the need for regulations to protect investors from pyramid schemes. *(This day)*

Nigeria's incoming central bank Governor Godwin Emefiele said a devaluation of the naira would be "devastating" for the economy. The Central Bank of Nigeria's exchange-rate policy is correct and the regulator needs to ensure Africa's largest oil producer has a strong currency, Emefiele said in his first public comments since being nominated by President Goodluck Jonathan to the position. "This is an import dependent economy," Emefiele, 52, told a Senate hearing today in the capital, Abuja, before the upper house of parliament approved his appointment. "Devaluation is not an option." Emefiele, chief executive officer of Zenith Bank Plc, will succeed Lamido Sanusi, 52, whose suspension by Jonathan last month prompted the currency to drop to a record low as investors worried that the independence of the central bank will be compromised. That increased speculation policy makers will devalue the currency by lowering the midpoint of the naira peg from 155 per dollar in the face of dwindling foreign-currency reserves. Nigeria's reserves have declined 13 percent this year to $37.9 billion as of March 24. The naira has dropped 2.8 percent against the dollar on the interbank market in the period.

The decline in foreign-exchange reserves is due to a "speculative attack," Emefiele said. Emefiele will need to control inflation and steer the economy of Africa's most populous nation through next year's presidential election amid pressure to boost government spending, bolster the currency and convince investors of the independence of the central bank. In its first meeting since Sanusi's departure, the Monetary Policy Committee, led by acting Governor Sarah Alade, yesterday held its key interest rate at a record 12 percent and increased the cash reserve requirements on private sector deposits to 15 percent from 12 percent, citing the continued need for a tight monetary stance. Jonathan suspended Sanusi for "financial recklessness and misconduct," allegations he denied. His removal came after he alleged that billions of dollars of government oil revenue were unaccounted for. A banker with 26 years of experience, Emefiele became the managing director of Zenith Bank, Nigeria's second-largest lender by assets, in August 2010 after serving as deputy managing director from 2001. He has a MBA degree from the University of Nigeria in Nsukka and lectured at the University of Port Harcourt, the institution where Jonathan taught before he entered politics.*(Bloomberg)*

Tanzania

Corporate News

No Corporate News this week

Economic News

Tanzania's current account deficit expanded by 34.7 percent in January from a year earlier to equal 17 percent of GDP, weighed down by higher oil imports and a decline in gold exports, the central bank said on Thursday. Africa's fourth-largest gold producer, with a population of around 45 million, relies heavily on tourism and gold exports. Tourism remained the country's top foreign exchange earner in January, generating $1.897 billion in revenues, up 10.1 percent from a year earlier as the number of tourist arrivals increased, the central bank data showed. The current account deficit widened to $4.975 billion from $3.694 billion a year earlier, the Bank of Tanzania said in its latest monthly economic report. It is now equal to 17 percent of Tanzania's gross domestic product, a government official said. The value of oil imports rose 27.4 percent to $4.32 billion in January year-on-year, driven by an increase in volume and despite a decline in global oil prices.
However, the overall balance of payments expanded to $534.8 million in surplus compared with a surplus of $316.6 million in January last year. The bank attributed this to increased inflows from capital grants, external borrowing and foreign direct investments. Â Â Â Gold export earnings fell 16.5 percent to $1.754 billion in January, from $2.102 billion a year ago, due to a decline in both export volumes and prices. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

LAFARGE Zambia has commissioned a US$1 million concrete laboratory that will help improve quality assurance in the construction industry. The laboratory, which is the first of its kind in Zambia, will offer concrete and aggregates tests to enhance the quality of various infrastructure projects being undertaken in the country. Minister of Transport, Works, Supply and Communications Yamfwa Mukanga said strict quality assurance measures are important for buildings and other infrastructure projects being developed to stand the test of time. Mr Mukanga said this in a speech read for him by director of buildings Danny Mfune during the commissioning of the laboratory in Chilanga yesterday. "Major projects like the Link Zambia 8000 and Pave Zambia 2000 require the use of large quantities of concrete and aggregates. This presents another benefit for Government projects because we will explore new designs that suit the environment. "I therefore urge all contractors to make use of this laboratory to ensure value for money in infrastructure development that meets the needs of current and future generations," he said. He also said the development will significantly reduce costs incurred in carrying out concrete and aggregate tests in South Africa. Lafarge Zambia chief executive officer Emmanuel Rigaux said the company is committed to promoting quality standards in the construction industry with the laboratory being one of the initiatives being undertaken. "The laboratory has been set to address the growing need for concrete solutions in Zambia. Lafarge will ensure that professional standards are upheld and the services will be offered to everyone in both the domestic and regional markets," Mr Rigaux said. *(Daily Mail)*

Economic News

FITCH Ratings has affirmed Zambia's strong growth prospects and has maintained its B rating with a stable outlook. The ratings on Zambia's senior unsecured foreign and local currency bonds are also affirmed at 'B' while the outlook on the long term issuer default ratings (IDRs) are stable. Finance Minister Alexander Chikwanda told a media briefing in Lusaka yesterday that the affirmation of the ratings reflect the country's continued strong macro-economic performance, with robust growth and low inflation. "I am glad to inform the nation that just this morning Fitch Ratings, one of our two external reviewers, has affirmed Zambia's strong growth prospects and has maintained its B rating with a stable outlook. "This reflects the positive strides that we are making as a country. Fitch has also highlighted some weakness which Government is vigorously addressing," he said. Fitch has also confirmed the short term foreign currency IDR at B. He said Zambia's long term foreign and local issuer default ratings (IDRs) at 'B' with the country ceiling put at 'B'+. Meanwhile, Fitch Rating primary analyst Olwen Renowden said in a press release that the country's external position is stable with a small, albeit reduced current account surplus in 2013 and robust foreign direct investment flows. Mr Renowden said any external shocks from capital flows or copper prices could put further pressure on the currency, which has fallen by over 13 percent so far this year. The ratings are constrained by weak structural indicators including low per capita income, in purchasing power parity terms, of US$1,620 compared with the 'B' category median of US$5,100 as well as poor levels of human development. He said the stable outlook means Fitch's sensitivity analysis does not currently anticipate developments with a high likelihood of leading to rating change.

The agency, however, says vulnerabilities have increased as fiscal policy has turned more expansionary and the exchange rate has come under pressure, partly due to weaker copper prices and policy announcements, which have undermined private sector confidence. Fitch forecasts robust Gross Domestic Product growth of 7.2 percent in 2014 and seven percent in 2015, supported by strong infrastructure spending, especially on energy and roads and continuing growth in copper production. Mr Renowden said inflation is forecast to remain at around seven percent but currency and wage pressures present upside risks. And Bank of Zambia (BOZ) governor Michael Gondwe has assured the financial sector and other economic agents that Zambia's economic prospects for this year and beyond remain strong. Dr Gondwe said the economic growth will be driven by favourable developments in agriculture, manufacturing, mining, construction and tourism. He said the country's continued strong capital imports coupled with increasing Foreign Direct Investment (FDI) should sustain the growth trajectory in the economy. Dr Gondwe said at the official opening of Finance Bank Zambia (FBZ) Jacaranda mall branch in Ndola yesterday that Government was committed to the attainment of real Growth Development Plan (GDP) of above 7percent end year inflation of no more than 6.5 percent and an increase in international reserves to cover three months of imports in 2014. "Supporting this outlook will be continued implementation of an appropriate monetary policy coupled with prudent fiscal operations which should see the overall budget deficit being contained to no more than 6.6 percent," Dr Gondwe said. *(Daily Mail)*

Zambia on Friday lifted a ban on the use of dollars for domestic transactions as authorities sought to ease pressure on the kwacha. Finance Minister Alexander Chikwanda said the Bank of Zambia was revoking 2012 and 2013 regulations that required domestic transactions to be quoted and paid for in kwacha and gave the central bank authority to monitor foreign currency transactions. The decision was welcomed by the World Bank and the local business community, including the Chamber of Mines. Zambia is Africa's leading copper producer. The kwacha has lost more than 13 percent against the dollar so far this year because of lower prices for the country's copper and tight supplies of the dollar. Chikwanda said the central bank would not deplete its reserves through interventions to bolster the currency. "The weakening in the kwacha parity is temporary and the government will not be tempted into taking interventions that may deplete our reserves," he said. The kwacha firmed after Chikwanda's announcement, trading at 6.15 to the dollar at 1257 GMT. That was more than two percent above Thursday's close. The kwacha reached a record low of 6.42 on Wednesday. Razia Khan, head of Africa research at Standard Chartered, said that with the lifting of the regulations, "the authorities have reversed policies that were widely criticised for adding to pressure on the exchange rate." This week, the central bank tightened policy further, restricting commercial banks' access to its overnight lending facility to once a week and increasing the OLF rate by 350 basis points.

Khan said she expected the tightening to bolster the currency in the short term. "Despite concerns over Zambia's fundamentals and the outlook for copper, its key export commodity, the depreciation looks overdone," she wrote in a note. "We now expect a pullback in dollar-kwacha to levels closer to 6.00 as the latest tightening measures take effect. Longer-term, a more gradual depreciation path is likely." Kundhavi Kadiresan, the World Bank's country director for Zambia, said the government's move would enhance public confidence in policy-making. "The Zambian economy had recently gotten into a difficult situation with a large budget overrun in 2013 and increasing uncertainty about economic policies and direction," he said in a statement. "This difficult situation is partly reflected in the rapid depreciation of the kwacha and accompanying sense of panic in the markets." Chamber of Mines president Emmanuel Mutati welcomed the government's willingness "to continue consultations with the private sector to develop a regulatory environment that is supportive of government's agenda and conducive to increased foreign direct investment." Chikwanda said that Zambia's debt is within sustainable levels. External debt stood at $3.2 billion at the end of 2013, representing 15 percent of GDP. "The government is mindful of the need to safeguard debt sustainability," he said. "Current levels of domestic and international debt are within sustainable levels." Fitch affirmed Zambia's credit rating at B on Thursday, saying Zambia's economic performance was strong. It forecast GDP growth of 7.2 percent in 2014 but warned about the government's expansionary fiscal policy. *(Reuters)*

Zambia's consumer inflation quickened to 7.7 percent year-on-year in March from 7.6 percent in February, the statistics office said on Thursday. On a month-on-month basis CPI stood at 1.3 percent, from 0.5 percent in February. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Zimbabwe

Corporate News

Zimplats controlling shareholders, South Africa's Impala Platinum, have "interesting" ideas regarding establishment of a precious metals refinery, a senior Government official said. Deputy Mines and Mining Development Minister Fred Moyo yesterday said he had a fruitful meeting with Implats chairman Mr Khotso Mokhele. "I had a meeting yesterday with the chairman of Implats, he left this morning. We had an interesting discussion with him. They (Implats) have got ideas which we are beginning to consider," he said. Zimplats, which is listed on the Australian Stock Exchange, is owned 87 percent by Implats, which is also a 50-50 joint venture in Mimosa Mining Company with Aquarius. The firms have, however, submitted indigenisation and empowerment plans, which have been approved, in line with Government policy. The agreement will result in indigenous people owning at least 51 percent stake in the platinum mining companies. Zimbabwe is home to more than 40 different mineral occurrences comprising an abundant resource stock of such key minerals as gold, platinum, diamond, nickel and chrome. It also has the world's second biggest reserve of platinum after South Africa and is believed to have the potential to supply a quarter of diamonds traded on the international market. But there is a strong feeling in the Government that despite this mineral wealth the mining sector does not contribute meaningfully to the fiscus, hence the need for beneficiation and value addition to be key parts of economic policy to ensure optimum returns from export of minerals. As such, Government has identified mining as the centrepiece of economic growth in the short to medium-term and considers mineral beneficiation a key element of that thrust. "It is not enough to say we own (say) 50 percent of the diamond companies. We have to be accountable for the equity to ensure real financial benefit to our people," he said.

Minister Moyo said through beneficiation, the Government could get many people to benefit from the mining sector. The Chamber of Mines of Zimbabwe says mining contributes about 12 percent to Gross Domestic Product and accounts for over 50 percent of Zimbabwe's exports. The thrust towards beneficiation and mining as the axis for economic growth follows an African Union resolution that Africa should benefit more from its natural resources than ever before. It is against this background that mineral beneficiation forms a critical component of the Zimbabwe Agenda for Sustainable Socio-economic. Transformation, Government's new medium term economic blueprint 2014-2018. To that end, Government gave mining firms up to the end of this year, when the two-year ultimatum given by former mines minister Dr Obert Mpofu expires, to set up a precious metals refinery after which raw platinum exports will be banned. Further, Finance and Economic Development Minister Patrick Chinamasa in January introduced a 15 percent levy on export of unbeneficiated platinum as part of Government's efforts to nudge mining companies to expedite a precious metals refinery. Presently, platinum mines Zimplats, Mimosa and Unki export their produce, about 430 000 ounces according to 2013 production figures, in raw form. The raw metal is refined in South Africa. *(Herald)*

FIDELITY Life Assurance has put on hold plans to venture into micro-banking to concentrate on its housing and South Sudan projects which provide quicker returns on investment, an official has said. Fidelity managing director Simon Chapereka said in an interview that the micro-banking business required $5 million to meet the capital requirements set by the central bank. The company, which was into property development, lending and insurance, last year applied to the central bank for the micro-banking licence as it sought to expand its services. The regulatory approval is yet to come. "We have running projects which require funding. We are better off with the other projects than the micro-bank," Chapereka said. "The main issue is about the capital which is $5 million. We will go for projects that have quicker returns, we will revisit that area (microbank) by the end of the year." Fidelity life opened a short term insurance firm in South Sudan in partnership with New Insurance of Sudan. The company was also servicing over 5 000 stands in South View Park near Boka Tobacco Auction Floors in Harare.

Turning to micro-lending, Chapereka said the lending rate has been reduced due to the increased default risk in the market. "We are offering salary-based lending. A number of institutions are having cash flow problems and they are not paying salaries. The money is deducted from the payslips, but it is sometimes not forwarded to us," he said. Chapereka said the company used to offer asset financing for three years, but now all its lending was between six to 12 months. The central bank, in its monetary policy this year, showed that individual lending constituted the bulk of lending in the financial services sector at 24% followed by services at 18% with agriculture and manufacturing at 15% respectively. *(News Day)*

DAIRIBORD Holding plans to invest $3,5 million towards the refurbishment of its sterilised milk plant in Chipinge in a development set to double production before the end of the year. Speaking at the company's analyst briefing on Wednesday, Dairibord managing director Anthony Mandiwanza said new state-of-the-art equipment for the refurbishment of the plant was being imported from South Africa and the Netherlands. "We are looking at spending about $3,5 million. We have already paid the deposit for the plant and equipment," he said. "The tower is coming from Holland while the filler and conveyor system is from South Africa." Mandiwanza said the new plant would be commissioned in October. "We should be able to do two million litres (of milk) per month as currently we are doing one million litres," he said. Dairibord recorded an operating loss of $1,8 million for the year ended December 31 2013, compared to a profit of $9,8 million in 2012. Mandiwanza said the gross profit margins declined to 24% in 2013, compared to 30% in the prior period under review. He said the company incurred a once-off business restructuring cost of $3,1 million which was fully absorbed in the year, while other impairments cost it $1,5 million. "Owing to the challenges listed above and the strategic initiatives made during the year, the group financial performance recorded an operating loss of $1,8 million," Mandiwanza said.

In the period under review, revenue declined to $100 million from $107 million in 2012. Net cash generated from operating activities increased 11% from $5,9 million in 2012. The total group raw milk intake increased by 2% to 27,4 million litres compared to the 27 million litres in 2012. Mandiwanza said in Zimbabwe, national milk production at farm level declined by 2%, while the raw milk bought by DZPL increased by 1%. "The growth in milk supplied to DZPL was mainly driven by heifers imported in 2012. Through this initiative of dairy herd rehabilitation, 3% of milk supplied to DZPL was directly from the project which is in line with the company strategic plan." *(News Day)*

THE country's leading mobile operator, Econet, and local finance institutions were set to sign an agreement that would see Zimbabweans enjoying lower banking tariffs, it has been learnt. FBC Holdings chief executive officer John Mushayavanhu said once banks were put on Econet's Unstructured Supplementary Service Data (USSD) platform, Zimbabweans would enjoy lower rates. He said banks and Econet were close to finalising the use of the platform. "We are at the point of agreement, we are winning the war with Econet," Mushayavanhu said. "We have reduced the areas of disagreement. This will lower charges from the current levels." USSD is a protocol used by GSM cellular telephones to communicate with the service provider's computers. Mushayavanhu said in the past, Econet had a disagreement with the banks on a number of issues including pricing and the platform. Mushayavanhu said Econet wanted to charge 30 cents per transaction and demanded that the banks use a different USSD platform from the one Econet was using. "We think we are close and they know the tariff is supposed to be five cents," he said. The Bankers' Association of Zimbabwe could not give any details on the platform as the engagement was being done on individual bank basis. Efforts to get a comment from Econet were fruitless by the time of going to print. Econet launched EcoCash in 2011, a mobile money transfer platform that allows people to receive and send cash. It has over 9 million subscribers and out of that 3,5 million were registered on its EcoCash platform. While Econet was yet to connect all banks on its platform, Telecel, through its mobile money transfer system Telecash, was already connected to the Zimswitch platform with all banks. *(News Day)*

ZB Financial Holdings should have issued a profit warning after it reported significantly lower earnings in the year to December. An 8 percent decrease in total income, which in turn was not matched by a decline in operating expenses saw its bottomline fall 92 percent in the year to December 2013. Finance director Mr Fanuel Kapanje told analysts at the group's maiden briefing on Monday that total income was down 8 percent to $64,95 million from $70,7 million due to a cocktail of factors, which included a 16 percent decrease in non-funded income on the back of subdued fees and commissions and lower fair value credits of $2,5 million compared to $5,7 million in 2012. Like all the other banks, there was a reduction in fees due to the Memorandum of Understanding entered between the Reserve Bank of Zimbabwe and the banking institutions. Net interest income was up 2 percent to $21,63 million. Mr Kapenje admitted that performance was not impressive. Chief executive Mr Ron Mutandagayi summed it all up saying liquidity remained generally illusive throughout the year with no viable credit expansion initiatives in sight. The group could not source any international lines of credit because it is still under US sanctions. Net insurance earnings increased 49 percent to $8,03 million after an improvement in business and underwriting capacity. However, operating expenses remained flat at $59 million but put a strain on the declining income leading to a cost efficiency ratio of 91 percent from 85 percent in 2012. The pre-tax line was at $1,06 million, while there was a substantial decreasing in earnings with the bottom line closing at $868 105, a 92 percent decrease on 2012 and earnings fell 96,08 percent to 0,02c from 0,05c. "As a result the net profit margin fell to 1,34 percent from 15,36 percent in 2012 but is still marginally higher than the negative 3,73 percent the group experienced at the start of dollarisation, and the minus 4,92 percent reported in 2010." The group transferred $4,06 million to life assurance funds, which widened the drop in profitability.

In terms of contributions by units, banking led on total income at $52 million, followed by insurance at $12 million but investment banking was still a challenge due to the low levels of investment on the stock market. The group has one of the widest branch networks in the country at 68; has eight insurance offices, 68 ATMs, plus 500 point of sale machines and a staff complement of 1 628. Mr Mutandagayi said the group had, however, maintained a steady and sustainable growth in market share averaging 5,3 percent in 2013. On the back of a 1 percent increase in total deposits to $218,6 million, the group could only afford a 1 percent increase in total assets at $332 million. The advances book declined 2 percent to $133,8 million as the group focused more on recovery efforts. "Growth was deliberately restricted with greater emphasis being placed on high quality assets and credible security. The loans to deposits ratio was reduced marginally at 61 percent from 63 percent, which is a prudent level in view of the pervasive increase in credit risk." There were no major changes to the loan portfolio mix since 2012 with individuals at 24 percent. "However, most exposures to individuals are covered by insurance." Non-performing loans at $28,9 million constituted 17,3 percent of the aggregate loan book with a total of 37 percent set aside as specific provisions and interest reserves. "The balance is adequately covered by the security at hand." Of the advances, 33 percent are loans, 28 percent are overdrafts, 4 percent is in lease hire 7 percent in mortgages and trade bills 25 percent. In terms of the other ratios, Mr Kapenje said the liquidity ratio was at 39 percent versus the required 30 percent. The aggregate capital is largely illiquid and inflexible as it is mostly legacy from the Zim dollar era. The capital ratio of 20 percent, said Mr Kapenje, is still at a comfortable point for the level of risk underwritten. *(Herald)*

ABC Holdings Limited is into negotiations with potential investors to raise about $360 million in the coming months, a company official has said. In a statement accompanying the group's results, ABC Holdings chairman Howard Buttery said during the second half of 2013, the group raised $135 million in lines of credit. He said $95 million was invested directly at the centre (group) and the balance went to BancAbc Zimbabwe. "Going forward, we would like the centre to be the lender of last resort to subsidiaries. To this end, negotiations with various investors are at an advanced stage and if successful, we could raise $360 million in various instruments in the coming months," he said. The group posted a 50% increase in net interest income to BWP1 billion with all the banking operations having recorded an increase in net interest income due to the growth of the balance sheet except BancABC Tanzania. "As at 31 December 2013 the retail banking loan book constituted 42% of the total loan book compared to 40% in 2012. Retail deposits however, only constituted 12% of the total deposit book. Mobilisation of retail deposits will continue to be a focus area for the group," Buttery said. He said during the period under review the net impairments increased by 137% to BWP328 million which is disappointing. "Significant impairments were recorded in Mozambique, Tanzania and Zimbabwe. Mozambique was affected by one large account which has been struggling to service its debts, hence the need for impairment," he said. "In Zimbabwe, the tight market wide liquidity position continued to negatively impact borrowers' ability to service their loans. Impairments in Botswana and Zambia were within the group's target range."

Gross non-performing loans during the twelve-month period increased to 9,8% from 9,2% and the net NPL ratio increased to 4,8% due to more aggressive impairment of non performing accounts in the current year. Non-interest income was ahead by 25% to BWP692 million compared to same period in 2012. "With the exception of BancABC Zimbabwe, all banking operations registered growth in non-interest income. Fees and commission in Zimbabwe was hampered by the memorandum of understanding between commercial banks and the Reserve Bank of Zimbabwe which were capped and in some instances abolished bank charges," he said. *(News Day)*

Bindura Nickel Corporation could turn its smelter and refinery into precious metals refinery with a few modifications and refurbishment, managing director Mr Batirai Manhando said. Mr Manhando said the modifications and refurbishments would cost a few hundred millions, far less than the estimated $3 billion-plus required for a new facility. "It is a base metals complex and PGMs (platinum group metals) come with base metals. We can use the (nickel smelter and refinery) plant to separate base metals from PGMs so that we can have concentrates of PGMs," he said. With reasonable investment into refurbishment, modification and capacity expansion the smelter and refinery can process the PGMs beyond concentrate and matte. Zimbabwe has three platinum mines – Implats-owned Zimplats, Implats and Aquarius' 50-50 joint venture Mimosa and Anglo American's Unki Mine, but only Zimplats, which exports matte, processes beyond concentrates. Government wants the metal further beneficiated. Already, the Government has identified mining, beneficiation and value addition as central to economic growth. A 15 percent levy was introduced this year to discourage raw platinum exports while a total ban is set for 2015. Local platinum producers have cited numerous constraints that need to be cleared first before a precious metal refinery can be established and these include the need for a critical mass, huge capital outlay and adequate power supplies. "The advantage of doing this with us is that you do not need a lot of investment to do the modification, for us it's a couple of millions. The facility can be modified and expanded."

Mr Manhando made the remarks while briefing African and European ambassadors to Zimbabwe during a tour of operations of Mwana Africa's BNC and Freda Rebecca in Bindura ahead of the EU-Africa summit in Brussels next week. Mwana Africa is listed on the Alternative Investment Market in the United Kingdom and considers dialogue among EU and African states on challenges and opportunities in Zimbabwe key to its capital raising initiatives on global markets. BNC last used its smelter and refinery in 2008 when the facility was put on care and maintenance due to the impact of a drop in nickel prices and economic instability in Zimbabwe. Mr Manhando said power is not an issue for BNC in relation to a precious metals refinery, as it has direct supply from Hydro Cahora Bassa (Mozambique). BNC is situated on a 33Kv line linking Zimbabwe and Mozambique. It has already instituted feasibility studies into the requirements for refurbishing the smelter and refinery, which currently has a capacity to process 160 000 tonnes per annum. This capacity can be expanded to process more than the 430 000 ounces of platinum Zimbabwe produces annually, but exports in raw form for further processing in South Africa. Zimbabwe has the world's second biggest known deposits of platinum after South Africa and Government reckons a platinum refinery would optimise proceeds from the mineral. Mines and Mining Development Minister Walter Chidhakwa has already toured BNC's operations including the smelter and refinery plant in Bindura and has been apprised on the potential to turn the facility into a precious metals refinery.

Mr Manhando said Government could help in the upgrading of the nickel smelter and refinery to process PGMs by putting incentives to allow investors to partner in the project. BNC's Trojan Mine is producing 7 000 tonnes of nickel per month after coming out of care and maintenance in September 2012 and intends to raise output to 10 000 tonnes per month in four years. Since BNC's other nickel mine – Shangani – is dormant, it can only utilise 60 percent of the smelter and refinery's capacity hence the need for more feed stock. As such, discussions are ongoing with third party producers for toll refining. Refurbishing the smelter and refinery would enable BNC to upgrade the value of its nickel from 70 percent to 99,98 percent. Further, the refinery would reduce transport expenses. Apart from the 114 000t of nickel resource at Trojan Mine, BNC also has the Hunters Road open cast nickel project in Kwekwe it considers key to regaining its status and reputation as Africa's only integrated nickel smelting and refinery. *(Herald)*

Astra Industries, the country's leading paint manufacturer recorded a marginal 11 percent increase in profit for the year ended December 31, 2013 due to the company's cost containment strategies. Profit for the year increased to from $1,5 million in 2012 to $1,7 million during the period under review. Operating profit slightly increased by 2 percent from $2,20 million for year ended August 31, 2012 to $2,25 million for the 16 months to December 31, 2013. "The operating profit was negatively impacted by increased selling and administrative expenses, in particular wages," Astra Industries Chairman Mr Addington Chinake said in a statement accompanying the company's financial results. Revenue increased by 34 percent from $29,6 million recorded during the previous year to $39,7 million recorded by December 31, 2013. Astra Industries indicated that the board will continue to focus on improving efficiencies and profitability by acknowledging the management for delivering commendable results despite difficult macro-economic environment. Total assets for the company however increased by 14 percent from $21,2 million recorded by the year ended August 2012 compared to $24,3 million recorded in the period under review. In addition total equity increased by 19 percent from $14,5 million for August 2012 to $17,3 million for the year ended December 2013. The company said sales volumes for its paint division declined 3 percent on a comparative basis to the previous year because many construction projects were put on hold due to the July 31 harmonised elections.

On the chemicals division sales volumes grew by 9 percent but at reduced margins. However, Astra industries said despite the growth in

volumes on the chemicals side, the levels were still low due to slow recovery of the manufacturing sector and liquidity challenges in the economy. Cash generated from operations and operating activities declined by 14 percent from $2,8 million recorded in 2012 to $2,4 recorded by December 2013 mainly due to high investment in inventory. Astra Industries managing director Mr Mackenzie Mazimbe said the company is looking at exploiting new marketing opportunities as a result of a merger between Astra and Kansai Plascon (KP). "In terms of export markets we are currently in liaison with Kansai Plascon Zambia and Botswana. "At the moment more focus is on debtors management," said Mr Mazimbe. He said Astra Industries is facing numerous challenges due to it's over reliance on limited disposable income and shrinking end user paint segment. "Late settlements of accounts by customers and significant downsizing by manufacturing sector has partly affected our performance," he said. Exports contributed $4,8 million of which 96 percent is from chemicals division against $3,2 million recorded the previous year. Mr Mazimbe said the company foresees a difficult 2014, due to the prevailing insufficient liquidity.
He said their prudent working capital management strategies are set to continue in this regard. Integration with Kansai Plascon and the company is going to contribute up to 10 percent in production costs savings for the paints business. *(Herald)*

NMBZ Holdings says it has put in place measures to manage non-performing loans which affected its bank's performance, resulting in a record a loss of $3,3 million for the year to December 31, 2013. Group chief executive officer Mr James Mushore said non-performing loans that rose to 15,92 percent last year had weighed down the bank. He said the Memorandum of Understanding which provided limits on bank charges and interest rates also had an effect on the group's profits. The distribution of the non-performing loans shows that the manufacturing sector accounted for 36 percent followed by distribution at 21 percent, services at 18 percent while personal lending accounted for 9 percent. "We have put a stop to that rot. We have strengthened business support and recovery. "We will be cautious on the lending side this year and focus on sectors such as mining, agriculture, distribution and construction. "With the measures we have put in place to manage NPLs, we are very confident that we should return to profitability in 2014," said Mr Mushore. The bank is implementing a credit management system as a measure to control non-performing loans. The banking group said that a return to profitability will also be premised on mortgage lending and bancassurance. Structures for the mortgage lending business, which will target low cost housing are being set up and Mr Mushore said bancassurance will help the bank exceed market expectations. Bancassurance is the partnership between a bank and an insurance company, whereby the insurance company uses the bank sales channel in order to sell insurance products.

Banks can earn additional revenue by selling the insurance products, while insurance companies are able to expand their customer base without having to expand their sales forces or pay commissions to insurance agents or brokers. Mortgage lending enjoys tax breaks and NMBZ holds a sizeable security of land which the bank intends to develop into low cost residential properties. NMBZ recorded a loss of $3,3 million in 2013 from a profit $7,6 million the previous year. Total income for the period increased by 11 percent to $50 million from a prior year of $45,1 million. Total income for year is split into interest income of $33,2 million, fee and commission income of $15 million, net foreign exchange gains of $1,5 million and non-interest income of about $800 000. Operating expenses went up 18 percent up on prior year to $25 million and comprise largely of administration expenses, depreciation and staff-related expenditure. Mr Mushore said that the requirement for banks to seek permission before hiking bank charges and interests presented the same conditions as those that prevailed last year when the MoU capped charges. The MoU had an effect on the bank's profitability as the risk has not been reduced in line with the controlled returns. "Let the market determine the prices," said Mr Mushore. *(Herald)*

FIRST Mutual Holdings Limited (FMHL) has posted a 14% increase in gross premium income due to the strong performances of the health insurance, life assurance and short-term insurance businesses. The gross premium income increased from $88,5 million to $101 million during the year ended December 31 2013. Addressing analysts yesterday FMHL group chief executive officer, Douglas Hoto said the health business was the major contributor, followed by the life assurance and reinsurance businesses. Hoto said profit after tax was down 83% to $1,627 million due to higher claims ratio for the health insurance business and the introduction of actuarial control cycle. The group set aside $4,4 million in shareholder risk reserve during the period under review. Hoto said expenses for the group were up by 41% to $104 million due to an increase in claims and shareholder reserves. "The economic environment is difficult and efforts are being made to control costs," Hoto said. He said going ahead the group would be launching an asset management business by the second quarter of this year. "Regulatory approval was also granted to merge the two reinsurance businesses operating in Zimbabwe, under a composite licence," he said. "The synergies to be realised from such an agreement will lead to stronger reinsurance balance sheet that can attract more business from both local and regional operations."

The property business Pearl Properties' rental income rose by 2% to $9 million due to a marginal increase in rental per square metre and higher turnover-based rentals. In 2013 rental per square metre stood at $8,25 up from $8,18 in 2012 and the annualised rental yield was lower at 7,9% from 8,6% in 2012. "The vacancy rate for the year was 23,3% from 21,1% in 2012, a result of voluntary surrender of space by tenants due to difficult operating conditions in their different industry sectors," the group said. Hoto said Tristar continued to be the problem child for the group after its premium went down by 25% to $6,8 million as the company adjusted its operations from its legacy issues. FMHL chief financial director William Marere said during the 12-month period claims were up by 33% to $49,7 million while commission was up 38% to $6,3 million. He said the group's assets rose to $205 million after increasing by 16%. *(News Day)*

Economic News

Zimbabwe could be losing about $120 million in potential revenue annually through relaxed duty on imported fabric and smuggling, the Zimbabwe Clothing Manufacturers Association has said."Government is losing about $120 million in potential revenue and we cannot hold Zimbabwe Revenue Authority accountable for this because the fraud is perpetrated by our colleagues in the industry," ZCMA chairman Mr Jeremy Youmans said. "The local textile industry has been under threat from cheap imports." It is estimated that Zimbabwe is importing clothing and textile products at a value of at least $300 million annually. However, most of the importers were evading duty. Mr Youmans said the ZCMA has formed a working group with ZIMRA which meets every month to address the challenges. He said the textile and clothing industry continues to be one of the sectors hit by the growing influx of cheap imports which has negatively affected viability of the local industry. The abuse of the SADC trading protocols has been on the rise as most goods are being purported to have been manufactured in the region yet some come as far as Asia or South America. As a result, this is exposing local producers to unfair competition with foreign companies. "Dumping" brings about unfair competition hence many governments take action against this practice to defend their domestic industries. The World Trade Organisations agreement under GATT (Article 6) allows governments to act against dumping where there is genuine "material" injury to the competing domestic industry.

To effect that, Government has to show dumping is taking place, calculate the extent of dumping (how much lower the export price is compared to the exporter's home market price), and show that the dumping is threatening domestic industry. The Competition and Tariff Commission is the country's investigating authority for unfair trade practices. To operationalise this function, two statutory instruments namely the competition (anti-dumping and countervailing duty) (investigations) Regulations (2002) and the Competition (safeguards) (investigations) Regulations (2006) were put in place. However, like, ZIMRA, the CTC is not capacitated to investigate and prove that dumping is taking place in Zimbabwe. Mr Youmans said the problems facing distressed companies were emanating from inability to raise long-term capital to retool. He said the clothing manufacturers have requested for a guarantee from Government to apply for funding. *(Herald)*

Zimbabwe's incoming central bank Governor John Panonetsa Mangudya will face a restricted role focusing on regulation because the country doesn't have its own currency, said Tony Hawkins, an economist and member of the bank's board. Mangudya, 51, who is currently chief executive officer of CBZ Holdings Ltd., the country's biggest bank by assets, will take up his position from May 1, Finance Minister Patrick Chinamasa said on March 22. Zimbabwe abandoned its local currency in 2009 in favor of multiple foreign currencies, including the dollar and South African rand, to help contain hyper-inflation. "There's very little he can do in a country that has dollarized, so the focus has to be on regulation rather than monetary controls," Hawkins, a professor at the University of Zimbabwe, said in a phone interview today from the capital, Harare. Chinamasa said Mangudya is a "Keynesian economist who believes in discretionary fiscal and monetary policies," Zimbabwe's state-controlled Sunday Mail reported yesterday. Mangudya declined to comment on his appointment when called on his mobile phone today. "Mangudya is a substantial figure and well-trained with lots of experience, but the governor's job is seriously constrained by the dollar economy," Hawkins said. "Money supply is obviously out of the bank's control, as are interest rates." Gideon Gono resigned on Nov. 29 as governor after completing two five-year terms. During that time the central bank printed money to pay the government's debts, fueling inflation to an estimated 500 billion percent, according to the International Monetary Fund. Charity Dhliwayo, the acting governor, will retain her position as deputy until her term expires in April 2017, Chinamasa said. *(Bloomberg)*

THE government is offering $103 million of Treasury bills to help repay some of the central bank's $1.35 billion debt and finance other government needs, an official has said. The sale of the securities, which have maturities ranging from three to five years and carry a yield of 2 percent, began Wednesday, said the official who asked not to be identified because he isn't authorized to speak to the media. Finance Minister Patrick Chinamasa confirmed that a bill sale was taking place, without providing further details. "They have issued the tender," Chinamasa told Bloomberg. The bank official didn't say when the offer would end. The government announced in November that it planned to settle the central bank's debt by offering Treasury bills. The bank owes $754.3 million to domestic creditors and $596 million to lenders outside Zimbabwe. In 2012, the central bank failed in its first auction of Treasury bills since the country abandoned its currency and adopted the dollar in a bid to curb surging inflation four years earlier. The central bank rejected all bids for the 91-day bills offered on Oct. 4, 2012, as well as two subsequent sales. John Mangudya, the chief executive officer of CBZ Holdings, Zimbabwe's biggest bank by assets, will take over as governor of the central bank on May 1. He replaces Gideon Gono, who announced his resignation in November after completing two five-year terms. During Gono's tenure, the central bank printed money to pay the government's debts, fueling inflation to an estimated 500 billion percent, according to the International Monetary Fund. *(New Zimbabwe)*

Zimbabwe is expected to register moderate growth in the short term and the country could be vulnerable to weakening exports, the International Monetary Fund said on Thursday. The southern African country's economy rebounded sharply to grow by double-digit figures between 2010 and 2012 after a decade of contraction which was marked by acute foreign currency shortages and hyper-inflation of 500 billion percent. But it only grew 3.2 percent in 2013 after expanding at a brisk 10.5 percent the previous year and subdued growth is seen this year again. "The macroeconomic environment is expected to remain challenging in 2014, and the outlook is for continued moderate growth," the IMF said in a statement after its team ended a two-week visit to Zimbabwe. The IMF last June put Zimbabwe on a monitoring programme aimed at helping it clear $10 billion in external debts that would give it access to much-needed credit. International lenders stopped supporting Zimbabwe in 1999 when the country started defaulting on its debt, which is estimated at over $10 billion.

Under the IMF staff programme, Zimbabwe pledged to improve transparency in mining, strengthen the banking sector and contain a wage bill that takes 70 percent of the national budget, but has missed all the targets so far. On Wednesday, Finance Minister Patrick Chinamasa said Harare was not prepared to slash its public sector wage bill because it will involve too many job cuts. The IMF said Zimbabwe faced risks from the possibility of weak export sales and tougher conditions in accessing external financing. Exports declined to $3.5 billion last year from $3.9 billion in 2012. "Should these risks materialize, they would adversely impact output growth and fiscal revenue. Achieving Zimbabwe's fuller growth potential over the medium term depends on pursuing strong macroeconomic policies," the IMF said. *(Reuters)*

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