SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	26-May-17	2-Jun-17	WTD % Change Local	WTD % Change USD	31-Dec-16	YTD % Change Local	YTD % Change USD
Botswana	DCI	9348,78	9346,10	-0,03%	-0,43%	9700,71	-3,66%	0,00%
Egypt	CASE 30	13205,11	13467,29	1,99%	2,18%	12344,00	9,10%	9,85%
Ghana	GSE Comp Index	1923,53	1918,94	-0,24%	0,76%	1689,09	13,61%	12,24%
Ivory Coast	BRVM Composite	264,82	262,65	-0,82%	-0,76%	292,17	-10,10%	-4,32%
Kenya	NSE 20	3442,38	3473,19	0,90%	0,91%	3186,21	9,01%	9,09%
Malawi	Malawi All Share	15595,81	15573,68	-0,14%	-0,27%	13320,51	16,92%	15,60%
Mauritius	SEMDEX	2064,75	2076,43	0,57%	0,68%	1 808,37	14,82%	18,88%
	SEM 10	400,96	402,30	0,33%	0,45%	345,04	16,60%	20,71%
Namibia	Overall Index	1056,85	1033,84	-2,18%	-3,23%	1068,59	-3,25%	1,31%
Nigeria	Nigeria All Share	29064,52	31371,63	7,94%	8,96%	26 874,62	16,73%	13,32%
Swaziland	All Share	386,10	386,10	0,00%	-1,08%	380,34	1,51%	6,30%
Tanzania	TSI	3363,99	3330,40	-1,00%	-1,08%	3677,82	-9,45%	-13,07%
Zambia	LUSE All Share	4615,84	4587,84	-0,61%	-0,39%	4158,51	10,32%	17,15%
Zimbabwe	Industrial Index	160,30	167,98	4,79%	4,79%	145,60	15,37%	15,37%
	Mining Index	69,21	69,63	0,61%	0,61%	58,51	19,01%	19,01%

CURRENCIES

Cur-rency	26-May-17 Close	2-Jun-17 Close	WTD % Change	YTD % Change
BWP	10,10	10,14	0,41	3,80
EGP	18,07	18,03	-0,19	0,69
GHS	4,33	4,29	-0,99	-1,21
CFA	584,50	584,12	-0,06	6,44
KES	101,53	101,52	-0,01	0,07
MWK	718,22	719,13	0,13	-1,13
MUR	33,45	33,42	-0,11	3,53
NAD	12,89	13,03	1,09	4,71
NGN	315,11	312,16	-0,94	-2,92
SZL	12,89	13,03	1,09	4,71
TZS	2 208,53	2 210,32	0,08	-4,01
ZMW	9,26	9,24	-0,22	6,19

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Botswana

Corporate News

Australia's Kimberley Diamond Ltd (KDL) has shut its Lerala Diamond Mine in Botswana citing weak market conditions, leaving 130 workers unemployed, a local newspaper reported Thursday. Botswana Mine Workers Union national organising coordinator, Abel Buka told Mmegi Newspaper that Kimberley had briefed workers in a letter that it was closing operations after failing to agree a funding deal with a Chinese financier. "The general manager engaged Kimberly on May 29, four days after workers were supposed to receive their salaries and he was told that the company had no money, so just close the mine and send the workers home," he was quoted as saying. Lerala Mine was opened in 2008 and has shut twice owing to weak sales. Kimberley had targeted an annual output of 360,000 carats over seven years. No-one at Kimberley was available to comment and its website, where it usually provides updates, has been suspended. *(Reuters)*

Economic News

Botswana's largest tourism company, Wilderness Safaris, plans to make a bid for Air Botswana, the country's loss-making national airline which the government wants to privatise. Botswana put the airline up for sale in February, part of plans to privatise loss-making state-owned companies. The transport department said at the time it would consider full bids for Air Botswana, as well as joint ventures, ownership, franchising and concessions. In March, Transport Minister Kitso Mokaila said at least 17 companies had expressed interest in Air Botswana, but he did not name them. Wilderness Safaris said it planned to make a bid when it published its full-year results last week. The company, which is also listed in Johannesburg, operates 50 luxury resorts across eight African countries and Wilderness Air operates 35 small aircrafts in Botswana, Zimbabwe, Zambia and Namibia mainly catering to tourists. Botswana, whose main source of wealth is diamonds, has more than 30 state-owned enterprises, most of them loss making, in industries ranging from tourism and power to housing and finance. Air Botswana operates four domestic routes and also provides cargo and air passenger services to Cape Town and Johannesburg from Gaborone, Francistown and the tourism hubs of Maun and Kasane. The airline's losses, blamed on a large workforce and an aging fleet, prompted a turnaround plan that includes cutting costs and cancelling unprofitable routes. *(Reuters)*

Botswana's state-owned power utility has invited bids to build a 100 megawatt (MW) solar power plant to boost energy security in the diamond-rich southern African country. In a document published on its website, Botswana Power Corporation (BPC) said it expects energy demand to more than double to 1,359 MW by 2035 from around 600 MW. "BPC would therefore like to engage companies into a joint venture for the development, implementation and operation of a 100 MW solar power plant with suitable storage capacity," it said. The development is expected to start two years from the appointment of a preferred partner. Botswana is facing power supply deficit and relies on electricity imports from South Africa and Mozambique, though the 300 MW expansion of its coal-fired Morupule B power plant could pave the way to self-sufficiency in electricity generation. However, the expansion of Morupule B, which currently generates about 260 MW, has been stalled by a dispute over an $800 million guarantee between the contractors and government. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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TRADING

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt, the world's largest wheat importer, has procured 2.9 million tonnes of wheat from local farmers since the harvest began in mid-April, the Supply Ministry spokesman said on Sunday. The local procurement season runs until July and the ministry has said it is targeting between 3.5 million to 4 million tonnes of local wheat this year. Egypt consumes 9.5 million tonnes of wheat to make its subsidised bread, 4 million tonnes from the local harvest and 5.5 million tonnes from imports. The supply ministry has said it plans to continue making international purchases this year during the local buying season to boost the country's strategic reserves. In its latest tender, state grain buyer GASC bought 295,000 tonnes of imported wheat on May 17. "This is because we are trying to raise the strategic reserves of the country to six months not because we are falling short on the target for local wheat, we will easily reach the target of 3.5 million," spokesman Mohamed Swede said. *(Reuters)*

Average yields on Egypt's three- and nine-month treasury bills rose at auction on Sunday, data from the central bank showed. The average yield on the 273-day bill rose to 20.478 percent from 19.709 percent at the previous auction. The yield on the 91-day bill increased to 20.519 percent from 19.493 percent previously. *(Reuters)*

Foreign investment in Egyptian government securities rose 13 percent in the past week to hit 136 billion Egyptian pounds ($7.53 billion), the head of public debt at Egypt's Finance Ministry, Sami Khallaf, said on Wednesday. It was at 120 billion pounds a week earlier. Egypt used to attract higher inflows into government bonds and bills before the 2011 uprising drove off foreign investors. The central bank ditched its foreign exchange peg of 8.8 pounds per dollar in early November, and to help stabilise the newly floated currency it raised interest rates by 300 basis points. The central bank raised its key interest rates once again by 200 basis points on May 21 in an attempt to curb soaring inflation of over 30 percent. Central Bank Governor Tarek Amer has said nearly $1 billion in new foreign investment entered the country following the last rate hike. *(Reuters)*

Egypt will keep its customs exchange rate steady at 16.5 pounds per dollar, about 9 percent below the market price of the dollar, for June, Finance Minister Amr El Garhy told Reuters. Egypt's inflation rate has soared since it floated its currency last November, with annual urban consumer price inflation hitting 31.5 percent in March - its highest level in more than three decades. The exchange rate in Egyptian banks is around 18.12 pounds per dollar. The central bank ditched its foreign exchange peg at 8.8 pounds per dollar in early November, and to help stabilise the newly floated currency it raised interest rates by 300 basis points. The central bank raised its key interest rates once again by 200 basis points on May 21 in an attempt to curb soaring inflation of over 30 percent. *(Reuters)*

Egypt issued on Thursday a long-delayed investment law aimed at easing doing business and creating incentives to lure back investors after years of turmoil. President Abdel Fattah al-Sisi ratified the law, which cuts bureaucracy, especially for new projects, on Thursday after parliament passed it last month, a decree published in the official gazette showed. The new incentives include a 50 percent tax discount on investments made in underdeveloped areas, and government support for the cost of connecting utilities to new projects. "The highlight of this law is that it gives targeted incentives for investments based in geographical locations in a variety of sectors, mainly in the form of tax credits," said Mohamed Abu Basha, an economist at EFG Hermes. Under the law, investors can recoup half of what they pay to acquire land for industrial projects if production begins within two years. It also restores private-sector free zones - areas exempt from taxes and customs - a policy that had held up the law's passage because of objections to forfeiting tax revenues at a time of austerity.

Reham El-Desouki, an economist at Arqaam Capital, said the law looked like an improvement on what was there before as it sets a time cap on several bureaucratic processes, but investors will wait for more details before rushing into Egypt. "This law is a positive development for the investment scene but the devil is in the details," she said, adding that investors would wait to see the executive regulations that will follow. "The general investment atmosphere is challenging, what with high interest rates and FX reforms. The Egyptian economy is still recovering," El-Desouki said. Direct foreign investment jumped 39 percent in the first half of the fiscal year ending in June to $4.3 billion. Egypt floated its pound currency in November and accepted a three-year $12 billion International Monetary Fund programme tied to ambitious economic reforms, part of a bid to restore capital flows that dried up after a 2011 uprising drove away investors and tourists. The central bank raised its key interest rates by 200 basis points on May 21 in an attempt to curb inflation of over 30 percent. It was the first rate hike since a 300 basis point increase in November.*(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana has recorded its biggest cocoa harvest in three years, according to two people familiar with the matter, after better weather conditions boosted output in the world's second-biggest grower. Graded and sealed deliveries from the so-called main crop, the larger of two annual harvests, reached 812,153 metric tons by May 25, said the people, who asked not to be named because the information isn't public. That compares with a combined 778,043 tons for the whole of the 2015-16 season, when severe desert winds damaged crops and affected rainfall. Cocoa output in Ghana and neighboring Ivory Coast, the top producer, has benefited this year from early rains and a mild Harmattan -- winds from the Sahara that bring dry weather and coolness to West Africa from December to February. Prices for the chocolate ingredient have dropped more than 30 percent in London in the past year, as analysts predict a large global surplus for the season ending in September. Ghana Cocoa Board spokesman Noah Amenyah declined to comment on the crop size. Ghana has reverted to counting production from its two annual harvests separately for the first time in three years. Main-crop purchases ended May 25 and the smaller light crop will be harvested between July and September, Amenyah said earlier this month.*(Bloomberg)*

Ghana accepted 705.16 million cedis ($163.47 mln) worth of bids for a three-year domestic bond issued on Thursday that will pay a yield of 18.5 percent, lead arrangers said. The new government of President Nana Akufo-Addo, who took power in January, is trying to rebalance its finances as it faces large debts caused by years of overspending and lower than projected oil prices. Total bids tendered for the rollover paper amounted to 739.36 million cedis. *(Reuters)*

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Kenya

Corporate News

Mortgage financier HF Group recorded a 73 per cent net profit drop in the first quarter ended March in the wake of surging defaults. The lender's net earnings in the period stood at Sh88.3 million compared to Sh327.4 million in the year before. HF's interest income declined 19.5 per cent to Sh1.8 billion as it recorded significant defaults on its loan book, which grew a marginal 2.1 per cent to Sh54.5 billion. Gross non-performing loans jumped 72 per cent to Sh7.7 billion, prompting the Nairobi Securities Exchange-listed firm to raise its provisions for the bad debt by 46.6 per cent to Sh200.7 million. HF also took a hit from the capping of interest rates, which were absent in the corresponding quarter. The company's liquidity ratio dropped to 21.4 per cent, staying above the statutory minimum of 20 per cent by a thin margin. This means the lender has limited headroom in accepting more deposits unless it turns its illiquid assets to cash and cash equivalents. The lender reduced its deposits 6.3 per cent to Sh38.2 billion in the review period, a move that led to interest expenses dropping 18.9 per cent to Sh1 billion. HF's other income, including property sales, declined 28.5 per cent to Sh172.8 million. The company has blamed bureaucracy at the Land ministry for the sluggish real estate deals.

The lender's constrained liquidity position comes ahead of the maturity of its Sh7 billion corporate bond on October 2 that may pile pressure on the company to raise funds. Chief executive Frank Ireri recently told the Business Daily the company will redeem the debt from a mix of internal cash generation and refinancing from international lenders. HF raised the Sh7 billion in two tranches in 2010 at cheaper rates when markets were more accommodative, with corporates bonds typically oversubscribed. The company raised Sh5.86 billion at an annual fixed interest rate of 8.5 per cent. The other Sh1.16 billion was issued at a variable rate of the coupon based on the latest 182-day T-Bill plus a margin of three per cent, subject to a minimum of five per cent and a maximum of 9.5 per cent. HF's bond is nearly 10 per cent of its total assets. *(Nation)*

The Safaricom share yesterday rallied to a historic market valuation of nearly Sh900 billion, signalling a strong vote of confidence in the performance trajectory of the telecommunications firm by investors. The share touched a new all-time high of Sh23 in yesterday's trading, closing the day at an average market price of Sh22.25. The Safaricom stock, which has been on a sustained climb since 2013, recorded renewed aggressive buying starting March. The investors' sharp appetite for the stock has seen it valued higher than all the listed banks, cigarette manufacturer BAT Kenya and beer maker EABL combined. The telecoms operator now accounts for about 42 per cent of the entire stock market valuation in what has raised concerns over its influence on the Nairobi bourse. Safaricom's advance comes amid continued profit growth, market share gains and increased dividend payouts. Safaricom announced a 27.1 per cent rise in net profit to Sh48.4 billion in the year ended March as sales increased 8.8 per cent to Sh212.8 billion. Aly-Khan Satchu, an investment analyst and owner of data vending company Rich Management, says the rally is not surprising in light of the firm's financial performance. "It is predictable, the results they released were simply off the charts," said Mr. Satchu. The company could hit a market value of Sh1 trillion if the share price rises to Sh25, a huge figure by Kenyan standards that has been largely confined to statistics of national government finances.

Mr. Satchu cited Safaricom as one of a few stocks in sub-Saharan Africa that are on the radar of global investors "seeking exposure to quality investments in the region." The telecoms firm's share price performance has diverged sharply from the overall market, which has only made some gains since the start of the year after a two-year bear run. A total of 37.1 million units of the Safaricom shares worth Sh825.4 million changed hands yesterday at a price ranging between Sh21.5 and Sh23, extending a sharp recovery from a correction that saw the stock touch lows of Sh15.9 in March. The company's premium valuation, which has seen it recover from lows of Sh2.7 per share in early 2009, is underpinned by its large market share in voice, data and financial services. It signals increased investor confidence in the telecoms operator's future prospects, with early shareholders reaping the most compared to those buying at the current price. Investors who bought into the firm during its 2008 initial public offering (IPO) at Sh5 per share, for instance, have quadrupled their investment and stand to book a dividend yield of 19.4 per cent in December alone. Those buying now are betting on the continuation of the company's strong performance in the future.

Analysts have constantly upgraded Safaricom's fair value and it remains to be seen whether the company will maintain its high earnings growth to justify the lofty valuation. The share price rally has, however, narrowed down the prospective returns, with the telecoms operator among the most expensive stocks at a price-to-earnings ratio of 18.4 times. The counter is valued at 8.2 times its net asset value of Sh2.68 per share or Sh107.4 billion in aggregate. With the company expected to maintain a dividend payout rate of 80 per cent of profits, continued increase in earnings should see the nominal dividends rise over the years. Safaricom's return on equity (ROE) currently stands at 45 per cent, one of the highest among the blue-chip stocks at the NSE . Analysts at Standard Investment Bank (SIB) say those buying Safaricom at these levels will rely more on the company maintaining its innovative edge, adding that the key risk is regulatory actions that could force a change in its operations. "While we do not expect growth and margins to deteriorate in the short term, in light of continued pricing pressure and limited growth potential in number of new users, long-term investor returns are tied to Safaricom innovating faster than the market – guided by past performance we are optimistic management has capacity to do so," said SIB analysts. *(Business Daily)*

Economic News

Kenya's current account deficit widened to 5.8 percent of GDP in the year to February from 5.5 percent the same time a year earlier, the finance ministry said. The Treasury blamed a 5.6 percent fall in the value of exported goods, a 3.3 percent increase in goods imports and other unspecified income drops. The drop in value of goods exports and the rise in imports more than offset a 3.6 jump in service exports, the ministry said. The overall balance of payments swung to a deficit of $6.7 million during the year ended February from a surplus of $112.4 million in the year to February 2016, the ministry said. The Kenyan shilling has been broadly stable against the dollar for most of this year and foreign exchange reserves have risen to record highs. *(Reuters)*

Kenya's central bank kept its benchmark lending rate at 10.0 percent on Monday, the bank's monetary policy committee said, a bid to reduce the threat of demand-driven inflation. Analysts polled by Reuters had predicted rates wouldn't change. The government, which faces parliamentary, presidential and local elections in August, is struggling to contain high inflation, caused mostly by higher food prices. Kenya's inflation rose to an annual 11.48 percent in April, up from 10.28 percent in March and the highest since May 2012. The government aims to contain inflation within a band of 2.5 to 7.5 percent. "The committee concluded that overall inflation is expected to remain above the government target range in the near term due to elevated prices for some food items," the central bank said in a statement. "Nevertheless, the prevailing policy stance had reduced the threat of demand-driven inflation." Kenya's government capped lending rates last September at 4 percentage points above the central bank rate, saying they were too high and banks had repeatedly failed to lower them. The central bank said that as a result of the caps, the number of loan applications had increased by 23.4 percent between August 2016 and April. The value of the loans applied for fell by 18.3 percent. Kenya predicts its economy will grow 5.9 percent this year, up from 5.8 percent in 2016. Loan approvals increased by 35.7 percent, the bank said. The value of the loans approved rose 16.3 percent. *(Reuters)*

The outcome of Kenya's election pitting President Uhuru Kenyatta against a former prime minister will be close and may involve a run-off vote if turnout in opposition strongholds is high, according to analysts Verisk Maplecroft. While opposition support is seen as depressed due to "disillusionment" with main candidate Raila Odinga, the ex-premier who failed in three previous presidential bids, he can still force a run-off if enough supporters are mobilized to cast ballots, Emma Gordon, senior analyst at the Bath, England-based risk consultancy, said in a report. Kenyatta and Odinga have near-equal support among ethnic voting blocs, Gordon said, and if opposition supporters defy expectations and raise turnout in swing counties by 10 percent on Aug. 8, that would spur a follow-up vote. "Kenyatta is unlikely to win by more than 10 percent," according to Gordon. "This explains why the race appears so tight." Violence surrounding Kenyan elections make them fractious times for investors. The International Monetary Fund has warned the vote may result in slower growth in the $69.4 billion economy this year. The Washington-based lender cut its 2017 growth forecast to 5.3 percent from 6.1 percent, citing heightened political instability during elections. Contested results from an election a decade ago sparked two months of ethnic violence that left at least 1,100 people dead.

Kenyatta, 55, won 50.07 percent of the vote in the 2013 election, beating Odinga, who also came second to former President Mwai Kibaki in 2007. The opposition alleged both votes were rigged. Gordon said a Kenyatta victory will probably "spark urban rioting in key opposition hot spots," albeit at "levels only slightly higher than seen in 2013." Pollster Ipsos Kenya said Kenyatta and his deputy William Ruto have been unable to expand their support base to more than 50 percent since 2013. That points to an outcome that "will be pretty close if voting is based on ethnicity," Tomas Wolf, an Ipsos researcher, said in a May 19 interview. Ahmed Salim, an analyst with Dubai-based Teneo Strategy, said earlier this month that public discontent over rising cost of living in Kenya, which is currently seeing shortages of milled corn, a staple, could help Odinga's five-party alliance make electoral gains and force a run-off. "There is still scope for Odinga to eat into Kenyatta's vote," Gordon said. "However, turnout and the massive Jubilee mobilization in swing counties are most likely to allow Kenyatta to win a narrow victory in the first round." *(Bloomberg)*

Foreign reserves held by commercial banks rose by $519 million (Sh53.6 billion) in the year to February 2017, indicating uncertainty over the shilling's exchange rate. Latest Treasury data contained in the economic and budgetary review for the quarter ending March 2017 shows the amount of foreign reserves held in banks by the end of February stood at $2.45 billion (Sh240 billion), compared to $1.94 billion (Sh197 billion) a year earlier. Investors and institutions anticipating a weakening of the shilling tend to accumulate dollars so as to avoid paying more for the greenback in future. "It shows that there was pessimism about the local currency—projections that the shilling would come under pressure. The most pronounced period of accumulation normally comes after the budget is revealed, which gives an indicator of current account and budget deficits," said ABC Capital corporate finance manager Johnson Nderi. At the same time, the country's official forex reserves, held by Central Bank, went down by $91 million (Sh9.2 billion) to $7.48 billion (Sh770 billion) in the one year period, showing the effect of CBK's dollar sales in the market to control currency volatility, coupled with interest payments on external debt.

The official reserves have, however, rebounded since February, to hit $8.5 billion, reflecting dollar inflows from external debt by commercial, bilateral and multilateral lenders. Banks had brought down their holdings towards the end of 2016 to $2.02 billion, in line with a steady shilling that had remained flat through the year. They, however, set off on another round of dollar accumulation at the beginning of this year after the shilling depreciated by 1.3 per cent in the first two weeks of January to a 15-month low of 104 units. The CBK had responded to this fall by actively selling dollars to the market — largely to banks — to stem volatility. The currency has, however, stabilised in the second quarter of the year, settling at the 103 to 103.50 level to the dollar. Going forward, the political risk associated with the August General Election is likely to come into play, which could push individuals and corporates to buy up more dollars as a hedge. *(Nation)*

Inflation has hit a five-year high of 11.70 per cent, driven by higher food and fuel prices that have been on the rise since last year. This has pushed the cost of living measure further outside the government's preferred ceiling of 7.5 per cent. Official data shows inflation has increased from 11.48 per cent in April, making it the highest rate since May 2012, according to the Kenya National Bureau of Statistics (KNBS). "Between April and May 2017, food and non-alcoholic drinks' index increased by 1.26 per cent. The food index increased due to rise in prices of sugar, milk, maize grain and other food items," the bureau said in a statement Wednesday. "As a result, the year-on-year food inflation rose by 21.52 per cent in May 2017." The KNBS also partly attributed the inflation to increases in the cost of kerosene, cooking gas and charcoal. Food takes up the largest share (36 per cent) of the basket of goods that is used to calculate inflation, followed by utilities such as rent, water, electricity, gas and fuels at 18 per cent. The cost of flour at posho mills and consumed by the masses, rose the most at 54.3 per cent over the past year to Sh64.33 a kilogramme.

They have not benefited from a government subsidy of Sh6 billion. It cut the price 90 kg bag of maize to Sh2,300 from above Sh4,000, allowing the 2kg packet of sifted flour to be sold for Sh90 against the market cost of Sh140. Sugar prices rallied to Sh168.18 a kilo in May from Sh112.60 a year ago and Sh136.45 in April. Half-litre fresh milk pouch increased by Sh12 over the past year to Sh65 per packet in May, but is expected to come down by Sh10 on Thursday. The drought left about 2.7 million people in need of food aid, posing a political headache for President Uhuru Kenyatta as he seeks a second term. Policymakers held the benchmark lending rate at 10 per cent this week, saying its policy stance had reduced the threat of demand-driven inflation. Kerosene, used by the poor, rose 38.2 per cent to Sh66.26 while diesel was up 24.8 per cent to Sh89.70. *(Daily Nation)*

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Kenyan lenders must adjust their business models to adapt to a new era of lower profits as interest-rate caps curb investor returns, Central Bank of Kenya Governor Patrick Njoroge said. Return on equity in the Kenyan banking industry declined to 13.6 percent in March from 18.2 percent in June, Njoroge told reporters Tuesday in the capital, Nairobi. For the country's biggest lenders, the drop was more severe, slumping to 23 percent from almost 35 percent. That compares with an average of 17.4 percent for South Africa's four biggest banks and 22.3 percent for Nigeria's top lenders, according to data compiled by Bloomberg. Lenders are "entering a world where there will be smaller interest margins," Njoroge said. "Returns will be much smaller." The top five banks in East Africa's largest economy this month reported a decline in first-quarter profit as the government-imposed cap on commercial lending rates curbed loan income. The ceiling, set at 400 basis points above the central bank's official rate of 10 percent, may cut revenue in the industry by as much as 25 percent this year as it scales back on unsecured lending, Barclays Bank of Kenya Ltd.

Chief Executive Officer Jeremy Awori said May 11. Kenyan banks' "golden period" may have ended with the rate-cap law and lenders should brace for a "structural decline in profitability," Exotix Partners LLP said in a note on May 18. Banks' net interest margins will "remain under pressure" until 2018 with the government unlikely to completely reverse the legislation, Exotix said. The cap resulted in a 5.7 percent decline in lending to small business between August, when it was announced, and April, according to the central bank. Banks have "tightened" credit standards and are focusing more on short-term financing, even for large corporations, Njoroge said. The regulator is holding discussions with bank executives and urging them to diversify revenue streams in order to build their resilience, Njoroge said. Lenders are also being encouraged to shift from "lazy banking to real banking," a switch that would entail them relying less on high loan charges and returns on government securities for their income, he said. "Banks are still working under the old business models," Njoroge said. "They need to be more forward looking so as to be resilient, because shocks will come and they need to be ready for that." *(Bloomberg)*

The index of the Nairobi Securities Exchange (NSE)'s 15 largest counters by market capitalisation offered investors the best returns among African bourses in May, outperforming alternative investments such as fixed income in the period. Market data compiled by African Alliance shows that the FTSE NSE Kenya 15 Index had a return of 13.4 per cent in May, standing at 183.7 points. This is ahead of the Nigeria Stock Exchange's return of 12.8 per cent, Zimbabwe's 11.9 per cent and 6.3 per cent for the Egypt EGX 30 index. Analysts say that investor sentiment in the market is shifting, especially among local retail traders, with the new demand boosting the shares of blue chip stocks such as Safaricom, Equity, KCB, EABL, Co-operative Bank and Nation Media Group. "There has been a shift in investor sentiment since the beginning of the year from one of caution, to one of cautious optimism. With the macroeconomic variables that impact the performance of companies listed on the NSE expected to be positive; outlook on the performance of the market going forward is positive," said Britam asset managers in their May equities review. "Investors who have adopted a wait and see stance are looking forward to the outcome of the August 2017 general election as a significant indicator of the direction the market will head in." The FTSE NSE Kenya 15 Index tracks the performance of the largest 15 stocks ranked by full market capitalisation while the FTSE NSE Kenya 25 Index tracks the performance of the 25 most liquid stocks. International investors normally pick their portfolios based on the FTSE NSE indices. Other East African markets are not faring as well as the NSE. Tanzania's Dar es Salaam exchange has a return of -4.7 per cent in May, Uganda's exchange 6.4 per cent and Rwanda's stock exchange -3.4 per cent. *(Daily Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi hopes global lenders will release funds frozen over a government graft scandal three years ago now that the World Bank has resumed its budget support programme, Finance Minister Goodall Gondwe said on Monday. The World Bank decision early this month to restore budget support signals a return of donor confidence in Malawi, he told Reuters. This support traditionally accounts for about 40 percent of the budget of the poor southern African country. Western donors led by former colonial ruler Britain froze budget support over a corruption scandal in which public servants siphoned millions of dollars from the public purse. "The recent resumption of the World Bank budgetary support, the expected confirmation by the IMF that Malawi is on track in its pursuance of fiscal management reforms as well as the pending EU resumption of budgetary support, are all signs of international confidence coming back in our economic management," Gondwe said. Announcing the $80 million budget aid early in May, Laura Kullenberg, the Bank's country manager, said Malawi had taken some very crucial reform steps and it was critical to maintain the momentum. Gondwe said that although economic activity in 2016 remained subdued at 2.7 percent from 3.3 percent previously, the austerity measures being implemented are bearing fruits as signs of recovery start to emerge. "The strong fiscal and monetary policies, which were reinforced by the IMF, have sustained this recovery which is continuing into 2017 and is strongly expected to continue to gather strength in 2018," he said. He said inflation has steadily declined to 14.6 percent in April 2017 from 24.3 percent in July 2016 thanks to declining food prices, a stabilising kwacha currency, lower global fuel prices and fiscal adjustments made since 2014. The exchange rate remained fairly stable in the second half of 2016 up to May 2017 depreciating by only 2.0 percentage points against the dollar in that period, Gondwe said. This was due to a seamless supply of foreign exchange that the country experienced in 2016 and the first quarter of 2017, he said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Mauritius

Corporate News

No Corporate News this week

Economic News

The weighted yield on a four-year Bank of Mauritius bond fetched a yield of 3.32 percent at auction on Thursday, the central bank said. The bank sold all the 2 billion rupees ($57.80 million) worth of the debt it had offered. Bids received amounted to 5.150 billion rupees at yields ranging from 3.24 percent to 3.75 percent. The bond will mature on June 2, 2021, and has a coupon rate of 3.24 percent. *(Reuters)*

Nigeria

Corporate News

The Asset Management Company of Nigeria (AMCON), the country's 'bad bank' set up following the banking crisis, is close to selling Peugeot Automobile Nigeria (PAN) Ltd, a local car assembly joint venture, to Africa's richest man, Aliko Dangote, and two Nigerian states. "We have concluded all processes on the bids since about two months ago, all we are waiting for (now) is the approval of the central bank," Ahmed Kuru, AMCON's chief executive, told Reuters on Friday. PAN, a Nigerian vehicle assembly plant located in Kaduna state, has PSA Peugeot Citroen as its technical partner with a capacity to assemble 90,000 cars a year, according to its website. Dangote, in alliance with the states of Kaduna and Kebbi and the Bank of Industry (BOI) development bank made a bid to acquire a majority stake in PAN last year as AMCON seeks to sell off some of the assets it acquired in the wake of the banking crisis. Dangote's eponymous group of companies is active in cement, oil, food and sugar, and is expanding into farming. The automaker is worth over 15 billion Nigerian naira ($49 million) according to its last valuation, Kuru said, but declined to name the company Dangote and his partners are using to acquire the automaker. AMCON, set up in 2010 to clean up the banking system following a $4 billion rescue of nine lenders that came close to collapse, took over PAN after buying up its debt and converting it to equity. *(Reuters)*

Portland Paints and Products Nigeria Plc, a subsidiary of UAC of Nigeria Plc, says its current move to restructure its operations will drive further growth and enable it to deliver better value to all stakeholders. The Chairman, Portland Paints, Mr. Larry Ettah, in his address at the company's Annual General Meeting held in Lagos on Wednesday, said, "Although the firm has been undergoing restructuring of its operations in the reporting year, which has been exacerbated by the daunting challenges in the operating environment, it was able to report a modest result in 2016. "Portland Paints recorded revenue of N1.971bn in 2016, which is a nine per cent drop from the N2.168bn of the previous year. The company profit after tax was N8.597m, a major reversal from the N232.98m loss recorded in the previous year." He said in view of this level of performance, the Board of Directors did not recommend the payment of dividend. According to Ettah, in response to the challenges posed by the business environment, the company has worked towards cost reduction and optimisation in all areas of its operations to ensure the survival of the business and its sustained value creation for stakeholders. On the concluded capital restructuring, Ettah said, "The Rights Issue of 2 for 3 approved at the 2015 AGM to raise additional capital for the company hit the market on January 23, 2017 and closed on March 1, 2017. It was 65.5 per cent subscribed and was affected by the general capital market sentiments and softness." Meanwhile, the country's equities market gained N76bn on Wednesday to close at N10.197tn capitalisation from N10.121tn. A total of 343.192 million shares worth N3.338bn exchanged hands in 4,905 deals as 35 counters gained, while 20 lost. *(Punch)*

Guaranty Trust Bank Plc (GTBank) Wednesday launched 'GTWorld,' a mobile banking app designed to cater to all that's important to customers easily and seamlessly. Built on the back of the bank's customer-centric digital strategy, GTWorld (available for download from the Google Playstore for Android phones and the Apple App Store for iPhone), the bank explained, features biometric authentication, such as facial recognition and fingerprint, which recognises a customer and adapts to how and when they want to bank. According to the bank, the mobile banking app also features a seamless switch to GAPS Lite, the online banking platform for small businesses which offers a flexible and secure channel to make payments and collections anywhere in the world. Commenting on the launch of GTWorld App, Managing Director of GTBank, Segun Agbaje said: "We are delighted to be at the forefront of digital banking solutions that are making banking faster, easier and safer for our customers. The Simplicity of GTWorld and innovations such as facial recognition and fingerprint also ensure that our customers enjoy a seamless experience, anywhere, anytime and anyhow they choose to bank." He pointed out that with the rapid growth of smartphone penetration in Nigeria, there had been a steady increase in the adoption of mobile banking solutions. "Smartphone users are however very conscious about the security and efficiency and convenience of such applications; and on those three fronts, the GTWorld app excels remarkably. the mobile banking App offers customers access to more than 90 percent of the Bank's services on their Smartphones, guarantees further security through biometric authentication and ensures convenience through the Quick feature, which enables a user to perform transactions without signing in, among others. "GTWorld empowers customers, like never before, to make payments and access in-branch services swiftly and seamlessly, without going to a branch.

Some of the App's, amongst several others, when switched to GAPS-Lite, the app offers small business owners access to real-time monitoring of all transactions and the ability to make bulk and single transfers on the go to any account in the world," he added.*(This Day)*

FirstBank of Nigeria Limited has officially announced the launch of its refreshed and user-friendly website. The new website, according to a statement from the bank, is adaptive and responsive and has a multi-real estate billboard homepage with one-click access to information. "The website is feature-rich with mortgage and loan calculators, a currency converter and a Google maps integrated branch locator. Built for the digital age, it is easy to access and navigate for the average multi-screen user. Visitors can expect to find any information they seek on the website in three simple clicks. Its mobile enabled features make it perfect for the always on-the-move generation. "The new website is considered a unique evolution for the lender in terms of information and interactive services available for customers, investors, shareholders and the global community," it stated. The Group Head, Marketing and Corporate Communications, FirstBank, Mrs. Folake Ani-Mumuney announced that the site, which she said is a quantum leap from the old website. Speaking further, she said "The launch of refreshed website comes in line with measures that the Bank has taken to execute its digital banking strategy that aims to progress all facets of the its activities in line with global best practices." She explained that FirstBank has benefited from modern technology tools to ensure a solid technical foundation for the new site, which would see continuous enhancements in the coming months to enhance the effectiveness of its operations and provide all key information needed by customers, investors and other visitors of the website to make investment decisions and have a better customer experience. *(This Day)*

Shareholders of GlaxoSmithKline Consumer Nigeria (GSK) Plc yesterday approved a dividend of 30 kobo per share recommended by the board of directors for the year ended December 31, 2016. The approval was given at the 46th annual general meeting (AGM) held in Lagos. GSK recorded a turnover of N14.385 billion for 2016, while profit after tax (PAT) stood at N2.378 billion, up from N873 million in 2015. Hence, the directors recommended the 30 kobo dividend per 50 kobo per share, which the shareholders approved and commended the directors for. They urged the board and management to continue to work tirelessly to take the company to greater heights and also produce a better result in the new financial year. Speaking at the AGM, Chairman of the company, the divestment of the company's drinks business in third quarter (Q3) enabled the company to align with the global strategy and focus on its core businesses with the aim of driving improved margins and sustainable growth. According to him, although the immediate outcome of the divestment is a leaner and nimble company, focus on healthcare would enhance GSK's brand portfolio. Onuzo emphasised that GSK would continue to support its brand through increased marketing and promotions. He also disclosed that the company would drive increased local manufacturing and local content contribution to increase margins and mitigate against foreign exchange fluctuations.

"In 2017, GSK would focus on growing major brands like Sensodyne, Panadol, Andrews Liver Salt and Macleans to drive baseline profitability. These are part of our sustainability measures, we are now more focused on our core strength and going forward, we hope to aggressively build our consumer healthcare portfolio," he said. The chairman noted that the company is strongly committed to attaining and sustaining high performance and would continue to invest in human capital and sustainable corporate responsibility initiatives while ensuring that the company fulfills its mission to improve the quality of human lives by enabling people to do more, feel better and live longer. He assured shareholders that despite the economic challenges, the company remained committed to ensuring that its shareholders received good returns on their investment. While there were apprehension that the divestment of its drinks business would impact negatively, GSK had assured that rather than affect its performance, it would enable it concentrate on its strength which is oral healthcare, nutrition and pharmaceutical/vaccines production and marketing business. *(This Day)*

The Chairman of Seplat Petroleum Development Company Plc, Dr. ABC Orjiako, Thursday assured shareholders that the company has put in place strategies that would improve its financial performance and deliver better value going forward. Several economic headwinds and the shut-in of the Forcados terminal resulting in lower production, lower oil price realisations and higher costs, made Seplat's revenue to fall from N113 billion in 2015 to N63.7 billion in 2016, while a loss of N45.4 billion was recorded compared with a profit of N13 billion in 2015. However, speaking at the annual general meeting of the company held in Lagos, Orjiako said with the diversity of export solutions in place and "our increasing gas processing capacity, Seplat has the potential to deliver material production upside with less risk of significant constraints from any infrastructure disruption". According to him, the company is actively pursuing alternative crude oil evacuation options for production at OMLs 4, 38 and 41 and potential strategies to further grow and diversify production in order to reduce over-reliance on one particular third party operated export system in the future. "In line with this objective, Seplat successfully implemented, in 2016, an alternative export solution during the second quarter whereby crude oil production from OMLs 4, 38 and 41 is sent via the company's own 100,000 barrel of oil per day (bopd) capacity pipeline to available storage tanks at the Warri refinery," he said. Explaining the challenges faced by the company in 2016, Chief Executive Officer of Seplat Austin Avuru said: "In addition to a difficult global oil market backdrop, our business had to contend with unprecedented operational challenges due to interruptions and these are reflected in our full year results." He disclosed that the company has now established a longer-term alternative export route via the Warri refinery jetty and is nearing completion of upgrade works to the infrastructure enabling a doubling of barging volumes to a steady 30,000 bopd gross during Q2 2017. According to him, alongside this, the company is collaborating and supporting government on the completion of the Amukpe to Escravos pipeline that will offer a third export route through the Escravos terminal. *(This Day)*

Wapic Insurance Plc recorded huge drop in its underwriting profit from N1.5billion in 2015 to N381million in 2016. Announcing the company's financial performance for the period under review to shareholders at the company's 58th annual general meeting, which held in Lagos recently, Wapic Insurance Chairman, Aigboje Aig-Imoukhuede, said the company had targeted a premium growth rate of 20percent for the period, but failed to achieve it owing to increase in claims rate. He explained that the claims rate rose to N2.9billion in 2016 from N1billion in 2014 and N1.6billion in 2015. This, he said, negatively affected underwriting profit of the company. "This significant jump in underwriting expenses, negatively impacted underwriting profit, which closed at N381 million", he said. The company also recorded a loss in its profit for the year 2016 as it declared a profit after tax of N586.1 million for the 2016 full year ended December 31 as against N1.3billion it achieved in 2015. Similarly, profit before tax stood at N1.2billion compared with N1.7billion the company declared in the year 2015, indicating a decline by 28 percent. During the period under review, the insurance firm used N4.2 billion as operating expenses in contrast to N3.5 billion it spent in the year ended December 31, 2015.

Aig-Imoukhuede said despite the shortfall in the targeted premium growth rate of the company, which he said was the first in three years, Wapic Insurance maintained its strong performance in investment area. He informed the shareholders that Wapic associate company, the Coronation Merchant Bank limited, during the period, delivered outstanding earnings growth adding that Wapic Insurance share of the bank's profit, contributed strongly to the group's profit before tax. On the outlook of the company, Aig-Imoukhuede, emphasised on the relevance of the underwriting firm's Ikoyi based new corporate office. He said: "Our newly commissioned head office, signposts our vision of transforming and illuminating the Nigerian insurance sector. Your company has been graced by visits from leading figures in the private and public sector affording us valuable opportunities to strengthen our relationships and networks towards increased business." On his part, the Managing Director and Chief Executive Officer of the Company, Adeyinka Adekoya, said despite the challenging macroeconomic situation in the country during the period, Wapic Insurance was able to deliver on its three key imperatives of sustaining capital strength, maintaining strong financial position and improving growth in market share. *(This Day)*

Economic News

The long-awaited oil governance bill passed by Nigeria's upper chamber of parliament proposes breaking up the state oil company into three commercial entities supported by a regulatory body and a fund to oversee the distribution of money. The Petroleum Industry Governance Bill, passed on Thursday by the Senate, is part of planned reforms that make up the sprawling Petroleum Industry Bill (PIB), discussed for over a decade following several redrafts, aimed at revamping the OPEC member's energy sector. The PIB is a central plank of President Muhammadu Buhari's reform plans because oil sales provide 70 percent of government revenue in Africa's biggest economy but the energy sector has been hobbled by mismanagement and endemic for decade. The governance bill - which must be passed by the lower chamber of parliament and receive the president's approval before becoming law - deals with management of the Nigerian National Petroleum Corporation (NNPC), the powerful state oil company which critics say is opaque and retains too much power. It is one of a number of expected bills under the overarching PIB and does not deal with aspects of most interest to oil companies, such as fiscal terms for upstream projects. The 191-page document states that the objective is to "create efficient and effective governing institutions with clear and separate roles for the petroleum industry" while improving transparency and accountability. The governance bill proposes the creation of three commercial entities - the Nigeria Petroleum Assets Management Company, National Petroleum Company and the Nigeria Petroleum Liability Management Company. Assets and liabilities of NNPC would be split between the three companies.

And the bill opens up opportunities for private investment. It says not less than 10 percent of shares of the National Petroleum Company will be divested within five years or its creation, rising to 30 percent within a decade. The Petroleum Equalisation Fund would be created to "ensure efficient distribution of petroleum products throughout the federation" and also "collect and provide funding for infrastructural development throughout the federation". And the Nigeria Petroleum Regulatory Commission would oversee compliance with the laws related to the petroleum industry, including the maintenance of environmental standards, and carry out evaluations of national reserves. The regulatory body would also have the power to grant, amend, renew, extend or revoke any licence or lease required for petroleum exploration. That power, in a previous version of the bill, lay with the petroleum minister but the governance bill passed by the Senate states that it transferred this to the Commission "to ensure separation of duties and provide for checks and balances". If the governance bill is passed by parliament's lower chamber, the House of Representatives, it would require presidential approval to become law. "The bill could still get hung up by political wrangling in the House," said Josh Holland, an analyst from IHS Markit. Buhari has been on medical leave in Britain since 7 May and has handed over power to his deputy, Yemi Osinbajo. *(Reuters)*

THE Nigerian capital market has recorded abysmal performance in the last two years of President Muhammadu Buhari's administration as investors in the nation's stock market lost N1.93 trillion worth of their investments in companies quoted on the Nigerian Stock Exchange, NSE. Specifically, data from the NSE showed that the stock market capitalisation, which represents total value of stocks, traded on the Exchange declined by N1.93 trillion or 16.6 percent to N9.718 trillion at the close of trading on Friday, May 19, 2017 from N11.658 trillion it closed on May 28, 2015. Similarly, another stock market gauge, the NSE All-Share Index declined by 6,196.93 points or 18.1 per cent to close on Friday May 19, 2017 at 28,113.44 points from 34,310.37 points it closed on May 28, 2015. Since Buhari took over on May 29, 2015, the market has been on bearish trend, until after the first quarter this year that the market started witnessing bullish run; though it has not been steady as both the bulls and bears continue to interface. Nigerian Stock Exchange A breakdown of the market performance, according to Vanguard's investigation, for the past two years showed that in the first year of President Buhari's administration, the market lost N1.732 trillion as the NSE market capitalisation on May 27, 2016 closed at N9.926 trillion from N11.658 trillion on May 28,2015. In the same vein, All Share Index dropped by 5,408.12 points or 15.8 per cent to close at 28,902.25 points on May 27, 2016 from 34,310.37 points it closed on May 27, 2016. In the second year of President Buhari's administration, the market lost over N208 billion, as the market capitalisation closed on May 19, 2017 at N9.718 trillion fromN9.926 trillion it closed on May 27, 2016. The market for the first one year of this administration was largely dominated by cautious and speculative tendencies despite cheap valuations of equities across the sub sectors on the Exchange on the backdrop of weak investors' confidence, which was driven mainly by decline in economic activities. Market initiative and development:

Meanwhile, in 2016 the market began to see some initiatives from the apex body of the capital market, Securities and Exchange Commission, SEC, who assured that it will get the federal government to key into the 10 year Capital Market Master plan. The Master Plan was developed by three committees inaugurated for that purpose in September 2013. The core objective of the Master Plan was to map out strategies for the improvement of the Nigerian capital market in key areas such as investor protection and education, professionalism, and product innovation, and for the expansion of the capital market's role in Nigeria's economy. The SEC, in 2016 introduced the e-dividend portal in collaboration with Nigeria Inter Bank Settlement System, NIBSS, in a bid to solve the problem of rising unclaimed dividend which hit over N80 billion. According to SEC, through the e-dividend mandate, the unclaimed dividend has reduce by N30 billion. SEC had championed the proposed amendments to laws affecting investment in Nigeria. Further to the resolution passed at the Capital Market Committee, CMC to review extant laws which affect the investment climate in Nigeria, three Committees were constituted by the Commission in June 2016 to review some market legislation. But not much has come out of these laudable efforts till date. The new issues market has been dead since

2015 as only a few rights issues happened while just two new listings by introduction was recorded. However, the NSE witnessed the listing of Nigeria's first FX denominated bonds as it partnered the Debt Management office (DMO) to list Nigeria's $1billion FGN Euro bond which is the first foreign currency denominated security to be listed and traded in the Nigerian capital market. The NSE also listed the recently introduced federal government savings bond on the Exchange. Looming recovery: Given the recent monetary and foreign exchange (forex) policy changes, such as the Investors & Exporters (I & E) Forex Window introduced by the Central Bank of Nigeria, CBN, Economy Recovery Growth Plan, ERGP, passage of budget, among others, the stock market has started to record some improvement as some level of confidence by foreign investors has started manifesting in the market given the recent rally recorded in recent time. Analysts and market operators believe that the sustainability of Investors & Exporters window to bring about availability of forex, proper management of policies to stimulate economic growth and favorable developments from these economic indicators will determine the stock market performance in this year and beyond. *(Van Guard)*

Operators in Nigeria's electricity market have called for harmonisation of the trading currency used in the market to reflect uniformity in payment terms for services rendered and contracts entered into. According to the communiqué of a meeting convened by the Market Operator (MO) department of the Transmission Company of Nigeria (TCN), the operators want every transaction, such as tariff, payment for gas and energy supplied to be denominated in one single currency as against the existing practice of paying for gas in dollars and other services in naira. The communiqué also revealed that the 11 electricity distribution companies (Discos) also called on the National Assembly to pass a law that would set up a special court to swiftly adjudicate cases of electricity theft in the country. The meeting was part of the MO's quarterly activities aimed at developing the electricity market. It had in attendance, the electricity generation companies (Gencos), Discos, TCN, Nigerian Bulk Electricity Trader (NBET), Bureau for Public Enterprise (BPE) and Nigerian Electricity Regulatory Commission (NERC); amongst others. According to the communique, the Gencos also declared that they have the capacity to generate up to 8,500 megawatts (MW) of electricity and thus requested that the transmission and distribution capacities of the Discos and TCN be improved on to accommodate that.

The Gencos, it explained equally called for the centralisation of market collections and appropriate disbursement of revenue based on agreed percentages. Additionally, the Gencos requested for the activation of their existing contracts with the NBET and denomination of gas price in naira as it agrees with the call from Discos for harmonisation of currency for all transactions in the market. "Gencos called for alignment of market payment with the gas payment cycle. The Gencos also demanded for a payment mechanism for the outstanding N504 billion. Discos on their part, called for implementation of the last tariff review for the end users. They also called for immediate payment of MDAs outstanding debts in order to improve liquidity in the market as well as a holistic approach of addressing the sector challenges not only the upstream. According to the communique, the Discos and TCN called for cost-reflective tariff that assumes no borrowing. However, it was noted that tariff reviews should be based on proper tariff studies taking into consideration all possible impacts. The communiqué added: "Discos called for subsidy in the market to support purchasing power of the population, and that government should remember to redeem her earlier promise of the N100 billion subsidy." On electricity theft, which has reportedly become a prevalent challenge for the Discos, which called for legislative action or backing to address cases of electricity theft and delinquent customers through the introduction of special electricity courts which will have time limit to address disputes and issues of delinquent customers. "Delinquent customers should be made to pay interest on their outstanding bills", they stressed.

The Discos equally called for the addition of their revenue shortfalls as a regulatory asset with the NERC, as well as a restructuring of the Central Bank of Nigeria (CBN) loan repayments so that some money can be freed to address liquidity challenges in the sector. "Intervention (political, regulatory or even legislative) in the market will be required to kick-start improvements in liquidity that is self-sustaining, however, such intervention must be targeted i.e. tied to projects with predictable impacts. MO and NERC should be mandated to enforce full compliance of the market rules and sanction noncompliance. ATC&C losses should be transparently monitored and reported. It was noted that increase in electricity generation need not be encouraged without significant improvement in loss reduction. Transmission Service Provider (TSP) should have clear Service Level Agreements with Discos and Gencos for effective service delivery," it added on what was required to get the market back to stable productivity," the communiqué explained. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Oil workers under the aegis of Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) has stated that Nigeria has lost over $235 billion as a result of its inability to pass the Petroleum Industry Bill (PIB) into law since the reform in the Nigeria's oil and gas industry was kick-started 17 years ago. The union has therefore charged the National Assembly to pass the other aspects of the PIB – the Petroleum Fiscal Framework Bill; the Petroleum Industry Downstream Administration Bill; the Petroleum Industry Revenue Management Framework Bill and the Petroleum Host Community Bill, into law. In a statement at the weekend, the Chairman of NUPENG and PENGASSAN Petroleum Industry Bill Committee, Comrade Chika Hyginus Onuegbu commended the Senate led by the Senate President Senator Bukola Saraki and its Joint Committee on the Petroleum Industry Governance Bill (PIGB) led by Senator Tayo Alasoadura for the passage of the Petroleum industry Governance Bill (PIGB) 2016. He said the passage of the PIGB was a milestone achievement, especially as it was not an Executive Bill. Onuegbu, however, noted that the PIGB only deals with the one aspect of the PIB, which is the governance and institutional framework of the Nigerian petroleum industry. "Also, when you consider that Nigeria has lost over $235 billion due to its inability to pass the Petroleum Industry Bill into law since the reform in the Nigerian Petroleum industry was kick-started 17 years ago. We therefore look forward to the concurrent passage of the Petroleum Industry Governance Bill (PIGB) into law by the Federal House of Representatives and also eventual accent by the President of Nigeria," he explained. He added that the passage of the PIGB is commendable but will not deliver the full benefits of the intended reforms except if the other aspects of the PIB are also legislated.

Onuegbu also argued that there is no mention of the Petroleum Host Community Fund in the PIGB, adding that one of the major challenges facing the industry is host community and Niger Delta issues. According to him, before the recent truce initiated by the Acting President when he visited the Niger Delta, militant Attacks in the region had led to significant amounts of shut-in production at onshore and shallow offshore fields. "You will recall for instance that Nigeria's 2016 budget was based on Crude oil export of 2.2mln bpd with MTEF projections of 2.347mln and 2.469mln bpd for 2017 and 2018 respectively. Unfortunately, due to the Militancy in the Niger Delta, Nigeria's crude oil export in 2016 only averaged some 1.5mln bpd creating a deficit of some 700,000 bpd in export, thereby worsening her economic crises and pushing the country deeper into recession, exchange rate crises, and stagflation. Therefore, it is important that any legislation to address the challenges in the Nigerian oil and gas industry must make provisions on how to effectively address the Petroleum Host community issues," Onuegbu explained. Onuegbu also stressed that fiscal regimes aspect of the PIB is not included in the PIGB, adding that this aspect will "guide the final decision of the International investors on how much to invest as it has direct impact on the profitability or other wise of the investments in the Nigerian oil and gas sector vis –a-vis other Petroleum host countries". *(This Day)*

First Bank Holdings led a rally of Nigerian banking stocks on Tuesday, fuelled by hopes that Africa's biggest economy will emerge from recession soon, dealers said. First Bank Holdings, the parent company of Nigeria's oldest commercial lender First Bank, rose 10.02 percent in early trade to 5.38 naira ($0.0171), a level last seen on Oct 10, 2015. "The market as a whole is reacting to a favourable economic indication. Everybody is now saying the recovery has started, that the economy is on the path of growth," said Rasheed Yusuf, a senior stockbroker. "The shares of First Bank (are) currently on demand, nobody is willing to sell. We should expect this trend to continue for the next few weeks," Yusuf said, adding that First Bank shares were valued cheaper than its peers. United Bank for Africa (UBA.LG), was up 3.73 percent at 7.80 naira per share, Zenith Bank rose 8.63 percent to 20.78 naira. The overall market index hit its highest in more than 10 months as investors responded to more favourable economic indicators, traders said. The OPEC member country said last week it was moving out of recession after data showed its economy shrank a further 0.52 percent year-on-year in the first quarter, which was less than the revised contraction of 1.73 percent in the fourth quarter of last year. *(Reuters)*

Nigeria stocks jumped to a 11-month high on Thursday, driven by gains in banking and cement shares as investors took advantage of the low valuation for some commercial bank shares. The stock market index rose 2.37 percent to cross 30,197 points, lifted by gains in First Bank Holdings and Dangote Cement. The banking index rose 1.61 percent amid expectations Africa's biggest economy would exit recession soon as higher oil revenues stabilize the battered naira. First Bank Holdings, the parent company of Nigeria's oldest commercial lender, First Bank, rose 10 percent to 5.83 naira ($0.0185), a level last seen in Oct, 2015. Dangote Cement, which accounts for a third of the market's entire capitalisation, also gained 5 percent, trading at 183.75 per share. Stock brokers said foreign investors who were scared off by the threat of another currency devaluation were considering coming back. "We are beginning to see the positive impact of the stability in the foreign exchange market and coupled with the attractive valuation of most stocks, offshore investors have started looking toward the stock market," stock broker Austin Egberi said. Nigeria said last week it was emerging from recession after data showed its economy shrank 0.52 percent year-on-year in the first quarter, less than the revised contraction of 1.73 percent in the preceding quarter. Nigeria's central bank has since February regularly injected dollars into the foreign exchange market to improve liquidity and narrow the spread between official and black market rates. The local currency has held steady at 382 to the dollar on the black market after dropping earlier to 520. It is trading around 305 level on the official market. "The market is seen rallying further in the coming days as more investors are attracted to take position," another stock dealer said. *(Reuters)*

The Manufacturing Purchasing Managers' Index (PMI) stood at 52.5 index points in May 2017, indicating expansion in the manufacturing sector for the second consecutive month. According to the PMI report for May released by the Central Bank of Nigeria (CBN) Thursday, 10 of the 16 sub-sectors reported growth in the review month in the following order: primary metal; petroleum & coal products; plastics & rubber products; paper products; electrical equipment; appliances & components; textile, apparel, leather & footwear; cement; food, beverage & tobacco products and chemical & pharmaceutical products. The remaining six sub-sectors declined in the order: transportation equipment; nonmetallic mineral products; fabricated metal products; printing & related support activities; furniture & related products and computer & electronic products. Furthermore, the report showed that the production level index for manufacturing sector expanded for the third consecutive month in May 2017. The index at 58.7 points indicated an increase in production at a faster rate, when compared to the 58.5 points in the previous month. Fifteen manufacturing sub-sectors recorded increase in production level during the review month in the following order: primary metal; electrical equipment; petroleum & coal products; cement; chemical & pharmaceutical products; plastics & rubber products; computer & electronic products; food, beverage & tobacco products; textile, apparel, leather & footwear; appliances & components; paper products; nonmetallic mineral products; furniture & related products; printing & related support activities and fabricated metal products, while the transportation equipment sub-sector recorded decline in production.

Also, the new orders index for May stood at 50.5 points, indicating a faster growth in new orders for the second consecutive month. Eight sub-sectors reported growth in new orders in the following order: appliances & components; plastics & rubber products; textile, apparel, leather & footwear; paper products; chemical & pharmaceutical products; food, beverage & tobacco products; petroleum & coal products and primary metal. The cement and electrical equipment sub-sectors remained unchanged, while the printing & related support activities; nonmetallic mineral products; computer & electronic products; transportation equipment; fabricated metal products and furniture & related products sub-sectors recorded declines. According to the report, at 49.9 index points, the supplier delivery time index for the manufacturing sector declined for the second consecutive month, though at a slower rate, when compared to the previous month. But eight sub-sectors recorded delayed suppliers' delivery time in the following order: appliances & components; transportation equipment; fabricated metal products; nonmetallic mineral products; cement; furniture & related products; chemical & pharmaceutical products and food, beverage & tobacco products. The remaining eight sub-sectors recorded improvement in delivery time in May 2017 in the following order: primary metal; petroleum & coal products; paper products; printing & related support activities; computer & electronic products; textile, apparel, leather & footwear; electrical equipment and plastics & rubber products. *(This Day)*

Tanzania

Corporate News

Acacia Mining hit back at the Tanzanian government on Friday, describing the state's audit of the company's gold and copper ore as inaccurate and saying it would consider its options in the East African state. The government's fraught relationship with the mining sector, having banned the export of all unprocessed ore in March, reached a nadir this week when Tanzania President John Magufuli sacked the mining minister and the chief of the state-run mineral audit agency on Wednesday. That followed an investigation that Magufuli said had found 10 times more gold in Acacia's containers than the company had declared, as well as undeclared minerals such as iron and sulphur. "We do not understand the findings of the (investigation) committee and believe that they contain significant discrepancies compared to all previous data analysed," Acacia said in a statement on Friday. Magufuli, Acacia's shares have plunged nearly 40 percent since Wednesday. They clawed back a little of that on Friday, gaining 1.9 percent to 271 pence by 1303 GMT. The company, majority owned by Barrick Gold and Tanzania's biggest gold miner, said that it would consider its options after its latest problems in Tanzania. Acacia said that the 250,000 ounces of gold that the audit was said to have found in containers from its Bulyanhulu and Buzwagi mines implied that the two operations produced 1.5 million ounces of gold a year, which would make them the two largest producers in the world. The company also said it does not receive revenue for the other minerals the audit said it had failed to declare. *(Reuters)*

TANZANIA Portland Cement Company Limited's (TPCC) Board of Directors has proposed payment of 48.58bn/- or 270/- per share to shareholders as a full dividend for last year. The amount announced for last year was, however, down from a full dividend in 2015 which was 55.06bn/- or 306/- per share. TPCC trades as Twiga cement at Dar es Salaam Stock Exchange. Its share closed at 2,000/- yesterday. TPCC Board Chairman Mr. Alfonso Rodriguez said yesterday in Dar es Salaam that the proposed dividend include two interim amounts of 21.59 bn/- or 120/- per share and 16.19bn/- or 90 per share paid in October last year and February this year respectively. He was speaking at the 25th shareholders' Annual General Meeting while presenting the company's report for the year ended December 31, 2016 and promised to build the investors value through its strategic investments. "The Board remains focused on building shareholder value and we are confident that by following our strategy, driving efficiencies and managing costs carefully we will achieve this," Mr. Rodriguez said. He said that the directors made the proposal by taking into account the financial situation of the company and its future needs of implementing replacement and improvement projects. Mr. Rodriguez, however, said that despite of the complex environment his company achieved record sales volumes last year and reached an operating profit of 53.8bn/- . "The good performance was a result of high production efficiency, implementation of new commercial policies and enhancement of product portfolio," he said. He added that the total revenue decreased by 10bn/- compared to previous years due to pressure on sale prices but the company was able to bank on brand recognition and quality to maintain healthy contribution margins.*(Daily News)*

Economic News

A LOCAL investment company has asked the High Court's Commercial Division to order Citibank Tanzania Limited to deposit in court over 7tril/- in the winding up proceedings involving Tritelecommunication Tanzania Limited (Tritel), the first ever mobile service provider company in Tanzania. The money, according to submissions by the company, VIP Engineering and Marketing Limited (VIP Company), includes $461,531,204.37 and 1,168,507,807,204/- as security for the due performance by the bank for its obligations towards four petitioners. Other petitioners, apart from VIP are: Tanzania Telecommunications Company Limited (TTCL), Tanzania Revenue Authority (TRA) and Tanzania Communications Regulatory Authority (TCRA), successor to the Tanzania Communication Commission. Lawyers for the VIP Company request the court to order Citibank to deposit such amount within one month from May 30, 2017, and are further seeking for orders, dismissing the application by Citibank to challenge orders for winding up Tritel issued by the court on June 12, 2003. The bank is currently applying for leave to file a notice of appeal against the decision given by then High Court Judge Nathalia Kimaro on June 12, 2003, invalidating its agreement on debt (debenture) with Tritel in respect of 18.7bn/- payments.

Judge Kimaro had also ordered the winding up of Tritel and invalidated the debt agreement dated April 6, 2001 between Citibank and Tritel and ordered investigations on relationship between the companies with Citibank on position of $14 million cash collateral with Citibank, N.A London. It is stated in the submissions that since June 12, 2003 when the court delivered the final winding up orders, the Citibank, which falsely claimed to be a creditor of Tritel under a 'null and void' Debenture, continues to resist being investigated for fraud perpetrated upon other creditors. They state that for the Court to grant an application for extension of time within which to file a notice of appeal under section 11 of the Appellate Jurisdiction Act, Cap. 141 of the Laws of Tanzania, the applicant must show that "there exists a sufficient cause." They cited several decided cases to show that in order to justify a court extending the time during which some step in procedure requires to be taken, there must be some material on which the court can exercise its discretion. "We see nothing in the applicant's application and submissions that justifies grant of … extending time within which to file the notice of appeal," say seven lawyers: Magdalena Rwebangira, Michael Ngalo, Respicius Didace, Cuthbert Tenga, Okare Emesu, Stephano Kamala, and Paschal Kamala. According to the submissions, VIP has noted and submitted that Citibank has not applied for leave of the Court in order to file the purported Notice of Appeal, and that it had 'not even bothered' to move the Court and the Petitioners to cure the defects which rendered 'incompetent' its Civil Appeal No. 23 of 2008. Such conduct by Citibank, it is stated, obviously means that it still remains bent on abusing court process by continuing to make endless procedural mistakes because so far the court has not ordered Citibank to deposit security before it takes any further steps to appeal as required by the Court of Appeal Rules. The lawyers are, thus, asking the court to give an order, directing Citibank to obey all the orders which the Court or the Joint Liquidators of TRITEL, Mr Method Anatoli Kashonda and Mr Gaudious Ishengoma, whose joint appointment by the Court were consented to by all the parties. *(Daily News)*

Tanzania's finance minister cut the country's GDP forecast for 2017 to 7.1 percent, down from 7.4 percent, as he gave a speech to parliament on Tuesday. "The gross domestic product is expected to grow by 7.1 percent in 2017 ... while inflation will continue to be tamed at single digit levels and is expected to fall to 5.0 percent in 2018," Minister Philip Mpango said. He did not offer any explanation for the lower-than-expected growth, which comes as President John Magufuli has fired thousands of civil servants, including many ministers and heads of parastatals, in an anti-corruption drive. *(Reuters)*

THE Minister for Finance and Planning, Dr Phillip Mpango said in Parliament on Tuesday that taxrevenue collection for the period ending March in the current financial year reached 95 per cent of the target after Tanzania Revenue Authority collected 10.626tri/- against the target of 11.227tri/-. Tabling budget estimates for the ministry for the 2017/2018 financial year, the Minister said collection of up to March in the current financial year was up by 15 per cent compared to collections of the corresponding period in the 2015/2016 financial year. The government had set a target of collecting 15.105tri/- as tax revenue for the 2016/2017 financial year which ends on 30th of June, he said. Dr Mpango said tax revenue collection in the current financial year picked up over the previous year and is estimated to reach 15.105tri/- equivalent to 21.7 per cent above the levels of the 2015/2016 financial year. From non-tax sources, the Minister said revenue collection from non-tax sources up to March this year reached 500.13bn/- against estimates of 412.23bn/- which is equivalent to 121.32 per cent of the estimates. He said the nontax sources included 352.69bn/- dividend to the government from the Bank of Tanzania (BoT), Inflight Catering Service Limited, National Housing Corporation, IPS, TANICA, TCC, TLLPPL, and TPC.

The Minister said other non-tax sources was 136.48bn/- from public parastatals which sent 15 per cent of their gross profit margin to the Treasury. According to the minister, the parastatals which issued the 15 per cent of their gross profit are Business Registration and Licensing Agency (BRELA), Capital Market and Securities Authorities (CMSA), Dar es Salaam Water & Sewerage Authority (DAWASA) and Energy and Water Utility Regulatory Authority (EWURA). Others are Gaming Board, Ngorongoro Conservation Area Authority, Sugar Board, Social Security Regulatory Authority (SSRA), Surface and marine Transport Regulatory Authority (SUMATRA), Tanzania National Parks Authority (TANAPA), TANTRADE, Tanzania Building Agency (TBA), Tanzania Bureau of Standards (TBS), Tanzania Civil Aviation Authority (TCAA), Tanzania Communications Regulatory Authority (TCRA), Tanzania Food and Drugs Authority (TFDA). Others are Tanzania Insurance Regulatory Authority (TIRA), Tanzania Ports Authority (TPA), TPRI, UTT AMIS, NACTE, NECTA, Mzinga, Osha, Forest Authority, and Weighs and measures Agency. Dr Mpango said another non-tax sources also included 10.96bn/- as revenue from Telecommunication Traffic Monitoring System (TTMS). *(Daily News)*

ZANZIBAR current account registered surplus of 40.8 million US dollars in March this year compared to a deficit of 57.2 million US dollars same period a year before largely due to decrease in imports. According to the Bank of Tanzania (BoT) monthly economic review, the total value of goods and services exported amounted to 180.5 million US dollars in the year ending March, a decline of 5.1 per cent of from the corresponding period last year. Goods export declined by 51.2 per cent from March 2016 levels, to a large extent as a result of lower cloves exports. Specifically, cloves exports amounted to 2,300 tonnes, fetching 17.9 million US dollars at an average price of 7,773 US dollars per tonne. The average export price was lower in the year ending March 2017 compared to the price 8,060.7 US dollars per tonne last year. Similarly, in the year ending March, services account recorded a surplus of 97.7 million US dollars, up from a surplus of 70 million US dollars in the year ending March last year. The improvement was largely accounted for by receipts from tourism. Total value of imports decreased from 211.0 million US dollars in year ending March last year to 118.3 million US dollars this year. Capital goods declined by a significant magnitude from 112.6 million US dollars to 41.7 million US dollars. The decline mostly was observed in imports of transport equipment, and building and construction materials; particularly cement. *(Daily News)*

Zambia

Corporate News

ZAMBIAN Breweries Plc will next year stop producing Coca-Cola, Fanta and Sprite following the separation of the Coca-Cola Group from Anheuser-Busch (AB InBev) which recently took over the local brewery company. The Lusaka Securities Exchange (LuSE)- listed entity will also stop producing the popular brand 'Chibuku' and Chibuku Shake Shake due to unfair competition from other producers in the country and also because AB InBev want to concentrate on clear beer production. The Coca-Cola group is expected to separate from AB InBev, a move that will result in Zambian Breweries Plc and other subsidiaries stopping the production of Coca-Cola, Sprite, Fanta and Schweppes by next year. Belgian-based AB InBev, the world's largest brewer with several premium brands such as Budweiser and Stella Artois, last year paid over US$100 billion to take over SAB Miller businesses globally, including the Zambian subsidiary as it solidifies its position in the global beer market. Confirming the development last week, Zambian Breweries Plc country director Annabelle Degroot said the company is expected to sell National Breweries, which produces Chibuku, Chibuku Shake Shake and Heinrich`s Syndicate Limited, which produces super maheu and non-alcoholic flavoured maize drinks. Mrs Degroot said a number of companies have expressed interest to buy the businesses but the deals have not been finalised.

"The majority shareholder wants to concentrate on clear beer because that is where its capability and strength are and, as a result, we are selling other businesses.We have also agreed to separate from Coca-Cola, so from next year we will not be selling. Coca-Cola products anymore and that was the Coca-Cola group's decision," she said. She said Zambian Breweries Plc will ensure that the businesses are sold to companies that will operate them effectively and profitably. "We have agreed to sell our 70 percent shares in National Breweries, which is a listed company. That was a huge decision for us because National Breweries has been with us for as long as we can remember and it is an important brand for Zambia that we have exported to many markets," she said. She also explained that the informal opaque beer production has adversely affected the Chibuku Shake Shake resulting in the decision to sell it off. "We pay tax, packaging is expensive yet some businesses are evading tax and they do not package the opaque beer so we cannot compete in that market anymore," she said. Mrs Degroot said the company has since informed all the regulators on the development. *(Daily Mail)*

Economic News

AN AUSTRALIAN firm, Cape Lambert, is expected to acquire 70 percent interest in the Kitwe cobalt and copper tailings project in Zambia. The company has since signed a term sheet which is a non-binding agreement that sets the basic terms and conditions under which an investment will be made. According to a statement availed to the Daily Mail by the Mining Weekly on Tuesday, the agreement will enable Cape Lambert to pay US$25,000 to be able to acquire a majority shareholding in a Zambian firm, Australian Mining Company Zambia, which holds the licence. "Once Cape Lambert has acquired a 70 percent interest in the project, it will be responsible for managing and funding the development of the Kitwe cobalt and copper tailings project. After executing the term sheet, Cape Lambert will have six months in which to exercise its option to spend US$500,000 to acquire the interest. "Should the company exercise its option, the seller will also be entitled to a US$50,000 payment upon the receipt of an environmental approval, a further US$50,000 on the grant of a mining licence and another US$50,000 on receiving an export licence for the project," the statement reads. It says the project is estimated to have over 17.7 million tonnes of tailings. Cape Lambert executive chairperson Tony Sage said the acquisition of the high-grade cobalt and copper tailings dam emphasises the company's commitment to become a significant player in the sector. "There will be obvious synergies available to us with our recently acquired Kipushi tailings project, located just over 170 kilometres away across the border in the Democratic Republic of Congo," Mr Sage said. *(Daily Mail)*

Billionaire Lev Leviev, who made his fortune undercutting De Beers' former diamond monopoly, has bought half of one of Africa's biggest emerald mines. Leviev bought into the Grizzly emerald mine in Zambia's Copperbelt province, which borders the Democratic Republic of

Congo, Kombadayedu Kapwanga, managing director Leviev's Namibian unit, said by phone. The operation has been renamed Gemcanton Investments Holdings. A spokesperson for Africa Israel Investments Ltd., a listed company controlled in which Leviev is the biggest shareholder, didn't return phone calls and emails seeking comment. A spokesperson at LLD Diamonds, Leviev's jewelry business, didn't return calls either. Leviev used his Israel-based diamond unit to purchase half of Grizzly, Kapwanga said, without providing further details. The move into emeralds marks a change of course for Leviev. Born in Soviet Uzbekistan before fleeing to Israel in 1971, he worked as an apprentice in a diamond-polishing plant and established his own factory, striking deals with diamond-producing countries such as Russia and Angola. He went on to own an 18 percent stake in Angola's Catoca diamond mine, one of the world's biggest, before selling to Chinese investors to focus on the Luminas mine in the African country. As well as his Leviev jewelry company, he controls a real estate empire from Moscow to New York through Africa-Israel Investments Ltd. The Zambia company registry shows Gemcanton is jointly owned by two companies: British Virgin Islands-based Frango Finance Ltd. and Wolle Mining Limited.

Grizzly was previously 85 percent owned by Abdoulaye Ndiaye, according to the Zambia Extractive Industries Transparency Initiative. Ndiaye is a Zambian who is originally from Senegal, and Grizzly has been digging emeralds in Zambia since 1997, according to Gemcanton. Emerald prices have soared by more than tenfold in the past eight years, as top producer Gemfields Plc sought to expand the market for the green stones and boost advertising. Emeralds were previously mainly produced by artisanal miners, meaning there wasn't a consistent supply enough for retailers to run production lines or advertise them. The company owns the Kagem mine, Zambia's biggest producer. Gemfields Chief Executive Officer Ian Harebottle said the company has tried to contact Leviev. "I've written to them a few times and said 'welcome to the area, let's talk.' They've been non-responsive so far," Harebottle said in April. "Colored stones offer a great opportunity with great growth potential. It was inevitable that someone else was going to look this way." Pallinghurst Resources, which has a 47 percent stake in Gemfields, made an offer in May to buy the shares it doesn't already own in the company. An independent Gemfields committee said the offer undervalued the company. Shares in Gemfields rose 3.7 percent by 13:11 p.m. in London to trade at 35 pence. Zambia produced 74.7 metric tons of emerald and beryl, a less-valuable grade of the stone, in 2016, a 42 percent increase from 52.8 tons in 2015, according to the Finance Ministry. *(Bloomberg)*

Zimbabwe

Corporate News

Econet Wireless, Zimbabwe's biggest mobile telecoms company, reported a 10 percent fall in after-tax profit to $36.2 million on Wednesday, blaming a decline in consumer spending. Revenue for the year to February 2017 fell to $622 million from $641 million last year, the company said in statement. The southern African nation's economy flatlined last year, while shortages of foreign currency and cash have hit consumer spending, with businesses struggling to pay for imports and repay foreign loans. In January Econet went to the market to raise $130 million from shareholders to avoid defaulting on its foreign loans, which it was struggling to settle due to the dollar shortage. *(Reuters)*

BARCLAYS Plc has sold its majority stake in its Zimbabwean operation to Malawi's First Merchant Bank (FMB), putting an end to months of a fierce bidding war to take over one of the country's iconic financial institutions. Informed sources involved in the transaction yesterday revealed that Barclays Plc and FMB directors sealed the deal in London yesterday after months of negotiations. Barclays Plc and FMB directors and managers then flew to Harare via Johannesburg, South Africa, for meetings with Barclays Bank Zimbabwe managers and employees, as well as Reserve Bank of Zimbabwe officials. "It's a done deal," an informed source said. "It was signed in London yesterday (Tuesday)," a source revealed yesterday. "Barclays Plc and FMB managers have just arrived in Harare for meetings to finalise the transaction pending regulatory approvals." Barclays Bank Zimbabwe will this afternoon issue a cautionary statement to the Zimbabwe Stock Exchange (ZSE). The deal was expected to be officially announced to Barclays Bank Zimbabwe managers and workers at around 5pm yesterday in a "town hall arrangement" at the bank's headquarters in Harare. However, reports indicated that the Barclays takeover by Malawi's FMB faces resistance amid accusations that formalities have not been followed through. Finance ministry officials and those from the National Indigenisation and Economic Empowerment Board yesterday said while Barclays and FMB have agreed in principle, they were yet to fulfil local requirements.

After news of the takeover leaked yesterday, workers said they were worried that Barclays Plc and FMB have gone ahead to announce the conclusion of the deal before the courts have ruled on their application against the takeover. Both workers and managers have approached the High court demanding to be given the right of first refusal. The government has in the past blocked Barclays from selling its custodial business to another foreign based financial institution after it announced the deal before clearing withy regulatory authorities. The government was annoyed by the conduct and refused to approve the transaction. There are also issues to do with due diligence, which the central bank appear to have ignored, which it is feared could affect the integrity of the bank. There are reports that some FMB directors were embroiled in allegations of financial irregularities in Uganda and Malawi resulting in the collapse of Crane Bank in Kampala, rendering over 300 workers jobless. Meanwhile, the Zimbabwe Banks and Allied Workers Union (Zibawu) said it was carrying out background checks on the entity utilising its sister unions in the region. "We have also been in constant discussion with the regulatory authority, RBZ about the transaction," Zibawu secretary-general, Peter Mutasa said. "We are also discussing with Barclays Bank Plc, through our structure, the workers committee focusing on securing workers' rights and interests. Our focus is on the preservation of jobs, security of pensions, Empowerment employee share ownership scheme and the payment of reasonable gratuities."

The Zimbabwe Stock Exchange listed Barclays Zimbabwe has been operating in the country since 1912 and currently employs over 1 000 employees Barclays Bank Zimbabwe was established in 1912, and has operated in the country since then, making it a landmark feature on the local financial services landscape. The bank, listed on the ZSE, has more than 1 000 employees and a countrywide network of 38 branches in the main urban areas. Barclays Bank Plc, which held 67,68% shareholding in the local unit, last year announced it was disposing of its African assets, including in Zimbabwe, to focus on British and American markets. Barclays Bank Zimbabwe, alongside the Egyptian business, was not part of the 2013 deal that saw Barclays Africa, formerly Absa, acquire eight African operations from its parent company due to high local political risk. In February last year, Barclays Plc announced it would conclude negotiations on the pull-out by June this year. This triggered a stampede for Barclays Bank Zimbabwe. A number of bidders had been scrambling to acquire the bank since that time. *(News Day)*

Art Corporation's after tax profit for the six months to March 31, 2017 increased 41 percent to $1.3 million compared to $892,000 same period in prior year, largely driven by improved performance across its business units. Group revenue was eight percent up at $15.2 million from $14.13 million during the comparative period, mainly on increased battery sales in Zimbabwe. Gross margins also increased to 40 percent from 38 percent in 2016, resulting in an operating profit of $2 million, an increase from $1.7 million in prior year same period. "The batteries division achieved an operating profit of $1,3 million. Sales volumes increased by 26 percent as a result of improved product availability and the exploitation of opportunities presented by policy measures in support of local production," said chairman Thomas Wushe in a statement on Thursday. Battery segment revenue stood at $9,4 million marginally four percent higher than the prior year. Other segments performed positively, with the Eversharp contributing $2,6 million in revenues. Total assets remained flat at $30,9 million in comparison to the corresponding period. The company did not declare dividend. *(The Source)*

Economic News

ZIMBABWE needs to design a proper mining taxation regime to establish an appropriate royalty system that ensures the economy realises optimal revenues during a commodity boom and bust period, a report has said. According to an African Forum and Network on Debt and Development (Afrodad) report entitled The Impact of Fluctuating Commodity Prices on Government Revenue in the Sadc region – The Case of Platinum in Zimbabwe, the country's tax system was susceptible to transfer pricing. "Currently, Zimbabwe uses ad valorem based tax system, which is not optimal since it is based on export values, which are not only lower than production values, but also subject to transfer pricing by the mining companies and their sister companies in South Africa," the report reads. "This indicates that a hybrid approach royalty system, incorporating both the unit-based method and value-based method would achieve better results in the platinum sector." Afrodad said minerals, beneficiation in Zimbabwe was mainly being pushed through the mining sector policies rather than through the industrial policy, as the case in Japan and China. The report said that the approach was inefficient and ineffective, as the firms have mining expertise, but do not have the requisite technical capacity to beneficiate minerals. "Therefore, the policy might need to identify beneficiation as a secondary industry, which needs not necessarily be undertaken by the mining firms, but through investment and other policy incentives to attract the development of a beneficiation industry, where any player can participate," the report said. Afrodad said Zimbabwe needs to intensify the finalisation of the platinum refining policy, otherwise it will not realise the full benefits from its platinum resources in raw form.

The organisation said the government needs to consider possibilities of exploiting the industrial policy in pushing for the beneficiation of minerals, through encouraging the establishment of a secondary industry that is competent to beneficiate minerals. This comes as Zimbabwe signed a deal with Australia's Kelltech Ltd for the construction of a platinum refinery at a cost of $200 million. "Zimbabwe needs to undertake mining sector regime reforms by developing a country mining vision (CMV) that domesticates the Africa Mining Vision (AMV)," Afrodad continued. "Specific strategies, which Zimbabwe needs to adopt as a way of ensuring that it realises maximum benefits from mineral resources, include those that are captured by the Action Plan to Implement the AMV." Afrodad urged the country to develop systems to evaluate components of tax regimes for leakages, losses and tax avoidance and evasion (for example transfer pricing), and reviewing terms of double taxation agreements and bilateral investment treaties (BITs) with host countries of mining companies. "In Zimbabwe, the impact of platinum price fluctuations on government tax revenues tends to be muted because the contribution of platinum to total tax revenue is small — less than 3,5% of total tax revenue," the organisation said. "In addition, platinum mining companies have adjusted their procurement policies to effectively exploit VAT refunds on local procurement, thus, effectively reducing tax revenue due to the government. "The other reason for the low contribution to total government revenue is that platinum produced in Zimbabwe is not fully processed, hence, fetches less on the market." *(News Day)*

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