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	24-Feb-17	3-Mar-17	WTD % Change Local	WTD % Change USD	31-Dec-16	YTD % Change Local	YTD % Change USD
Botswana	DCI	9012.38	9111.65	1.10%	0.16%	9700.71	-6.07%	-4.70%
Egypt	CASE 30	12240.53	12310.49	0.57%	-1.81%	12344.00	-0.27%	11.76%
Ghana	GSE Comp Index	1857.10	1868.19	0.60%	-3.70%	1689.09	10.60%	-0.46%
Ivory Coast	BRVM Composite	287.13	285.91	-0.42%	-0.78%	292.17	-2.14%	-2.32%
Kenya	NSE 20	3023.07	3196.79	5.75%	6.53%	3186.21	0.33%	1.01%
Malawi	Malawi All Share	13589.36	13672.69	0.61%	0.58%	13320.51	2.64%	1.78%
Mauritius	SEMDEX	1924.61	1917.37	-0.38%	-0.27%	1,808.37	6.03%	7.57%
	SEM 10	369.92	368.02	-0.51%	-0.41%	345.04	6.66%	8.21%
Namibia	Overall Index	1091.19	1110.61	1.78%	0.82%	1068.59	3.93%	8.61%
Nigeria	Nigeria All Share	25250.37	25012.08	-0.94%	-1.20%	26,874.62	-6.93%	-9.90%
Swaziland	All Share	383.38	383.38	0.00%	-0.94%	380.34	0.80%	5.33%
Tanzania	TSI	3525.41	3525.41	0.00%	-0.32%	3677.82	-4.14%	-7.00%
Zambia	LUSE All Share	4194.26	4249.87	1.33%	0.81%	4158.51	2.20%	4.07%
Zimbabwe	Industrial Index	134.83	134.48	-0.26%	-0.26%	145.60	-7.64%	-7.64%
	Mining Index	60.89	55.68	-8.56%	-8.56%	58.51	-4.84%	-4.84%

CURRENCIES

Cur-rency	24-Feb-17 Close	3-Mar-17 Close	WTD % Change	YTD % Change
BWP	10.28	10.38	0.94	1.46
EGP	15.82	16.20	2.43	12.06
GHS	4.50	4.71	4.47	-10.00
CFA	620.60	622.83	0.36	-0.18
KES	101.66	100.91	-0.74	0.67
MWK	716.82	717.09	0.04	-0.84
MUR	34.14	34.10	-0.11	1.45
NAD	12.94	13.06	0.95	4.50
NGN	312.24	313.04	0.26	-3.19
SZL	12.94	13.06	0.95	4.50
TZS	2,179.82	2,186.83	0.32	-2.98
ZMW	9.58	9.63	0.51	1.83

SECURITIES AFRICA

WEEKLY AFRICAN FOOTPRINT

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TRADING

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's central bank expects the economy to expand by more than 4 percent annually in the next two years following growth below 1 percent in 2016, it said on Monday. The land-locked southern African nation, which has kept benchmark lending rate at 5.5 percent at its last two meetings, has struggled with weaker growth in recent times as mineral sales slowed and electricity shortages hurt mining. *(Reuters)*

Botswana's central bank left its benchmark lending rate unchanged at 5.5 percent on Tuesday, saying the inflation forecast will remain low and stable in the medium term. "Subdued domestic demand and modest external factors point to benign inflation," Governor Moses Pelaelo said. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt will receive the second $1 billion tranche of a $3 billion World Bank loan in March, Central Bank Governor Tarek Amer said on Friday. Amer told local broadcaster DMC in an interview that the central bank would provide $1.5 billion for payments to foreign oil companies this year and that banks have started allowing foreign companies to repatriate profits. He stressed that the central bank does not give instructions to banks regarding foreign exchange rates following its float of the pound currency and said the effects of the Nov. 3 float were not as bad as he had initially expected. *(Reuters)*

Egypt will lower its customs exchange rate to 15.75 pounds per dollar from 16, effective from Wednesday, Finance Minister Amr El-Garhy told Reuters on Tuesday. The new rate will be set for two weeks, he said. Egypt began setting a monthly fixed customs exchange rate in January following the flotation of its pound currency in November and has since moved to set it every two weeks. *(Reuters)*

The Egyptian pound weakened on Wednesday as importers geared up for the Islamic holy month of Ramadan and foreign currency inflows into banks declined, bankers and economists said. Banks were selling the U.S. dollar for between 16.1-16.2 pounds, up from around 15.8 one day earlier. They were buying greenbacks from clients at around 16-16.1 pounds per dollar . "The pound's weakening today is due to a decline in foreign currency inflows into banks this week and because importers are increasing demand in preparation for Ramadan," said Hany Genena, head of research at Beltone Financial in Cairo. Ramadan, Islam's holy month during which believers abstain from eating and drinking during daylight hours, is set to start in May this year and often sees Egyptian families stock up on various food items and other goods. "Its pre-Ramadan letter of credit opening time. People will start importing now in order for the goods to arrive in two months," said Allen Sandeep, head of research at Naeem Brokerage in Cairo. That means selling pounds for other currencies. Egypt's central bank abandoned its currency peg of 8.8 pounds to the U.S. dollar on Nov. 3, hoping to unlock currency inflows and bring back foreign investors who were driven away after the 2011 uprising that ousted Hosni Mubarak. The float more than halved the pound's value to nearly 20 pounds to the dollar by December. It has since rallied, however, dipping below 16 per dollar in February on the back of lower dollar demand for imports. Inflows of foreign currency into the banking system picked up last month as foreign investment returned, with Egyptian treasuries seeing a massive rally that was eventually tempered by the stronger pound. Dollar liquidity may come under renewed pressure however following a central bank directive to allocate greater levels of excess hard currency to companies seeking to repatriate long-held profits. Bankers said they expected the pound to further weaken after the central bank this week formally settled the dollar debt of small companies who incurred exchange rate losses as a result of the November float, part of a debt-repayment plan announced last month. *(Reuters)*

Egyptian Finance Minister Amr al-Garhy will propose a stamp duty on stock market transactions on buyers and sellers starting at 1.25 Egyptian pounds ($0.0774) per 1,000 to the government next week, he told Reuters on Wednesday. The tax would go up to 1.5 pounds per 1,000 in the second year of its implementation and 1.75 pounds in its third. "We will propose next week to the cabinet that the stamp duty comes in steps," Garhy told Reuters. Egypt imposed a stamp duty on buyers and sellers in May 2013, collecting more than 350 million Egyptian pounds ($18.77 million) in revenue before the levy was replaced in July 2014 by a 10 percent capital gains tax. It suspended the capital gains tax in May 2015 for two years, under pressure from investors. They said it was discouraging business just as Egypt was struggling to recover from a plunge in confidence after a 2011 uprising and subsequent political upheaval. The Higher Investment Council last year extended the suspension of capital gains tax for three years, until 2020 as part of efforts to draw investors back.

"We are working on not affecting the size or value of transactions in the market," Garhy said of the decision to bring the tax about in steps. A senior ministry official had told Reuters on Thursday that the ministry would propose a tax of 2 pounds per 1,000. The proposed tax would have to be approved by the cabinet of ministers before being sent to parliament for a vote. *(Reuters)*

Egypt's net foreign reserves edged up to $26.542 billion at the end of February from $26.363 billion at the end of January, the central bank said on Thursday. Egypt's foreign reserves have been climbing since it clinched a $12 billion three-year loan from the International Monetary Fund in November in a bid to lure back foreign capital. The country had roughly $36 billion in reserves before an uprising in 2011 ushered in a period of political turmoil, scaring away tourists and foreign investors, key sources of hard currency. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Financial analysts have tipped the stock market to continue its strong recovery on the back of an expected increase in activity on the pension funds market. Benjamin Amoah-Adjei, a financial research analyst at FirstBanC Financial Services: "We have seen a very strong recovery in the stock market since December last year and we expect that to continue going forward. The main drivers of the stock market this year, will be improved performance by the listed companies in addition to lower interest rates. As you know, in 2015 and 2016, because the interest rates were so high, there was no incentive for investors to put money into the stock market. But currently, we are seeing T-bills around 15 to 16 percent as compare to 25 percent last year. So I think for this year the long term investments, especially the pension funds and some of the other asset managers will have more reasons to push more money into the stock market which will push prices up. That is what, we think, will support the stock market throughout 2017," he told the B&FT on the sidelines of a pension business breakfast event, organized by FirstBanC. The Treasury Bill rates for the 91 and 182 days begun 2016 at 22 and 23 percent respectively, but reduced to 16.7 and 17.91 percent in January. The rates have reduced even further and currently stand at 15.6percent for a 91-day treasury bill and 17 percent for the 182-day bill.

Mr. Amoah believes that: "The main threat to the stock market is inflation. If inflation doesn't fall as quickly as we expect it to, when that happens, interest rates will quickly rise up again and if interest rates go up back again, people will once again sell of their shares and put the money elsewhere. That is the main threat we see for the stock market this year," Mr. Amoah-Adjei added. The local bourse has recorded two consecutive years of poor performance. In 2015, the GSE recorded a negative 11.77 percent growth in cedi terms, which means that the changing average value of the share prices of all companies on the stock exchange was in the negative. The situation worsened in 2016, as the all-share index presented a negative 15.33 percent growth, with market capitalisation dropping from GH¢57.116billion in 2015 to GH¢ 52.690billion in 2016. Amenyo Setordzie, Managing Director of FirstBanC, said that the financial outlook of the country is positive, but added that more friendly economic policies are needed. "The outlook is positive in spite of the risk issues that we have highlighted. We still believe that this year is going to be good. A lot is going to happen in the private sector and we will also be one of the strong players in the private sector when it comes to investment," he said. FirstBanC Financial Services is a SEC-licensed Investment Banking Firm. It offers creative, innovative world class financial services including fund management and advisory Services. *(Ghana Web)*

Ghana's new finance minister faces having to fulfill election pledges to spend more on education and job creation while trying to raise investor confidence eroded by fears about the nation's finances. After promises of free high-school education and tax cuts in the run-up to a December vote, Finance Minister Ken Ofori-Atta, 57, will present the 2017 budget on Thursday following last month's discovery of about 7 billion cedis ($1.5 billion) in unplanned spending by the previous administration. That startled markets, weakening the cedi and raising bond yields. Ghana's budget deficit was 10.2 percent of gross domestic product last year, almost double the government's forecast, after the public-finance hole deepened the existing gap caused by lower income from cocoa and oil exports. Options to fund the election promises are limited, with spending that excludes debt-service costs exceeding state revenue in the world's second-biggest cocoa producer in 2016. It's also relying on an almost $1 billion International Monetary Fund program to prop up its finances. "The new government clearly faces the dilemma of allaying investor fears while finding funds to promote the private sector at home," Simon Quijano-Evans, an emerging-market strategist at Legal & General Group Plc in London, with $1 billion emerging fixed-income assets under management, said by phone. "Finding the balance" would go a long way in restoring confidence, he said, declining to disclose if L&G holds Ghanaian bonds.

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The cedi fell to record lows throughout February. It weakened 0.3 percent to 4.71 against the dollar at 1:47 p.m. in Accra, extending its drop this year to 13 percent and making it the world's worst performer this year after Sierra Leone's currency. Its greenback-denominated debt was the only loser among African peers this year. Ofori-Atta said last month the government of West Africa's biggest economy after Nigeria, led by the New Patriotic Party, will announce tax breaks and other measures to support the private sector and help boost the economy that last year probably expanded at the slowest since 1990. Among the NPP's promises is a plan to spend 560 million cedis to employ some 250,000 farmers to grow crops starting this month. Free high-school education will kick in when the new academic year starts in September. President Nana Akufo-Addo wants to set up one factory in each of the nation's 216 districts and provide $1 million to every one of the 270 parliamentary constituencies for development. The headache Ofori-Atta faces is how to fund the pledges. The nation's public debt stock stood at 122 billion cedis, or 74 percent of GDP in 2016, Akufo-Addo said on Feb. 21. With the primary balance on the budget being negative last year, this implies that one of Africa's newest oil exporters is borrowing to pay down interest on its debt, Ofori-Atta said. Investors will need to see stronger efforts at narrowing the deficit, which would support the cedi, curb borrowing costs and address debt-sustainability concerns, Kevin Daly, portfolio manager who helps oversee $11 billion emerging-market assets at Aberdeen Asset Management Plc in London, said by phone. Ghana's economy will grow 7.4 percent this year and 8.4 percent next year, according to the IMF. "They will want to follow through on election promises to cut taxes, but they will also need to demonstrate to the market they are serious about addressing an unsustainable fiscal deficit," Aberdeen's Daly said. "It has to be a meaningful reduction over the next three years. Time is of the essence and they will have to deliver sooner rather than later." *(Bloomberg)*

Ghana will aim to reduce its budget deficit to 6.5 percent of gross domestic product in 2017 from 8.7 percent on a cash basis last year, Finance Minister Ken Ofori-Atta told parliament on Thursday in the annual budget. The persistently elevated deficit is a sign of Ghana's struggle to tame its national finances. Since 2015, the country has been following a $918 million International Monetary Fund programme set to end next year. *(Reuters)*

Ghana will review the structural benchmarks of its $918-million International Monetary Fund programme that is designed to stabilize national finances, Finance Minister Ken Ofori-Atta told parliament on Thursday in the annual budget. The three-year programme, which is due to end in 2018, has so far failed to meet most of its goals in terms of reducing inflation, the public debt and the budget deficit, President Nana Akufo-Addo said last week. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Mortgage lender Housing Finance Group (HF) has been ordered to pay a borrower Sh45 million as compensation for selling her home after levying irregular charges and penalties on a loan she took in 1998. Justice Eric Ogola has ruled that HF was wrong to sell Scholastica Nyaguthii Muturi's two parcels of land after the stockbroker had repaid more than double the Sh3 million she had borrowed from the mortgage lender in 1998. Ms Muturi said in court proceedings that she had by 2010 paid Sh8.4 million, but the mortgage lender was still demanding an additional Sh7.3 million. She held that HF, at the time of filing her suit, had placed the total amount to be repaid at Sh18 million. HF went ahead to sell the two pieces of land in Kiambu that Ms Muturi, a stockbroker, had placed as security. Mr Justice Ogola ruled that the bank levied irregular charges on the loan and that it was only legally allowed to demand a maximum of Sh6 million going by the induplum rule. The rule provides that banks can only recover a maximum of double the principal amount loaned to customers. Ms Muturi moved to court after HF sold the second piece of land, with her home, for Sh16 million. She argued that the lender undervalued the property and that she had more than fully repaid her loan. Ms Muturi added that HF did not notify her of the planned auction. The judge ordered HF to refund Ms Muturi the Sh16 million it sold her land for with 26 per cent interest. *(Nation)*

Safaricom has distributed 16,000 payment cards in the pilot phase of a project that will see it step deeper into banking territory. The telco last year started piloting the Lipa na M-Pesa card Safaricom said it is using information from the pilot phase to prepare for a commercial launch in 2017. "We are currently analysing data and feedback generated during the pilot stage to improve users experience before we do a formal launch this year," said Safaricom consumer business unit director Sylvia Mulinge. The card has been used by students and staff at the United States International University-Africa, Catholic University of East Africa, Kenyatta University **and Mt Kenya University. The firm said the** use of the Lipa na M-Pesa card reduced errors typically made by inputting wrong payment amounts at the till. The telco also expects the card would improve the speed of M-Pesa transactions. The Lipa na M-Pesa card uses pin and chip technology, the banking industry standard to ensure security. It is also equipped with Near Field Communication (NFC) technology which allows devices close to each other to exchange information via radio communication. NFC increases the speed at which customers make payments at the till. The card is part of Safaricom's ongoing efforts to build a payments ecosystem around its mobile money services. In 2013, the company launched the Lipa na M-Pesa service to enable consumers to pay for goods and services using mobile money.

This is not Safaricom's first foray into the payment cards business. In 2014, the company launched a bus fare payment card, My 1963, and in 2011 it had brought to market a payment card with Visa and I&M Bank. Safaricom's launch of a payment card comes at a time of rising competition in the electronic transactions sector. Kenyan banks have launched their own mobile money transfer platform to take on M-Pesa. Six banks have already received regulatory go-ahead for the new platform from the Central Bank of Kenya. The Kenya Interbank Transaction Switch operated by the Kenya Bankers Association will allow for real-time transfer of money between banks. The platform may see the banks claw back some of the electronic transaction business they have lost to telcos. Mobile phone users will receive and send money through the platform without depending on telcos. The Postal Corporation of Kenya has also indicated it may launch its own payment card that will be linked to a mobile money wallets. The mobile money business is lucrative in Kenya, with the Central Bank indicating that the value of transactions stood at Sh2.46 trillion in the nine months to September 2016. *(Nation)*

Barclays Africa Group Ltd. is preparing to list its NewGold ETF on the Nairobi Securities Exchange after receiving regulatory approval to begin trading the securities. "We expect the listing to take place early this year,'' Michael Mgwaba, head of exchange traded products at Johannesburg-based Barclays Africa's Absa Capital unit, said in an e-mailed response to questions. Kenya's Capital Markets Authority approved the listing last week. The ETF, which has a primary listing on the Johannesburg Stock Exchange, already has secondary listings in Botswana, Nigeria, Mauritius, Namibia and Ghana. The Kenyan regulator approved the listing of 400,000 gold bullion debentures, each equivalent to 0.01 of an ounce of gold. The Nairobi Securities Exchange has been preparing to introduce new products including derivatives, ETFs and asset-backed securities since at least 2013 as it seeks to boost trading volumes.

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The volume of shares traded on the Nairobi Securities Exchange declined to 5.81 billion last year, compared with 8.11 billion in 2014, according to data compiled by Bloomberg. At the same time, the exchange's market capitalization shrank to $18.7 billion by the end of December, the lowest since 2012. "NewGold ETF fits the objective of what Kenyan markets seek to achieve, which is to boost liquidity and deepen the market," Mgwaba said. Diversified Portfolios Investors poured almost $3 billion into long-only commodity-linked ETFs in the first -half of February, driven mainly by investment in precious metals, according to data compiled by Bloomberg Intelligence. The gold price has risen 9.1 percent this year, as political uncertainty over U.S. President Donald Trump's unorthodoxy, European elections and Brexit ruffled confidence and drove demand for haven investments. "Investors in the Kenyan market are keen on diversification and eager to add more products to their portfolios," Geoffrey Odundo, chief executive officer of the Nairobi exchange, said in response to e-mailed questions. The ETF will be structured as an open-ended fund, allowing investors to buy as many shares as they can, according to Mgwaba, who anticipates "decent" uptake from investors seeking to diversify risk and a hedge against currency and inflation swings. "Given how dynamic the financial market is in Kenya and the interest shown by various market participants to have products available, we believe there is demand for the product of this nature in the Kenyan market," Mgwaba said. *(Bloomberg)*

Limuru Tea Company has issued a profit warning for the year ended December, becoming the latest publicly traded firm to issue a lower earnings alert. The company is expecting a maximum net profit of Sh2.2 million in the period compared to Sh3 million the year before. "The company is expected to record a decline of more than 25 per cent in the net profits attributable to the shareholders of the company for the financial year ended December 31, 2016, as compared with that for the same period ending December 31, 2015," Limuru said in a statement. Limuru's expectation of lower earnings is driven by higher costs and a change in valuation of its tea bushes. The company says the plantations will now be classified as depreciating assets "which negatively impacts the earnings". Other listed firms that have issued profit warnings include human and animal feeds manufacturer Unga Group and Nairobi Securities Exchange. A similar guidance was issued by Sanlam Kenya, which later retracted it after reviewing its liabilities. The announcements mean some of the firms will post losses or record significant declines in their profit, which in most cases leads to a freeze or cut in dividend payouts. Cigarette manufacturer British American Tobacco is the only firm at the Nairobi Securities Exchange (NSE) with a publicly stated policy of paying out its entire profit as dividends. *(Daily Nation)*

Uchumi Supermarkets Ltd has halved its losses in the six months to December 2016 despite sales tumbling by more than two thirds. The NSE-listed retailer reported a net loss of Sh547 million in the period under review compared to Sh1.01 billion in December 2015. Sales tanked to Sh1.3 billion in the half year period, blamed on stock outs after suppliers cut deliveries due to mounting pending payments. Uchumi reported sales of Sh4.2 billion in December 2015. "The sales were significantly impacted by lack of optimal stock levels due to delays in funding," Uchumi said in a trading update Tuesday. Uchumi was quoted at Sh2.60 per share at 0712 GMT, a Sh0.10 drop from its last trading price at the Nairobi bourse. *(Nation)*

Mumias Sugar Company's loss for the six months ended December last year has widened by 87 per cent to Sh2.92 billion. The half-year loss has prompted the miller to issue a profit warning. This means for the full year ending June this year, the troubled sugar miller will post at least a Sh5.9 billion loss, which is 25 per cent higher than last year when it posted a Sh4.73 billion loss. "Mumias Sugar hereby announces that the projected loss for the year ending June 30, 2017 will be more than 25 per cent compared to the loss reported for the same period in 2016," said the firm's Chairman Kennedy Mulwa. From the sugar segment, the miller posted a gross loss of Sh2.67 billion while cogen realised a loss of Sh979.8 million. Ethanol and water returned Sh129 million and Sh17.1 million losses, respectively. The management attributed the current dismal performance to shortage of cane, leading to the factory running at below capacity. This led to high costs of production since under-utilised capacity still consumes resources such as repair and maintenance. The miller's net revenue, which refers to sales from sugar, was down by almost half (49 per cent) to Sh1.53 billion, condemning it to a loss before tax of Sh3.79 billion. This was due to a drop in sales. Whereas in a similar period in 2015 it sold 36,333 tonnes of sugar, in six months to December, it only did 12,175 tonnes. On average, the figure translates to selling just 67,638 kilograms daily or just 33,819 two-kilogramme packets of sugar. In the six months to December, sugarcane crushed was 319,746 tonnes, which was 45 per cent lower than the 581,541 tonnes in a similar period in 2015. As a result, the amount of sugar produced was 12,197 tonnes, being 67 per cent lower than what was produced over a similar period last year.

This could get worse in the second half of the year going by the company's outlook. "The company envisages cane shortages running through the second half of the year," said Mr Mulwa. *(Standard Media)*

Nestlé Kenya has reformulated its Nescafé 3in1, giving the product a creamier taste in a bid to tap into the country's growing coffee consumption. Speaking at the launch of the new 3in1, Nestlé East Africa's Ciru Miring'u said consumption of coffee in Kenya had grown tremendously, with Nairobi now hosting 10 times more coffee outlets than it did five years ago. Globally, more than 5,500 cups of Nescafé, which was launched in 1938, are drunk each second. "About 80 per cent of the coffee consumed in Kenya is instant, and this is what has helped catapult coffee drinking," she said. Ms Miring'u added that the 3in1 will maintain its 18-gramme packaging " to ensure that more Kenyans have access to the product. This is in line with our commitment to serve all the emerging coffee drinkers". To ensure consistency in the quality of coffee beans it buys in Kenya, Nestlé has spent more than Sh71 million since 2011 to train over 41,000 coffee farmers. *(Standard Media)*

A study of Kenya's telecommunications industry proposes breaking upSafaricom Ltd., the country's biggest company, according to brokerage AIB Capital Ltd. The report compiled by Analysys Mason proposes "a raft of measures supposed to level the telecommunications playing ground and tame Safaricom," AIB Chairman Linus Gitahi said in an opinion articlepublished Wednesday in the Nairobi-based Daily Nation newspaper. The measures include splitting the company's mobile-money business M-Pesa from the rest of Safaricom, he said. Safaricom Chief Executive Officer Bob Collymore last week criticized proposals by a Kenyan lawmaker to split the company as "plain stupid." The company, which is is 40 percent owned by Newbury, England-based Vodafone Plc, declined to comment on Wednesday. Safaricom is Kenya's biggest mobile provider with a 69 percent market share as of the end of September, according to the Communications Authority of Kenya. Its closest competitor is the national unit of Bharti Airtel Ltd., with 17.5 percent. The company's M-Pesa mobile-banking product is also a significant market leader, processing about 851 billion shillings ($8.2 billion) of transactions during the third quarter last year, about 79 percent of the country's total. If implemented, the proposals in the report risk "untold consequences" for Kenya's financial system, Gitahi said. "M-Pesa is a critical nerve supporting the money transfer system," he said. "Ripping away M-Pesa from Safaricom would leave both in severe distress." Calls to Analysys Mason's offices in Hong Kong and Singapore weren't answered when Bloomberg called seeking comment. It didn't respond to a voicemail left at the company's London offices outside normal business hours. Kenya's Communications Authority, which regulates the industry, said on Tuesday it's reviewing the report before releasing it to the public. Safaricom shares have fallen for the past two days to the lowest level since July, according to data compiled by Bloomberg. *(Bloomberg)*

Power producer KenGen reported an 18.4 per cent drop in net profit in the half year ended December, weighed down by lower sales and higher expenses. The firm's net profit in the period stood at Sh4.6 billion compared to Sh5.6 billion the year before. This came as operating expenses increased six per cent to Sh4.3 billion while sales declined 11.4 per cent to Sh20 billion. The drop in turnover was largely due to absence of steam revenue arrears which stood at Sh1.6 billion the previous year. "The results for the period were impacted by the decommissioning of Garissa, Lamu and Embakasi gas turbine thermal power plants and non-receipt of revenue from commercial drilling services," KenGen said in a statement. KenGen's "other income" — fees for commercial drilling services — also dropped 47.5 per cent to Sh598 million. Electricity sales dropped marginally to Sh14.6 billion from Sh14.7 billion. The company's finance income more than doubled to Sh632 million from Sh289 million, driven by interest earnings on the Sh6.3 billion it had raised in the rights issue in which the Treasury also converted Sh20.1 billion worth of loans into equity. "There was improvement in interest income … mainly attributable to investment of funds raised during the rights issue in June 2016. The funds are awaiting the implementation of projects in the pipeline," KenGen said.

The power producer said its performance in the second half will improve due to connection of some of its power plants to the national grid and repair of machine breakdowns at others. It added that construction of the 158 megawatt Olkaria V is expected to start in coming weeks. The company is set to raise another Sh2.3 billion from sale of a 5.33 per cent stake to South African pension fund Public Investment Corporation (PIC), filling the funding gap in last year's cash call. The transaction will see the company hit the target of raising Sh28.7 billion. The company earlier said it was considering taking a loan to raise the Sh2.3 billion shortfall which will now be provided by the South African fund in a deal that will dilute existing shareholders by 5.33 per cent. It will, for instance, take Treasury's ownership from the current 73.92

per cent back to the previous 70 per cent. The government's stake had risen after a section of shareholders declined to take up 351.2 million shares in the cash call. Cash from the share sale will boost KenGen's financial position at a time when it has lined up more capital-intensive power projects. *(Business Daily)*

Safaricom has appointed former Information PS Bitange Ndemo to its board, seeking to tap his broad knowledge as a government technocrat and university lecturer. Vivek Badrinath, Vodafone's regional chief executive for Africa, Middle East and Asia-Pacific, also joins Safaricom as a director to represent the interests of the British multinational. The former Orange Group executive replaces Serpil Timuray, who resigned last month from Safaricom's board. "Both board members will bring vast talent and understanding of the global business landscape, as well as unique insights into the world of telecommunications to our business," said Safaricom chairman Nicholas Ng'ang'a in a statement. "Our board will be enriched by their knowledge which will enhance Safaricom's ability to navigate an increasingly multifaceted industry." Dr Ndemo served as Information PS from 2005 to 2013 and currently teaches at the University of Nairobi's Business School.
In his current role, Mr. Badrinath oversees Vodafone's operations in the Vodacom Group, India, Australia, Egypt, Ghana, Kenya, Qatar, New Zealand and Turkey. *(Business Daily)*

Economic News

The Kenyan central bank's Monetary Policy Committee will hold their next meeting on March 27, the bank said on Friday. Policymakers left the benchmark lending rate unchanged at 10 percent last month. *(Reuters)*

Kenya's inflation rate jumped in February, data showed on Tuesday, as acute drought drove food costs sharply higher. Inflation rose to 9.04 percent year-on-year - above the government's target range - from 6.99 percent in January, the Kenya National Bureau of Statistics (KNBS) said. Month on month it rose to 1.80 percent from 1.00 percent. KNBS said the food and non-alcoholics drinks index gained 3.28 percent on the month and 16.50 percent on the year, as staples including maize flour, milk and potatoes rose in price. That segment accounts for 36 percent of Kenya's inflation basket. The East African nation is experiencing an acute drought with an estimated 2.7 million people in need of food aid. February's annual reading left inflation well above the medium-term target range of 2.5-7.5 percent. "This is a worryingly high CPI print..., much higher than the market consensus. While this is likely to be food-related, it does create a dilemma for the central bank," Razia Khan, chief economist for Africa at Standard Chartered Bank in London, said in an emailed comment. In late January the central bank held its benchmark lending rate at 10.0 percent, saying inflation was expected to remain within the government's preferred band in the short term. *(Reuters)*

Kenya's energy industry regulator has overruled environmentalists' objections to Amu Power Company's planned 1,000 megawatt (MW) coal-fired power plant in the country's coastal region. Amu Power, backed by a consortium that includes Centum Investments and a group of Chinese companies, was initially expected to begin construction of the plant in Lamu in December 2015. However, environmental group Save Lamu Natural Justice raised concerns about the effect the plant would have on marine life in the region, prompting the Energy Regulatory Commission to delay issuing Amu Power an electricity generation licence for the project. The Energy Regulatory Commission said in a legal notice seen by Reuters on Tuesday that it had reviewed the views of the group and other interested parties and was satisfied that all environmental concerns would be handled adequately. It also said that landowners who would be relocated to make way for the plant did not oppose the plant's construction and that the government was handling their compensation. "Taking the above reasons into account, the Commission disallowed the objection," the Energy Regulatory Commission's legal notice said. Construction of the plant is expected to take 30 months once it starts. he project is part of a plan launched in 2013 to add 5,000 MW of power to Kenya's installed electricity generating capacity by this year. The capacity stands at 2,341 megawatts at present. The Amu Power consortium also includes Kenya's Gulf Energy and Chinese trio China Huadian Corporation Power Operation Company, Sichuan Electric Power Design and Consulting Company, and Sichuan No. 3 Power Construction Company. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Japan's Mitsubishi Hitachi Power Systems said on Tuesday it and two other firms had won an power generation plant order including two 70 megawatt turbines from Kenya Electricity Generating Company. Last year, KenGen said it expected to start the construction of the 140 MW plant, known as Olkaria V, in July 2016, with the aim of connecting the geothermal power plant to the grid by the end of 2018. Olkaria is in Kenya's Rift Valley. "Mitsubishi Hitachi Power Systems, together with Mitsubishi Corporation and H. Young & Company (East Africa) Ltd, have received a full-turnkey order to provide power generation facilities to ... KenGen, including two sets of 70 megawatt(MW) class steam turbines, generators and auxiliaries," it said in a statement on its website. KenGen aims to add 720 MW of electricity generating capacity between now and 2020 at a cost of just over $2 billion, with most of the energy coming from geothermal sources. Kenya and Japan said last year Olkaria V was being financed by a 46 billion yen ($410 million) loan. *(Reuters)*

The Treasury has opened a tap sale for this month's 12-year infrastructure bond, seeking an additional Sh24 billion from the issue. The move by Treasury was widely expected by players in the money market, given that the CBK had only taken up Sh6 billion in the initial sale out of offers of Sh35 billion last week's initial sale. READ: Treasury rejects costly money with Sh6 billion uptake in latest auction. The bond is targeting Sh30 billion to go towards funding of infrastructure projects in roads, energy and water sectors. The tap sale closes on Thursday—or earlier if the target amount is achieved— with bids priced at 13.55 per cent, being the rate for the accepted offers in the initial sale. "Bids shall be priced at the weighted average rate of the accepted bids for the initial bond auction and adjusted for accrued interest," CBK said in a notice on Tuesday. Analysts expected the move to return to the market for a tap sale, given that the government is under pressure to meet its budgetary commitments with both domestic and foreign borrowing so far behind target for the fiscal year. The Kenya Revenue Authority (KRA) has also missed its first half of 2016/2017 financial year revenue collection target by 3.2 per cent and is expected to miss its overall revenue collection target of Sh1.5 trillion for the current financial year. "We (therefore) expect the government to come under pressure to borrow from the domestic market to meet the high level of debt maturities, which may result into an upward pressure on interest rates," said Cytonn Investments in a weekly note. *(Nation)*

Investor wealth at the Nairobi Securities Exchange (NSE) fell by Sh32.5 billion on Wednesday after the share prices of large stocks retreated in trading. The market capitalisation—measure of investor's paper wealth at the bourse— stood at Sh1.777 trillion compared to Sh1.81 trillion recorded on Tuesday. Of the top five counters of Safaricom, East Africa Breweries, Equity Bank, BAT Kenya and KCB, only the tobacco manufacturer avoided a price fall on Wednesday, closing flat at Sh905 a share. Safaricom closed 3.9 per cent or 70 cents lower at Sh17.05, which resulted in shaving off Sh28 billion in the company's market capitalisation, which stood at Sh683 billion at close of trading on Wednesday. "EABL, Safaricom and BAT were the leading movers jointly accounting for 64.7 per cent of market activity. Of the three, Safaricom was the worst performing and closed at a new low of Sh17.05- levels last seen in June 2016," said Standard Investment Bank (SIB) in their daily market report. EABL, second in size at the bourse as measured by market cap, closed 1.8 per cent lower, having shed Sh4 to Sh221 a share. This saw its market cap fall by Sh3.1 billion to Sh174.8 billion. Equity Bank and KCB both closed the day 25 cents lower at Sh26 and Sh25 respectively, even though they were not heavily traded as they moved only 114,100 and 205,400 shares respectively. Six of the 11 listed banks shed value on the day.

The NSE 20 share index as a result dropped in value for the second straight session, having gone back above the 3,000 point level last Thursday –for the first time since the second week of January. This was in spite of increased trading on Wednesday where market turnover rose by nearly two thirds to Sh233 million and foreign investors stood as net buyers. "With only 12 counters in the green, most of which were small-caps, the benchmark indices posted significant declines for the second session in a row. Equity turnover rose 63.8 per cent to Sh233 million on increased foreign investor activity. Their participation rose to 66.9 per cent compared to 35.3 per cent in the previous session," said SIB in their report. Agriculture firms Kakuzi and Williamson Tea led the 12 gainers, up 9.2 per cent and 6.5 per cent respectively to end the day at Sh297 and Sh180 respectively. KenGen gained 3.3 per cent to Sh6.30, even as the firm announced that its half-year to December 2016 net profit fell by 18.4 per cent to Sh4.6 billion. *(Business Daily)*

Tea prices at the Mombasa auction stagnated this week after volumes offered for sale increased by 300,000 kilogrammes. The price of the beverage stood at Sh289 per kilogramme in this week's trading, the same price that it fetched in the previous sale. "Out of 117,140 packages

(7,590,000 kilos) available for sale, 100,640 (6,545,692 kilos) were sold with 14.80 per cent going unsold," said Edward Mudibo, managing director of the East African tea Traders Association (EATTA). According to EATTA, Afghanistan lent more support during the auction while Pakistan Packers and UK maintained the activity during the auction. Yemen and other Middle Eastern countries and Bazaar were active, but at lower levels. There was less interest from Egyptian Packers, Kazakhstan and Russia, while Somalia maintained activity at the lower end of the market. Tea production has dropped in factories with the regulator saying that the volumes are down 40 per cent at the moment. The decline is attributed to the ongoing drought that has ravaged most parts of the country. The Tea Directorate says that most factories are currently operating below their installed capacity due to the ongoing drought. According to the regulator, the current drought is expected to cut tea production by 12 per cent to 416 million kilogrammes from 473 million kilogrammes registered in 2016. Kenya is the leading exporter of the commodity in the world, selling 95 per cent of its tea in the global market. Kenya's export earnings from tea declined by 3.6 per cent in 2016 compared with the previous year in what the authority attributed to increase in volumes at the auction. According to the directorate, earnings dropped from Sh125 billion in 2015 to Sh120 billion last year. *(Business Daily)*

Sugar stocks held by Kenyan factories have dropped by 35 per cent after they released stocks into the market following a price hike. The Agriculture Food Authority (AFA) said that the stocks currently held by various factories have dropped from 10,000 tonnes last week to 6,500 tonnes on Wednesday as millers freed up stocks in their warehouses. AFA director-general Alfred Busolo said stocks rose to 10,000 last week after the factory price dropped by Sh500 per 50 kilogramme bag to Sh4,500. The rise in price coupled with a fall in factory stocks lowers the prospects of a fall in the consumer price of sugar. Kenyans are currently paying between Sh143 and Sh145 per kilo of branded local sugar. "Stocks held by millers have dropped to 6,500 tonnes this week in the wake of improved prices in the market as millers rushed to release whatever they have been holding. The price has gone back to Sh5,000 this week from Sh4500 last week," said Mr. Busolo. He said the directorate was monitoring stock levels in factories to guide on the number of tonnes that should be imported. "We want to ensure that there are enough stocks in the country to forestall an increase in consumer prices that might result from a shortage," he said. Normally, millers are required to have 9,000 tonnes, which is considered optimum, at any given time in order to stabilise the shelf price of the commodity.

The consumer price of sugar has remained at a five-year high in supermarkets since late last year with a two kilogramme packet selling at Sh290. Kenya is a sugar deficit country which relies on imports to bridge the deficit. The country will import 15,000 tonnes of sugar this month, said Mr. Busolo. The country has a 300,000 tonnes quota of imports from the Common Market for Eastern and Southern Africa (Comesa) member states. Millers, especially State owned ones, are performing poorly leading to low sugar production. Mumias Sugar Company, Kenya's largest miller in which the government has a majority stake, is struggling to stay afloat due to an acute shortage of sugarcane which has seen it operate at less than 30 per cent of installed capacity. The volume of sugarcane crushed by the miller in six months to December 2016 dropped by 45 per cent from 581,541 tonnes the previous year to 319,746. As a result of the decline in the volume of cane crushed, the quantity of sugar processed dropped by 67 per cent in the year ending December to 12,197 tonnes from 36,510 in the previous year. *(Business Daily)*

Kenya's earnings from horticulture exports jumped 12 percent to 101.51 billion shillings ($988.41 million) in 2016 compared with a year earlier, the statistics office said on Thursday. The data from the Kenya National Bureau of Statistics showed flower exports contributed 70.83 billion shillings, or 70 percent of the earnings, with the rest coming from the export of fruits and vegetables. Horticulture is a major foreign exchange earner alongside tea, remittances from Kenyans living abroad and tourism. Exports of flowers, fruits and vegetables earned Kenya a total of 90.44 billion shillings in 2015. *(Reuters)*

Activity in Kenya's private sector barely grew last month as slower credit growth and an ongoing drought in the country weighed on output, hiring and sales, a survey showed on Friday. The Markit Stanbic Bank Kenya Purchasing Managers' Index (PMI) dropped to 50.1, a record low since the survey began in January 2014, down from 52.0 in January. A reading above 50.0 marks growth. "The ongoing drought and decline in private sector credit access will inevitably lead to deterioration in business conditions within the Kenyan private sector," said Jibran Qureishi, regional economist for East Africa at Stanbic. Like other countries in the region, Kenya is experiencing a drought that has hurt farming and left millions in need of food aid. Qureishi said if there is inadequate rainfall from next month, firms will face a tougher situation. "This month's historic low reading is symptomatic of these risks that we are flagging... we may potentially see an entrenched slowdown within the business operating environment," he said. Private sector credit growth, which started weakening at the end of 2015 after the central bank toughened supervision, stood at 4.3 percent in December, the central bank said, far below the double-digit growth rate it considers ideal. Detailed PMI data are only available under licence from Markit and customers need to apply to Markit for a licence. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's maize production may rise a third in 2017 to 3.2 million tonnes despite damage inflicted by the fall armyworm, an alien South American pest that has invaded corn fields from Congo to South Africa. Malawi's maize crop, the staple grain, was devastated last year by a regional drought triggered by an El Nino weather pattern. About 6.5 million Malawians, more than a third of the population, are dependent on food aid until this year's harvest in March, according to the United Nations' World Food Programme. The armyworm outbreak raised concerns about this year's harvest in Malawi, a landlocked southern African country that is one of the world's poorest nations. But the invasion has been contained, Erica Maganga, Secretary in the Ministry of Agriculture, told Reuters in an interview. "A combination of too much rains and the successful pesticide distribution to farmers have helped us to stop the armyworm invasion," Maganga said. "The first round of the 2016/17 agriculture production estimates have given us a glimmer of hope because we are expecting 3.2 million metric tonnes this year from 2.4 million the previous season," she said. Zimbabwe is likely to be the country hardest hit by an outbreak of armyworms, the United Nations food agency said earlier this month. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' tourism revenues are expected to rise 3.8 percent this year after a jump in 2016, the country's statistics office said on Monday. Tourism is a valuable source of foreign exchange for the island, known for its luxury spas and India Ocean beaches. Statistics Mauritius said it expected tourism revenue to climb to 58 billion rupees ($1.64 billion) in 2017, less than an earlier forecast of 59 billion rupees. Last year tourism earnings were 55.9 billion rupees. It forecast visitor arrivals to rise 6.8 percent this year to 1.34 million from 1,275,227 million in 2016. The statistics office said the room occupancy rate rose to 73 percent last year from 70 percent in 2015. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Nigeria

Corporate News

Nigeria's Zenith Bank said on Tuesday it would seek shareholder approval next month to raise 100 billion naira ($318 million) via a combination of share or bond sale and global depository receipts. The lender also said it would seek approval to increase its share capital to 40 billion naira from 20 billion naira at the shareholders' meeting on March 22. Zenith Bank on Monday reported a 2016 pretax profit of 156.75 billion naira, up from 125.62 billion a year earlier. *(Reuters)*

In its 2016 full year audited results presented on the floor of the Nigerian Stock Exchange (NSE) in Lagos yesterday, Dangote Cement sold 8.6 million metric tons of cement outside Nigeria, which is 54 per cent more than what was sold in 2015. LAGOS, Nigeria, February 28, 2017/ -- Following continuous increase in its production capacity, foremost cement manufacturer, Dangote Cement Plc (www.Dangote.com) has finally ended the era of Nigeria's dependence on importation as the company exported 0.4 million tons of the product to other countries in 2016. In its 2016 full year audited results presented on the floor of the Nigerian Stock Exchange (NSE) in Lagos yesterday, Dangote Cement sold 8.6 million metric tons of cement outside Nigeria, which is 54 per cent more than what was sold in 2015. The export is significant given that the nation used to be a net importer of cement. As at 2011, Nigeria was one of the world's largest importers of cement, buying 5.1 million metric tons of foreign cement at huge expense to the country's balance of payments. The company's Pan-African cement plants continued to perform well, contributing significantly to its turnover and profitability. While presenting the results, the company's Chief Executive Officer, Onne van der Weijde, assured the investors of better returns on their investment in the Dangote Cement. According to him: "The New Year has started well and we expect much higher profitability in Nigeria in 2017, even though we may not see the volume growth we achieved in 2016. I am confident that we will deliver an even stronger performance in 2017 as we increase market share and extend our reach across Africa." The economic challenges notwithstanding, Onne revealed that Dangote Cement achieved sales and revenue growth of 25 per cent and consolidated its position as Africa's leading producer of cement. While sales from Nigerian operations increased by 13.8 per cent to nearly 15.1 million metric tons at a growth rate far higher than the country's GDP, which fell in 2016, its total revenue leaped by 25.1 per cent to ?615.1 billion.

To the delight of the investors, Dangote Cement earnings per share increased by 4.5 per cent to ?11.34 and the dividend payout to the shareholders also increased significantly by 6.3 per cent to N8.5 kobo per share. It would be recalled that Dangote Cement is Africa's leading cement producer with nearly 46 million metric tons' capacity across Africa. It is a fully integrated quarry-to-customer producer with production capacity of 29.25Mta in Nigeria; Obajana plant in Kogi is the largest in Africa with 13.25Mta of capacity across four lines; Ibese plant in Ogun State has four cement lines with a combined installed capacity of 12Mta and Gboko plant in Benue state has 4Mta. The company has also concluded arrangements to build new factories in Ogun State (3-6Mta) and Edo State (6.0Mta). Through its recent investments, Dangote Cement has eliminated Nigeria's dependence on imported cement and has transformed the nation into a net exporter of cement serving neighbouring countries. In addition, the company has invested several billion dollars to build manufacturing plants and import/grinding terminals across Africa. Its operations are in Cameroon (1.5Mta clinker grinding), Congo (1.5Mta), Ghana (1.0Mta import), Ethiopia (2.5Mta), Senegal (1.5Mta), Sierra Leone (0.7Mta import), South Africa (3.3Mta), Tanzania (3.0Mta), Zambia (1.5Mta). *(Ghana Web)*

MTN Group Ltd. has been having a tough time of it in Nigeria, its most lucrative market. Protesters last week vandalized the company's headquarters in the capital, Abuja, in retaliation for xenophobic attacks on Nigerians in South Africa, singling it out among more than 100 other Johannesburg-based businesses. It suffered its first-ever loss last year after Nigeria's regulator forced it to pay a $1 billion fine and disconnect 4.5 million customers for missing a deadline to cut off unregistered subscribers. And in October, a lawmaker's accusation of illegal money transfers sent its stock price crashing. Now, Africa's biggest mobile-phone operator is moving closer to a listing on the Nigerian exchange, a move that could help it regain goodwill among Nigerians and make it less vulnerable to regulatory crackdowns, according to analysts including Eurasia Group's Amaka Anku. MTN agreed on the listing as part of a deal to reduce the regulatory fine, originally set at $5.2 billion. "Listing might not be worth it for the company's balance sheet in the short term," Anku, a senior Africa analyst at Eurasia, said in an emailed response to questions. "The main benefit for MTN would be increased goodwill from a wider section of the Nigerian population." The share sale will probably happen by September next year, after regulatory issues caused delays and the stock market slumped as the economy contracted, MTN Chairman Phuthuma Nhleko said in January. The company, which made 35 percent of its revenue in Nigeria in 2015 and is reporting earnings for last year on Thursday, appointed units of Citigroup Inc. and Standard Bank Group Ltd. to advise it. The value of a listing "is not something you can quantify in dollars and pounds, or naira and kobo, but it's a lot when they're trying to seek approval or if they're going into some new venture that they need government support for," said Pabina Yinkere, the Lagos-based head of research at Vetiva Capital Management Ltd. "The level of scrutiny could have been easier had they been on the good books of the government." The Nigerian Stock Exchange All Share Index was the world's worst performer last year among 94 indexes tracked by Bloomberg, losing 41 percent in dollar terms. The market slump came as the economy faced its worst downturn in more than two decades amid lower oil revenue and capital controls that deterred investment. The chief executive of Nigeria's stock exchange, Oscar Onyema, has been trying to convince the country's biggest mobile-phone companies to list for years. Neither Bharti Airtel Ltd.'s local unit, Lagos-based Globacom Ltd., or Abu Dhabi-based Emirates Telecommunications Corp., known as Etisalat, have sold stock in Nigeria. MTN shares dropped 2.3 percent to 117.01 rand by the market close in Johannesburg Wednesday. *(Bloomberg)*

The Transnational Corporation of Nigeria Plc has posted a loss before tax of N5.93bn for the financial year ended December 31 , 2016. This is against the N3.32bn profit reported a year ago. Its group revenue stood at N59.42bn as against N40.75bn posted in 2015. These were contained in the firm's report filed with the Nigerian Stock Exchange on Wednesday. On the other hand, Cutix Plc, for the nine months ended January 31, 2017, declared a profit before tax of N409.5m compared to N206.5m reported a year ago. Its revenue for the period stood at N2.76bn, as against N2.10bn reported a year ago. Transcorp Plc posted a gross revenue of N7.6bn for the second quarter of 2016. Then, the company's cost of sales went up a little to N1.8bn compared to N1.6bn recorded in 2014. Gross profit for the quarter rose by 3.2 per cent to N5.7bn compared to N5.5bn. Its net income had risen to N1.8bn compared to N1.7bn reported in 2014. This was a growth of 7.4 per cent.*(Punch)*

Nigeria's Access Bank swapped a total of $150 million with two foreign lenders in January, central bank data showed. The Nigerian bank exchanged $50 million with U.S. lender JP Morgan at 400 naira per dollar and another $100 million with South Africa's ABSA at 329 naira, data showed.*(Reuters)*

Nestle Nigeria Plc yesterday announced its audited results for the year ended December 31, 2017, showing the negative impact of tough macroeconomic environment. While the company grew its top line, bottom line declined by about 67 per cent. Specifically, Nestle Nigeria recorded a revenue of N181.911 billion, up by 20.2 per cent from N151.272 billion recorded in 2015. Cost of sales rose by 27 per cent from N83.926 billion to N106.583 billion. Gross profit stood at N75.328 billion, up by 11.8 per cent from N67.346 billion recorded in 2015. Marketing and distribution expenses grew by 11 per cent from N25.905 billion to N28.775 billion, while administration expenses rose by 8.3 per cent from N7.694 billion to N8.339 billion, resulting in an operating profit of N38.213 billion, up by 13.2 per cent from N33.747 billion in 2015. However, net finance cost soared 276.6 per cent from N4.425 billion to N16.665 billion in 2016. Consequently, profit before tax (PBT) fell by 26.51 per cent to N21.548 billion, compared to N29.322 billion in 2015. A higher growth in income tax expenses by 143 per cent, contributed to depress profit after tax by 66.6 per cent from N23.737 billion in 2015 to N7.925 billion in 2016. The lower bottom line notwithstanding, the directors have recommended a dividend of N10.00 per share, down, however, from N29.00 paid the previous year. Commenting on the results, the directors said revenue grew by 20 per cent in spite of the challenging operating environment and softer consumer demand due to rising inflation."This is a confirmation that our brands continue to enjoy strong patronage as they enable our loyal consumers to live happier and healthier lives. Notwithstanding the increase in the cost of sales and operating expenses due to rising input costs and currency devaluation, operating profit increased by 13 per cen. This was made possible through internal cost savings initiatives, 0peratign efficiency and pricing management," they said. However, the directors added that the PAT was negatively impacted both by revaluation of foreign loans resulting from the devaluation of the naira and higher income tax provision due to expiration of the pioneer status. "The board and management remain optimistic about the long term potential of the business in spite of the current tough macroeconomic environment. The company will continue to increase investment in key brands and route-to-market activities while proactively managing input cost pressures," they said.*(This Day)*

WEEKLY AFRICAN FOOTPRINT

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Economic News

Old Mutual Insurance has disclosed that the Nigerian insurance market is far bigger than the South African and Ghanaian insurance markets. Speaking in an interview in Abuja, during the relocation to a new office space in the Federal Capital Territory, FCT, Mr. Zomunoda Chizura, Chief Executive Officer, Old Mutual West Africa, also stated that the company, which is less than four years in the Nigerian market, had put strategy in place to ensure that it ranks among the top five insurance companies in Nigeria within the next five years. Chizura noted that though the company was yet to record significant returns on its investment, it is hopeful, especially with the size and potential of the Nigerian insurance market and the fact that the Nigerian market is bigger than the South African market. He said, "The returns, though we have not yet gotten them, but we are long term. We see a massive potential. The population in Nigeria is big; the insurance penetration is big; they are 70 million formally employed people in Nigeria. "It is bigger than any of the markets that we have presence in Africa. It is bigger than Ghana and bigger than South Africa. In South Africa, the entire population is 50 million, but in Nigeria, the people that are employed are 70 million, so it is a very exciting market for us. "Our plan is to grow massively. Right now, we are sort of maybe at the bottom of the middle, in the next five years, we want to be among the top five in the market. Definitely, that is where are going to be." *(Van Guard)*

BANKS' borrowing from Central Bank of Nigeria (CBN) rose sharply to N1.6 trillion last week, triggered by demand for funds to participate in the special foreign exchange auctions conducted by the apex bank. Under the CBN forex rule, banks are to provide the Naira equivalent of dollar purchases from the CBN. During the week, the CBN conducted two 60-days forwards sale of $600 million to the banks. This triggered intense demand and acute scarcity of funds in the interbank money market, which prompted banks to besiege the Standing Lending Facility (SLF) of the CBN to borrow the Naira required to fund their dollar purchases. Average daily borrowing Consequently, banks borrowing shot up by 98 per cent to N1.6 trillion last week, from N821.4 billion the previous week. Similarly, average daily borrowing through the SLF jumped to N321 billion last week from N205 billion the previous week. Governor, Central Bank of Nigeria (CBN), Mr Godwin Emefiele Financial Vanguard investigations reveal that most of the borrowing occurred on Wednesday, during which banks took N433 billion to fund the $370 million sold on Tuesday by the CBN. The apex bank had offered $500 million 60-days future on Tuesday. According to a CBN official who confirmed this development to Financial Vanguard under condition of anonymity, most of the banks did not have the Naira to buy the dollars offered by the apex bank, hence only $370 million was sold that day. A similar situation re-occurred on Thursday when banks borrowed N392 billion to participate in the $230 million sold by the apex bank that day. Meanwhile, amount of idle cash (liquidity) in the interbank money market fell by 74 per cent during the week, in response to the intense demand for funds triggered by the CBN dollar sales. From N175.29 billion on Monday, market liquidity fell steadily closing the week at N45.65 billion.

This was despite inflow of N412 billion comprising N198 billion through matured treasury bills and N214 billion from statutory allocation funds. This prompted wide volatility of interbank interest rates during the week, with interest rate on Overnight borrowing climbing to 200 per cent on Thursday from 17 per cent the previous week, before dropping to 175 per cent at the close of business on Friday. However, the CBN dollar sales halted the depreciation of the Naira in the parallel market, where it posted its biggest weekly appreciation against the dollar last week. Market survey revealed that the Naira exchange rate in the parallel market dropped from N520 per dollar the previous week to N460 per dollar at the close of business on Friday. Analysts however project that the Naira appreciation may be short-lived saying that the Naira might lose some of the appreciation recorded last week. "Parallel market will appreciate towards N460 per dollar before bouncing back to N480 per dollar in a cobweb movement," analysts at Financial Derivatives Company projected. Also analysts at Afrinvest Plc, a Lagos based investment firm stated: "It is hard to make an exact call on direction of rate, but it is unlikely the parallel rate will breach the N500 per dollar mark again in the shorter term as a more dollar liquid CBN will not shy from further interventions. Yet, our medium term conviction remains that maintaining the interbank rate at current peg (without implementing deeper reforms required) will lead to deterioration in current account as more demand surfaces. Hence, there is still a need to address the FX liquidity challenge appropriately and we reaffirm our view that increased flexibility will be needed in order to allow restore investor confidence and boost autonomous FX supply." *(Van Guard)*

WEEKLY AFRICAN FOOTPRINT

TRADING

This Week's Leading Headlines Across the African Capital Markets

Nigeria's gross domestic product contracted by 1.5 percent in 2016, the National Bureau of Statistics said on Tuesday. Africa's largest economy slid into recession for the first time in 25 years in the second quarter of 2016 as a slump in crude prices hammered the OPEC member's public finances. Crude sales make up two-thirds of government revenue. Fourth quarter output shrank by 1.3 percent, the statistics office said.*(Reuters)*

Nigeria's central bank said on Monday it will auction $100 million in forward contracts after selling the U.S. currency last week to boost dollar liquidity and help close the gap between the official and black market exchange rates. The bank sold $370 million in 60-day contracts last Monday while the result of another $230 million forward auction held last week is yet to be released. The naira traded at around 305.50 on the interbank market after the bank intervened with $1.5 million on Monday. On the black market, the currency was quoted at 460 per dollar. *(Reuters)*

Nigeria central bank said on Monday it sold $80 million to retail customers and another $100 million in currency forwards to increase dollar liquidity and support the naira. Nigeria has been running short of dollars as oil revenues have fallen along with the price of crude. That has weakened the local currency on the black market, where it trades far lower than the official interbank rate of 305 naira to the dollar. The central bank said in a statement it sold $80 million to cover consumer demand and another $100 million via the wholesale forward market. Traders said banks offered central bank dollars to customers at 375 naira. The central bank, under pressure from the government to narrow the gap between the official and black market rates, has effectively devalued the naira for consumers, offering to sell them dollars at about half the premium the black market charges. The naira, which had weakened to 520 to the dollar on the black market, firmed to a more than three-months high of 460 on Friday, after several interventions by the central bank on the official market. Central bank spokesman Isaac Okoroafor said the central bank would ensure a steady supply of foreign exchange to the market. Its efforts, he said, were starting to narrow the black market rate. *(Reuters)*

Nigeria's economy is "well on its way out of recession", the vice president's office said on Tuesday, after data showing gross domestic product shrank a less-than-previously 1.3 percent year-on-year in the fourth quarter of 2016. The contraction was a large improvement over the 2.24 percent year-on-year contraction in the third quarter. While Nigeria's rapid inflation through 2016 outweighed any economic growth, slowing inflation will enable an early return to expansion, a vice presidency statement said. It said a range of factors will help the economy recover, including a $1 billion Eurobond issuance this month, an increase in foreign reserves from $23.9 billion last October to $27.8 billion in January and a rise in oil prices and production. *(Reuters)*

MINISTER of State for Petroleum Resources, Mr. Ibe Kachikwu, yesterday, stated that federal government was on a crude oil output target of three million barrels of oil per day (bbl/d) within the next five years. Nigeria's oil output had witnessed a steady growth to over 2.1 bbl/d from the low level of 1.4 bbl/d since suspension of Niger Delta hostilities mid last year. However, Kachikwu said the industry would need to invest $10 billion every year on infrastructure for the next five years to achieve the target. Speaking at the ongoing 2017 Nigerian Oil and Gas Conference in Abuja, Kachikwu disclosed that the importation of petroleum products would have to cease while efforts should be intensified so that the country achieves self-sufficiency in petroleum products refining. He said, "Nigeria still remains the only country with the resources that we have, that has continued to import petroleum products. It is a shame on this country, it is a fraud on the system and we have got to end it." Kachikwu, however, stated that the Federal Government is committed to its 2018, 2019 template to end fuel importation, to ensure the survival of the petroleum industry and also ensure that the country's refineries do not become scraps when the Dangote refinery eventually comes on stream. "Everywhere you looked in the industry – whether it was the organizations that produce oil; whether it was the contractual basis that these things were founded on; whether it was the infrastructure that refused to work; whether it was the savings or investment culture that we had.

Nigeria was simply not prepared for an environment of difficulty," he declared. Kachikwu noted that there are still some governance issues that needed to be completed, while he hoped that by April, the Federal Government would pay a substantial part of the arrears of the 2016 Joint Venture, JV, Cash Call to bring about a significant increase in Nigeria's crude oil production. He stated: "Government is not in a position to fund this infrastructure gap, so we are left with little alternative but to bring in private investors; work out terms that would enable us to begin to massively address the over $35 billion infrastructural gap that is essential for the oil industry to work effectively. "Over the next four to five years, we need to find a way of bringing into this country an average of about $10 billion of investment every year in infrastructure. And that is essential if we are going to survive. And that infrastructure is going to go into pipelines, settle products all over the country; it is going to go into the refineries." *(Vanguard)*

The National Assembly, on Thursday, scored the Federal Government low on the performance of the capital expenditure in the 2016 budget. The Federal Government, however, blamed the low performance on revenue shortfall, adding that while the total revenue target was N1.506tn, only N398bn was generated in the 2016 fiscal year, with a revenue shortfall of about N1.15tn. The government also said it had achieved 55 per cent performance on the N870bn capital expenditure. These were made known at a forum jointly organised by the Senate and House of Representatives Committees on Appropriations. The Chairman of the Senate Committee, Senator Danjuma Goje, had asked the Federal Government officials how much had been released and cash-backed, the percentage of releases and percentage of cash backs out of the total budget. In her presentation, the Minister of State for Budget, Mrs. Zainab Ahmed, recalled that the 2016 budget was predicated on an oil benchmark price of $38 per barrel, with an average oil output of 2.2 million barrels per day, and official exchange rate of N197 to a United States dollar. She added that based on the aggregate revenue of N3.86tn, the size of the 2016 budget was N6.06tn, with a deficit of N2.2tn or 2.14 per cent of the Gross Domestic Product, which was supposed to be financed with local and foreign borrowings as well as recoveries. Ahmed said, "We had last year prepared a Strategic Implementation Plan for the 2016 budget and this plan was principally prepared to guide the implementation of the budget. To this end, we identified 34 key priority areas and with very clear and verifiable targets. "However, challenges in the economy have undermined the full realisation of the objectives set out in the SIP. Notwithstanding, for most of 2016, crude oil prices exceeded the benchmark of $38 per barrel. There had been a significant shortfall of projected revenue, which was caused largely by the disruption of crude oil production by militant activities."

Others factors that affected the 2016 revenue target, she said, were fuel supply shortages, significant challenges with power supply and foreign exchange supply scarcity. The minister stated, "The shortfall in the level of crude oil exports resulted in significant reduction in government revenues and foreign exchange shortages, which caused the economy to slip into recession. Since 95 per cent of our foreign exchange earnings come from the petroleum sector, this has impacted adversely on the level of non-oil revenues as well. The non-oil revenues were significantly impacted, as a lot of activities, even in the non-oil sector, depend largely on foreign exchange. "On the expenditure side of the budget, the personnel costs were met completely; debt service obligations were fully met, but capital expenditure was behind targeted estimates. It is, however, important for us to note that by the close of the year, about N834bn was already released as capital expenditure. Let me also say that this is the highest release in the history of our country for a very long time. In fact, it exceeds the aggregate capital expenditure of the 2015 budget." The Accountant General of the Federation, Ahmed Idris, in his presentation, stated that one critical aspect of budget implementation that concerned his office was that of funds release "as appropriated and as approved." According to Idris, the total capital payment or releases for 2016 as of Thursday was N870,055,792,283. He put the amount of Internally Generated Revenue at N398,335,850,749.45, adding, "There was also receipt or approval from FAAC of N4.058tn during the year."

He said, "In doing that, we have invited the Minister of Finance (Kemi Adeosun) and other officials of the ministry; Minister of Budget (Senator Udo Udoma); Minister of State for Budget (Zainab Ahmed); Director General, Budget Office (Ben Akabueze); the Accountant General of the Federation (Ahmed Idris); Director General, Debt Management Office (Abraham Nwankwo); and the Governor of Central Bank of Nigeria (Godwin Emefiele). The session started on a dramatic note when a member of the committee, Senator Jibrin Barau, called the attention of the lawmakers to the absence of some officials from the meeting. "Chairman, I can see that the Minister of Finance is not here and this is a very important session that the minister needs to be here. I don't know why she is not here," he said. Adeosun later joined the session. Goje also announced the absence of the Governor of the Central Bank of Nigeria, Godwin Emefiele, and asked to know his representative. An Acting Director of the CBN, Mr. Mohammed el-Yakubu, indicated that he was representing Emefiele and expressed the "sincere apologies" of the governor to the lawmakers. But the announcement angered the lawmakers. Members of the committee asked that Emefiele's representative to leave the meeting, insisting that the CBN governor or one of his deputies should be at the meeting. *(Punch)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

Vodacom's Tanzanian subsidiary received approval on Tuesday to list on the Dar es Salaam stock exchange and aims to raise 476 billion shillings ($213 million) in the IPO, the market regulator said. Vodacom plans to sell 560 million shares at 850 shillings each, said Charles Shirima, a spokesman for the Capital Markets and Securities Authority. He said the initial public offering was scheduled to take place on March 6. *(Reuters)*

Economic News

China's state-run Sinoma International Engineering Co. will start work in May to build a $1 billion cement factory in Tanzania, the East African country's prime minister's office said. The cement factory to be built on the Tanzanian coastal town of Tanga will primarily target export markets in neighbouring Democratic Republic of the Congo (DRC), Uganda and Sudan. "About 70 per cent of the cement output will be exported, with the remaining 30 per cent to be sold in the domestic market," the prime minister's office said in a statement late on Tuesday. "The company will also build a wharf (at the Tanga port) to facilitate export of cement from the plant." The statement did not give details of the estimated capacity of the proposed factory. Prime Minister Kassim Majaliwa held talks on Tuesday with the president of China National Building Materials Group Corp (CNBM), the Asian country's biggest construction materials producer, to discuss the project. Cement makers present in Tanzania include Dangote Cement, a unit of Nigeria's Dangote Cement, Kenya's ARM Cement and subsidiary plants of Germany's Heidelberg Cement AG, Afrisam Mauritius Investment Holdings Limited and France's Lafarge SA. Tanzania produces around 7 million tonnes of cement a year, with demand seen growing at close to 10 per cent per annum, according to government estimates. Cement consumption is viewed as a gauge of construction activity, one of the main drivers of economic growth in the country. *(Reuters)*

Tanzania's energy regulator increased petrol and diesel prices on Thursday, citing rising crude and refined petroleum product prices globally and a weaker local currency. Fuel prices have a big effect on inflation in east Africa's second-biggest economy, which rose to 5.2 percent year-on-year in January from 5.0 percent the previous month, The Energy and Water Utilities Regulatory Authority (EWURA) raised the retail price of petrol by 5.18 percent and the price of diesel by 2.76 percent. The increases take immediate effect and last for one month. "These increases in local pump prices have been caused largely by increases of world oil market prices, increases of bulk procurement system premiums and continued depreciation of the Tanzania shilling against the U.S. dollar, the currency used to procure petroleum products," EWURA said. The regulator increased the price of petrol in the commercial capital Dar es Salaam by 102 shillings a litre to 2,060 shillings ($0.92), and the price of diesel in the capital by 51 shillings to 1,913 shillings. Maximum kerosene prices remained unchanged because there were no new consignments of the product imported in February. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

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Zambia

Corporate News

Standard Chartered Bank Zambia Plc has appointed Herman Kasekende as its Chief Executive Officer and Managing Director, it said on Tuesday. Kasekende, who was the bank's former CEO in Uganda, takes over from Andrew Okai, who has taken a new role as Global Chief Operating Officer for Retail Banking at Standard Chartered Bank in Singapore, the lender said in a statement. *(Reuters)*

Barclays Bank Zambia has appointed Mizinga Melu as its new Managing Director from April 1, it said on Wednesday. Melu, who was Barclays Regional Management Chief Executive, takes over from Saviour Chibiya who will now oversee three banks in the Barclays Africa Group in the Seychelles, Tanzania and Uganda, the lender said in a statement. *(Reuters)*

Economic News

Zambia expects to agree a deal with the International Monetary Fund in the first half of this year, Finance Minister Felix Mutati said on Friday. He also told Reuters the country was unlikely to return to international bond markets before 2018. The economy of Africa's second-biggest copper producer has suffered from the steep commodity price drop of recent years. Last March, Zambia began talks with the IMF about a potential loan package after agreeing that its budget deficit was not sustainable, though formal talks have not yet been launched. "We have a roadmap - stakeholder consultation including cabinet approval - and we hope that the deal can be consummated in the first half of the year," Mutati said in an interview on the sidelines of investor meetings organised by the Business Council for Africa. He said it was too early to put a precise number on how much Zambia was hoping to borrow from the IMF. Members of his delegation said it was expected to come in the form of an Extended Credit Facility (ECF), a programme which normally runs three years. Analysts reckon it could exceed $1 billion. Mutati said financing needs in the 2017 budget amounted to $1.2-$1.3 billion. His government had also very recently spoken to the African Development Bank, the World Bank and the European Union. "I can tell you without a doubt they are all enthusiastic to give us budget support," he said. Having also met with fund managers earlier in the week in London, Mutati said Zambia was unlikely to return to international debt markets in the near future.

"One of the things that we must consider is how we refinance the existing bonds, and that is around 3 billion (dollars)...and timing for us is critically important," he said. "We have a bit of time, we are going to be a bit cautious - I do not see us hurry to do a refinancing this year - let's get the economy to settle down a little bit and then let's see." The southern African country had joined the Eurobond issuance frenzy gripping sub-Saharan Africa, selling dollar-denominated debt between 2012 and 2015. The government relied on external financing as revenues failed to keep pace with spending. The Eurobonds fall due in 2022, 2024 and 2027. The 2024 and 2027 issue currently yield more than 8 percent, according to Tradeweb data. *(Reuters)*

The Zambia Revenue Authority (ZRA) has asked all account holders to obtain Taxpayer Identification Numbers (TPIN) by the end of this year in an attempt to capture more tax payers and raise revenue, it said on Thursday. ZRA Commissioner-General Kingsley Chanda said in a statement the measure would make it easier to identify individuals and entities in receipt of undeclared income like foreign dividends. "This is one of the measures we thought would help us in broadening the tax base. It will ensure transparency," Chanda said at a meeting with companies in the capital Lusaka, adding that account holders had until Dec 31 to register. Africa's second-biggest copper producer needs higher domestic revenue collection if the current levels of government expenditure are to be maintained in a sustainable manner, the World Bank said in a report in December last year. Zambia collected 39.2 billion kwacha ($4 billion) in tax revenue in 2016, a 15 percent from the previous year, Chanda said. Its economy has suffered from the steep commodity price drop of recent years. Last March, Zambia began talks with the International Monetary Fund about a potential loan package after agreeing that its budget deficit was not sustainable, though formal talks have not yet been launched.*(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Zimbabwe

Corporate News

Struggling National Railways of Zimbabwe (NRZ) says it has moved one million tonnes of freight between October 2016 and February this year following the purchase of 31 wagons from China to boost its capacity, thanks to cement maker PPC's new plant in Harare. The company last year purchased 31 wagons worth $2,9 million from China to replace part of its ageing fleet. Last November, PPC Cement commissioned a $85 million plant in Harare that produces 700,000 tonnes per year but engaged the NRZ to move clinker from its Colleen Bawn base near Gwanda to the Msasa operation, providing a timely boost to the ailing parastatal. "The 31 wagons which have carrying capacity of 54 tonnes each, have increased capacity in uplifting of clinker from Colleen Bawn to Msasa, Harare. They have been dedicated to PPC which has resulted in guaranteed business every month," said NRZ acting public relations officer, Martin Banda. "In turn, this has seen wagons from our old fleet, initially dedicated to this business, being released to add capacity in the movement of other products," he said. Banda said according to their unaudited figures, from October 2016 to 15 February 2017, they moved 1,068,754 tonnes of freight. "Of this tonnage, 830,251 tonnes were moved during the last quarter of 2016 and 238,503 tonnes were moved from January 2017 to 15 February 2017," he said.

That means on average, the NRZ has been moving nearly 40,000 tonnes week since the start of the year. At its peak, NRZ employed about 20,000 workers and moved 18 million tonnes of freight annually. Last year, the company moved three million tonnes of freight and has a target of 3,7 million tonnes in 2017, according to the parastatal's board chairman, Larry Mavima. NRZ, the country's sole railway transport operator, has failed to run profitably for years due to undercapitalisation and ageing rolling stock. The parastatal has 3,500 operational wagons for moving cargo but most are ageing or in a state of disrepair. NRZ has performed poorly in recent years, and has incurred losses of over $200 million between 2009 and 2013. Its 2014 accounts showed that its freight unit was generating annual revenue of $91,2 million, but incurring costs of $103 million. The passenger unit had annual revenues of $3,2 million, with costs over three times more at $10,9 million. The parastatal has said it requires $2 billion to fully recapitalise. *(Source)*

Barclays Bank Zimbabwe's total income in the full year ended December 31, 2016 rose by 27 percent on the prior year to $58,3 million boosted by increases in net interest income and non-funded income. The bank remains part of Barclays Plc after it was excluded from a deal between the parent company and South Africa's ABSA which created Barclays Africa Group in 2013. Barclays last year announced a sell off of its African assets, including the local unit. Profit after tax in the full year period increased by 177 percent from $3,9 million last year to $10,8 million after the bank also reduced impairment losses. Net interest income increased by 10 percent from $16,6 million last year to $18,3 million, while non-funded income increased by 36 percent to $40 million. Trading and investment income amounted to $7,96 million while investment securities nearly doubled to $66 million. Treasury Bills accounted for almost 50 percent of the bank's investment securities at $33 million, according to finance director, Samuel Matsekete. The managing director, George Guvamatanga said they were not worried of the amount of TBs they are holding since the government is yet to default, adding that the bank would continue to prefer the security as a better alternative to loans. "So far the government has not defaulted its treasury bill obligations and it's very unlikely that it will," said Guvamatanga. Deposits increased by 67 percent from $234 million last year to $391,7 million. However, the bank reduced the amount of loans as reflected by a 28 percent decrease in loan to deposit ratio from 62 percent last year to 37 percent due to cautious lending as credit risk remains a threat.

Matsekete said they have deliberately reduced their loan book owing to the poor economic environment. Non-performing loans were largely flat at 1,6 percent compared to a market average of 7,9 percent. "In overall terms we needed to make sure that we preserve the quality of the loan book and we don't compromise our lending practices for the sake of scale," said Matsekete. Guvamatanga said the bank extended a $20 million facility to SMEs especially to those owned by youths and women. The bank managed to contain costs in the period as reflected by a 10 percent decrease in cost to income ratio from 83 percent in the prior year to 73 percent. Guvamatanga said the bank has reduced the amount of bank notes it imports using their nostros because of the introduction of bond notes which have eased the demand for cash. "On a very limited basis we are still importing bank notes but not at the same levels as we use to do before the introduction of the bond notes. To an extent, the bond notes have assisted in reducing the amount of cash we needed to import," said Guvamatanga. "Previously we were working on an average of $15 million per week and the numbers are much less now," he added without giving figures. The bank has 22 percent capital adequacy ratio and a liquidity ratio of 69 percent. *(The Source)*

Falcon Gold's sale of Dalny Mine to RioZim for $8 million will improve its financial position and provide working capital for its remaining operations, the company said on Tuesday. Falgold and RioZim entered into an agreement in which the latter would acquire Falgold Dalny mine shares and loan accounts. According to the proposed transaction, RioZim agreed to purchase the shares of the company for a consideration of $250,000. Additionally, Dalny Mine loan accounts amounting to $7.75 million will be ceded to RioZim. In a circular to shareholders, Falgold said from the proceeds of the proposed transactions, $3 million will be used for the repayment of shareholder loans to its parent firm, New Dawn Mining Corporation, $2 million will be used for the settlement of existing local creditors and as working capital while $1 million will be for improving its property, plant and equipment at its remaining operations. In August 2014 Falgold sold Dalny mine assets along with related liabilities to Vast Resources Plc but the deal collapsed after the London-based miner failed to raise the required funds. This left the company without working capital and facing liquidity problems until the agreement with RioZim. According to the pro forma statement, Falgold's accumulated losses by 55 percent to $4,35 million from the current $9,65 million on the back of a $5,3 million profit from the sale. As such, total equity will improve from a negative $11.4 million to a negative $6.1 million after the proposed transaction. Total assets will increase by 1.26 percent from $12.55 million as as at September 30, 2016 to $12.71 million on the back of an additional amount of $1.827 million and $4.904 million which represent the non-current and current portion of the purchase consideration receivable respectively.

Additionally, the proposed transaction will reduce the company's liabilities by 21.5 percent from the $23.9 million reported in the full year period to September 2016 to $18.8 million, chiefly on the back of the disposal of total liabilities of Dalny mine amounting to $5.13 million. The company's net asset value will improve by 46 percent from a negative 10.23 cents per share to a negative 5.46 cents per share. Future prospects. The company said it will remain in distress although management are of the view that the deal will allow them to improve the operating performance of the company and its financial position this year. "The high cost base, coupled with the falling gold price, remains a real and persistent threat to the continued operations of the Golden Quarry/Camperdown Mine. However, measures in the form of key growth projects are being put in place to increase the ore production and treatment capacities at the mine, which should raise production volumes and generate increased revenues," said Falgold. However, the company said due to limited cash generated from its operations which is used to finance its projects, the projects might not be commissioned within expected time frames. "The proceeds of the Dalny Mine sale should enable the company to enhance the various projects and return the company to viability as it may accelerate these projects and fund other new projects that will further enhance the performance of the company to realign and rationalise its asset base, whilst providing much needed growth and working capital," it said.

Falgold has operations at Turk Mine near Bulawayo and the Golden Quarry Mine in Shurugwi. Canadian-listed New Dawn Mining Corporation owns a controlling 84.67 percent in Falgold. Its major shareholders of Falcon Gold are Falcon Mines Society Anonyme and Boundary Investments (Private) Limited that own 57.1 percent and 27.57 percent respectively. An individual investor, Turner Roy holds a 2.09 percent interest. The proposed transaction is set to be approved by the shareholders at the upcoming extraordinary general meeting on Wednesday March 22, 2016. *(Source)*

Blue Ribbon Industries says expansion of its Harare milling plant, which is expected to increase output by at least 80 percent, will commence during the first half of the year. The milling company was a dominant player in Zimbabwe's grain milling and food processing industry until it collapsed in 2012 due to funding constraints underpinned by a $2 million debt to the PTA Bank. It was under judicial management, until last year when creditors approved a scheme of arrangement which saw Tanzanian miller Bhakresa inject $20 million into the group to revive operations. Blue Ribbon general manager Yusuf Kamau told reporters that expansion of the Harare plant would cost the group an additional $7 million.

The plant already has an installed capacity of 100,000 tonnes per annum while its Bulawayo milling plant has the capacity to process 50,000 tonnes per year. "We need to modernise and cannot continue with old equipment….we are having challenges with the current equipment which is always breaking down and when that happens it only adds on the costs," he said. Kamau said the expansion is expected to be complete by year end. *(Source)*

The world's largest platinum producer Anglo American Platinum says it expects to finish the construction of a platinum smelter at its Zimbabwean unit in Shurugwi by the second half of next year. The company announced in its integrated report for 2016 released on Wednesday that construction of the smelter was on target. "Construction of a smelter at Unki in compliance with beneficiation requirements is progressing, with construction expected to be complete in the second half of 2018," the company said. The Zimbabwe Government deferred a proposed 15 percent tax exports of unprocessed platinum to 1 January 2018 to give platinum companies that chance to set up smelters locally. Zimbabwe want to beneficiate its minerals to ensure that it draws maximum benefit locally and create opportunities for employment. Another major platinum miner, Zimplats whose majority shareholder is South African Amplats has also indicated that it is in the process of constructing a smelter. On indigenisation, Anglo American said it was still waiting for government to come up with a way forward after President Robert Mugabe in April 2016 made a clarification on the policy. "In terms of the statement (issued by President Mugabe) existing mining companies such as Unki would achieve compliance with the indigenisation requirements through ensuring that at least 75% of gross sales proceeds are spent and retained in Zimbabwe. The statement concluded by stating that President Mugabe had directed that the indigenisation legislation be amended to comply with this latest position. Amendments to the Indigenisation Act are yet to be made," noted the company. The company last month announced that platinum production at Unki Mine went up 12 percent to 75,000 ounces in 2016 largely due to higher tonnage mined. *(The Source)*

MBCA Bank on Wednesday reported a profit after tax of $5.7 million in the full-year to December 31, 2016, three percent lower than the $5.8 million in the prior year. Revenue increased by 13,2 percent from $27,5 million in the prior year to $29,97 million on the back of increases in both net interest and non-interest income. Net impairment loss on financial asset climbed from $720,834 in the prior year to $3,7 million. "Total operating expenses increased by 23 percent largely due to an increase in the impairment charge of 417 percent as a result of a single significant provision, and an increase in staff costs of 14% as the Bank committed to an expansion in footprint," chief executive Charity Jinya said in a statement accompanying the results. Net interest income increased marginally by 1,8 percent from $14,8 million in the prior year to $15 million while non-interest income increased by 17 percent from $12,8 million last year to $14,95 million. "The growth in non-interest revenue was mainly on the back of the volatile movements of some currencies," Jinya said. Total assets grew by 22,5 percent to $299 million from $244 million in the prior year mainly as a result of bank and cash balances which grew by 50 percent. Net loans and advances constituted 32 percent of the total assets, compared to 42 percent in the prior year while cash and cash equivalents increased to 57 percent from 46 percent. Total deposits increased on the back of cash withdrawal limits imposed by the central bank to deal with the current cash crisis.

"Total deposits grew significantly by 23 percent to $236.749 million from $193.223 million in line with the Bank's strategic deposit mobilisation initiatives and difficulties in accessing foreign currency by some clients," said Jinya. Loans and advances fell 7,9 percent from $103,2 million in the prior year to $95 million as a result of the bank's cautious lending approach to mitigate default risk. However, non-performing loans ratio increased to 5,26 percent from 2,93 percent recorded in the prior year. The bank holds $1,89 million worth of RBZ treasury bills (TBS) on its balance sheet while its local tradable bills increased by 175 percent from $363,596 in the prior year to $1 million in the period under review. The bank is still far below the core capital requirement by RBZ for banks by 2020 but said will achieve the regulatory capital level given that the operating environment improves. "The Bank's core capital as at 31 December 2016 was $47.927 million and is on target to meet the regulatory capital level of $100 million by 31 December 2020, subject to an improvement in the economic environment," chair, Willard Zireva said. The bank's liquidity ratio improved to 83 percent from 69 percent last year, above the regulatory limit of 30 percent, while its capital adequacy ratio at 27 percent is above the regulatory limit of 12 percent. *(The Source)*

WEEKLY AFRICAN FOOTPRINT

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Financial services group Getbucks on Wednesday reported a 10 percent drop in its profit after tax for the full year to December 31, 2016, to $1.7 million from $1.9 million in the previous year. Interest income rose 15,5 percent to $4,3 million from $3,7 million while operating expenses increased by 33 percent due to increased labour. Loans and advances were largely flat at $14 million — from $13,8 million previously — while deposits were 70 percent up to $1,1 million from $657,000 in 2015. Total assets stood at $22,6 million, up 10 percent from $20,5 million in 2015. As at December 31, 2016, the company had a net equity position of $11.8 million which was well above the minimum regulatory threshold of $5 million for deposit taking microfinance institutions. Getbucks was granted a Deposit Taking Microfinance Licence by the Reserve Bank of Zimbabwe in January last year. It declared a total dividend of $350,000. *(The Source)*

CBZ Holdings Limited is moving into money markets to entice investors and offer longer term funding, as the financial group had $760,53 million worth of Treasury Bills (TBs) at the end of 2016. Of that amount, the financial group has increased above five years maturity TBs to $529,38m from $262,87m recorded in the previous year. In 2015, the group's TBs holdings were $471,93m. CBZ Holdings chief executive officer, Never Nyemudzo told NewsDay on Tuesday that due to the size of the group, they were looking at other opportunities. "With TBs, we are using them for long-term funding. So when you look at the overall picture, it now addresses the liquidity gap. The productive sector of this country is very much funded because of the size of the bank and the availability of resources, there are so many resources, and it means that you cannot only focus on the productive sectors" he said. "There are also other opportunities elsewhere where you can invest in TBs, money markets and trading but there have always been enough resources in CBZ to fund plausible productive sector activities."

Nyemudzo said the group was holding onto the TBs, as they noticed movement on interest rates per annum were skewing lower, which would allow them to offer longer term funding. Money markets is where financial instruments with high liquidity and very short maturities are traded and used by participants as a means for borrowing and lending usually in the short term. Such financial instruments include TBs among others. With growing uncertainty on the international commodity markets, investors are moving towards money markets as they are a lesser risk due in large part to TBs. It has a lesser risk due to the government being the borrower. As such by holding onto TBs, CBZ Holdings is hoping to attract these investors as they can sell these financial instruments for a profit or liquidity as the market runs dry of investment. By holding TBs longer, CBZ Holdings can provide finance over a longer period and thus generate income. "We are eagerly waiting for the Reserve Bank of Zimbabwe to come and publicly tender TBs," he said. "The bank is looking to the markets for income and not liquidity. We have other sources of income so the issue to sell them (TBs) is of no use to me so I will hold onto TBs until they mature. This is how we are capacitating ourselves." However, Nyemudzo said he was aware of the default rate, but had no doubt in the capacity to recover that debt on the back of favourable interests rates that would attract investors. "We need significant muscle to be able to use to generate more money," he said. *(News Day)*

ZB Financial Holdings on Thursday reported a 22 percent increase in after-tax profit, to $11.4 million in the full year to December from $9.4 million last year, largely driven by fee income. The group's net revenue increased by 12 percent from $57.9 million in 2015 to $65.1 million in 2016. Presenting company results on Thursday, chief executive Ron Mutangadayi said net interest and related income had remained flat at $16 million. Operating expenses increased by 7 percent to $49.5 million from $46.3 million last year, though the cost to income ratio improved at 76 percent compared to 80 percent in 2015. The bank maintained a guarded approach towards lending leaving loans and advances flat at $99 million while deposits increased by 2 percent from $269.7million in 2015 to $275.3 million in 2016. Non-performing loans (NPLs) at 23 percent are way above a market average of 7.9 percent. Mutangadayi said the institution was looking to access cheaper lines of credit on the international market following its removal from the United States sanctions list last September. "Having just come out of sanctions, we first had to get our correspondent accounts reestablished. Now that our Euro, US and Rand accounts are operational we can now go out and court investors for new lines of credit we are speaking to regional investors at the moment for a $20 million line of credit which we expect to conclude in the not too distant future. Mutangadayi said the group was focusing on mortgage lending, which had recorded a 44 percent increase. "We are on the hunt for land banks throughout the country. In Kadoma we might just be able to seal a deal, in Plumtree we are almost there. So our thrust is to keep engaging local authorities to ensure that we get land for development," he said. ZB increased its holding of Treasury bills to $117.5 million from $99 million last year as total assets increased from $417.6 million in 2015 to $439.3million in 2016. *(The Source)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Economic News

THE Reserve Bank of Zimbabwe (RBZ) is hopeful against a further rate hike by the United States Federal Reserve on the back of the United States dollar depreciating against major currencies. A rise in United States interest rates involves American depository institutions lending reserve balances to other depository institutions overnight, on an uncollateralised basis, thus, strengthening the dollar. In the week ending February 3, the dollar depreciated against the euro and the British pound showing signs of the United States Federal Reserve refraining from raising its interest rates, RBZ said in a report. "The greenback, however, appreciated against the rand. Its depreciation against the euro and the pound followed the release of US data, which showed a less than expected wage rise in January 2017," RBZ said in a weekly report for February 3. "This reinforced the expectations that the Federal Reserve would refrain from raising interest rates in the short term." The most noticeable improvement in the foreign currency exchange was the South African rand, which firmed to R12,99 to $1. A stronger rand would mean Zimbabwean exports being more competitive to South Africa as well as to other regional countries. Zimbabwe's economy being tied to the United States interest rates will be the most affected by a rise in these rates. As a result, commodity prices are affected particularly in commodity-dependent countries like Zimbabwe and other regional countries. According to a research paper by an investment advisory firm, The Balance, the reason that interest rates and raw material prices are so closely correlated is the cost of holding inventory.

"When interest rates move higher, the prices of commodities tend to move lower. When interest rates move lower, commodities tend to rise in price. In a low interest rate environment, the cost of financing stockpiles is lower than when interest rates are high," the paper said.
"Think about a business that manufactures a product that requires metals, minerals or energy. It is a lot cheaper to store long-term requirements of the goods needed in manufacturing when the cost of money is low. The cost of carry is a term that commodity consumers (and producers) use to describe the costs associated with holding inventories for a period." If the United States economy is growing faster, the monetary authority becomes more likely to raise rates or tighten credit to slow down growth before it accelerates too fast. Hawkish or higher interest rate policy occurs when a central bank is in In the RBZ weekly economic report, the country's main commodities all grew as a result of the United States dollar depreciating. Gold prices rose by 0,1% to close the week under review at $1,211.01/oz while platinum prices increased by 0,5% to close the week at $988,60/oz from the previous week. Both copper and nickel prices rose by 1,4% and 0,8%, respectively. *(News Day)*

Zimbabwe's budget deficit amounted to $1,2 billion in the eleven months to November as government expenditure at $4,3 billion exceeded revenue of $3,1 billion, official data has shown. Total expenditure in the period had been budgeted at $3,6 billion against revenue of $3,4 billion but a look at the Consolidated Revenue Fund (CRF) shows that authorities failed to put the lid on spending as foreign travel costs and vehicle purchases spiraled out of control. Finance minister Patrick Chinamasa, at his budget presentation on December 8 had put the figure at $1,1 billion for the whole year. Government expects to run a deficit of $400 million this year, about three percent of GDP. Foreign travel expenses at $44,9 million overshot the budgetted $20,7 million by more than 100 percent while domestic travel took up $6 million against a target of $5,3 million. Expenditure on vehicles, plant and mobile equipment amounted to $38,6 million almost 10 times more than the budgeted $3,9 million. Communication supplies and services also doubled to $33,5 million from the initial $18,1 million target. Employment costs during the 11 month period, however, remained within budget at $2 billion. Interest on debt at $112 million exceeded the budgeted $95 million by 18 percent and of that, $100 million was interest on domestic debt while $12,7 million was for foreign debt. *(Source)*

Zimbabwean public sector workers will hold a demonstration on Monday calling on the government to pay bonuses for 2016, the civil service union said, setting them on a collision course with President Robert Mugabe's cash strapped administration. Without balance of payment support from foreign lenders, the southern African nation is spending more than 90 percent of the national budget on salaries, leaving no money for infrastructure or bonuses that were due by December. Last July, doctors joined nurses, teachers and other civil servants in a national shutdown over unpaid wages, which coincided with anti-government protests called by social media groups over a deteriorating economy. The Apex Council, which represents all civil service unions, issued a notice of the strike to the government.

It accused the government of trying to undermine unions by directly engaging workers in a survey to determine whether public employees could opt for residential land in lieu of the bonuses. Public sector unions last month rejected the land proposal. The government then issued forms to every civil servant asking whether they preferred residential land instead of cash bonuses, angering the unions. "Bonuses are part of our conditions of service so we can't mix that with land. The government is being provocative and disrespectful by engaging workers directly," Apex Council president Cecilia Alexander said. Alexander said next Monday's demonstration "will show that we have a constituency that we represent." Public Service and Labour Minister Prisca Mupfumira defended the survey, saying it would determine how the government should proceed on the issue of bonuses. "We will continue to dialogue with them but we do not tolerate threats," Mupfumira said. *(Reuters)*

A TEAM from the African Development (AfDB) will tomorrow hold a meeting with civil society organisations and development partners on Zimbabwe's debt and arrears clearance strategy and options. The meeting will be held at the National Association of Non-Governmental Organisation (Nango) offices in Harare. Nango said the joint multi-sector mission would be led by Sibry Tapsoba, the bank's director for the Transition Support department. In a notice to members, Nango said the mission was part of the bank's support to debt and arrears clearance in Zimbabwe. "The main purpose of the mission is to update CSOs and development partners on the status of Zimbabwe's debt arrears clearance and discuss the options on how best to take the process forward," Nango said. No comment could be obtained from the AfDB's offices in Harare, as the officer-in-charge, Mary Monyau was attending a series of meetings when NewsDay called yesterday. The AfDB mission comes as Zimbabwe is re-engaging international financial institutions to help unlock fresh capital. Under the 2015 Lima Agreement, Zimbabwe pledged to clear simultaneously the combined $1,8 billion arrears to three preferred creditors — International Monetary Fund (IMF), the World Bank and AfDB. The plan was later modified with Zimbabwe pledging to pay one creditor at a time.

Subsequent to the change in the Lima roadmap, the country last year paid IMF's $107,9 million outstanding obligations. This saw the IMF board removing sanctions on Zimbabwe related to remedial measures applied on account of overdue financial obligations to the Poverty Reduction and Growth Trust. In his 2017 national budget, Finance minister Patrick Chinamasa said Zimbabwe would early this year resolve its arrears to other multilateral creditors such as AfDB ($610 million), the World Bank ($1,16 billion), European Investment Bank ($212 million) and other multilateral institutions, as well as bilateral official creditors. Chinamasa said the clearance of arrears would allow for access to concessional development finance, as well as investment flows, will also assist in the implementation of the Interim Poverty Reduction Strategy Paper for 2016-2018. *(News Day)*

THE National Social Security Authority (NSSA) is set to roll out a voluntary contributory scheme during the course of the year targeting previously excluded groups such as the informal sector. It will also target the Diaspora community and domestic workers, NSSA general manager, Elizabeth Chitiga told NewsDay. "It is NSSA's intention to roll out a voluntary contributory scheme during the course of the year, which targets the informal sector, diaspora, domestic workers and any other previously excluded groups," she said. "The SDGs (Sustainable Development Goals) require that, like all member countries, Zimbabwe provides universal coverage by 2030. There is, therefore, need to extend social security coverage to previously excluded groups such as the informal sector," she said. "The products and services offered by NSSA should be attractive enough so that membership is driven more by the expected rewards in comparison with any other pension funds.

As this is a voluntary scheme, it will certainly fit into our motto of 'NSSA By Choice, Not By Statute'." Chitiga said there was need to tap into the informal sector, which is currently running Zimbabwe's economy. She said since its inception 22 years ago, NSSA has been running only two schemes covering just the formal sector out of the nine branches of social security that the ILO Social Security (Minimum Standards) Convention 1952 (No.102) covers, while similar organisations in Africa are running four or more schemes. According to the Zimbabwe Labour Market Information 2015 Report, 94,5% of the active labour force now operates in the informal sector. She said since 94,5% of the active labour force now operates in the informal sector, it means current social security coverage excludes a significant part of the population. Meanwhile, Chitiga said with a new, vibrant and skilled team, they are more than optimistic that they will succeed to create a culture of service delivery. "By the end of 2017, we expect to have built a lean and cost effective organisation that responds to the needs of the pensioner and stakeholders, so that NSSA truly becomes a social security provider of choice," she said. *(News Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

The Zimbabwe stock exchange mainstream index eased 3,52 percent in February to close at 135,31 points as eight of the top 10 counters by market capitalisation all recorded losses. The mining index advanced 0,28 percent to close at 57,31 points on the back of the gains in RioZim and Falgold. RioZim has bought Falcon Gold's Dalny Mine, a deal which will double its asset value and increase gold output by 100 kilogrammes per month by next year. For Falgold, the deal would raise working capital to renovate the group's infrastructure and increase production at its remaining operations at Turk Mine near Bulawayo and the Golden Quarry Mine in Shurugwi. Market capitalisation dropped 3,42 percent, from $3,9 billion in the previous month to $3,77 billion, mirroring the fall in the mainstream index. However, total market turnover increased by 28,27 percent to $10,97 million. Analysts say the increase in total market turnover was driven by institutional investors who continue to seek protection in equities as a better alternative than exposure in the unpredictable money markets .The largest counter by market capitalisation, Delta lost 7,79 percent to close at 82 cents while the second largest company, BAT eased 1,31 percent to close at 1,505 cents.

Other heavyweights to fall included Seedco, Innscor and Old Mutual which eased 5,94 percent, 2,27 percent and 1,71 percent to settle at 95 cents, 46,9 cents and 344,75 cents in that order. OK Zimbabwe and Simbisa also shed 1,13 percent and 1,52 percent to trade at 7 cents and 16,65 cents respectively. NTS, Barclays and Edgars also lost 12,17 percent, 10,17 percent and 10,42 percent in that order. Additionally, Meikles and Pearl eased 5,71 percent and 1,73 percent respectively. Partially offsetting the loss in the mainstream index were the gains in two heavy weights National Foods and Padenga after advancing 0,71 percent and 1,61 percent. Among the top gainers were Proplastics, ZB Financial Holdings and Nampak after adding 19 percent, 15,1 percent and 11,57 percent to settle at 5 cents, 6,4 cents and 2,7 cents in that order. PPC and TSL advanced 7,14 percent and 5,56 percent respectively while Colcom and CFI put on 4,29 percent and 2,93 percent respectively.Hippo also added 2,74 percent to close at 37,5 cents. On the mining space, Riozim and Falgold added 1,4 percent and 66,7 percent to settle at 32,7 cents and 1 cent , offsetting a 1,7 percent decline recorded by Bindura which closed at 3,44 cents. Hwange remained unchanged at three cents. Foreigners remained net sellers in the month, disposing of shares worth $5,52 million and buying shares worth $1,69 million. *(The Source)*

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