SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

**PAN-AFRICA**

# WEEKLY AFRICAN FOOTPRINT

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

**TRADING**

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



## AFRICA STOCK EXCHANGE PERFORMANCE

| Country | Index | 28-Oct-16 | 4-Nov-16 | WTD % Change Local | WTD % Change USD | 31-Dec-15 | YTD % Change Local | YTD % Change USD |
|---|---|---|---|---|---|---|---|---|
| Botswana | DCI | 9727,67 | 9747,71 | 0,21% | 1,64% | 10602,32 | -8,06% | -1,23% |
| Egypt | CASE 30 | 8343,31 | 8810,00 | 5,59% | 5,59% | 7006,01 | 25,75% | 10,60% |
| Ghana | GSE Comp Index | 1710,67 | 1706,19 | -0,26% | 0,13% | 1994,00 | -14,43% | -17,42% |
| Ivory Coast | BRVM Composite | 272,40 | 275,41 | 1,10% | 2,84% | 303,93 | -9,38% | -7,94% |
| Kenya | NSE 20 | 3204,67 | 3251,46 | 1,46% | 1,24% | 4040,75 | -19,53% | -18,95% |
| Malawi | Malawi All Share | 13682,91 | 13721,77 | 0,28% | 1,41% | 14562,53 | -5,77% | -14,67% |
| Mauritius | SEMDEX | 1815,10 | 1803,98 | -0,61% | -0,53% | 1811,07 | -0,39% | 0,14% |
| | SEM 10 | 347,09 | 344,83 | -0,65% | -0,56% | 346,35 | -0,44% | 0,09% |
| Namibia | Overall Index | 1022,61 | 1013,57 | -0,88% | 2,26% | 865,49 | 17,11% | 33,97% |
| Nigeria | Nigeria All Share | 27294,21 | 26981,60 | -1,15% | -0,65% | 28642,25 | -5,80% | -40,75% |
| Swaziland | All Share | 374,23 | 378,70 | 1,19% | 4,40% | 327,25 | 15,72% | 32,38% |
| Tanzania | TSI | 3897,44 | 3911,06 | 0,35% | 0,48% | 4478,13 | -12,66% | -13,54% |
| Zambia | LUSE All Share | 4308,10 | 4300,56 | -0,18% | -0,40% | 5734,68 | -25,01% | -16,12% |
| Zimbabwe | Industrial Index | 120,46 | 120,34 | -0,10% | -0,10% | 114,85 | 4,78% | 4,78% |
| | Mining Index | 33,76 | 33,71 | -0,15% | -0,15% | 23,70 | 42,24% | 42,24% |

## CURRENCIES

| Cur-rency | 28-Oct-16 Close | 4-Nov-16 Close | WTD % Change | YTD % Change |
|---|---|---|---|---|
| BWP | 10,42 | 10,28 | -1,41 | 7,43 |
| EGP | 8,87 | 8,87 | 0,00 | -12,05 |
| GHS | 3,96 | 3,94 | -0,39 | -3,49 |
| CFA | 601,04 | 590,87 | -1,69 | 1,60 |
| KES | 99,58 | 99,79 | 0,22 | 0,72 |
| MWK | 718,08 | 710,09 | -1,11 | -9,44 |
| MUR | 34,54 | 34,51 | -0,09 | 0,53 |
| NAD | 13,89 | 13,46 | -3,07 | 14,39 |
| NGN | 315,26 | 313,67 | -0,50 | -37,10 |
| SZL | 13,89 | 13,46 | -3,07 | 14,39 |
| TZS | 2140,07 | 2137,33 | -0,13 | -1,00 |
| ZMW | 9,76 | 9,79 | 0,22 | 11,86 |

SECURITIES AFRICA

## Botswana

### Corporate News

*No Corporate News This Week*

### Economic News

*No Economic News This Week*

# WEEKLY AFRICAN FOOTPRINT

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

TRADING

## Egypt

### Corporate News

*No Corporate News This Week*

### Economic News

**Egypt will sell $120 million on Tuesday in its regular weekly dollar auction, central bank data showed.** Speculation has been mounting that the central bank would devalue its currency amid a rapidly weakening rate on the black market. Bankers and economists have said a devaluation could come in an exceptional auction for a quantity of dollars greater than the usual $120 million sold weekly. The rate for Tuesday's auction has not yet been specified.*(Reuters)*

**The head of Egypt's stock exchange said on Wednesday the decision to extend the suspension of capital gains tax on shares will attract investment and boost IPOs in the market.** Egypt's Supreme Investment Council opted on Tuesday to prolong for three years a freeze of a 10 percent tax on gains from shares first imposed in July 2014 as part of moves to replenish depleted state coffers. Egyptian blue chip shares rose on Wednesday, bucking a downtrend among emerging markets, after the government approved 17 steps designed to boost investment including the extension of the tax suspension. "The decision was a surprise to the market and everyone ... but a pleasant surprise ... The tax had a negative impact," stock exchange chief Mohamed Omran said in an interview. "The decision will help ensure the success of future offerings in the market, whether governmental or private offerings," he told Reuters. Egypt has been striving to entice investment to restore growth since a popular uprising in 2011 that ushered in protracted political turmoil and scared away tourists and foreign investors - its main sources of hard currency. The investment council, set up by President Abdel Fattah al-Sisi last month, approved 17 stimulative measures including wide-ranging tax exemptions for farmers and manufacturers who produce strategic crops or goods that Egypt imports or exports. *(Reuters)*

**Egypt's pound strengthened 21 percent to its highest level in five weeks on the black market on Wednesday, reversing a rapid slide that had angered importers and prompted them to halt trade.** The Egyptian pound has been falling on the black market since a 2011 uprising scared away tourists and foreign investors, vital sources of hard currency in an economy that relies on imports of everything from food to luxury cars. But firms say the dramatic slide of the past few weeks left them unable to plan from one day to the next. Many of Egypt's largest businesses decided to stop buying at what they said had become a speculative rate, fearing they could not pass on the cost to beleaguered end-customers. "When it hit 18.30 I stopped buying ... I said no more, the black market can go to hell," one big businessman told Reuters. "The cost of manufacturing overheads if we stopped working became less than the cost of FX risk." Their move has transformed sentiment, reversing the depreciation virtually overnight and giving the central bank breathing space to potentially adjust the official value of the pound to a more realistic level. On Sunday, the dollar was being sold at 18-18.2 pounds and bought at 17.5-17.85 on the black market, more than twice the official rate of 8.8 pounds. By Wednesday evening, it was being sold at 13-13.5 pounds and bought at 11-11.5, having strengthened 2 pounds in a single day, black market traders said. "Now everyone is frightened. So the snowball effect has started and people are dumping their dollars so as not to be stuck with them when the price is going down," said Alaa Ezz, secretary-general of the Federation of Egyptian Chambers of Commerce. "We have done our part as the private sector ... What we are calling for now is that the central bank of Egypt and the government use their instruments within a logical fiscal and monetary policy."

With the budget deficit at 12 percent in the 2015-16 fiscal year and currency markets facing severe distortions, Egypt reached a preliminary deal with the IMF in August for a $12 billion three-year loan to support an economic reform programme. As part of those reforms, Egypt is widely expected to devalue the pound and ditch its currency peg to the dollar for a more flexible exchange rate mechanism, a move economists say would rebalance markets and unlock billions of dollars in foreign investment. Businessmen said the black market had been propelled by a sense that authorities were holding back for fear of stoking inflation in a country where tens of millions rely on state-subsidised food. They called on the central bank to seize the opportunity to devalue while the market was in its favour. "If the government does not interfere very soon, the rate will just rise up again," said one commodity trader, who bought dollars on Wednesday at 13.85.

Businesspeople and black market traders said the pound had also rallied on talk that Egyptian banks would stop accepting deposits of foreign currency without documentation showing it was sourced legitimately. Several banks told Reuters they had not received any formal instructions from the central bank on such a rule. Sources at Commercial International Bank said an internal memo had been issued reminding branches to ensure full compliance with existing central bank regulations issued in March concerning dollar transfers. There was no immediate comment from the central bank. "The weakness in the black market was built on speculation and we think the rate should settle around 11 to 12," said head of research at Naeem Brokerage Allen Sandeep. *(Reuters)*

**Egypt's central bank floated the pound currency on Thursday, devaluing by 47.7 percent to an initial guidance level of 13 pounds to the dollar and hiking interest rates by 3 percent to rebalance currency markets following weeks of turbulence.** The Egyptian pound had been pegged at 8.8 to the dollar since March, but a shortage of dollars in the economy had put the currency under intense downward pressure in recent months. A rapid slide on the black market to 18 earlier this week pushed the importers to cease buying, with the rate strengthening to 13 by late on Wednesday, creating a rare opportunity for the central bank to devalue. In a surprise announcement early on Thursday, the central bank said it had gone further than bankers expected to freely float the Egyptian pound. "The CBE hereby announces its decision to move, with immediate effect, to a liberalised exchange rate regime in order to quell any distortions in the domestic foreign currency market," it said in a statement. "This move will allow market demand and supply dynamics to work effectively in order to create an environment of reliable and sustainable provision of foreign currency." Bankers told Reuters they had been informed that the central bank would set an initial guidance rate of 13 pounds to the dollar and banks would initially be allowed to trade within a 10 percent band above or below the new rate until an exceptional foreign exchange sale at 1300 p.m. (1100 GMT). After the results of the auction are announced the band would be removed, according to a central bank memo that was sent to banks earlier on Thursday and seen by Reuters. The central bank said the new exchange rate was non binding and would serve as "soft guidance to jumpstart the market." It was not clear how much foreign exchange would be offered at Thursday's exceptional sale. The central bank also said in a statement that it would abolish the priority list for imports and that banks would be allowed to operate until 9 p.m. every day, including weekends, for foreign exchange transactions and transfers only. *(Reuters)*

## Ghana

### Corporate News

**Tullow Oil says it has successfully completed the six-monthly redetermination of its Reserve Based Lend (RBL) facility.** RBL is a type of financing where a loan is secured by the undeveloped reserves of oil and gas of a borrower. The facility is repaid using the proceeds that derive from sales in the field or portfolio of fields in production. According to a statement issued by Tullow, the debt capacity generated by the asset base remains in excess of commitments and, following the scheduled amortisation at the beginning of October, available credit under the RBL is now $3.3 billion. Tullow also confirmed that it has secured $345 million of new commitments from its existing lenders by exercising an accordion facility embedded in the existing RBL which will take effect from April 1, 2017. The new commitments will largely offset the impact of the scheduled amortisation in April 2017 and will ensure Tullow has appropriate headroom throughout 2017 as it refinances its bank facilities. "Overall, Tullow's capital commitments have reduced substantially following the completion of the TEN Project," the statement said.

The oil driller said during the fourth quarter, Tullow will be generating free cash flow from its producing assets and can start paying down its debt. "At the beginning of October, and excluding the additional commitments above which take effect next year, the Group has free cash and unutilised debt capacity of $0.9 billion with no near term maturities, and overall net debt of approximately $4.7 billion," the company said. Commenting, Ian Springett, Chief Financial Officer at Tullow said: "This successful redetermination and the new RBL accordion commitments underline the support for Tullow from our relationship banks and the quality of our assets and their ability to generate significant liquidity." He said over the past three months, Tullow had started production from TEN and confirmed insurance cover for the Jubilee FPSO turret repair and business interruption. "With capital expenditure now substantially reduced, we are generating free cash flow and starting to deleverage our balance sheet. This provides us with a solid platform to refinance our RBL and corporate facility during 2017, enhance our capital structure and enable future growth," he added. *(Ghana Web)*

### Economic News

**Despite reports that the Bank of Ghana(BoG) may compel all banks in the country to meet the new capital requirement shortly, Banking Consultant, Nana Otuo Acheampong has told Citi Business News the regulator is yet to come out with an economic capital requirement after with the regulatory capital will follow.** The economic capital, according to him, will assess the economic activities of banks in the country to determine the economic capital structures under which they will operate. Speaking to Citi Business News, Nana Otuo Ocheampong disclosed that the International Monetary Fund (IMF) is currently meeting with the central bank to design an economic capital structure for commercial banks after which the regulatory capital will be announced early next year. "We have regulatory capital, and economic capital. Regulatory capital is where the regulator sets a one side stator capital and the economic capital is based on the economic activities of the banks involved, so if you are small, your capital will be small and if you are big your capital will be big depending on your economic activities," he said. He explained that the procedure requires a thorough assessment hence plans are already underway to classify commercial banks based on economic capital. "As we speak the BoG has set up an economic committee together with the IMF to look at the establishment of an economic capital as opposed to regulatory capital and they are due to report next year," he said.

Providing some more explanation on the differences, Nana Otuo Acheampong stated that economic capital will be linked the economic activities of the banks. Economic capital is the capital that you determine internally according to your economic activities, lets take for instance Barclays Bank versus Bank of Baroda, the economic activities of Barclays bank is far higher than the economic activities of Baroda, but under regulatory capital both of them are supposed to have the same type of minimum capital," he said. He, however pointed out that "when we move to economic capital you would expect their capital structures to be different because the less activity, the less capital you have, so as a requirement of Basel II, they implored regulators to look at aligning economic capital with regulatory capital," he stressed. *(Ghana Web)*

**Disappointing revenue performance and increased capital expenditure have pushed up the country's fiscal deficit to more than GHC4.69 billion as of the end of July this year, creating uneasiness among businesses as the country heads to the polls in December.** The deficit, which is GHC1.7 billion more than what the government had planned for the period, indicates an 89 per cent rise in comparison to the same era last year. The figure posts a worrying sign of deteriorating economy after the country recently witnessed a fallen deficit in line with the IMF expectations under the three-year Extended Credit Facility agreement. This puts the government's deficit target of 5.3 percent of GDP for the year in danger in the face of a slowdown in revenue collection with the economy expected to grow slower than anticipated. According to the country's fiscal data provided by the Finance Ministry, government's spending for the first seven months of the year topped GHC23.28 billion, which was within the budget for the period. This is despite of the fact that government's spending on capital projects exceeded the target by 16.7 percent, brought about by the steady rollout of infrastructure projects as the governing NDC party seeks re-election in this year's general elections.

However, the revenue target of GHC20.89 billion fell short of expectations by 11 percent despite the relax stance of donors, who supported the budget with an estimated GHC1 billion grant; more than the GHC976 million the government was expecting. According to the B&FT's analysis of the fiscal data, government expected to generate about GHC2.26 billion from personal income tax but ended up collecting GHC1.97 billion, which points to a tight job market and hold up in employment and job growth especially as taxes from the self employed also fell short of expectation by 23.4 percent. Additionally, companies taxes between January and July this year was 15 percent below target, indicating difficulties' in the business operating environment amidst tightening of the credit conditions in the country as banks look to cut down on non-performing loans and safeguard deteriorating assets position. According to the IMF, the poor show in domestic revenue collection, reflects lower-than-projected oil prices, weak economic activity with lower business profits and personal incomes, as well as lower-than-expected revenue impact from several measures implemented so far. "In particular, the ECOWAS Common External Tariff (CET) was expected to deliver about 0.5 percentage point of GDP in additional revenues, but so far the revenue impact has been marginal, while the administrative measures' impact on direct tax collection has also been negligible," the Fund said. The shortfall in revenue is therefore expected to force the government to turn to the capital market to borrow more to meet its spending needs since it has been barred under the IMF programme from seeking central bank funding to finance the deficit. However, the fiscal deficit, which has shown signs of widening, is expected to trouble policymakers and established businesses that might fear the government's spending binge will keep interest rates at their current high levels and send negative signals to investors and rating agencies on the credibility of fiscal reforms. *(Ghana Web)*

**The Bank of Ghana's latest Average Interests (IA) on deposits report released shows a decrease in the average minimum interests to be paid annually on deposits of customers' funds logged at commercial banks in the country between May and September 2016.** Figures from the central bank indicates a decrease from 12.3 percent to 12.2 percent. According to the APR – AI report indigenous bank UT Bank offers the highest interest on deposits. This means that if customers of a bank deposit money at UT Bank, they were likely to receive 15.8 percent as interest annually on the deposit with Standard Chartered Bank occupying the bottom of 24th position, offering the lowest interest of 4.4 percent on deposits. The AI is the true Average interest paid on deposits by banks on deposits over a period. In second place is South African bank, Stanbic Bank offering 14.7 percent followed by the bank of the year 2015 Fidelity Bank offering 14.5 percent on deposits while First National Bank offers 14.4 percent, occupying the forth place. Capital Bank, Access Bank and Ecobank all occupy the firth place are offering 14.3 percent interest on deposits. GT Bank offers 14.1 percent interests to customers 'deposits. First Atlantic Bank, GN Bank all offer 14.0 percent while Unibank, Bank of Baroda, Sovereign Bank and UBA all offer 13.8, 13.7, 13.3 and 12.8 percents respectively. In addition, Bank of Africa and Barclays are all offering the same interests on deposits of 13.4 percent occupying the 10th position.

Also occupying the 13th, 14th, 15th, and 16th positions were Sahel Sahara 12.6 percent, HFC 12.4 percent, and Energy Bank 12.1percent while SG Bank and The Royal Bank all offers 11.0 percent. Cal Bank's average interests paid on deposits is 10.7 percent at 17th position, while FBN Ghana offers 10.4 percent, NIB 10.0 percent and GCB Bank 9.8 percent occupying 18th, 19th and 20th positions respectively. However, indigenous banks, ADB and Prudential Bank Limited and Nigerian based Zenith Bank are among the bottom four banks offering deposits rates below 9.5 percent to the general public. ADB offers 6.0 percent, Prudential Bank Limited 9.4 percent while Zenith Bank offers 8.7 percent according to the bank of Ghana. Meanwhile some customers of banks who spoke to the thebftonline.com say the figure published by the central bank does not reflect the situation on the ground. A customer who spoke us on condition of unanimity said for instance Access bank gives 3 percent as interest on deposits, Cal Bank is said to be offering 2.7 percent, Bank of Africa offers 3 percent, Fidelity 1.5 – 5 percent while customers of ADB, UMB and Barclays Bank say the interests paid on deposits varies per deposits made. *(Ghana Web)*

## Kenya

### Corporate News

**Tullow Oil will restart exploration and appraisal drilling at Kenya's prolific South Lokichar field next month where it saw an upside potential of over 1 billion barrels of recoverable oil, a senior official said on Tuesday.** "A recent 3-D survey shows additional upside potential," Tim O'Hanlon, vice president for Tullow Oil's Africa business told an oil and gas conference in Cape Town. Tullow Oil, which has its main production assets in Ghana, also has exploration acreage in Mauritania, Namibia and Zambia. O'Hanlon said in Uganda, where it had 1.7 billion barrels of oil to develop, Tullow Oil was targeting an export pipeline capable of taking 200-230,000 bpd to Tanga port in Tanzania. He said front-end engineering and design of the pipeline will start next year and a final investment decision was expected in 2018. *(Reuters)*

**Kenya's Equity Bank Group said on Thursday its pretax profit for the first nine months this year rose 18 percent to 21.5 billion shillings ($211.82 million) from 18.14 billion shillings in the same period in 2015.** The lender, the biggest in the East African country by the number of depositors, said net interest income rose to 32.3 billion shillings from the previous 25.6 billion shillings in the year-earlier period. Equity largely banks the lower-income part of the Kenyan market. It also has operations in Uganda, South Sudan, Tanzania, Rwanda and Democratic Republic of Congo. The bank had total assets of 468 billion shillings, up from 445.75 billion at the same time last year, Chief Executive Officer James Mwangi told an investor briefing. Gross loans rose to 282.9 billion shillings from 274.9 billion in the first nine months of 2015, he said. The bank's cost-to-income ratio fell to 49.2 percent from 53 percent in the same period a year ago. In August, President Uhuru Kenyatta approved an amended banking law that caps commercial lending rates and puts in place a minimum rate for banks to pay depositors. The law took effect in mid-September. Kenyan businesses complained that high commercial lending rates hobble corporate investment and many individuals say high rates put borrowing out of reach. But banks argue high rates are needed because many people default on loans. *(Reuters)*

**The KALPA pilots union at Kenya Airways on Thursday withdrew a strike notice issued last month, saying there had been progress on issues it had raised regarding the carrier's turnaround strategy.** KALPA had threatened to go on an indefinite strike and had demanded the exit of the airline's chairman and chief executive before agreeing to postpone the walkout after a new chairman of the board was appointed. Michael Joseph, a veteran telecoms executive, was chosen as chairman to replace Dennis Awori. Mbuvi Ngunze remains CEO. "Based on the progress on specific issues raised by KALPA, we are confident that these developments will positively impact on the airline's recovery efforts," the union said in a statement. Part-owned by Air France KLM, Kenya Airways sank into loss four years ago after tourism slumped following attacks by militants from the Somalia-based al Shabaab Islamist group. It has been selling assets and seeking fresh funds to dig itself out of its losses. *(Reuters)*

**Safaricom's six-month net profit has jumped to Sh23.9 billion. And for the first time, the mobile service provider said on Thursday, most of its revenue came from non-voice services. Revenue from M-Pesa, its mobile money transfer service, rose to Sh25.9 billion from** Sh19.35 billion last year. The profits were realised between April 1 and September 30, 2016. This came as the telecom firm scrapped M-Pesa and Lipa na M-Pesa fees for transactions below Sh100. Also scrapped are charges for person-to-person transfers below a similar amount. *(Nation)*

**Kenya Power and Lighting Company (KPLC) Ltd reported on Saturday full-year net pre-tax profit of 12.083 billion shillings ($119.2 million), slipping 1.4 percent on the back of rising costs linked to its growing transmission network.** Transmission and distribution expenditure rose by 18.3 percent to 28.651 billion shillings. KPLC said the company's bigger network added to operational expenses. KPLC, the sole electricity distribution company in Kenya, said the customer growth rate in a nation where many do not have mains power was 30 percent a year. It said electricity sales grew 3.6 percent to 7.385 billion units in the financial year that ended June 30. "We anticipate continued growth in electricity demand catalysed by the increased economic activities and improved business environment as our power supply network expands," the company added. The board recommended that, in addition to the interim dividend of 0.20 shillings paid after the first six months, a full and final dividend would also be paid worth 0.30 shillings. *(Reuters)*

**When Dennis Awori presided over his last event as a director of Kenya Airways, he termed the past months as a period of "painful decisions".** Among the major events that marked his brief stint as the chairman of the airline was a pilots' strike in April that cost the jobs of several top executives, and another notice that pushed him out. "I want to thank all the staff of KQ including the pilots," Mr Awori said in his short and rather emotional farewell last week, after the firm released half-year results that were a significant improvement from 2015. Huge expenses The national carrier had reported nearly Sh1 billion in profits from operations, even though its huge expenses on loans ensured the bottom line was negative. In the six months to September, its losses shrunk to Sh4.8 billion from Sh12 billion over a similar period last year. Strikingly absent from the investor briefing was Awori's successor, Michael Joseph, the former Safaricom chief executive, who reportedly sent his apologies as he was unavailable for the early morning event.

Awori, who holds several directorships at other firms, fell victim to the pilots' scheme that was endorsed by State House and to the displeasure of other directors on the board. In the interviews he gave after it became apparent he was leaving, he said his selection was only temporary after the exit of Evanson Mwaniki last year, and that the job required someone with a lot more time. But in interviews with insiders, it has become apparent that the intervention by State House in averting the pilots' strike was considered a dangerous precedent. A committee formed to listen to the pilots' demands, which were widely considered illegitimate, was sidestepped, reducing the negotiations to an informal discussion between the pilots' lobby, officials close to President Uhuru Kenyatta and Mr Joseph, but as an unwilling party. Top concern The former Safaricom boss had been a director for less than 10 days but was the only representative of KQ in the deal struck to have Awori and chief executive Mbuvi Ngunze leave the airline. Further, the strike notice was not formally withdrawn but instead deferred to a later date, pending the execution of the agreement.

A top concern among the directors is the implication of the intervention among other workers in the aviation industry. A director who talked to The Standard in confidence said air traffic controllers, who are not affiliated to any airline but are members of a union bigger than the pilots', are more critical to the operations of airports. "What happens when these critical workers manning control rooms threaten to strike?" he asked. While pilots' unions the world over are incredibly powerful and often get their demands met, the requirements laid out by the Kenya Airlines Pilots Association (Kalpa) for a change in leadership may have been excessive. Kalpa has, however, argued that forcing the change was in the pilots' best interests, as employees. Mr Ngunze is expected to vacate his position by the end of the year in an honourable exit, various insiders have said. A statement from the board is expected by the end of this week, detailing succession plans at the helm of the airline, which does not have several executives, including substantive managers in the finance, commercial and human resources departments. *(Standard Media)*

## Economic News

**Kenya's economy is expected to grow by 5.9 percent in 2016, the World Bank said on Monday, unchanged from an earlier forecast and up from actual growth of 5.6 percent last year.** The bank said growth will be driven by improved performance in the agriculture sector and tourism, and increased foreign direct investments. "This is a relatively robust performance against an average growth of 1.7 percent forecast for Sub-Saharan Africa in 2016," the multilateral lender said in its latest economic update for Kenya. The World Bank predicted that Kenya's economy will grow by 6 percent in 2017 - also unchanged from its March update - and 6.1 percent in 2018. In 2015, Kenya faced a number of challenges, including attacks blamed on Somalia's al Shabaab militants, that hit tourist arrivals and eroded foreign exchange earnings in the sector. Next year, the country will hold presidential elections, pitting incumbent President Uhuru Kenyatta against several challengers, likely to include opposition leader Raila Odinga. After the 2007 vote, the country was plunged into violence when Odinga's supporters said the election was rigged. The government forecasts Kenya's economy will grow 6 percent in calendar 2016 and by 7 percent a year in the medium term. *(Reuters)*

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**The Kenyan shilling was under pressure against the dollar on Monday and was seen easing due to increased demand from oil and commodities importers making end month payments.** At 0700 GMT, commercial banks quoted the shilling at 101.40/60 to the dollar, the same as Friday's close. *(Reuters)*

**Kenya's inflation edged up to at 6.47 percent year-on-year in October, from 6.34 percent last month, driven mostly by food prices, the statistics office said on Monday.** The Kenya National Bureau of Statistics said in a statement that on a month-on-month basis, the inflation was at 0.62 percent, compared with September's 0.34 percent. Food and non-alcoholic drinks' inflation was 0.96 percent month-on-month. *(Reuters)*

**Kenya is likely to produce 445 million kilos (kg) of tea in 2017, a 3.5 percent jump from expected output of 430 million kg this year, the agriculture industry regulator said on Wednesday.** Kenya is the world's No. 1 exporter of black tea, which is one of Kenya's top foreign exchange earners, generating 125.25 billion shillings ($1.24 billion) in revenues in 2015. Farmers have enjoyed good harvests this year, with total output projected to jump at least 10 percent, mainly due to heavy rains associated with the El Nino weather phenomenon. However, the "short rains" season, which usually starts in October, may be lower than normal in many areas due to El Nino and curb farm output, the Agricultural, Fisheries and Food Authority which regulates farming told Reuters in a statement. *(Reuters)*

**Kenya's private-sector activity grew at the slowest pace in four months in October, weighed down by softer domestic demand, a survey showed on Thursday.** The Markit CFC Stanbic Kenya Purchasing Managers' Index (PMI) stood at 52.0 last month, down from 53.5 in the September, although still above the 50.0 mark that separates growth from contraction. "Domestic demand evidently seems to have cooled off. New export orders rose at its fastest pace in six months, hence the fall in output was clearly related to conditions in the domestic market," said Jibran Qureishi, regional economist for East Africa at CFC Stanbic Bank. He said uneven rainfall around the country may subdue farm output in the months ahead, and slower private-sector growth could also curb expansion by companies. Kenya's economy expanded by 6.2 percent in the second quarter of this year, up from 5.9 percent in the same period a year ago, mainly because tourism rebounded. *(Reuters)*

**Kenya will raise its borrowing from the domestic market for the fiscal year from July to 294.6 billion shillings ($2.91 billion) from its initial target of 236. 1 billion shillings, the Treasury said.** The new amount will be equivalent to 4.1 percent of the gross domestic product, from 3.3 percent in the initial forecasts, the Treasury said in a budget review document posted on its website. The overall fiscal deficit, which was projected at 9.7 percent of GDP, would fall to 8.1 percent, while net foreign financing would be halved to 287.6 billion shillings. The ministry of finance attributed the revisions to "base effect on revenue forecast and macroeconomic assumptions". *(Reuters)*

## Malawi

### Corporate News

*No Corporate News this week*

### Economic News

*No Economic News this week*

**Mauritius**

## Corporate News

*No Corporate News this week*

## Economic News

**Business confidence in Mauritius fell in the third quarter of 2016, a survey of leading private companies showed on Monday, as the global economic environment worsened.** The quarterly index, run by the Mauritius Chamber of Commerce and Industry (MCCI), dropped 5.1 percent to 93 points in the July-September quarter. It had risen in the past three quarters. The country's economy is expected to grow 3.7 percent this year, according to Statistics Mauritius, down from an earlier forecast of 3.9 percent. Gross domestic product growth, MCCI said, was likely to slow to 3.0 percent in the third quarter of 2016 from 3.1 percent a year earlier. About 67 percent of those interviewed believed "further deterioration of the global environment was the main factor that had a negative impact on business performance in the last quarter." Most executives, the statement said, expected the harsh economic environment to continue until 2017. *(Reuters)*

## Nigeria

### Corporate News

**Nigeria's largest airline Arik Air plans to nearly double its fleet to 52 planes within 10 years and has already ordered some of them from Boeing, a source at the company said on Monday.** Most of the carrier's existing fleet are Boeing planes and the source, who did not wish to be identified, said the airline would buy most of the new planes from the U.S. planemaker. The source did not say how many had already been ordered or the value of the purchases. Privately owned Arik Air needs more planes as it aims to add international routes and increase services, including daily flights to New York, to offset a slowdown at home and bring in more hard currency. It is also seeking new investors to help it grow and has said it wants to raise up to $1 billion through a private share placement next year and a possible initial public offering (IPO). Founded a decade ago and now west Africa's biggest carrier by passenger numbers, Arik Air has appointed advisers for the share placement and potential IPO in Lagos, with a secondary listing in London. "We hope to maintain our market leadership and our growth strategy involving substantially increasing our fleet to 52 aircrafts by 2025," Managing Director Chris Ndulue said on Monday at a briefing in Lagos to mark the carrier's 10 years of operations. "We plan to ... put our footprint in Europe, Asia and Latin America and the Middle East, and this requires additional aircraft," he said.

Arik Air's home market has been hit by falling demand as a currency crisis in Africa's top economy deepens, due in part to the oil price slump. United and Iberia both stopped services to Nigeria this year and Emirates and Kenya Airways have announced plans to suspend flights to Nigeria's capital Abuja by next month. Ndulue said Arik Air would also look at various funding options from international banks despite dollar shortages and the economic recession at home, which had affected businesses. The carrier currently has a fleet of 28 aircraft, mostly Boeings but also three Airbus planes and nine Bombardier aircraft. New routes and services would help the airline generate foreign currency. Last week Arik announced plans to start daily flights to New York in the next six months, up from three times a week, and start flights to Rome and Paris within 18 to 24 months. The carrier flies mainly within western and central Africa, as well as to London and Johannesburg. A plunge in Nigeria's naira currency has ramped up the cost of importing jet fuel and hurt profit margins as many passengers pay fares in naira. *(Reuters)*

**Oando Plc monday announced a growth of 26 per cent in revenue to N330 billion for the nine months ended September 30, 2016, from N262 billion in the corresponding period of 2015**. However, the company ended the period with a loss of N35.886 billion, which is lower than the loss of N47.631 billion in the corresponding period of 2015. Commenting on the results, Group Chief Executive, Oando Plc, Mr. Wale Tinubu, said: "The third quarter witnessed the Federal Government of Nigeria establish a ceasefire with the militants responsible for production disruptions in the Niger Delta, leading to stabilised daily productions from our assets and expectations of imminent increases to our 2015 production highs of 56kbbls/day. We have also been proactive in our cost management initiative to ensure maximised value extraction for every barrel of oil produced as the global oil price still lingers below $50/bbl. We are pleased to have executed a sales and purchase agreement (SPA) with Helios Investment partners for $116 million, representing 49 per cent legal voting rights in the company's midstream business, of which the proceeds of the divestment will be utilised towards the company's debt restructuring initiative.

Our trading business has grown significantly this year having exported over 11 cargoes of crude with volumes exceeding 11mmbbls and an additional 31 cargoes of other oil based products year to date. Market analysts have said that the slump in global oil prices continues to have far-reaching implications on indigenous companies such as Oando. In Nigeria, oil companies are faced with an even more challenging environment including; production disruptions by militant activities in the Niger Delta. Oando witnessed a 22.7 per cent decrease in oil production from 53,169 boe/day in Q3, 2015 to 41,094 boe/day in Q3, 2016. Seplat Nigeria recorded a N24.1 billion loss in Q3, 2016 while Exxon Mobil reported a 38 per cent drop in quarterly profit and a three per cent fall in production as a result of production disruption by militants in the Niger Delta. *(This Day)*

**Fidelity Bank Plc has reported a profit before tax (PBT) of N9.8 billion for the nine months ended September 30, 2016, showing a decline**

**of 28.7 per cent from the N13.8 billion recorded in the corresponding period of 2015.** Similarly, profit after tax (PAT) fell from N11.445 billion to N8.753 billion. However, the bank reported gross earnings of N110.3 billion, showing a marginal increase of three per cent from N107 in the period under review. Its deposit base also grew by 3.4 per cent to N795.6 billion, from N769.6 billion. Commenting on the financial results, the Managing Director/Chief Executive Officer of the Bank, Nnamdi Okonkwo said the bank's performance was indeed reflective of the recessionary environment characterised by lower government revenues, rising inflation, lower consumer disposable income, significantly tougher operating environment in all sectors and the impact of these headwinds on asset quality and foreign trade transactions. "We continued with the disciplined execution of our medium term strategy and recorded decent growth on some key operational metrics while moderating the impact of the headwinds above on other financial indices," he said. Explaining the decline in PBT, Okonkwo said: "PBT declined largely due to "a 102.0 per cent year-on-year (YoY) growth in impairment charge (N4.0 billion) driven significantly by increased provisions made in the second quarter (Q2) and third quarter (Q3) of 2016 (N4.1 billion and N3.2 billion respectively) due to the impact of the devaluation of the local currency (naira) on our trade finance portfolio and some critical sectors affected by the weaker macroeconomic indices." He added that a 95.7 per cent (N1.3 billion) decline in dividend income on equity investments as well as a 8.9 per cent growth in operating expense were also responsible for the decline in profit. According to him, growth in operating expenses was driven essentially by increased technology and advert costs. "The interest income growth was largely driven by 25.6 per cent (N5.4 billion) growth in interest income on loans while interest income on Liquid assets increased by 13.5 per cent (N0.9 billion) for the quarter", Okonkwo said. Okonkwo noted that the bank has continued to take a very prudent view of the impact of the currency devaluation, tougher operating environment and declining consumer disposable income on selected sectors of its loan portfolio. "We are still focused on keeping our non-performing loan (NPL) ratio below 5.0 percent in this very challenging operating environment. Our other regulatory ratios (Liquidity Ratio / CAR) remained above the set thresholds, though Capital Adequacy Ratio improved from 16.4 percent in Q2 2016 to 16.8 per cent in Q3, 2016, we expect CAR to revert to 18 percent+ once we adjust for the excess non-distributable reserves (N23bn) in our 2016FY audited accounts," he said. *(This Day)*

**Access Bank Plc plans to use part of a $300 million eurobond it issued last month to help repay an existing eurobond due to mature next year, the bank said on Tuesday.** The lender issued the five-year paper with a 10.5 percent coupon last month in the face of dollar shortages owing to oil price slump which has pushed the economy into its first recession in 25 years. Reuters quoted the CEO of Access Bank, Herbert Wigwe to have said the "essence of the eurobond was to make sure that we have enough buffer and to refinance our current one maturing," he said, adding that the bank would also increase dollar lending to businesses generating hard currency. "On the pricing alone 10.5 percent looks high but if you put it in context of the background of dollar shortages then you will see that it was successful," he told analysts on a call. In addition to last month's issue, Access has a $350 million 7.25 percent bond maturing in July 2017 another $400 million with a coupon of 9.25 percent due in 2021. Wigwe said the bank was confident it would meet all obligations. Foreign correspondent banks to Nigerian lenders have been worried this year about a risk of default on their trade lines due to dollar shortages in Nigeria and as the central bank rationed its own hard currency to save its dwindling reserves. *(This Day)*

**Shareholders of Wapic Insurance Plc should expect improved returns in the current year, going by the performance of the company for the nine months ended September 30, 2016. The insurance firm announced gross written premiums of N6.406 billion, up by 13 per cent from N5.673 billion in the corresponding period of 2015.** Net underwriting income improved by 12 per cent to N3.676 billion, from N3.268 billion, while total underwriting expenses rose by 56 per cent to N1.953 billion to N3.050 billion. Net investment and other income soared by 121 per cent from N1.488 billion to N3.282 billion, while profit before tax jumped by 1,293 per cent from N108 million to N1.508 billion in 2016. Commenting on the results Managing Director of Wapic Insurance Plc, Yinka Adekoya, said: "Despite the macro-economic headwinds constraining growth in Nigeria and the policy challenges within both Nigeria and Ghana, we recorded N6.4 billion in Q3 2016 group gross premiums, a 13 per cent growth from Q3 2015. Our pre-tax profits also soared by 1293 per cent over the corresponding period of 2015. We remain focused on deepening our retail distribution, improving operational efficiencies and projecting the Wapic brand in order to achieve our stated goal of regional leadership in the insurance sector." Giving more highlights of the company's performance during the review period, he said the N2.1 billion paid out in claims, a 111 per cent increase in payout experience as against Q3 2015.

He added that the company got AM Best financial strength rating (FSR) of B- and issuer credit rating (ICR) of bb-, while it established a global depositary receipts(GDR) programme with Bank of New York Mellon as depositary bank, offering enhanced access to global capital markets and a measure of currency stability for shareholders. Meanwhile, the equities market rebounded yesterday with the Nigerian Stock Exchange (NSE) All Share Index (ASI) gaining 0.12 per cent to close at 27,252.48. Similarly, market capitalisation added N11.1 billion to close at N9.4 trillion. Performance in the market was mainly driven by bargain hunting in Tier-1 banks – Guaranty Trust Bank Plc (+1.3 per cent) and Zenith Bank Plc (+0.8 per cent). The performance was also bolstered by strong buy sentiment in Okomu Oil Palm Plc following investors' reactions to its impressive nine months results. *(This Day)*

**Riding on strength of its huge assets base and franchise, FBN Holdings Plc remained on the stable path for the nine months ending September 30, 2016, despite the macroeconomic headwinds, writes Goddy Egene.** The stock market was last week awash with financial results for the nine months ended September 30, 2016. FBN Holdings Plc was among the companies that submitted their results. In line with expectations of that the challenging operating environment would impact negatively on most companies, some recorded outright losses, while others ended the period with improved bottom-lines. Although FBN Holdings recorded a marginal decline in profit before tax (PBT), it recorded growth in revenue, indicating stability in its performance. FBN Holdings posted gross earnings of N417.3 billion, up by 7.0 per cent from N390 billion in 2015. Net-interest income improved by 5.2percent to N202.9 billion, from N192.9 billion in 2015, driven by a 38.4 per cent reduction in interest expense on customers' deposits to N56.7 billion. Non-interest income increased by 56.5 per cent to N131.0 billion, up from N83.7 billion. The increase in non-interest income was driven largely by the foreign exchange translation gain as well as fees and commission income. Foreign exchange income in the period increased to N68.4 billion, from N22.5 billion. However, net impairment charge on credit losses came up to N114.7 billion, up from N46.6 billion, resulting from incremental provisions from oil and gas sector. Other sectors include construction, transport, general commerce and information services sectors. Consequently, cost of risk increased to 6.9 per cent as against 3.0 per cent), while Non-performing loan (NPL) ratio increased to 24.9 per cent, largely driven by the translation effect of the Naira devaluation. As a result, the company ended the period with a profit after tax of N42.5 billion, showing a decrease of 15 per cent from N50.2 billion in 2015.

Commenting on the results, the Group Managing Director of FBN Holdings Plc, UK Eke said: "FBN Holdings' performance has again demonstrated its underlying resilience despite the ongoing macroeconomic and business challenges with gross earnings and profit before tax closing at N417.3 billion and N57.5 billion respectively. This has been achieved through sustained revenue generation as well as increased cost efficiencies. Although the current currency weakness is a challenge for our remedial process, we are steadfastly progressing on improving the overall risk management culture, governance and technology as well as the degree of compliance across the group. The Group remains committed to ensuring sustained improvement in our performance with a view to restoring shareholder value." A further analysis of the results showed that operating expenses declined by 5.1 per cent to N161.8 billion, from N170.4 billion following broad range declines in: advert and corporate promotions, operational and other losses, maintenance, and regulatory cost. The decline in operating expenses was, however, largely offset by staff costs (+4.6%, N2.9 billion) to N65.4 billion and to a lesser extent a 46.9 per cent increase in net insurance claims to N2.9 billion following the crystalisation of some operational risks in the ordinary course of business. "Taking into consideration the current high inflation environment, a 5.1 per cent overall reduction in operating expenses is a testament to our commitment to drive cost efficiencies and instill operational excellence across our businesses," the bank said.

Following strong operating income growth and a sustained decline in operating expenses, FBN Holdings cost-to-income ratio improved to 48.4 per cent, from 61.6 per cent. "We remain steadfast in achieving further efficiency gains as we consolidate our two-pronged objectives of efficiency and revenue optimisation. We have realised the current improvement largely by entrenching budget discipline, deployment of shared services framework, staff rationalisation and other cost containment measures of the Group. There is scope for further progress as we continue to push ahead with a clear operational efficiency program including implementation of the enterprise resource planning/risk management project," the bank explained. The major jump in then net impairment charge on credit losses from N46.6 billion to N114.7 billion resulted from incremental provisions from oil and gas sector. Other sectors include construction, transport, general commerce and information services sectors. Consequently, Cost of risk increased to 6.9 per cent from 3.0 per cent), while NPL ratio increased to 24.9 per cent, largely driven by the translation effect of the Naira devaluation. According to the bank, it remains focused on remediation and recovery activities towards declassifying non-performing accounts and driving asset quality improvements. FBN Holdings total customer deposits rose by 10.9 per cent to N3.3 trillion, up from N2.97 trillion). The bank said it is focusing on ensuring an appropriate deposit mix at the optimum price. "Low-cost deposits now represent 69.1 per cent of the group's total deposits, up from 67.3 per cent as at December 2015. Deposit growth was essentially driven by a 41.8 per cent and a 9.4 per cent increase in domiciliary and savings deposits respectively," it said. Demonstrating the strength of its franchise and ability to continually attract a well-diversified and sustainable funding base, retail banking deposits within FirstBank (Nigeria) remain strong at 69.5 per cent of total deposits, up from 67.7 per cent as at December 31, 2015 as deposits in other business lines grew stronger.

Similarly, the bank's total and advances to customers (net) increased by 21.6 per cent to N2.2 trillion, from N1.82 trillion as at December 2015. However, the loan growth was driven largely by the translation effect of the Naira devaluation. "Due to the impact of the currency devaluation, foreign currency (FCY) loans, as at nine months 2016 now constitute 51.8 per cent of the loan portfolio as against 44.7 per cent as at December 2015. The oil and gas sector accounts for 43.1 per cent of the loan portfolio with oil upstream accounting for 21.9 per cent, while downstream and services are 13.9 per cent and 7.3 per cent respectively," the bank said. FBN Holdings said concerted efforts are being made on reducing the FCY net portfolio in dollar terms. "The matured foreign currency forwards reduced some of the FCY exposure. In dollar terms, the foreign currency net loans portfolio in First Bank (Nigeria) declined by about $319 million. We are also focusing on converting some of the FCY exposures, to curtail the technical growth and its attendant impact of the loan portfolio. A total of $85 million have been converted to Naira. Our priorities remain non-oil trades, short-cycle and self-liquidating transactions with preference in the retail and consumer lending sector in order to optimise portfolio mix, enhance portfolio yield, improve asset quality and enhance capital," the bank said. FBN Holdings total assets increased by 21.6 per cent to N5.1 trillion, up from N4.2 trillion driven by: increase in loans to banks and customers as well as growth in investment securities. Loans to banks and customers grew by 69.0 per cent and 21.6 per cent to N652.0 billion and N2.2 trillion respectively, while investment securities were up by 25.9 per cent to N1.2 trillion, up from N970.2 billion as at December 31, 2015. Total interest earning assets grew by 28.6 per cent to N4.1 trillion from N3.2 trillion, representing 80.6 per cent of total assets, compared with 76.2 per cent as at December 31, 2015. *(This Day)*

## Economic News

**Nigeria spent only a little more than half its budget for 2016 through September, even though the year is three-quarters over, the budget ministry said on Friday.** However, the ministry also said it had faced "unanticipated revenue shortfalls". It did not give details on the shortfalls. At the end of September, the ministry said, 3.6 trillion naira ($11.82 billion) of this year's 6.06 trillion naira budget had been spent. Of that, 754 billion naira went for capital expenditures to help drag Africa's biggest economy out of recession, exceeding 2015 levels, the ministry said in a statement. Debt service has been met on schedule, it said, adding that 1.14 trillion naira had been spent on domestic and foreign debt. The ministry gave no figures for revenue, but it said the unspecified shortfalls were caused by militant attacks on oil facilities, which temporarily cut output by more than half. The West African nation has seen oil revenues slump, eroding public finances and its currency. The government has been seeking to fund a 2016 deficit of 2.2 trillion naira from foreign and domestic debt. So far, only a $1 billion loan from the African Development Bank has been confirmed. Nigeria is currently trying to sell Eurobonds worth $1 billion, for which it has received commitments worth $500 million, its finance minister said on Thursday. *(Reuters)*

**Nigeria's external reserves diminished by 2.8 per cent in one month to $23.948 billion as at October 27, 2016, compared with the $24.615 billion it was as at September 27, 2016.** The latest external reserves position released by the Central Bank of Nigeria (CBN) showed that the reserves derived mostly from the proceeds of crude oil sales fell by $667 million in the last one month, as the country's earnings continued to shrink. From N510.270 billion shared by the three tiers of government for August allocations, the sum of N420 billion was approved for sharing at the Federation Account Allocation Committee (FAAC) meeting in Abuja recently, indicating a decline of N90.2 billion. The Permanent Secretary, Federal Ministry of Finance, Dr. Mahmoud Isa-Dutse had stated that there was a decrease of oil for export in the month of June by 1.15 million barrels due to attacks on oil assets. President Muhammadu Buhari last week wrote the National Assembly seeking approval to borrow $29.96 billion under the External Borrowing (Rolling) Plan to address the infrastructure deficit in the health, education, water resources and other sectors. The president's letter, which was read at plenary by the Speaker of the House of Representatives, Yakubu Dogara, indicated that the $29.96 billion would be for proposed projects and programmes loan of $11.274 billion, $10.686 billion for special national infrastructure projects, Eurobonds of $4.5 billion, and federal government budget support of $3.5 billion. *(This Day)*

**The African Development Bank's board approved a $600 million loan for Nigeria on Wednesday aimed at helping Africa's largest economy plug its budget deficit as it grapples with its first recession in more than 20 years, a senior bank official said.** The loan is the first tranche of a total $1 billion budget support package. The second disbursement of $400 million is dependent upon the implementation of reforms, the bank's Nigeria country director Ousmane Dore said. Dore said one of the main triggers for the release of the remaining tranche will be when the government spells out its plan for overcoming its current economic challenges. "The economic recovery plan that the government is working on must be a package of comprehensive reforms, including even exchange rate policy, the consistency with regards to the monetary policy and structural reforms," he said. If it meets the bank's reform requirements, the tranche is expected to be approved by the board early next year. Nigeria's economy has been shrinking largely as a result of a plunge in oil prices since mid-2014. Attacks on energy facilities in the Niger Delta have also cut crude production by around a third since the start of the year. The bank noted that oil generates around 70 percent of Nigerian government revenues. The drop in prices has left Nigeria struggling to fund a record 6.06 trillion naira ($20 billion) 2016 budget that aims to stimulate growth by tripling capital expenditure. *(Reuters)*

**The European Union (EU) Wednesday disclosed that it had committed a total of €700 million grant to support Nigeria's power sector between 2014 and 2020.** The Ambassador/Head of Delegation of the EU to Nigeria and the Economic Community of West African States (ECOWAS), Mr. Michel Arrion, disclosed this at a media briefing in Lagos, ahead of the fifth EU-Nigeria Business Forum (EUNBF) schedule to hold in Lagos next week. Arrion said between 2008 and 2013, under a programme he termed the 10th European Development Fund, the global envelop of grant earmarked by the EU for Nigeria between 2008 and 2013 was about €750 million. But he explained that for the period, 2014 and 2020, the amount for Nigeria was reduced to about €512 million, adding that an additional financial instruments of about €200 million was also created. He said the fund was expected to help improve power situation in Nigeria. "So, on the average, you can consider that we are spending €700 million in the period in six years. So, we are talking about €100 million per year. Energy is really a perquisite for any kind of development. You cannot develop health without energy; you cannot develop water and sanitation with energy. You cannot develop infrastructure in general, and of course it is also going to affect your trade. "We believe that lack of energy is probably the major hurdle to the economic development of Nigeria and that is certainly a sector where the EU would intervene efficiently in Nigeria in the coming years. But EU alone would not be able to fix the problems in the energy sector in Nigeria. "It is primarily for Nigeria to fix the country's problems. But we can support the authorities. We believe that it is not only the public sector that can fix the problem, what we need is more private investments and more partnership between public and private companies. The missing element to fixing the problems in the energy sector is obviously the access to finance," the EU official said.

According to Arrion, the EUNBF, would also focus on the diversification of the economy. He stressed that Nigeria's comparative advantage is in the agriculture sector. "As you know, Nigerian farmers are producing a lot of agricultural products. But a lot of that is just subsistence farming, nothing is processed, nothing is transformed and no added value in the process. So, we believe a lot of diversification needs to take place, of course not taking away subsistence farming," he added. Responding to a question on the outcomes of the previous EUNBF, he said at previous discussions, it was a general consensus that Nigeria has great potential. "But what is really missing is good governance and good management. Nigeria has enough land, enough labour to produce to substitute importation. But bureaucracy, bad governance are preventing people from doing more. The establishment of the Presidential Committee of the Ease of Doing Business by Nigeria is a very good thing. "It is good to create a committee, but there have to be practical recommendations. If you need 14 stamps to have access to land, you will never want to invest in Edo or Ondo states to produce more Palm oil. I know those people, they are European investors, they would rather go to Cameroun or Liberia. "Today, they are investing in Cote d'Ivoire. Why are they investing in Cote d'Ivoire and not in Nigeria? Perhaps the Ease of Doing Business in that country is a bit better than Nigeria. Nigeria is just one country in the world, so if you want to attract foreign investors, you have to be better," he added. Arrion was joined at the briefing by the EU Head of Trade and Economics Section, Filippo Amato. *(This Day)*

**Nigeria's Senate dealt an unexpected blow to President Muhammadu Buhari on Tuesday by rejecting his plan to borrow $30 billion abroad for infrastructure projects and budget support until 2018.** Senators threw out the plan, introduced last week, without debate. When a surprised Senate President Bukola Saraki held a second vote, most senators shouted again "Nay". Buhari's borrowing plans had included the sale of Eurobonds worth $4.5 billion and planned budget support of $3.5 billion. The shock vote undermines the president's authority as he tries to lift the OPEC country out of its first recession in more than 20 years, triggered by low global oil prices. Crude oil sales account for about two-thirds of government revenue. Some lawmakers, including from Buhari's ruling All Progressives Congress (APC), have objected to government plans to sell oil and other assets to raise badly needed hard currency. Buhari had already sent a draft budget for 2017 to parliament for approval, detailing plans to spend a record 6.866 trillion naira ($22.55 billion). The planned spending is up from this year's 6.06 trillion naira budget and seeks to stimulate growth by funding infrastructure development to increase manufacturing, create jobs and reduce costly imports. The government has held talks for months with the World Bank, China and other institutions to fund a 2016 budget deficit of 2.2 trillion naira but so far only the African Development Bank has publicly confirmed a planned loan of $1 billion. Nigeria also wants to sell $1 billion in Eurobonds by the end of the year. *(Reuters)*

**The Manufacturing Purchasing Manager's Index (PMI) stood at 44.1 index points in October 2016, compared with the 42.5 recorded the preceding month.** The Central Bank of Nigeria (CBN), which disclosed this in the PMI report for October posted on its website yesterday, said the current position of the PMI indicated a slowing decline in the manufacturing sector during the review period. According to the report, 14 of the 16 sub-sectors surveyed recorded declines in the review month in the following order: electrical equipment; primary metal; fabricated metal products; petroleum & coal products; transportation equipment; computer & electronic products; printing & related support activities; nonmetallic mineral products; plastics & rubber products; furniture & related products; paper products; textile, apparel, leather & footwear; cement and chemical & pharmaceutical products. The remaining two sub-sectors grew in the order: appliances & components and food, beverage & tobacco products. Also, it showed that at 42.3 index points, the production level index for manufacturing sector declined for the 10th consecutive month, but at a slower rate than the index recorded in September 2016. In the same vein, 13 manufacturing sub-sectors recorded declining production level during the review month in the following order: transportation equipment; petroleum & coal products; electrical equipment; primary metal; computer & electronic products; fabricated metal products; plastics & rubber products; furniture & related products; nonmetallic mineral products; printing & related support activities; paper products; textile, apparel, leather & footwear and chemical & pharmaceutical products. The appliances & components and cement sub-sectors remained unchanged, while the food, beverage & tobacco products sub-sector grew in the review period. Meanwhile, the naira appreciated to N465 to the dollar on the parallel market as was predicted last week. But on the interbank FX market, the spot rate of the naira closed at N304.75 to the dollar. *(This Day)*

**Nigeria has signed agreements to add more than 500 megawatts of capacity to its national grid, the office of the vice president said on Thursday.** Africa's most populous nation produces less than 4,000 megawatts (MW) but requires around 10 times that amount to guarantee power for its 180 million inhabitants. Chronic power shortages have hindered the country's development for decades and are one of the biggest constraints on investment and growth in Africa's largest economy, which is in recession for the first time in more than 20 years. The vice president's office said a number of agreements had been signed including ones with the World Bank and Niger Delta Power Holding Company (NDPHC). "Vice President Yemi Osinbajo at the signing ceremony described the agreements as significant, enabling the consistent additional generation of more than 500 MW of electricity to the national grid," said his spokesman He suggested that the West African country could potentially attract investment into the power sector. Osinbajo's office said Nigerian gas supplier Seven Energy was investing around $500 million in the construction of a gas processing facility at the Uquo Field in the southern state of Akwa Ibom. And a Partial Risk

Guarantee between the World Bank and NDPHC was signed to secure the supply of some 130 million cubic feet per day of gas to a power plant in the southern city of Calabar by Seven Energy. The agreement covers private debt in the event of a government's failure to meet specific obligations to a project. *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT

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



## Tanzania

### Corporate News

**TANZANIA Breweries Limited (TBL) Group has embarked on using solar power for industrial production that assures reliable and cost efficient energy.** The initiative started with installation of solar panels and other accessories at Mbeya beer production plant which paved the way for the industry using solar power at the tune of 138 kilowatts. "Going solar is a huge step for us," said TBL Group Company's Technical Director Gavin Van Wijk. "It is something we have been working toward for a number of years and has become the first beer production facility in East Africa Region to go solar. We are proud to be able to say our facility is making a contribution to easing the country's energy problems," He said the technology was advanced in Germany, with the capacity to suffice 30 per cent of the required energy at the plant. "At the moment, some 420 solar panels have already been installed to mark end of phase one of the project. This was initial production level which before end of next year, more solar panels will be added to bring to 700 kilowatts the total energy required for a full-swing production level away from the current supply solely from the national power grid " he said. He said Mbeya was an ideal location for solar energy production due to long hours of sunshine and dry spells. He said the application of solar energy would be extended to other production units located in different parts of the country. *(Daily News)*

**CRDB bank and Tanzania Breweries Limited (TBL) dominated the market share at the Dar es Salaam Stock Exchange last week after commanding about 96.24 per cent.** CRDB Bank has continued to record positive share trading at the bourse despite posting nearly 2bn/- loss on the quarter ended September this year. TBL on the other hand, also listed on the DSE continued to register strong share trading backed by an outstanding performance on its financial statement unveiled during the company's Annual General Meeting held last week in Dar es Salaam. According to the DSE weekly report, the brewer's positive performance impacted on the Industrial and Allied sector index after increasing by 26 points largely due to TBL's price appreciation by 0.76 per cent. The share prices of other local listed companies remained almost the same as it was in the previous week making the indexes of banking, service and industrial sectors unchanged. Total market capitalisation increased by one percent, closing the week at 21.8tri/- from 21.6tri/- of the preceding period. Domestic market capitalisation also increased by 0.4 percent, closing the week at 8.19tri/- from 8.16tri/- of the other week. *(Daily News)*

### Economic News

**TANZANIA has the lowest mobile data cost in Africa as it reaps the benefits of the rollout of 4G LTE network by state-owned TTCL and intense competition from numerous operators.** According to ICT Africa report released recently as #DataMustFall campaign gains traction in the region, Tanzania has the cheapest rate for one gig at 0.89 US dollars in comparison to South Africa which is priced at 5.26 US dollars. Other large markets such as Egypt, Kenya and Nigeria have higher data prices than Tanzania the report says, showing the cost of 1GB of mobile data in Kenya is 5.0 US dollars, Egypy 2.8 US dollars, Nigeria 5.26 US dollars and Malawi 5.8 US dollars. There is a strong relationship between the prices charged in the relevant countries for data and the profitability of the companies, the report said. Commenting, a telkom expert, Mr Kamugisha Kazaura, said the low cost of mobile data was due to the rollout of high speed data network through 4G LTE technology by state-owned telecommunication company, TTCL and intense competition from major service providers. "Comparatively we have the lowest cost in the region… "TTCL came with very affordable prices after launching the 4G LTE network last year which forced other providers to lower theirs," Mr Kazaura, former TTCL Chief Executive Officer, told the 'Daily News' in an interview. He said competition from other major mobile data operators had contributed to lower prices of mobile data in the country.

"We enjoy price advantage due to intense competition," he said, adding, however, that the potential for further growth was high because of low service penetration. The market has a great potential for growth as internet penetration is hardly 20 per cent while global average is between 45 to 50 per cent providing huge opportunities for operators to upgrade and reach more areas, he said. "The opportunities in the market are still immense," he said. According to internet usage statistics for Africa provided by Internet World Stats, internet users in

Tanzania are estimated to reach 7,590,794 as at 30 of June, this year, which is equivalent of 14.5 per cent of the total population. *(Daily News)*

**THE quest to raise 138.46bn/- through seven years treasury bonds was unmet after attracting bids worth 69.57bn/- only.** The government through the Bank of Tanzania (BoT) sold the fourth seven-year bond this year that was greeted by low appetite from investors. According to the NMB e-market report, the seven year Treasury bond auction was undersubscribed today by 68bn/- showing low appetite which offers weighted average yield of 17.9 per cent. Only 31.7bn/- bids were successful. Investors are set to enjoy at maturity an interest or weighted average yield to maturity of 17.92 per cent compared to 17.91 per cent offered in the seven years bond auctioned in August this year. Also investors will enjoy the weighted average coupon yield 14.53 per cent, which is up from 14.52 per cent offered in the preceding 7-year bond auctioned two months ago. Some of the key local investors in the long term government paper are commercial banks, insurance companies, pension funds and some microfinance institutions. Proceeds from the bond, would be used to finance infrastructure projects and settle some maturing debts. The minimum successful price/100 declined to 67.41 compared to 68.00 of the preceding seven years debt instrument. Similarly, the weighted average price for successful bids increased slightly to 69.37 compared to 69.39 of the other session. Also the highest bid/100 for the long term government paper jumped to 76.45 compared to only 72.50 of the session that expired on August this year. The lowest bid/100 was 64.63 compared to 59.60 of the previous session. A total of 72 bids were received but only 32 emerged successful. *(Daily News)*

**Tanzania's government has set an economic growth target of 7.5 percent in 2017, compared to an estimate of 7.2 percent this year, and plans to hike spending in the 2017/18 fiscal year by 11.5 percent to 32.9 trillion shillings ($15.1 billion).** The Tanzanian economy grew 7 percent last year, driven by transport, construction, communications and financial sectors. Africa's fourth-largest gold producer has vast deposits of natural gas, coal, diamonds, uranium and gemstones. But 70 percent of the population rely on agriculture for a living and many have not benefitted from Tanzania's rapid economic growth. "The macroeconomic objectives of the government ... are to attain gross domestic product growth (GDP) of 7.5 percent in 2017, followed by 7.9 percent in 2018," Finance and Planning Minister Philip Mpango said in a presentation to parliament seen by Reuters on Wednesday. Mpango said the government was targeting a fiscal deficit, including grants, of not more than 4.5 percent of GDP in the medium term. Domestic revenues in 2017/17 fiscal year were expected to climb to 32.9 trillion shillings, up from 29.54 trillion shillings in 2016/17, he said. Government spending over the next fiscal year will focus on infrastructure projects, education, health and water projects, Mpango said. "The government expects to borrow $900 million from external commercial sources and 4.434 trillion shillings from domestic sources," he said. *(Reuters)*

**THE tourism sector in Zanzibar is booming with increased number of arrivals which puts the Indian Ocean archipelago on track to meet Vision 2020 growth targets.** According to the Zanzibar Association of Tourism Investors (ZATI), tourists arrivals for half of 2016 had already exceed the number of arrivals recorded for the whole of 2015. "We are on track for meeting the Vision 2020 target of reaching 500,000 tourists per year. What counts now is making sure that the Government listens to the private sector," ZATI Chairman, Seif Miskry said in a statement. He said there is a challenge for Zanzibar to remain competitive in the demanding tourism market by improving quality and address problems associated with taxation in the industry. "We have to work together with the government to succeed in this goal," he noted in a press statement issued yesterday. He applauded the recently concluded ZATI Tourism conference in Stone Town which attendees from both the private and public sector tourism stakeholder said it was a great success. "The public sector and private sector went through a number of subjects, mostly concerned with the ease of doing business in Zanzibar, and now ZATI has a list of advocacy issues with which to follow up with the public sector over the next 12 months, on behalf of its members. ZATI's role is to represent the needs and interests of its membership to the public sector and so it is a key part of this is to bring the Government and the private sector together regularly. We have had such a good response from both sides, I am sure we will be repeating this event."

He said the purpose of the conference was to re-launch a fresh new-look ZATI to coincide with the appointment of the new board, together with the publication of a new Zanzibar brochure, and bring together the tourism private sector for information sharing and discussions with the Zanzibar Government representatives on aspects of the tourism industry in Zanzibar and open up subjects for future dialogue. There were 120 people attending from the private sector, including large and small hotels, tour operators, airlines and local businesses - both new and longterm investors, and both foreign and local investors. He said the tourism sector of Zanzibar is one of the key areas driving towards Vision 2020 and Poverty Eradication. Tourism contributes more than 80 per cent foreign exchange in Zanzibar and provides the highest private sector employment. It enriches many of other industries including transport, communications, fisheries, farming, building, technology, and trading. *(Daily News)*

**The extended broad money supply declined to 4.7 per cent in August compared to 6.7 per cent in July, the Bank of Tanzania (BoT) monthly economic review for September has stated.** The growth is much lower in the month under review compared to 17.8 percent in the corresponding period 2015. The slower growth was mainly a result of a contraction of net foreign assets (NFA) of the banking system and a deceleration in growth of domestic credit. The NFA of the banking system contracted by 10.9 percent compared with an increase of 33.1 percent in August 2015, resulting from decrease in net foreign exchange holdings by banks, owing to increase in foreign borrowing and decline in deposits and short-term placement abroad. In addition, the slower growth in holdings of foreign exchange by the BoT contributed to the fall in NFA, mostly following a decline in budgetary foreign exchange inflows. During the period under review, net credit to government grew by 5.9 percent on year-to-year basis, lower than 19.8 percent in the corresponding period in 2015. This was largely driven by a decrease in the BoT's advances to the government, as well as a strong build-up of government deposits at the Bank following improvement in revenue collection.

These more than offset the impact of government borrowing from banks through issuance of debt securities, treasury bills and bonds. The credit to the private sector by banks grew at an annual rate of 13.8 percent, lower than 24.1 percent registered in the corresponding period in 2015. The slower growth was attributed to a more cautious lending approach adopted by banks as part of their risk mitigation measures in an attempt to adjust to government actions of streamlining fiscal operations. Reflecting on these developments, most of the major economic activities recorded a slower growth of bank credit. The growth of loans granted to individuals or personal loans and trade increased, albeit slightly, while growth was lower in agriculture and transport and communication. Declines were registered in manufacturing, building and construction. *(Daily News)*

## Zambia

### Corporate News

*No Corporate News This Week*

### Economic News

**Zambia's economy should grow by 3 percent this year, largely unchanged from last year as electricity shortages and subdued private sector investment weigh, the International Monetary Fund (IMF) said on Tuesday.** The IMF Mission Chief to Zambia Tsidi Tsikata said resolute policy action such as the removal of fuel and electricity subsidies could help Zambia overcome its economic challenges. "These measures, if coupled with structural reforms to reduce inefficiencies and increase capacity utilisation in the energy sector would go a long way towards increasing Zambia's growth potential," Tsikata told journalists. *(Reuters)*

## Zimbabwe

### Corporate News

**CBZ Holdings Limited is planning to spread its insurance business to five Sadc countries next year, as part of its global reach strategy.** In 2014, the bank adopted a new vision for the company, which was "the preferred provider of financial solutions in Zimbabwe, with a global reach". The strategy to enter into regional countries comes after extensive research by the bank showed opportunities in insurance. CBZ Holdings group CEO, Never Nyemudzo told NewsDay on Tuesday that insurance was less costly compared to banking and asset management. "We carried out detailed research in Sadc countries, in Zambia, Malawi, Botswana, Namibia and Mozambique. As we speak, there are a number of opportunities from banking, insurance to asset management that are before us for consideration. There is also a need to conduct due diligence so that we can understand the risk we require," he said. "So there are two options for us, we can either set a green field project or we can get there and partner up with those who have already been in that environment. Our starting point is our insurance businesses. We have got our insurance businesses in front and it is from our insurance businesses that we can then hook on other issues."
Nyemudzo could not be drawn into revealing how much they would invest, fearing competition from rivals. Opportunities in insurance come as a result of the continuing decline of commodity prices largely felt in Southern African countries. As such, investors would want to move into money markets that offer the second best stable investment climate with insurance being chief among them.

The Reserve Bank of Zimbabwe and market researcher MMC Capital placed the group's banking division as having the largest capital and deposit base in the country. According to the central bank, CBZ Bank had a core capital of $212,72 million as at June 30 this year. "CBZ has grown to be the leading player in most of the sectors we operate in. In the banking sector we are in pole position, in asset management and properties we are third. This means that our track record locally is very solid and our financial strength is very solid. It is this understanding and realisation that we have established ourselves so strongly locally that we believe this is a strong launch pad for us to start looking beyond the borders of Zimbabwe, which can carry us outside," he said. Nyemudzo said CBZ Holdings would also want to promote earnings diversity and stability, with the non-banking subsidiaries contributing 20% versus 80% from the banking units. He said, "to achieve this, entering into new markets becomes one of the key initiatives". Insurance has contributed to the CBZ group's consolidated balance sheet standing at above $2 billion to date. *(News Day)*

**Zimbabwe's largest telecommunications company, Econet Wireless, has reported a 37 percent decline in after-tax profit in the half year ended 31 August 2016, as revenues continue to decrease in a worsening economy.** In results released on Monday, Econet said its profit after tax for the half year was $14.97 million, down from $23.8 million in the same period last year. "Profitability was affected by the decline in revenues as a result of the difficult economic environment. We have therefore, continued to focus on cost reduction in order to protect margins and profitability," the company said in its results statement. First half revenue was $301.5 million, 6.7 percent lower than the from $323 million in the prior year. Earnings before interest, tax, depreciation and amortisation (EBITDA), at $105.9 million was 13.6 percent lower than in the first half of the previous financial year. Econet's flagship cellular network operations contributed 42 percent (51 percent in 2015) to net profit in the first half, lower than the group's 'other' business segments — financial services, insurance, beverages and investments — which accounted for 57 percent (46 percent in 2015) of total net profit. This was on the back of positive contributions by data revenue, up 10.5 percent to $58 million, and mobile money service EcoCash, whose revenue jumped 13.6 percent to $39.2 million in the period under review. Finance costs decreased by 28 percent to $15 million in comparison to the prior year. Total assets stood at $1,190 billion from $1,196 billion as at 29 February 2016. The company's wholly-owned subsidiary, Steward Bank, also reported profit was 38 percent up to $2.6 million.

The company's number of connected subscribers went up by 9 percent to 10 million. Econet closed the first half in a robust cash position, with $143 million in the bank, but the company bemoaned the ongoing cash crisis in the economy. "Although the cash position continues to be healthy, the nostro funding constraints being experienced by all local banks have adversely affected our ability to meet US dollar denominated commitments on time," Econet said. The company, which spends 23 cents of every dollar it collects as revenue in VAT, excise duty and licence fee payments in addition to corporate tax, duty and levies to various statutory bodies, says it has paid a cumulative $1.2 billion to government and these statutory organisations since 2009, when the country dollarised. Meanwhile, Econet has been granted permission to defer its annual general meeting (AGM) to January 2017. The AGM, supposed to be held six months after the firm's February 29, 2016 year-end, was initially scheduled for July, but the Registrar of Companies has allowed the firm to push it to January, on a date yet to be finalised. *(The Source)*

**The recent surge in the share price of the multiple-listed Old Mutual on the Zimbabwe Stock Exchange (ZSE), where it is now trading at a 32 percent price premium, could possibly point to how the market could price a soon-to-be introduced local currency in Zimbabwe.** Old Mutual has a primary listing on the London Stock Exchange (LSE) and secondary listings in South Africa (on the Johannesburg Securities Exchange – JSE), Malawi Stock Exchange (MSE), Namibian Stock Exchange (NSX) and Zimbabwe. In Zimbabwe, the stock enjoys fungibility status, which allows the trade of shares on the Zimbabwe register in the other markets. In June, the Reserve Bank of Zimbabwe increased the fungibility limit of Old Mutual shares from 40 percent to 49 percent. At the height of Zimbabwe's hyperinflation, which ended in 2009 when the country dollarised, the bulk of transactions between the fast-devaluing Zimbabwe dollar and other currencies, primarily the US dollar, were calculated using an Old Mutual Implied Rate. This market-driven rate used the price of the Old Mutual share on the LSE against the corresponding price on the ZSE. Amid Zimbabwe's worsening banknote shortage, the US dollar itself has two different values — physical dollars are trading at as much as a 20 percent premium on electronic transfers. Zimbabwe says it will introduce a 'surrogate currency' — bond notes it says are backed by a $200 million AfreximBank facility — in a bid to promote imports and ease dollar shortages largely blamed on a gaping trade gap and the smuggling of US dollar notes from the country.

The bond notes will trade at par with the US dollar, the central bank has said, although analysts are skeptical that the local currency will hold its value against pressure from an economy that's short on confidence and hugely dependent on imports. The impending introduction of the local currency has brought memories of the recent past, when the central bank kept the printing press running to fund a government deficit, in the process leading to the first, and to date only, episode of hyperinflation in the 21st century. Old Mutual closed at 322.32 cents on the ZSE on Monday, while trading at 245.77 cents and 245.86 cents on the LSE and JSE, respectively, during the day. This discrepancy of a cross listed share gives room for the simultaneous buying and selling of the shares, in different markets in order to take advantage of differing prices for the same share. For instance on Friday one would buy the Old Mutual share from the LSE and sell it 32.82 percent higher on the ZSE and likewise one would buy it on the JSE and sell it 30.35 percent higher at the ZSE, hence the arbitrage opportunity. In the past 3 months, Old Mutual (ZSE) started to trade above other Old Mutual shares listed on the LSE and JSE starting from 14 September (according to the prevailing exchange rate) when it traded at 270 cents relative to 231.42 cents on LSE and 266.86 cents on JSE. Going forward it continued to trade higher on ZSE relative to other exchanges, especially in the month of October as depicted on the chart. Some analysts have, however, cautioned against reading too much into a correlation between the Old Mutual price rally and the imminent currency move.

They attribute the higher price to the current bullish performance of the ZSE, saying there is high demand for Old Mutual's quality shares against low supply, which, based on market fundamentals, would lead to a higher price. This is also because the company's financial performance is impressive relative to other counters that are listed on the local bourse. Further, higher transaction costs on the ZSE, compared to the other exchanges, could also account for the price premium, the analysts say. *(The Source)*

**Steward Bank has reported a 37 percent jump in net profit for the six months to August 31, 2016, buoyed by non-funded income after its aggressive tilt to transactional banking and consolidating profitability after snapping a run of losses in the last financial year.** The bank, wholly owned by Econet Wireless Zimbabwe Limited, saw its after-tax profit reaching $2,6 million in the six months, up from $1,9 million. Steward brooked a tough operating environment to register a 19 percent jump in net operating income to $13,9 million, while pre-tax profit was 64 percent up to $4,3 million. As a result of the bank's transactional banking strategy, non-funded income — bank charges and fees — grew by 44 percent due increased customer transactions and agent banking. There has been an upswing in the use of plastic and mobile money amid a pervasive bank note shortage which intensified at the beginning of the year. Steward Bank reported a 320 percent surge in depositors, with 120,000 new accounts opened during the period under review. "I attribute the growth to our bold strategy to pursue a new banking model anchored on transactional banking and a seamless integration with the EcoCash mobile money platform as central pillar", said Steward Bank chairman Bernard Chidzero. "The cash shortages have also resulted in an exponential growth in our Point of Sale (POS) business with the bank now controlling a significant market share of local transactions, a result of our early decision to invest in over 10,000 POS devices in prior years." The bank has also embraced digitisation to achieve higher efficiency through the "Shrink-to-Grow" strategy that saw a reduction in the number of branches, rationalisation of headcount and increase in efficiency through self-help banking to absorb the growth in client numbers.

Operating expenses increased by 6 percent owing to the growth which was witnessed in the period,but the cost to income ratio improved to 64 percent in the period, relative to 73 percent recorded in the comparable period last year, reflecting the improvements in operational efficiency. Key metrics remained solid, with the bank reporting a core capital base of $37.6 million as at 31 August 2016, a sign of strong capital position. Additionally, the bank's liquidity position improved by 17 percent to close at 77 percent over the previous six months, more than double the minimum regulatory requirement by the central bank of 30 percent. The financial institution remained conservative in issuing new loans and as such, net interest income declined by 20 percent to $3.6 million, while interest bearing assets decreased by 8 percent to $94 million as at 31 August 2016 relative to $102 million in the comparable period last year. Steward Bank's loan to deposit ratio fell to 51 percent as at 31 August 2016 from 67 percent in the comparable period last year. Additionally, allowances for credit losses charge increased to $1.009 million in the period from $0.769 million as at 31 August 2015, attributable to an estimation of potential losses that the bank might experience due to default risk in an environment where credit risk is high das the economy continues to struggle. Steward Bank, formerly TN Bank before Econet Wireless Zimbabwe Limited acquired a 100 percent shareholding in January 2013, was struggling until the shareholder change. The bank turned the corner in the financial year ended February 2015 and, has tailored a model that appears suited to Zimbabwe's current liquidity crisis. *(The Source)*

**Wines and spirits maker African Distillers is targeting a 30 percent growth of the ready to drink beverages in financial year 2017 driven by strong performance from ciders.** Afdis localized cider production in 2015 and the two ciders brands Hunters and Savanna are now well established in the market. Group managing director Cecil Gombera told shareholders at an annual general meeting that this segment's contribution to total volumes is expected to grow to 45 percent at year end, from 41 percent in financial year 2016. "We will continue to attract new consumers in this category and growth strategies centre on market penetration as the products appeal to new consumer entrants," he said. Overall, Afdis volume and revenue for the first quarter ended 31 September 2016 registered growth after the group gained market share due to import restrictions. Gombera said the Spirits category remains the dominant contributor of both volume and revenue, but its contribution is expected to decline as consumers migrate from the high value products. The resurgence of the popular Viceroy brandy will enable the segment to maintain its market share, he added. During the quarter, the wines category grew 28 percent. Gombera said 4th Street, the company's major brand in the imported sweet wine segment continues to grow ahead of total wine market performance. Afdis is a subsidiary of Delta Beverages. *(The Source)*

**Regional cement maker Pretoria Portland Cement (PPC) says it expects half year earnings to fall by up to 90 percent compared to the prior period due to high financing costs associated with a $150 million facility to buy own shares.** In June this year, PPC raised a R2 billion ($148,14 million) liquidity and guarantee facility to redeem the outstanding PPC notes which attracted high costs. Also, PPC shareholders in August approved a rights issue to raise $253 million as part of a strategy to review its balance sheet and to pay off debts due this year and next year. In a trading statement to shareholders on Monday, PPC said it expects its headline earnings per share for the six months ended 30 September 2016 to be between 19 cents and 8 cents per share. "Furthermore, basic earnings per share for the six months ended 30 September 2016 is expected to be between 70 percent and 90 percent lower than the basic earnings as reported for the six months' period ended 31 March 2016, which translates to expected basic earnings of between 21 cents and 7 cents per share," said PPC. The group said it achieved "reasonable cement volume growth', however weakness in selling prices has led to a marginal increase in gross profit. "The expected earnings before interest, taxation, depreciation and amortisation for the period will approximate that recorded for the six months ended 31 March 2016," the company said. The group said the non-recurrence of the exceptional profit of R117 million made on the sale of non-core assets in the prior period has also contributed to the decline in basic earnings per share. "Furthermore, the devaluation of local currencies, in DRC and Rwanda, against the US dollar has led to revaluation losses being recognised on foreign currency denominated receivables and borrowings in the current reporting period," said PPC. *(Source)*

**Sugar giant, Tongaat Hulett Zimbabwe, has released $6,6 million to Salini-Impreglio JV towards the completion of the Tokwe-Mukosi dam project.** Salini-Impreglio JV is constructing the dam. Tongaat Hulett Zimbabwe managing director, Sydney Mtsambiwa said proceeds from exports that were deposited into the Barclays nostro account were used to facilitate the payment. "Tongaat Hulett availed foreign currency from its export proceeds to enable a critical stage of the dam construction to be completed," he said. The deal was brokered through Barclays Bank of Zimbabwe, Tongaat Hulett's banking partners. On completion, the Tokwe-Mukosi Dam will be the largest in-land dam in Zimbabwe resulting in far-reaching socio-economic benefits for Masvingo communities. The assistance is in addition to the $20,3 million released recently by the Infrastructure Development Bank of Zimbabwe to clear outstanding arrears. Last month, the Italian firm threatened to walk away from the project due to arrears. The contractor was also not willing to be paid in United States dollars, but in euros, as its arrears were in euro terms. The Tokwe-Mukosi dam has been under construction for over 15 years, with initial construction having started in 2001 and there were stops in between. It has a capacity to provide water for 25 000 hectares of agricultural land. *(News Day)*

## Economic News

**THE African Export Import Bank (Afreximbank) has released $150 million to the Reserve Bank of Zimbabwe (RBZ), to stabilise nostro accounts and deal with current delays in the processing of outgoing payments by banks.** Speaking at the Zimbabwe National Chamber of Commerce breakfast meeting yesterday, RBZ governor John Mangudya said the $150m was part of the initial tranche of $215 million that the central bank would get. In total, the nostro stabilisation facilities will be $545m. "We secured $150m from Afreximbank at 7% interest rate, which came this week on Monday to stabilise the banking sector," he said. A nostro account is a bank account held in a foreign bank and is usually denominated in the currency of that country. Currently, the nostro position of the banking sector is $250m and cannot support the real time gross settlement position of $1 billion, which required around $450m, Mangudya said last month. The central bank boss said the money would be drawn down as it comes. In his mid-term monetary policy statement last month, Mangudya said the bank had secured facilities of $215m from international institutions and was at an advanced stage to raise $330m. He said RBZ would import smaller denomination notes, as high value notes were prone to money-laundering. "We shall also import more $10 and $20 notes because $100 notes were being taken out of the country," he said. The banking sector has been awash with smaller notes such as $2, $5, $10 and $20 for some time and $50 and $100 notes have all but disappeared. Zimbabwe owes Afreximbank over $1bn in loans and the country is a major shareholder in the bank. Mangudya said banks were supposed to arrange such facilities for their clients, but they had limited access to foreign finance due to the country's high risk premium. *(News Day)*

**Government on Friday gazetted the Public Procurement and Disposal of Public Assets bill which will pave way for the establishment of a regulatory body to oversee state procurement.** Public procurement had been under the purview of the State Procurement Board (SPB) until last November, when government stripped the board of its powers following abuse of the system. "This Bill will repeal the Procurement Act and abolish the State Procurement Board. In place of the Board it will set up a new body to be called the Procurement Regulatory Authority of Zimbabwe," reads the gazette published on Friday. The new body will not conduct procurement proceedings itself but it will instead oversee procurement activities of government, statutory bodies and local authorities. "The bill will set out procedures to be followed and steps to be taken in procurement proceedings to ensure fairness, transparency and honesty." The bill also empowers the Procurement Regulatory Authority of Zimbabwe to direct how state assets should be disposed of. *(Source)*

**Zimbabwe's planned introduction of 'bond notes' is worsening its cash crisis while government's excessive borrowing on the domestic market is straining the financial system, global ratings agency Moody's has said.** Zimbabwe plans to introduce local bond notes, a token currency that will trade at par with the US dollar, early next month to cure a persistent liquidity crunch, but Moody's said that has stoked fears of the return a much-disliked domestic currency. The southern African country ditched its inflation-ravaged currency in 2009 and adopted a basket of currencies, largely anchored by the US dollar, managing to tame hyperinflation but has faced cash shortages since

February. Zimbabwe has been running structural current account deficits since the official dollarization of the economy in 2009. These deficits, alongside weak capital inflows have led to a steady drain of dollars out of the economy. The bond notes, to be injected through a performance-related export scheme – had been intended to ease the shortage of cash in the economy but have spread panic in the market. "Growing cash and liquidity challenges in the Zimbabwean banking sector have intensified ahead of the government's planned introduction of bond notes," Moody's in a report: Drivers and Credit Implications of Zimbabwe's Cash and Liquidity Shortages. "Although the bond notes are intended to ease the cash shortage, there are concerns in Zimbabwe that they represent the first step towards the return of a domestic currency. This has exacerbated net deposit withdrawals and cash hoarding."

The cash shortages are taking place against the backdrop of a domestic economic crisis fuelled by low global and regional growth, prolonged poor commodity prices, and severe drought that has left at least four million Zimbabweans in need of food aid. "These factors have combined to exacerbate existing domestic challenges stemming from deflation, growth stagnation, weakening fiscal stance and persistently low productivity in Zimbabwe," noted Moody's. "The country's external competitiveness has been impeded by a sizeable real exchange rate over-valuation, driven in part by the multicurrency regime peg to the resurgent US dollar." The agency said government's increasing fiscal deficit and excessive treasury bill issuance, required to finance its activities, have contributed to the cash and liquidity shortage by depleting the banking system's liquid assets. Reports suggest that the government has failed to honour TBs issued by the central bank worth $1,5 billion on maturity, with the paper being rolled over. "The government has also contributed to a strain on the banking sector via heavy borrowing from domestic banks, even though it has limited capacity to service the debt and has to roll it over instead, weakening the banks' liquidity positions and solvency," said Moody's. It adds that Zimbabwe's balance of payment challenges will continue unless the country implements sustainable fiscal policies and comprehensive structural reforms. With protracted balance of payments pressures, dollar shortages are likely to intensify. In addition, the inability of enterprises and households to obtain sufficient cash for daily transactions will weaken economic activity and put pressure on growth, in turn lowering government revenues, said Moody's. *(Source)*

**Zimbabwean President Robert Mugabe has side-stepped parliament to issue a decree clearing the way for the introduction of "bond notes" that have raised fears of a return to a domestic currency abandoned in 2009 as hyperinflation crippled the economy.** The bond notes are meant to ease biting cash shortages that have gripped the southern African nation since March but have helped fuel anti-government protests in recent months. Mugabe late on Monday used his presidential powers to amend the Reserve Bank of Zimbabwe (RBZ) Act, designating bond notes as legal tender that will be equivalent to the U.S. dollar, according to an official government notice. Mugabe said bond notes, which he has previously called surrogate currency, "shall be legal tender in all transactions in Zimbabwe" just like the U.S. dollar, British sterling pound and South African rand, which are also used in the country. Zimbabwe was this year hit by a devastating drought that left 4 million people in need of food aid. It is facing its worst financial crisis since switching its currency for the U.S. dollar as weak mineral commodity prices hurt its major exports, while formal unemployment remains above 80 percent. Mugabe's decree did not say when bond notes will be introduced.

The regulations will last six months, after which parliament has to ratify or reject them. But former finance minister and opposition leader Tendai Biti said Mugabe's decree was illegal and could be challenged in court. He criticised Mugabe for resorting to a decree when parliament, dominated by the ruling ZANU-PF party, could have easily passed the law. The RBZ first announced plans for bond notes in May. "Even if assuming they (regulations) were legal, the presidential powers should only be used in extreme circumstances where there is no sufficient time to go to parliament in the interest of public safety and public good," Biti said. RBZ Governor John Mangudya has struggled to allay concerns of a return to the rampant money printing and inflation rates that peaked at 500 billion percent, by saying bond notes were an incentive for exporters and would not be forced on people. Mangudya, who has previously said the new bank notes would start circulating early this month, did not answer calls to his mobile phone. The RBZ on Tuesday started running advertisements in local newspapers and radio saying up to 5 percent incentive would be paid on all exports and diaspora remittances in bond notes. *(Reuters)*

**At least 14 041 hectares have been put under irrigated tobacco as at the end of last week, statistics released by the Tobacco Industry and Marketing Board (TIMB) show.** According to its weekly bulletin released on October 28, the TIMB said about 12 888 hectares were put under tobacco during the comparable period in 2015. The TIMB said farmers who have planted irrigated tobacco are from Mashonaland

East, Mashonaland West, and Mashonaland Central, Midlands and Manicaland provinces. Some farmers in Mashonaland East and Mashonaland West have also started plating dry land tobacco. The report also said at least 67 493 farmers have so far registered to grow tobacco during the 2016/ 17 cropping season, which is a 9 percent increase from 62 114 farmers who had registered during the same period last year. Tobacco growers are required by law to register to grow the crop as well as to submit their crop estimates ahead of the marketing season. At least 202 million kg of tobacco were sold during the 2016 marketing season, surpassing the 190kg target that the industry regulator had set. The past cropping season was characterised by drought which resulted in farmers planting late, while the crop was also heavily affected by dry spells. Since the country started using multiple foreign currencies in 2009, the tobacco industry has been one of the fastest to recover from the economic meltdown of the past decade. Many farmers have been abandoning other cash crops such as cotton for tobacco due to the favourable prices. Tobacco is one of Zimbabwe's major agricultural exports. *(The Herald)*

**Zimbabwe has undone much of the progress registered under the International Monetary Fund's staff monitored programme (SMP), while the economy has worsened, the fund's resident representative said on Wednesday.** Zimbabwe has successfully undertaken three SMPs since 2013, informal agreements between a government and IMF staff to monitor the implementation of a particular country's economic reforms. It does not entail resumption of funding from the multilateral finance institution. The fund has projected negative economic growth of -0.3 percent this year and a further slide of -2.5 percent in 2017, snapping a seven-year run of positive growth. And Christian Beddies, the IMF's resident representative, said economic conditions were deteriorating. "The situation is quite challenging and the conditions have been deteriorating over the past two months. There has been policy inconsistency which might not have been conducive in the terms of traction and momentum that was gained after the SMPs" Beddies told a group of academics at a local hotel. Under the SMPs, the policy reform agenda focused on balancing the primary fiscal accounts, improving the investment climate, restoring confidence in Zimbabwe's financial sector and garnering support for a strategy to clear arrears with multilateral institutions.

Last month, Zimbabwe cleared a 15-year old IMF debt of $108 million using its allocation of Special Drawing Rights (SDRs) allocated to all IMF member states in 2009 as part of a global financial rescue package. It still owes the World Bank and the African Development Bank $1,15 billion and $600 million respectively. Zimbabwe, which registered an average 10 percent economic growth between 2009 and 2012, badly needs new capital and investment to starve off a recession but needs to clear outstanding arrears and implement tough reforms. Finance minister, Patrick Chinamasa announced a raft of measures to cut government spending in the mid-term budget in September, only for the proposals to be publicly shot down a week later. Such inconsistencies do not generate confidence, Beddies said. "There is need for consistent and coherent policy framework that is predictable and credible in order to establish confidence," he said. *(The Source)*

**The stock market grew fastest in October this year, as investors scurried for safe haven equities in the face of uncertainty around government's plans to introduce a local currency in the form of 'bond notes.'** President Robert Mugabe on Monday gazetted regulations to designate the bond notes as legal tender.Government hopes the notes will ease a biting US dollar bank note shortage but the plans appear to have spooked investors. Market capitalisation increased by 22.13 percent, from $2,725 billion in the previous month to $3, 328 billion, the highest since last November. Turnover increased by 77.79 percent to reach an all-year high of $23,2 million, the highest since June 2015. The main industrial index gained 22.09 percent to close at 120.82 points while the mining index also advanced 26.87 percent to 33.76 points, its highest point this year. Total volumes traded increased by 156.89 percent to 177.38 million shares. Investors coalesced around the big cap counters, Delta and Econet which advanced 21.37 percent and 53.06 percent to close the month at 72.82 cents and 30 cents. National Foods, Seedco and Padenga also added 41.34 percent, 37.24 percent and 31.58 percent to trade at 300 cents, 82 cents and 15 cents in that order. BAT and Simbisa Brands picked up 22.95 percent and 17.5 percent respectively. Among the top movers were Axia, Zim Papers and OK Zimbabwe adding 66.67 percent, 60 percent and 42.35 percent respectively. Colcom and Willdale also gained 40.54 percent and 33.33 percent respectively. The insurance giant, Old Mutual which is trading at a premium, advanced 11.15 percent to close at 322.33 cents. Counters to buck the trend included Truworths, Ariston, and Dairibord which lost 37.50 percent, 22.22 percent and 16.67 percent while Pearl and Nicoz Diamond eased 9.09 percent and 6.25 percent respectively. The 26.87 percent surge in the resource index was largely on the back of Bindura, which picked up 66.67 percent to close at 2 cents. Riozim also gained 6.12 percent in the month. Foreigners remain skeptical about the government's 'surrogate currency' move, selling shares worth $18,902 million in October, an all-year high for a month and the highest since March 2015. They bought shares worth $2 million. *(Source)*

**Foreign buyers are deserting the Zimbabwe Stock Exchange in record numbers, with net outflows of $56, 28 million in the 10 months to October, the biggest sell-off in five years over government plans to introduce a token currency in the financial system.** Zimbabwe has sort to contain a dollar shortage by introducing local 'bond notes,' which it said will trade at par with the US dollar. President Robert Mugabe on Monday used the Presidential Powers (Temporary Measures) Act to amend the Reserve Bank of Zimbabwe Act to designate the bond notes as legal tender, effectively launching the new currency. But questions remain about the legality of the instrument, which was used to bypass Parliamentary approval. In May, the central bank announced its plans to circulate bond notes alongside the US dollar and other currencies in Zimbabwe's multi-currency basket, which also includes South Africa's rand, Botswana's pula, China's yuan, the euro, British pound and Japan's yen. The central bank says the surrogate currency will be backed by a $200 million facility provided by the African Export Import bank. The bank has not said when the notes will be brought into circulation. Zimbabwe has suffered from a crippling dollar shortage since the beginning of the year, but foreign investors appear to be unimpressed with the government move to introduce a local currency, eight years after it ditched the hyperinflation ravaged Zimdollar. The central bank insist that the bond notes are not local currency but President Mugabe has called them a 'surrogate currency' while vice president Emmerson Mnangagwa on Tuesday called them 'a mode of transaction that is domestic.'

Foreign participation on the Zimbabwe Stock Exchange recorded a net outflow of $56,28 million in the 10-month period to October 31 this year, compared to $306,000 over the same period last year. In 2012 with Zimbabwe's post-dollarisation recovery at its zenith — a growth of 10.6 percent — the ZSE recorded net inflows of $51,983 million. In 2013 and 2014, it generated net inflows of $82,962 million and $93,201 million over the 10 months. Analysts say the poor creditworthiness of the government — which ran a budget deficit of about $400 million last year and is expected to be over $1 billion this year — has also influenced foreign buyers' investment decisions. Chinamasa had predicted a budget deficit of $150 million in the 2016 budget. As of June, this year, the deficit was at $623 million. In his mid-term, fiscal policy announced in September, finance minister Patrick Chinamasa noted that, "there is a growing trend whereby international correspondent banks and other financial institutions terminate financial relations with financial institutions in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) member states, including Zimbabwe." The process, commonly referred to as de-risking, has hit hard trade transactions and portfolio investments which largely rely on correspondent banking relationships. *(Source)*

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