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	29-Jul-16	5-Aug-16	WTD % Change Local	WTD % Change USD	31-Dec-15	YTD % Change Local	YTD % Change USD
Botswana	DCI	9840.37	9815.58	-0.25%	2.26%	10602.32	-7.42%	-0.76%
Egypt	CASE 30	8030.85	8255.36	2.80%	2.79%	7006.01	17.83%	3.84%
Ghana	GSE Comp Index	1796.29	1801.54	0.29%	-0.80%	1994.00	-9.65%	-12.92%
Ivory Coast	BRVM Composite	289.36	287.82	-0.53%	0.25%	303.93	-5.30%	-3.36%
Kenya	NSE 20	3488.67	3482.18	-0.19%	-0.30%	4040.75	-13.82%	-13.13%
Malawi	Malawi All Share	13381.50	13130.66	-1.87%	-2.54%	14562.53	-9.83%	-18.93%
Mauritius	SEMDEX	1787.01	1846.12	3.31%	3.83%	1,811.07	1.94%	4.28%
	SEM 10	334.36	352.99	5.57%	6.10%	346.35	1.92%	4.27%
Namibia	Overall Index	1039.72	1056.23	1.59%	4.47%	865.49	22.04%	36.02%
Nigeria	Nigeria All Share	28009.93	27425.86	-2.09%	-4.59%	28,642.25	-4.25%	-40.89%
Swaziland	All Share	358.25	358.25	0.00%	2.84%	327.25	9.47%	22.02%
Tanzania	TSI	3891.02	3833.73	-1.47%	-2.14%	4478.13	-14.39%	-15.70%
Zambia	LUSE All Share	4697.77	4600.35	-2.07%	-2.27%	5734.68	-19.78%	-12.99%
Zimbabwe	Industrial Index	98.84	99.33	0.50%	0.50%	114.85	-13.51%	-13.51%
	Mining Index	25.72	25.56	-0.62%	-0.62%	23.70	7.85%	7.85%

CURRENCIES

Currency	29-Jul-16 Close	5-Aug-16 Close	WTD % Change	YTD % Change
BWP	10.56	10.30	-2.46	7.19
EGP	8.86	8.86	0.00	-11.87
GHS	3.91	3.95	1.10	-3.62
CFA	592.86	588.22	-0.78	2.05
KES	99.60	99.72	0.11	0.80
MWK	710.35	715.24	0.69	-10.09
MUR	34.08	33.91	-0.50	2.30
NAD	14.21	13.81	-2.76	11.46
NGN	311.39	319.57	2.63	-38.27
SZL	14.21	13.81	-2.76	11.46
TZS	2,134.27	2,148.81	0.68	-1.53
ZMW	10.07	10.09	0.20	8.46

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

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Egypt

Corporate News

Global Telecom, the Egypt-based group formerly known as Orascom Telecom, made a net profit of $26.5 million in the second quarter, down from $27.4 million in the same period a year earlier, the firm said in a statement on Thursday. The firm made total revenue of $693 million compared with $736 million in the same period last year. *(Reuters)*

Economic News

Egypt's finance minister said in a television interview on Sunday that Egypt's external debt would reach $53.4 billion if his country receives an International Monetary Fund (IMF) loan. Last week Egypt said it was seeking $4 billion a year over three years from the IMF to help plug a funding gap. The government hopes to finalise the deal in August. A two-week IMF mission arrived in Cairo over the weekend to negotiate an IMF loan package. *(Reuters)*

Yields on Egypt's three-month and nine-month treasury bills edged down at Sunday's auction, data from the central bank website showed. The average yield on the 91-day bill dropped to 14.212 percent from 14.272 percent at the last auction on July 24. The 266-day bill also dropped to 15.653 percent from 15.752 percent at a similar auction a week ago. *(Reuters)*

Business activity in Egypt shrank for the 10th consecutive month in July as output, new orders and employment all declined, although the speed of contraction slowed, a survey showed on Wednesday. The Emirates NBD Egypt Purchasing Managers Index (PMI) for the non-oil private sector was 48.9 points in July, an improvement from June's 47.5 points but still below the 50 point mark that separates growth from contraction. Egypt has been struggling to revive its economy since a popular uprising in 2011 and subsequent political upheaval that has driven away investors and tourists, depriving it of the foreign currency it needs to import raw materials. "Although the PMI is still pointing to weakness in Egypt's private sector, some consolation can be found in July's report as the pace of contraction is starting to ease," said Jean-Paul Pigat, Senior Economist at Emirates NBD. "Addressing the FX liquidity shortage will be key to seeing a further stabilization in the PMI in the second half of the year." he survey showed output in the non-oil private sector also continued to fall for a 10th month but at a slower rate, reaching 48.8 points in July from 46 points in June. "There were some reports of an improvement in underlying demand, but these were outnumbered by mentions of liquidity shortages, higher costs and subdued customer turnout,"

Markit, which compiled the data, said in a report. The new orders sub-index also fell at a slower pace in July. It reached its highest since September, at 49.1 compared with 6.1 points in June. New export orders fell sharply however, in July, to 45 points in July from 45.9 points in the previous month, the fastest pace of decline in three months. Egypt has been wrestling with a currency crisis that economists blame on an overvalued pound. The central bank devalued the pound to 8.78 per dollar from 7.73 in March and has said it will pursue a more flexible exchange rate. The employment sub-index came in at 45.7 points from June's 46.8, signalling another drop in monthly payroll numbers -- the 14th in a row -- is likely in July. President Abdel Fattah al-Sisi has pledged to reduce the jobless rate to 10 percent over the next five years. It stood at 12.7 percent in the first quarter of 2016, according to official figures, but analysts believe it is much higher. Economic growth slowed to 4.5 percent in the first half of financial year 2015-16, from 5.5 percent a year before, which experts say is too slow for a population that has expanded by 1 million to 91 million in the past six months. *(Reuters)*

Egypt's strategic wheat reserves are enough to last until mid-February, the supplies ministry said in a statement on Wednesday. Egypt's state grain buyer, the General Authority for Supply Commodities (GASC), said on Tuesday it had bought 60,000 tonnes of Russian wheat in a tender. A country of 90 million, Egypt is the world's largest importer of the grain. *(Reuters)*

Egypt's finance minister said in a television interview on Sunday that Egypt's external debt would reach $53.4 billion if his country receives an International Monetary Fund (IMF) loan. Last week Egypt said it was seeking $4 billion a year over three years from the IMF to help plug a funding gap. The government hopes to finalise the deal in August. A two-week IMF mission arrived in Cairo over the weekend to negotiate an IMF loan package. *(Reuters)*

Egypt requested proposals to issue dollar bonds in 2016, part of its efforts to shore up reserves and end a foreign-currency shortage that's hampering economic growth. In an advertisement published in the Financial Times newspaper, the Finance Ministry announced it was seeking lead managers for the issue. The deadline for submitting proposals is Aug. 11, it said. Egyptian officials are in talks with the International Monetary Fund to secure a $12 billion, three-year loan as the government seeks to restore investor confidence, re-balance the budget and end the currency crunch. If secured, the IMF deal will help reduce the country's borrowing costs in the international market, Deputy Finance Minister Ahmed Kouchouk said last week. Egypt aims to issue $3 billion to $5 billion in Eurobonds in the current fiscal year ending June 30. The first issuance is planned for October, Prime Minister Sherif Ismail said last week. The government last sold Eurobonds in 2015, raising $1.5 billion. Since then, officials have postponed sales as Egypt's borrowing costs soared. Yields on Egypt's $1.5 billion of bonds due in 2025 have tumbled 63 basis point since the IMF talks were announced on July 27. They stood at 6.8 percent at 10:28 a.m. in Cairo, according to data compiled by Bloomberg. *(Bloomberg)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The Bank of Ghana said the yield on its weekly 91-day bill rose to 22.8173 percent at an auction on Friday from 22.8009 percent at the last sale on July 22. The bank said it had accepted 778.06 million cedis ($196.33 million) worth of bids of the 784.06 million tendered for the 91-day paper, which will be issued on Aug. 1. *(Reuters)*

Dr Abdul-Nashiru Issahaku, Governor of the Bank of Ghana (BoG), has hailed the decline in inflation from 19.2 per cent in March to 18.4 per cent in June, this year. He said it was a sign that BoG's inflation targeting policy is on course. He said: "The BoG is conducting policy in a way to bring inflation to its medium-term target of eight per cent, though it will tolerate inflation fluctuations of plus/minus two percentage points from the target's mid-point." Dr Issahaku was speaking during the inauguration of a four-storey lecture hall for the University for Development Studies (UDS) in Tamale at the weekend. The BoG supported UDS to construct the facility, which has 16 lecture halls that could accommodate various class sizes – a 60 seating capacity and a 250 seating capacity, a data centre, laboratories for community nutrition studies, a conference hall and 48 offices that can serve various needs. Dr Issahaku said: "Growth prospects for the rest of the year would be impacted positively by the stability in the foreign exchange market and the continued improvement in consumer and business sentiments, among others." He said: "In the first six months this year, volatilities in the foreign exchange market subsided significantly alongside relative stability in the local currency, largely supported by tight policy stance and improved foreign exchange inflows." He said BoG would continue to be more proactive and solid on price stability issues to avoid spiral effects of inflation. Professor Seidu Al-hassan, Pro Vice-Chancellor of UDS expressed gratitude to BoG for supporting UDS to construct the facility, which would positively impact its academic activities. *(Ghana Web)*

Ghana's parliament on Tuesday overwhelmingly rejected a core condition of a $918 million International Monetary Fund (IMF) aid deal on Tuesday, breaching the terms of a three-year programme meant to fix an economy dogged by high public debt. The lawmakers passed the Bank of Ghana (BoG) Amendment Bill to allow central bank financing of the government's budget deficit up to a ceiling of 5 percent of the previous year's total revenue, instead of the zero financing demanded by the IMF. Until now the bank was authorised to finance the deficit at up to 10 percent of revenue. Implementation of the zero financing requirement is one of the targets the government was expected to meet in order for the Fund to conclude Ghana's third programme review and disburse the next tranche of aid. However, Deputy Finance Minister Cassiel Ato Forson told Reuters that, despite the law, the government will not finance its deficit with central bank funds. "We have demonstrated enough that the government is committed to expenditure control and we will remain on course, irrespective of today's decision by parliament," he said. *(Reuters)*

Ghana's latest plan to sell Eurobonds is starting to unravel. As the West African nation markets its fifth sale of dollar securities in nine years, its bonds are faltering as investors fret about the government's commitment to fiscal targets in an election year. Ghana's $1 billion of bonds due 2023 have tumbled, pushing yields up by 75 basis points since July 22 to 10.4 percent on Tuesday, compared with a 48 basis-point drop to 6.8 percent in average yields of 17 sub-Saharan African nations. Officials may seek to raise as much as $1 billion in a Eurobond sale this week or next, said Nicolas Jaquier, an emerging-markets economist at Standard Life Investments Ltd., who attended an investor meeting in London. President John Dramani Mahama's government is battling to meet growth forecasts as lower oil-export earnings and regular power cuts weigh on the economy ahead of December elections. Finance Minister Seth Terkper said on July 26 that state spending will be 3.8 percent higher than projected and that the budget deficit target had been missed.

Investors are wary, according to analysts at Rand Merchant Bank Ltd. "The cost of floating the bond looks prohibitively expensive," Celeste Fauconnier, Nema Ramkhelawan-Bhana and Neville Mandimika, analysts at Johannesburg-based RMB, said in a note Tuesday. "The risk of debt distress remains high." The yield on the nation's $1 billion of securities maturing in 2023 rose two basis points to 10.43 percent at 2:21 p.m. in Accra on Wednesday. Ghana's average sovereign yields are the highest among peers in sub-Saharan Africa after Mozambique and Zambia. The world's second-largest cocoa producer turned to the International Monetary Fund in April last year for a loan of almost $1 billion to help rein in the deficit and arrest declines in the currency. The country will need to offer a yield higher than its existing debt to win the backing of investors concerned that the 2016 budget-deficit target of 5 percent of gross domestic product may be sacrificed as the government prepares for the vote, Standard Life's Jaquier said. "In the past, in every election cycle, there's a big fiscal slippage," Jaquier said by phone from London. Lawmakers voted on Monday to amend Bank of Ghana laws, lowering a cap on how much the central bank can lend to government to 5 percent of previous year's revenue from 10 percent, according to minutes of a parliamentary meeting handed to reporters in Accra.

The move effectively rejects an IMF suggestion that the central bank should make no advances for government's spending plans. Yields on Ghana's bonds surged the most in four months on July 26 after Terkper said the nation would increase spending even as lower income from oil widens the budget deficit. The shortfall for the first five months was seen at 2.5 percent of gross domestic product, compared to a target of 2.2 percent. He cut the growth forecast to as low as 4.1 percent from an initial estimate of 5.4 percent. Ghana will sell $500 million to $750 million in Eurobonds, but will raise as much as $1 billion "if rates are favorable," Terkper said by phone from New York on Tuesday. "We are confident of favorable yields on the low deficit, low debt-to-GDP ratio and the prospects for positive growth," he said. Proceeds will be used to refinance dollar debt maturing next year and to boost foreign reserves, Terkper has said. The country hired Bank of America, Citigroup Inc., and Standard Chartered Plc to arrange meetings with investors in London, New York and Boston, a person familiar with the matter said last week. "We do not believe the faith in the market is strong enough" to prevent an expensive transaction, the RMB analysts said. *(Bloomberg)*

Ghana said it will not to go ahead with a $500 million Eurobond issue, and while it gave no reason for the decision, investors said it had likely balked at the higher yields fund managers had demanded of the junk-rated credit. Rated B3/B minus, six notches below investment-grade, Ghana had planned to issue an amortising bond with a weighted average five-year tenor in conjunction with a tender offer to buy back some dollar bonds that mature next year. In a statement on Thursday, Ghana said "it will continue to monitor markets in the context of a potential new issue" and thanked investors "for their positive feedback". Ghana said it would still proceed with the capped cash tender offer of up to $100m on its 2017 notes. The deadline for that offer is Friday. The finance ministry did not respond to Reuters' requests for comment, but a spokesman said a statement would be issued later on Thursday. None of the syndicate bankers leading the deal - Bank of America Merrill Lynch, Citigroup and Standard Chartered - were not available for comment. While investors' robust appetite for emerging markets assets makes the decision somewhat surprising, Ghana is not an investor favourite as it struggles with high levels of debt and slumping commodity prices. A national election is scheduled for Dec 7. Last year, it was forced to pay investors a 10.75 percent coupon on a new issue, despite a partial World Bank guarantee. Ghana's 2023 Eurobond rose to its highest in more than a week, gaining a cent to trade at 88.500 cents in the dollar, according to Reuters data. The 2026 bond also added 0.625 cents to trade at 87.500 cents. *(Reuters)*

The Bank of Ghana will now be able to finance government's budget at five percent following the passage of the BoG Amendment Act which is now awaiting Presidential Assent. "I cannot really speak on that particular issue, that is, in terms of what actually informed the parliamentarians to keep the financing bit at 5% of previous year's revenue," the newly appointed Head of Communications at the Bank of Ghana, Bernard Otabil, said when he paid a working visit to Starr FM. He added: "Well, that has been the speculation all along that some are talking about the fact that the IMF is only going to release money based on what happens with this particular bill. Yes, of course! There are elements in the bill which are part of the IMF negotiations, for instance, the zero financial issues and so on and so forth. "But one thing we should bear in mind is that in issues of this nature, it's all about negotiations and I will stick to what the Finance Minister has already made known to the general public that he doesn't believe that the agreement reached in parliament yesterday would have any impact on the IMF negotiations that were done something back. And therefore he doesn't believe in that part of renegotiation going forward."

The Institute for Fiscal Studies and the Finance Committee in Parliament had earlier kicked against the zero financing policy as part of the International Monetary Fund's three-year programme. *(Ghana Web)*

Kenya

Corporate News

KCB Group, Kenya's largest bank by assets, said on Thursday its first-half pretax profit rose 14 percent to 15.1 billion shillings ($149.1 million), driven by its home market. The bank said on its Twitter account Kenya contributed 14 billion shillings of the profit. KCB Group also said a rights issue planned for later this year to raise 10 billion shillings had been rescheduled, citing a strong projected cashflow for the full year. It did not give a new timeframe. The bank, which also operates in Rwanda, Burundi, Tanzania, Uganda and South Sudan, said net interest income rose 16 percent to 22.53 billion shillings in the first half. It said in a statement its total assets fell 1 percent to 560 billion shillings, while customer deposits fell 2 percent to 433 billion shillings, both attributed to the devaluation of the South Sudan pound. *(Reuters)*

Economic News

Kenya's inflation rose to 6.39 percent year-on-year in July from 5.80 percent the previous month, the statistics office said on Friday. Policymakers held the benchmark lending rate on Monday at 10.50 percent saying this month's increase in the fuel tax would put temporary upward pressure on inflation. The statistics office said the transport index went up 1.13 percent in July on the back of the increases in the prices of petrol and diesel. Although the costs of some food items went down, they were outweighed by a jump in prices of others, driving up the good and non-alcoholic drinks index by 1.12 percent, the statistics office said. *(Reuters)*

Activity in Kenya's private sector rebounded in July as new orders rose and domestic demand remained solid, a survey showed on Wednesday. The Markit CFC Stanbic Kenya Purchasing Managers' Index (PMI) rose to 53.3 last month after falling to 51.5 in June, the lowest reading since the data series began in January 2014. A reading above 50 denotes growth. "The chief driver of this rebound was a sharp rise in new orders. This was largely down to robust domestic demand as export growth trended sideways, probably due to suppressed global growth," said Jibran Qureishi, regional economist for East Africa at CFC Stanbic bank. June's series-low was blamed in part on protests against the country's electoral body called by the opposition. The East African economy has been expanding steadily, with economic growth for the first three months of 2016 reported at 5.9 percent. But economists have said this may have been driven largely by public investment rather than private enterprise. July's PMI reading was slightly below the series trend of 54.8 and Qureishi said recent increases in taxes could exert further cost pressure on firms. "These pressures could be relatively muted going forward as international oil prices continue to remain benign and the exchange rate also remains broadly stable," he said. *(Reuters)*

Kenya's banking industry last year recorded the first decline in profit since 1999 as costs outpaced income in the wake of two failures and more onerous regulations. Pretax profit across the sector declined 5 percent to 134 billion shillings ($1.3 billion) in the 12 months through December, according to the central bank's Bank Supervision Report, released in the capital, Nairobi, on Tuesday. That came as a 16 percent increase in expenses more than negated a 9.2 percent rise in assets during the period. "The Kenyan banking sector is expected to register an enhanced performance in 2016," the regulator said, boosted by the growth outlook for the country's economy and improved integration with other East African nations. "Following the challenges witnessed in the banking sector towards the end of 2015, 2016 will be a transition year to seize on the lessons and challenges." Regulators in August seized Dubai Bank Kenya Ltd. after it breached minimum capital requirements and two months later placed Imperial Bank Ltd. into receivership amid claims of fraud that company executives deny. The top seven lenders in Kenya control almost half of the market, and own more than 70 percent of all the industry's assets, according to the report. Assets held by subsidiaries of Kenyan banks in South Sudan, among them KCB Group Ltd., Equity Group Holdings Ltd., CFC Stanbic Holdings Ltd. and Co-operative Bank of Kenya Ltd., declined by 50 percent during the year to 58.8 billion shillings following the devaluation of the South Sudanese pound, the regulator said.

Overall credit rose by 11.6 percent to 2.2 trillion shillings in 2015 from a year earlier, while non-performing loans increased to 6.8 percent, from 5.6 percent in 2014. While capital adequacy declined by 120 basis points to 18.8 percent, it remained above the 14.5 percent threshold. *(Bloomberg)*

Kenya plans to offer five Treasury bonds for sale in the first quarter of its 2016/17 (July-June) fiscal year, with tenors ranging from two years to 15 years, the National Treasury said on Monday. The finance ministry said it had shifted to publishing a quarterly rather than monthly issuance calendar as part of reforms meant to increase liquidity, deepen the bond market and reduce interest rate spreads. In the past decade, the East African nation has attracted more investors into its debt market, including foreigners hunting higher yields. But it has been criticised for lack of transparency and for bungling the timing of some debt sales, causing interest rates to spike as they did in the second half of 2015. The Treasury said the central bank aims to sell an unspecified amount of 10-year bonds in August and two-year and 15-year bonds in September. It sold five-year and 20-year bonds in July. The central bank will also sell 91-day, 182-day and 364-day Treasury bills on a weekly basis. Fixed-income market participants welcomed the new quarterly issuance calendar, saying that if well managed, it would help keep interest rates stable. "I believe providing an issuance calendar for the entire year would be preferred but offering guidance for one quarter is a good start," said Alexander Muiruri, fixed income analyst at Kestrel Capital. The Treasury said the overall budget deficit would be 691.5 billion shillings ($6.82 billion) in 2016/17, of which 225.3 billion would be covered by domestic debt sales and 150 billion shillings by external commercial borrowing. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

Malawi's central bank has left the benchmark lending rate unchanged at 27 percent, the bank said on Friday, citing weak growth and lower agricultural production due to a severe drought. "The MPC (Monetary Policy Committee) observed that global recovery was fragile and the outlook remained weak," the central bank said in a statement after a two day meeting. *(Reuters)*

Mauritius

Corporate News

No Corporate News this week

Economic News

The Mauritian stock exchange has gained 3 percent since the central bank cut borrowing costs on July 20, and is at levels last seen in April. Policy makers cut the benchmark rate by 40 basis points, citing a weakened economic outlook following the U.K.'s decision to leave the European Union. The U.K. accounts for 12 percent of Mauritius's exports and tourists, according to central bank Governor Rameswurlall Basant Roi. *(Bloomberg)*

Mauritius' inflation fell to 1.0 percent year-on-year in July from 1.1 percent a month earlier, the statistics office said on Friday. (Reuters)

WEEKLY AFRICAN FOOTPRINT

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Nigeria

Corporate News

Continental Reinsurance Plc has announced Profit Before Tax (PBT) of N2.92 billion for the 2015 financial year, representing 83.61 per cent increase compared with N1.59 billion in the corresponding period of 2014. According to the firm, gross premium income was N19.74 billion in 2015, an increase of 22 per cent over the N16.4 billion achieved in the comparable period of 2014. Shareholders' dividend payout also rose at a yearly growth rate of 12 per cent over the last five years. Speaking at the 29th yearly general meeting, in Lagos, the Chairman of the company, Mrs. Nadia Fettah-Alaoui, who was represented by the Non-Executive Director, David Sobanjo, said we are pleased with our performance over the past year. I am confident that we have the right team that will continue to provide credible services to our clients. According to him, the company currently operates from six strategic locations across Africa through a combination of regional and subsidiary offices. "Although the contribution from the Lagos office rose by 10 per cent year on year, its contribution to the group constituted 54 per cent of the total non-life business, in 2015 down from 60 per cent in 2014. This reflects ongoing success in the strategy to pursue growth in new territories thereby reducing concentration in the Nigerian market," he stated. Commenting on the performance, the Group Managing Director/Chief Executive Officer, Continental Reinsurance, Dr. Femi Oyetunji, said: "We maintain a firm commitment to grow our company sustainably through volume growth, improved operational efficiencies, and development of critical skills. This bolsters our confidence in our optimism that we will continue to deliver top and bottom line growth on a sustained basis for our shareholders and other stakeholders."

Dr. Oyetunji thanked shareholders and board members for their support, adding that the company was in another challenging year, because of the poor economic performance seen in most African countries mostly due to low commodity prices and volatility from dollars interest rate. In the insurance and reinsurance space, competition is steeper and the excess capacity of Europe, the United States and Asia is now targeting markets across Africa. Currency risk and regulatory risk has become top of mind issues, he remarked. Speaking further, he said, the board and management of Continental Re are finalising a strategic plan to strengthen the company, to ensure it increases its market share and continue to provide credible reinsurance security and services to clients and sustainable value to shareholders. Meanwhile, the company also announced the second edition of the Pan-African Re/Insurance Journalism Awards. The competition, open to both English and French-speaking journalists, recognises the outstanding work of Africans who cover the insurance and reinsurance sector across the continent. It was launched in 2015. The winners of the first edition were announced during an award ceremony held in the Seychelles in April this year. *(Guardian)*

The much-anticipated lifeline for troubled Skye Bank Plc has finally arrived, with a recapitalization to the tune of over N100 billion. A top and reliable source in the bank confirmed to The Guardian yesterday, that the funding was about $315 million and worth more than N101 billion from the apex bank, to smoothen their operations again. The newly appointed Managing Director and Chief Executive Officer, Tokunbo Abiru, who affirmed the receipt of the funds, said the injection came on the heels of the sacking of the lender's top management this month for failing to meet minimum capital requirements. The newly appointed Managing Director and Chief Executive Officer, Tokunbo Abiru, said the bank recorded a pre-tax loss due to oil-related bad loans and withdrawals of public sector deposits amid a government anti-corruption drive. The development hit the bank hard and led to CBN's intervention after depositors embarked on panic withdrawals to avert wider troubles within the banking sector. According to a report, after the apex bank installed a new management team, it also left a staff that has been working for two weeks at the headquarters in Lagos to support the lender. The bank would conduct an audit to see "what we inherited" and establish how much liquidity was needed, Abiru said. He said he hoped to have an overview by December after which they could focus on being a "frontline retail" bank, as he hinted that some branches would be closed to bring down costs, pending approval from the central bank. Skye's non-performing loans amounted to 13 per cent of total loans at the end of last year, well above the central bank target of less than five per cent, the new boss said. "The losses largely came from issues relating to the cost-income ratio" which was "above the industry standard", plus "the liquidity challenge as well and asset quality issues, and the resulting effect of all that", he said. "There was a very high dependence on public sector debt deposits," said Abiru, referring to a government order last year to have all official bodies move funds from lenders to a central bank account as part of an anti-graft drive.

"The bank was severely hit by that," he said, declining to give an outlook for this year. Additionally, half of Skye's loan book was in foreign currency from the oil industry, which has been hit by low crude prices. The bank's capital adequacy ratio was 10.4 per cent last year, compared with an industry standard of 16 per cent, and its cost to income ratio was "close to" 103 per cent, rather than the standard of about 65 percent, he said. Nigeria's central bank governor Godwin Emefiele, is urging people not to panic about the banking system, saying he is on top of any trouble resulting from the economic crisis. *(Guardian)*

Flour Mills of Nigeria has registered plans with regulators to raise up to 40 billion naira ($128 million) in equity over the next three years, its chief financial officer said on Tuesday. Jacque Vauthier said the company's directors had decided that the most appropriate way to raise the funds was via a shelf programme, enabling Flour Mills to sell shares in several tranches over a three-year period. Flour Mills, which has interests in food manufacturing and agro-business, won shareholders' approval for the issue last year but weak capital markets delayed its launch. The Nigerian currency has dropped 40 percent since June, when the country ditched its 16-month-old peg of 197 naira to the dollar in a bid to lure back foreign investors who had fled after a plunge in the price of oil, Nigeria's economic mainstay. "We are working on different options, right issues and or commercial paper and or refinancing our debt to ensure that we maintain profits," Vauthier told an analysts' call. He said Flour Mills intends to use the funds to pay down debt and support working capital but will assess market conditions to determine when to launch the first tranche after it won approval from Nigeria's Securities and Exchange Commission. The conglomerate had $20 million in foreign currency loans, he said, adding that the company was exploring alternative financing sources to mitigate higher costs from the naira's weakness and rising inflation. Flour Mills reported on Monday a group profit before tax of 5.87 billion naira for the quarter ended June 2016 compared with a profit of 1.19 billion naira a year earlier. Quarterly group revenue rose to 119.21 billion naira from 82.28 billion naira. *(Reuters)*

Dangote Sugar Refinery Plc last week has announced a profit before tax (PBT) of N11.1 billion for the six months ended 30 June, 2016. The unaudited results for the half year indicated that all performance measurement indices trended upwards. The results showed that profit before tax rose by 13.3 per cent compared to N9.8 billion in the same period in 2015. Similarly, the sugar group recorded a profit after tax (PAT) of N7.4billion, which rose by 17.5 percent over N6.3billion posted in the corresponding period in 2015. Group revenue increased by 37.86 percent to N70.5 billion compared to N51.1 billion in 2015, reflecting the increase in sales volumes during the period. Gross profit increased by 9.57 percent to N13.9 billion in contrast to N12.7 billion despite higher production costs mainly driven by increased LPFO usage and currency devaluation. The unit prices for gas and LPFO were also higher than in the comparative period. Speaking on the six months unaudited results, Acting Group Managing Director of DSR, Abdullahi Sule, said: "Despite market challenges experienced in the first quarter and operating challenges in the second quarter of 2015, we were able to grow our revenue compared to the same period in the previous year.

Our focus for the remainder on the year will be to increase sugar production at reduced conversion cost and improve distribution to match the increasing demand from our customers. Our greater growth strategy "Sugar for Nigeria" continues to gain momentum as we execute the first phase of our expansion plans." According to him, the various operational and economic challenges the company was faced with during the period under review notwithstanding, the overall performance shows an improved outlook for the period. Dangote Sugar is Nigeria's largest producer of household and commercial sugar with 1.44 million tonnes of refining capacity, with the ability to supply most of the country through an extensive network of distributors. The Group's refinery at Apapa imports raw sugar from Brazil and refines it into white, Vitamin A fortified sugar suitable for household and industrial uses while Savannah cane sugar factory located near Numan, in Adamawa State has an installed factory capacity of 50,000 tonnes. Covering 32,000 hectares in extent, the Savannah estate has considerable opportunity for expansion which is underway. *(This Day)*

As part of efforts to reposition the bank and record better future performance, Skye Bank Plc has made a total provision of N34.681 billion for impairment charges for the year ended December 31, 2015. Although the bank ended the year with higher interest income of N127 billion in 2015, up from N107 billion in 2014, the impairment charges made the bank to record a loss of N40.726 billion compared with a profit of N18.717 billion in 2014. While N27.53 billion impairment charges were for loans, N7.145 billion was provided for as impairment charges for other financial assets. The bank's huge exposure to the oil gas, energy and other sectors of the economy affected its loan performance, a development that made the Central Bank of Nigeria (CBN) to intervene in the bank last month. The new Group Managing Director of Skye Bank, Mr. Tokunboh Abiru had assured capital market operators that the management team and the board would work to achieve value enhancement for shareholders, customers and other stakeholders by bringing the cost-income ratio to acceptable levels, improve the risk assets quality and work towards increasing the liquidity and capital adequacy of the bank. Abiru described the reconstitution of the bank's board as an intervention, saying the lender's fundamentals are good and strong. Also, the Chairman of Skye Bank Plc, Mr. M.K. Ahmad had explained that the CBN did not take over the bank but only intervened to correct observed corporate governance issues under the old board. According to him, the ownership of the bank remains in the hands of the shareholders, stressing that the CBN does not own the bank and has not taken over the bank, saying the CBN was fully behind the bank and would support it to fully stabilise. Ahmad, a former Director General of the National Pension Commission, re-assured the bank's stakeholders that the bank was not distressed but only had corporate governance issues under the old board. He said the bank's fundamentals remain strong and that it remains one of Nigeria's leading and retail banks. *(This Day)*

Forte Oil Plc has reiterated its resolve to hit N11 billion target in Profit Before Tax (PBT) for 2016, even as the firm is currently projecting a market share of 20 per cent in short to medium term basis. Besides, the firm also unveiled plans to raise additional capital from the stock market to boost operations.The company, which is currently at N4.2 billion PBT, is hinging its projection and confidence of impressive performance for 2016 in company's involvement in crude oil lifting, especially the completion of the major overhaul and increase in the capacity of Geregu power plant to 435 megawatts. The Group Chief Executive Officer of the company, Akin Akinfemiwa, while addressing stockbrokers during the company's 'Facts Behind the Figures' in Lagos on Wednesday, explained that the overhaul is expected to impact positively on its operating margin and boost its profitability in the second half of the year. "We are currently at N4.2 billion PBT in the first half because we have only one turbine running but in the second half of the year, we would have our three turbines running and we may even surpass our budget of N11 billion PBT. But we are sure of attaining the budget." The Forte Oil boss said the company's diversification from downstream player to an integrated energy solution provider underpins the firm's medium and long-term strategy to drive future profitability. According to him, the company would deepen its focus on high margin products such as lubricant, exploit LPG business particularly LPG retailing and bottle refilling, optimize and expand the Geregu power plant asset. Other areas of focus, according to Akinfemiwa includes introducing new products offerings such as solar solutions, harnessing partnership with convenience stores, diversifying into high marginal related business among others. He assured shareholders that the company has effectively identified the risk factors that could affect its business operations, adding that it has put measures in place to mitigate these risks. The company for the half-year ended June 30, 2016 posted revenue of N84.48 billion against N61.17 billion achieved in the corresponding period of 2015.PBT stood at N4.25 billion in contrast with N3.26 billion in the preceding period, indicating an increase of 31 per cent.Profit after tax rose to N3.11 billion from N2.53 billion recorded in the comparative period of 2015. *(Guardian)*

Nigeria's Wema Bank, which aims to expand its branch network this year, plans to issue 20 billion naira ($63 million) in bonds this month, its chief finance officer said on Monday. The bank is issuing local currency bonds after scrapping plans last year to issue a $100 million seven-year dollar bond because of currency risks. "We expect to open in a couple of weeks. We are awaiting final regulatory approvals and we expect to conclude the process this quarter," Tunde Mabawonku told Reuters by phone. Wema, which won regulatory approval last year to switch from a regional to a national bank, plans to re-open branches in Nigeria which it closed to become a regional player, he said. Wema obtained shareholders' approval in May to issue bonds or preference shares this year to raise 20 billion naira in the first tranche of a 50 billion naira programme, but market conditions then deteriorated. The Nigerian naira has dropped 40 percent since June, when Nigeria ditched its 16-month-old peg of 197 naira to the dollar in a bid to lure back foreign investors who had fled after a plunge in the price of oil, Nigeria's economic mainstay. Mabawonku said the mid-tier lender was watching debt markets closely for rates, adding that it had a target break-even rate at which it wanted to issue the notes. Nigeria's one-year treasury bill is offering around 18 percent yield, traders say. Yields on fixed income securities have been rising in recent months with the central bank mopping up naira liquidity to lure back foreigners. The central bank lifted interest rates by 200 basis points last week to 14 percent to help fight inflation, which hit a 10-year high of 16.5 percent in June. "Yes the economy has slowed but there are still business opportunities," Mabawonku said.

"We are opening locations in areas where we are not present and we see that the population is under banked." Wema, which has more than 100 branches, has also said it aimed to buy a mid-sized commercial lender to build scale. Last week Wema reported an 11 percent rise in half -year pretax profit to 1.30 billion naira. *(Reuters)*

The British High Commissioner in Nigeria, Paul Arkwright, at the weekend in Lagos said that Dangote Industries Limited's multi-billion dollar petrochemical project has rekindled his country's optimism that the Nigerian economy offers enormous opportunities to foreign investors. Arkwright, who was on a fact finding tour of ongoing construction projects at the Lekki Free Trade Zone, (LFTZ) site of Dangote Petrochemical Complex said that when concluded, the complex will be of immense benefits to both Nigeria and Britain. He led a delegation, which include British Trade Envoy to Nigeria, John Howell and acting Deputy High Commissioner, Ahmed Bashir. Projects at the complex include: the refinery, petrochemical plant, pipeline gas producing plant and fertilizer plant. The diplomat who was obviously awed by the size and complexity of the project described it as an extremely important and enormous investment that has the capacity to transform the Nigerian economy. He also assured of the commitment of the British Government to increasing trade and doing better business with Nigeria. Earlier in presentation, Group Executive Director, Special Projects, Dangote Group, DVG Edwin stated that the complex when completed will create market for $11 billion of Nigerian crude per annum and will save the nation over $7.5 billion per annum in terms of import substitution. He explained that the solid waste generated while construction is going on will be segregated and deposed off to cement kilns as feed leading to a cleaner and green environment. Dangote Petrochemical Complex, according to him, is showcasing to global investors that Nigerian economy despite the all challenges is still an investment destination and very safe for investments. Vice President Yemi Osinbajo and Lagos State governor, Mr. Akinwunmi Ambode, on a recent visit to the petrochemical complex site expressed similar optimism that the project has the capacity of transforming Nigeria's ailing economy. Osinbajo said government is harnessing the potentials of the private sector to accelerate the growth of the economy.*(This Day)*

Transnational Corp. of Nigeria Plc suspended plans to build one of the nation's biggest power plants as a local gas shortage makes it difficult to obtain fuel and a downturn in Africa's largest economy hinders efforts to raise funds for the project. The company in 2014 said it would raise $1 billion to build a 1,000-megawatt gas-fired facility. Two years earlier, it bought the Ughelli plant in the hydrocarbon-rich Niger River delta from the government and more than doubled its output to 700 megawatts. Since then, attacks on pipelines by militant groups have cut gas supplies to stations and forced millions of Nigerians to either do without electricity or buy fuel for their own generators. Also, a dollar shortage blamed on a 15-month currency peg removed on June 20 has raised import prices and inflation, with the economy contracting in the first quarter. "How do you make the investments when you are generating far below your current capacity due to gas problems,'' Chief Executive Officer Emmanuel Nnorom said in a July 29 interview in Lagos, Nigeria's commercial hub. Transcorp's interests range from agriculture to energy. Niger Delta Minister Usani Usani said Wednesday the government is in talks with militants about ending the attacks on pipelines, but could not confirm whether one group, the Niger Delta Avengers, were part of the discussions as its members are unknown.

The partial sale of 17 former state-owned power utilities three years ago was meant to attract investment needed to expand the grid and end daily blackouts. Yet, private investors have been hampered by increasing debt owed by the government and the inability to obtain foreign exchange. Electricity firms under the umbrella body Electricity Generation Companies in Nigeria said last month they may be compelled to shut down because of the gas and currency shortages. The scarcity of gas has reduced Nigeria's power generation to less than half of the installed capacity of 6,000 megawatts, the lowest in a decade, even as the country holds the continent's largest reserves of the fuel, contributing to the contraction of the economy which may shrink 1.8 percent in 2016, according to the International Monetary Fund. Solar Options "My number one problem would be gas, owing to much capacity available that is not put to use," Transcorp Power CEO Adeoye Fadeyibi said in the same interview. Ughelli's generation slumped to 70 megawatts this year before rising to 300 megawatts, or less than half of what it's capable of generating, he said. The nation, which has about 180 million people, generated an average of 2,464 megawatts of electricity in June, the Power Ministry said. Comparably, South Africa with a third of the population, has capacity to generate more than 40,000 megawatts.
Transcorp is in discussions with some foreign companies to diversify its sources of electricity to include solar, which will enable it lower

constraints from gas supplies, Fadeyibi said. Nigeria's Power Ministry signed agreements with 14 solar-electricity generating companies last month to supply 1,125 megawatts of electricity to the national grid. While Transcorp isn't part of the agreement, it is looking at deals that will be competitive based on its projections, Nnorom said. *(Bloomberg)*

Dangote Cement Plc would shift to coal as a stable energy source, increase the group's production capacities with the opening of new cement plants and enhance its domestic and international supply as part of a multi-prong approach to improve its performance in the period ahead. At the presentation of the underlying facts on the operations of the cement group yesterday at the Nigerian Stock Exchange (NSE), chief executive officer, Dangote Cement Plc, Onne Van der Weijde, outlined the strategic initiatives being taken to improve the profitability of the cement group. He spoke against the background of the half-year results of the group for the period ended June 30, 2016. Key extracts of the group results showed that turnover rose to N292.19 billion in first half 2016 as against N242.22 billion recorded in comparable period of 2015. Profit before tax however dropped to N124.89 billion in first half 2016 as against N128.73 billion recorded in comparable period of 2015. After taxes, net profit declined from N121.81 billion to N103.42 billion. Van der Weijde said the cement group would start 100 per cent coal production in September 2016 in an attempt to overcome the shortage of gas supply and reduce the challenge of foreign exchange (forex).

According to him, the company had decided three years ago to diversify and de-risk fuel supplies by opting for coal mills as energy sources, with the coal mills now ready for operation by end of September 2016. He said switching to coal would improve margins compared with Low Pour Fuel Oil, improve fuel security, eliminate shutdown as 100 per cent coal use will be possible across all lines and reduce forex need for imported fuel. He added that the some of the company's plant in Obajana in Kogi State and Ibese in Ogun State have already started using locally purchased coal blended with imported coal to assure optimal quality for their operations. "We will begin mining our own coal at Ankpa in Kogi State in fourth quarter," Van der Weijde said. He noted that klin fuel is the major cost of cement production, pointing out that the group margins are affected by the inefficiencies in the fuel mix. He assured that in the second half, the group expects strong volume growth with Ghana likely to import more cement from Nigeria while simultaneously focusing on protection of margins in Nigeria with more coal facilities in Nigeria coming on stream and increased exports to ECOWAS countries. He said the groups' Congo plant is set for operation in October 2016 while the Sierra Leone plant is expected to ready by October 2016. Chief executive officer, Nigerian Stock Exchange (NSE), Mr. Oscar Onyema commended Dangote Cement as a dominant player in the industrial goods sector, noting that the cement group has continued to solidify itself as an innovative brand in this sector. *(The Nation)*

Diamond Bank Plc and First City Monument Bank Limited (FCMB) have disclosed plans to raise fresh capital. Diamond Bank said it is considering raising fresh capital and selling some assets in order to strengthen its capital base, its chief executive said on Wednesday. Uzoma Dozie said the bank's capital plan will ensure it meets all regulatory requirements both in the short term and in the future. Diamond Bank's capital adequacy ratio had fallen to 15.6 percent of assets by mid-year from 18.6 percent a year ago. "We are doing a capital management plan and that will determine how much capital we want to raise, tenor and size," Reuters quoted Dozie to have told an analysts' conference call. "We don't have any need to grow our branch network any more. We are also looking at some assets that we can dispose of and we are a long way into that," he said. Diamond Bank's non-performing loan ratio rose to 8.9 percent in the first half, above the central bank's target level of 5 percent where it stood a year ago. It expects to bring down the ratio to 7.5 percent by year end, he said. In a related development, FCMB plans to raise N10 to N15 billion ($47 million) of tier II capital to boost its balance sheet and will target its retail investors for the offering, its chief executive officer, Ladi Balogun, said on Wednesday. Balogun said its capital adequacy ratio was close to the regulatory limit of 15 percent of assets at mid-year, and that it was undertaking the capital raising to provide an additional cushion. He said the bank was also slowing down loan growth, adding that a rate of increase of 14.8 percent in the first half was largely due to the 40 per cent drop in the value of the naira against the dollar since the dollar exchange rate peg was removed in June. Otherwise loans declined by 1.9 percent, said Balogun, whose term as CEO ends next year. "For the Tier II we would be looking at anywhere in the range of 10 to 15 billion naira. It's really going to be targeted at retail because we feel that the rates from institutions will be high," Reuters quoted Balogun to have told an analysts' conference call.

"We have interest from some depositors who want higher yields." Balogun said the bank would also retain profits in addition to the bond sale to boost capital and tap into buffers at its holding company, if necessary. FCMB, which closed 19 branches in the first half to cut costs, had $225 million in retained earnings, he said. The central bank has told lenders to set aside extra provisions against their dollar loans in the wake of the sharp fall in the naira since it floated the exchange rate in June. Balogun said its dollar loans were fully covered as of the end of June and that the bank expects to restructure 25 percent of loans to the oil and gas sector in the third quarter after it restructured 50 percent of those loans last year. FCMB Group Plc has reported a profit before tax (PBT) of N16.3 billion for the six-months ended 30 June 2016, showing an increase of 70 per cent from N9.6 billion recorded in the corresponding period of 2015. FCMB Group Plc – which consists of FCMB Limited, FCMB Capital Markets Limited, CSL Stockbrokers Limited and CSL Trustees Limited, partly attributed the development to foreign exchange revaluation gains, following the recent implementation of the flexible exchange rate policy by the Central Bank of Nigeria (CBN). FCMB Group Plc's gross revenue for the six months increased by 14 per cent to N88.3 billion, compared to N77.4 billion for the same period in the previous year. Non-Interest Income surged by 110 per cent to N26.0 billion, up from N12.4 billion recorded in 2015. Customer confidence in FCMB remained strong, as deposits were up five quarter-on quarter (QoQ) to N689.4 billion in June 2016, compared to N657.2 billion at the end of the first quarter of 2016. Total assets increased by 13 per cent QoQ to N1.3 trillion in June 2016 versus N1.1 trillion in March 2016. The Group's loans and advances, also grew by 17 per cent QoQ to N657.0 billion in June 2016, compared to N561.6 billion at the end of Q1 2016. Commenting on the results, the Managing Director of FCMB Group Plc, Mr. Peter Obaseki, said: "Our group's half year 2016 profit before tax came in at N16.3 billion, up 70 per cent on same period in 2015 and driven largely by treasury upsides, cost optimisation and sustained momentum in the commercial and retail banking group." *(This Day)*

Fidelity Bank Plc has announced a deposit base of N829.9 billion for the half year ended June 30, 2016. According to a statement by the company, the deposit base grew by 7.8 per cent when compared with N769.6 billion achieved in 2015. Its net loans rose by 23 per cent to N711 billion against N578.2 billion in the comparative period. The company explained that the net loans growth demonstrated the bank's commitment towards supporting critical sectors of the economy. However, the bank posted a decline of 2.6 per cent and 35.0 per cent in its gross earnings and profit before tax (PBT) respectively. It explained that total assets increased by 13.5 per cent to N1.39 trillion from N1. 23 trillion in 2015, while total expenses rose by 10 per cent to N31.7 billion from N28.8 billion in the preceding period of 2015. The bank's operating income increased to N43.6 billion from N42.0 billion in the preceding year, representing a 3.6 per cent increase. The Managing Director of the bank, Nnamdi Okonkwo explained that the financial performance was a reflective of the general slowdown in business activities due to lower government revenues. Okonkwo said that rising inflation rate, lower disposable income and tougher operating environment for most sectors of the economy and the impact of the devaluation on asset quality contributed to the financial performance.

"Despite the headwinds above, we continued with the disciplined execution of our medium term strategy and recorded decent growth on key operational metrics; deposits, loans, net interest income, electronic banking income and operating income", Okonkwo said. "We have taken a very prudent view of the impact of the currency devaluation, tougher operating environment and declining consumer disposable income on selected sectors of our loan portfolio", he said. The managing director said the bank would continue to ensure that its regulatory ratios remained above the regulatory thresholds. "Our other regulatory ratios (liquidity ratio and capital adequacy ratio) remained above the set thresholds though capital adequacy ratio declined to 16.3 percent principally driven by the growth in our loan book and other earning assets. "Key objectives for the 2016 full year remains; redesigning our systems and processes to enhance service delivery, cost optimisation initiatives to reduce expenses by 5.0 percent," Okonkwo stated. He added that the bank would pursue proactive risk management, increase customer adoption to its digital platforms and enhance retail banking to boost market share. *(Guardian)*

Economic News

Breaking the central bankers' taboo on use of the 'p-word', Nigeria's Godwin Emefiele is urging people not to panic about the banking system, saying he is on top of any trouble resulting from the worst crisis in Africa's biggest economy for decades. For now, depositors and investors are generally giving the Central Bank of Nigeria Governor the benefit of the doubt after he shored up mid-tier lender Skye Bank this month with a loan and replaced its management when its capital fell below levels required by regulators. But pressure is building, with loan books - nearly half of them in dollars - hammered by a shrinking economy, a plunging currency and acute foreign exchange shortages, all a consequence of the slump in the oil price for Africa's top crude producer. Non-performing loans are expected to jump to 12.5 percent of total loans this year, up from the central bank's target level of 5 percent at the end of last year, as lenders suffer a hangover from an oil sector credit boom that ended abruptly in 2015, according to Agusto & Co, Nigeria's main rating agency. Nigeria's 21 banks have been laying off staff, closing branches and slashing earnings forecasts, but some are unlikely to survive the storm, analysts say. "It will affect their profitability initially and eventually it is going to affect their liquidity and solvency," said Bismarck Rewane, chief executive of Lagos-based consultancy Financial Derivatives. "Because of the squeeze in profitability there will be a natural consolidation and a shake out." Any failure of the banking sector would have far-reaching consequences in the nation of 170 million, with civil servants' pay routed through the banks and residents of remote villages dependent on electronic systems for routine payments.

Sterling Bank chief executive Abubakar Suleiman said in February a naira drop of just 20 percent would trigger a "wave" of bank mergers. Since a devaluation last month, the currency has lost double that against the dollar. Overall, 42 percent of loans extended by Nigerian banks are in dollars. If the naira falls far enough, it will force some banks to recapitalise to have enough naira to stay within financial stability limits. "There is concern around the evolution of banks' capital adequacy if the naira continues to weaken," said Standard Chartered Africa chief economist Razia Khan. "As the naira weakens, FX loans are likely to be problematic." According to London-based analysts Exotix, UBA, Diamond and Guaranty Trust Bank (GTB), which is Nigeria's biggest bank by market capitalisation, have the highest ratio of dollar loans, at 50 percent apiece. Diamond declined to comment, while UBA and GTB said they saw no need for a recapitalisation due to the devaluation. One Lagos-based banking analyst, who asked not to be named, said three or four medium-sized banks might need to raise capital. The central bank has said it is monitoring one or two lenders for liquidity, without naming them. Adding to uncertainty, GTB delayed its half-year earnings this week pending an interim audit.

Two mid-tier banks, Skye and Stanbic - the local arm of South Africa's Standard Bank - said they had not yet released first quarter earnings. Some banks have themselves borrowed heavily in dollars, debt that now costs much more to service. Top of this list is GTB, which has $1.6 billion in dollar-denominated debt, followed by First Bank of Nigeria, with $915 million, according to Thomson Reuters data. First Bank was not immediately available to comment. Anticipating problems from a weaker naira, investors have been selling off banking stocks for the last year, sending the banking index in January to its lowest since it was formed in 2009, and less than half its level in mid-2014. Many banking stocks - hot foreign investor picks a decade ago during an 'Africa rising' boom - remain depressed after a 2009 sector melt-down stemming from the global financial crisis. Zenith shares are a third of their pre-financial crisis highs, Access a quarter, and First Bank just 10 percent. GTB, by contrast, has recovered as it has one of the lowest levels of non-performing loans and its shares are now in line with their 2008 levels. With the IMF forecasting a 1.8 percent contraction in the economy this year, the immediate prospects for the banking sector are grim but Emefiele was adamant the financial system remained solid.

"The strategic health of the Nigerian banking or financial system remains strong at this time. There is no need for anybody to begin to panic or worry that any bank is in distress," he said after a monetary policy meeting this week. "Depositors of banks, please, please endure. We appeal to you: go about your business. You will not lose your deposits in any bank." However, his soothing words, which followed a rush by depositors to withdraw funds from Skye earlier this month, may have the opposite effect, especially after police in May raided three banks - Access, Fidelity and Sterling - as part of a probe into alleged illegal transactions. "The moment you start saying it, it raises eyebrows - why are you saying that?" Financial Derivatives' Rewane said. Another problem is the lack of transparency over so-called "insider loans" to directors and shareholders. These are often not declared in earnings statements in a timely manner, bankers say, making a bad picture possibly even worse. The Nigeria Deposit Insurance Corp, an independent federal agency, said this week it was concerned "over the increasing wave of non-performing insider loans in various banks and its consequences for the stability of the nation's banking systems". *(Reuters)*

Inadequate gas supply due to pipeline vandalism, the looming threat of reversal of electricity tariff hikes, inability of power companies to

sign gas supply contracts, and large amounts of debt owed to power companies by ministries, departments and agencies (MDAs) of the three tiers of government have raised concerns around bank loans to the power sector. A report by Lagos-based CSL Stockbrokers Limited titled: "Banks and Power Sector Exposure," obtained by THISDAY at the weekend, showed that the total power sector exposure of eight banks namely: FBN Holdings Plc, Zenith Bank Plc, United Bank for Africa Plc (UBA), Guaranty Trust Bank Plc (GTBank), Access Bank Plc, Diamond Bank Plc, Fidelity Bank Plc and Skye Bank Plc stood at N402 billion ($1.3 billion) in their full year 2015 financial results. The report estimated that a default in power sector loans could raise banks' cost of risk (COR) in 2016 from 2.4 per cent to 3.9 per cent in aggregate terms. "We arrive at this by modelling the effect of a 30 per cent default rate on power sector loans. A rise in the COR of this order would lower our 2016 forecast aggregate net profits for the five largest banks by about 18 per cent and a more significant of about 95 per cent for the smaller banks," it added. However, it stressed that this would not lead to a crisis, just that it might come at a time when banks are already reeling under the weight of non-performing loans (NPLs) from the oil and gas sector. Several banks gave loans to the power sector, including significant sums lent to purchase power generation and distribution assets during the privatisation programme. Though most of these assets are currently performing according to the banks, gas shortages and a reversal of previous tariff hikes are likely to hurt power companies' cash flow and could threaten the viability of these loans. "If power sector loans become impaired, GTBank and Access Bank will be the least affected as they made very minimal loans to the power sector. UBA will take the greatest hit among the big banks while Fidelity Bank and Diamond Bank will be worst affected of the Tier 2 banks," the report added.

The Nigerian power sector reform has so far brought little improvement to the country's power situation. Privatisation of the industry in 2013 transferred generation companies and distribution companies to private ownership but has done little to increase Nigeria's average output beyond 4,000MW. Although the privatisation scheme was done with extreme care, with an elaborate structure and a number of government agencies to shepherd it through to success, there have always been two major sticking points: inadequate gas supply and unsustainably low electricity tariffs. In February 2016, the Transmission Company of Nigeria (TCN) disclosed that Nigeria, for the first time in its history, generated over 5,000MW of electricity. Power generation has, however, dropped significantly since the announcement was made. The operational report published by the Nigeria Electricity System Operator (NESO) as of July 25, 2016 showed that the country achieved peak power generation of 3,142.4MW on July 24 compared to a national peak demand forecast of 17,720MW. Much of the blame has been ascribed to inadequate supply of gas to power plants due to pipeline vandalism. The generating companies have also recently complained that they have been unable to sign contracts to purchase the gas needed to generate power because banks have refused to provide them with letters of credit (LCs) to guarantee their purchases. Power Minister Babatunde Fashola, in a bid to create a more viable tariff structure, directed the Nigerian Electricity Regulatory Commission (NERC) to meet with the 11 Discos and come up with what he referred to as a fair tariff system. Consequently, a number of tariff hikes were implemented in 2015, with the last announced in December but implemented in February. The last tariff hike resulted in the elimination of the fixed monthly charge that consumers were obliged to pay, irrespective of whether they had consumed electricity or not. Fixed charges for most residential consumers were between N700 and N800 per month. The increase in tariffs for residential consumers introduced in February ranged from N8-N11.05/kwh. For CSL Stockbrokers Limited, among the many problems preventing the efficient operation of the power companies, inadequate gas supply and low tariffs are the most serious in its view.

"Militant attacks on gas pipelines and transmission towers, coupled with the inability of power companies to sign gas contracts have resulted in abysmal power supply to households lately. Since power companies now only earn revenue when they supply power (no longer earning a fixed monthly charge), a disruption to supply due to shortage of gas is likely to significantly hurt revenues. "This, coupled with a reversal of tariff increases may make it almost impossible for power companies to meet their obligations to banks. "Already we have come across instances in which power companies have shown signs of strain. One of the banks we spoke to mentioned that it had had to resort to its debt service reserve account (DSRA) for some of its power sector exposures. "The DSRA is a deposit which is equal to a given number of months projected debt service obligations, which serves to protect a lender against unexpected volatility or interruption in the cash flow available to service the debt. We think this may delay NPL recognition for some of these loans. "We recognise that some banks are better at managing risks, hedging and securing collateral than others, and therefore the difficulties are unlikely to be experienced evenly.
"The power situation attracts a lot of government attention and we believe the government will be reluctant to see a complete failure of the

power sector reforms. "Consequently, there is a possibility that the government may intervene to help resolve the many problems threatening the industry and this restrains us from factoring in the above increase in COR into our core scenario for our bank forecasts," it added. Commenting on the situation in the power sector, the CEO, Financial Derivatives Company Limited, Mr. Bismarck Rewane, who spoke in a phone interview with THISDAY yesterday, said a lot of banks would definitely restructure their loans to the sector considering the situation in the economy. "Many of the power firms borrowed in dollars and so they are hit by two things: One is the price of the loans and secondly the foreign currency component. So they have to be structured properly so that the terms of the loans are synchronised with the projected cash flows.

"Once the loans are structured and the debts are current, then the bank would not have to make any provision because there would be no impairments. "If restructured, you have to give them moratoriums so that the cash flows would start coming. But if they don't restructure the loans, everything would collapse," Rewane added. The Managing Director/Chief Executive Officer of First Bank of Nigeria Limited, Dr. Adesola Kazeem Adeduntan, in an interview with THISDAY last week, pointed out that the power sector is important to the economy, saying that without the country resolving all the issues around the sector, it might make the country's push for economic growth to remain a mirage. "What we have seen is that given the significance of the sector on the overall health of the economy, government has been heavily involved in resolving all the issues in that sector and I am certain that we would find a win-win situation for everybody. "Again, it is in the overall interest of the economy for that sector to do well. For that sector to do well, there must be capital injection either by way of equity or by way of debt," he added. The Central Bank of Nigeria (CBN), last May, disbursed N55,456,161,481 from its Nigerian Electricity Market Stabilisation Facility (NEMSF) to firms in the power sector. A breakdown of the amount showed that the distribution companies got N8,670,234,863.76, the generating companies – N35,834,536,939, gas suppliers – N10,491,710,788.66, and service providers in the power value chain – N459,678,889.55. The amount was the fourth batch from the N213 billion stabilisation that was designed by the central bank as part of development finance intervention in the economy. The central bank also last week directed commercial banks to review and make adequate provisioning for all delinquent foreign currency-denominated loans in line with the July 1, 2010 Prudential Guidelines for Deposit Money Banks in Nigeria. *(This Day)*

Nigeria plans to raise 245.18 billion naira ($773.44 million)worth of Treasury bills with maturities ranging between three months and a year on Aug. 3, traders said on Tuesday citing a central bank Treasury bill calendar. The central bank plans to issue 45.18 billion naira in 3-month debt, 80 billion naira of 6-month paper and 120 billion naira of 1-year bills in a Dutch auction, they said. Indicative rates for the auction are 16 percent for 3-month, 18 percent for 6-months and 18.5 percent for 1-year bills, one trader said. The auction's results will be published the day after the sale. Yields on fixed income securities have been rising in recent months with the central bank mopping up naira liquidity to try to lure back foreign investors who sold naira assets following the plunge in the price of oil, Nigeria's economic mainstay. The bank lifted interest rates by 200 basis points last week to 14 percent to help fight inflation, which hit a 10-year high of 16.5 percent in June. The central bank was not immediately available to comment. *(Reuters)*

Nigeria's central bank has told commercial lenders to take extra provisions on all dollar loans, in the aftermath of its decision to let the naira trade freely on the interbank market, causing the currency to tumble. The naira has lost 40 percent of its value since Nigeria ditched its 16-month-old peg of 197 naira to the dollar in June in a bid to lure back foreign investors who fled both the equities and bond markets after the plunge in crude prices. The regulator asked lenders to send evidence of the extra provision by Wednesday in a circular issued last week. *(Reuters)*

The Country Manager of British Airways, Kola Olayinka has disclosed that foreign airlines operating in Nigeria lost N6.4billion in the N157.6 billion ($800) of their revenues trapped in the Central Bank of Nigeria (CBN) when the Naira was devalued from N197 to N280 by the apex regulator. The BA Country Manager explained that the total amount of money trapped in CBN before the devaluation was $800 million and for every $1million the airlines lost N80million. Olayinka made this known on Wednesday during the Aviation Round Table (ART) Breakfast Meeting in Lagos. He explained that the fares Nigerians pay for international destinations have increased because more naira is exchanged for dollars, but passengers still pay the same fare in dollar denomination. He said that the economic downturn and scarcity of the dollar are bringing uncertainties in the Nigerian economy and have affected every business done in Nigeria and in the entire economy. "Dollar scarcity is bringing about uncertainties to all businesses. $800m was in our banks that needed to be transferred. We were selling for N197, when it went up to N285. For every $I million, we lost N80 million," he said. Olayinka said the devaluation and the trapping of airlines funds eroded their finances and led to their adjustments in order to survive, while some of the airlines were forced out of the Nigerian market. "Some of the airlines could not survive. There were a lot of readjustments. BA readjusted by flying Boeing B777, Virgin Atlantic moved to Airbus A330, in a bid to readjust the seat capacity. The fare $1,000 was not changed. The airlines have not increased the fare, the dollar did. Bring 10 more airlines they will fill up with passengers, that is our strength and we should be proud of ourselves as Nigerians."But he frowned on the exploitative fares charged Nigerians saying, while Nigeria has high passenger traffic, Nigerians still pay more to travel. "They need to fill up the aircraft at the right price. We need to compete effectively and friendly. We need to compete in a way that we are not hurting the consumers.

It is not in our interest to earn excess monies that sits with the CBN and is going nowhere, what is the point of doing the business? There is multiple unemployment, some agencies and airlines have rationalised. If we sent people away, there will be no job and the multiplier effect, if we start bringing in less people, what will happen to hotels, taxi drivers, and immigration? Government will also be losing monies. All airline operators are task collectors for government," he stressed. The BA Country Manager said government collects $20 for every single passenger that passes through the airport security, $50 for every single passenger that passes through the airport. "Then 5 percent of every fare we collect is a tax and that goes to the government. So everything that affects the airlines equally affects the government. Nigeria is the giant of Africa by location, size, attitude and by who we are. Are we the giant of Africa in our economy and infrastructure? Accra airport is small but effective and functional. On the immigration desk in Accra, there were 50 trained personnel. Are we really the giant of Africa? Go through South Africa Cape Town; I checked in at counter 91 in Cape Town. The question is if we are not living true to our name or our type, what are we doing to get there? What we can be accused of is not talking to the policy makers but we can keep telling them till they get tired of us. No matter how the airport is, BA will fly; we will just walk around it. We have second option for everything. We have been so trained. Have we fully tapped opportunities even within Africa?" He remarked that Nigeria ought to be the West African operational hub; "We do not need to keep talking about it. We should by location, strength, size and population. We should be the hub for Africa." *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

STANBIC Bank Tanzania has been given an additional capital of 34bn/- from Standard Bank Group to boost up its operations which have lately been below expectations. The funds have been injected in the quarter under review in the wake of below par financial performance in the previous quarter largely due to regulatory penalties and additional tax in the current year. "Although Stanbic Bank Tanzania's financial performance in the past quarter was below expectations, this was largely due to old legacy issues from some years ago, which resulted in regulatory penalties and additional taxes in the current year," according to a statement availed to the 'Daily News' yesterday. Excluding these legacy issues, the business was profitable and the outlook for the remainder of the year is positive, the bank said in the statement. "The injection clearly demonstrates the Group's commitment to Tanzania, and is testimony to the significant growth opportunity facing the country in the years that lie ahead. Stanbic Bank Tanzania's vision is to be the leading financial services organisation in our chosen market segments, with passionate and empowered people, delivering exceptional client experiences and superior value. In order to achieve our aspirations, we recognize that it is imperative that we contribute to the long-term viability and success of the communities in which we operate, by facilitating economic growth and social development. *(Daily News)*

TANZANIA's portfolio investment has reached almost 10tri/- but the amount under banks safeguarding, custodial services, represent merely ten per cent. This brings in a fresh-risk of losing colossal funds, most from pension funds, where a big chuck is under hands of those who are not regulated accordingly. Due to limited awareness, most portfolio investors left the duty to safeguard their funds under the hands of stockbrokers, who in some cases rise conflict of interest on how best to manage equity and debt funds under their docket. CRDB Bank Managing Director, Dr Charles Kimei, said at the moment assets under custodial management is roughly 500bn/-, just a peanut, compared to the total country's investment portfolio. "The service is new … the main challenge is awareness and education to portfolio investors," Dr Kimei said yesterday during a half-day sensitisation discussion. Dr Kimei said they are the first local bank to introduce the services which at the moment was growing at 32.5 per cent a year in the last five years. According to Dar es Salaam Stock Exchange (DSE), domestic market capitalization stands at 8.44tri/- as of Monday, though not in nominal term. Dr Kimei said outsourcing the portfolio to banks "cut costs" while at the same time clients get a first hand information of the proceeds of one investment - include AGMs, dividends, settlements, share or bond prices and so forth. "The custodian is the entity responsible for safekeeping client assets. Banks are mitigating risks associate with leaving funds under non-bank custodian. "The services are for any portfolio investor but pension funds are key ones as their exposures are too high," Dr Kimei said. Dhow Financials Chief Executive Officer, Prof Mohamed Warsame, said using bank's custodian services avert a number of risks since brokers are not heavily regulated as banks. "Have you seen a broke-firm financials? But you have seen several times for the banks," he queered. He said in Kenya, some brokers sold clients shares, without their consent, when price increases and pocket the gain, and replaced the share once price plummeted.

However, the problem came up when prices continued to rise, where they could not replace the shares. "Four firms collapsed in Kenya due to these malpractices, where one went under with billions of Kenya's NSSF fund," he said. "The custodian services reports financial position of their client on daily basis showing position of the investor fund movement. "Large institutions and some investors choose to have a custodian relationship that is separate from broker trade execution services," Prof Warsame said. Social Securities Regulatory Authority (SSRA), Director of Compliance, Lightness Mauki, said total pension funds investment has reached 10.5tri/- out of which 5.0tri/- are under portfolio investments. "Yes, still a big potion is not under custodian but a pension fund can have a special agreement with a brokerage firm on how best to keep its fund," Ms Mauki told 'Daily News'. Despite Prof Warsame saying there is no a case where a broker sold client share without an approval in Tanzania, 'Daily News' was tipped that some four cases have been experienced in the past. "There was a case of a broker sold a client share without approval. But when we investigate, we found out the broker died. The firm, to cover the mess, agreed to replace the shares," the informer said. He said most investors, especially retailer, are buying share to keep, thus giving a leeway for uncouth broker to capitalize on trading on ones shares and pocket the gains. DSE Head of Certificate of Securities Depository unit, (CSD), Benito Kyando, said to beef up securities and increase efficiency, the bourse figuring out separating CSD unit from its activities.

"In some countries in Africa CSD unit are separate entity … we want to do the same in Tanzania. CSD should be separated from DSE," Mr Kyado said. *(Daily News)*

AIRTEL has announced partnership with the National Microfinance Bank under which Airtel Money agents will be provided with floats from NMB branches across the country to improve efficiency in mobile money services. Airtel Managing Director, Sunil Colaso, said in a statement that the partnership with one of the leading banks in Tanzania is aimed at boosting customers' convenience in mobile money transactions. "Airtel Money partnership with NMB underscores Airtel's commitment to continue driving financial inclusion in Tanzania by providing customers with a quick and convenient way to transact mobile money services," he said in the statement. "Also with a sound regulatory framework we will continue to build a healthy distribution Network and driving Customers' uptake." He said Airtel was grateful that NMB would now be part of Airtel Money Wakala's ecosystem to manage their float availability and increase efficiency in serving our customers at all times. Money services continue to go through an evolution that encourages partnerships and collaborations that guarantees the customer convenience, security and comfort. I am confident in the years to come, Tanzania will continue to spearhead Mobile Money services through this kind of partnerships for better financial inclusion, he said. "This is a significant milestone for our businesses as our over 45,000 Agents complements over 160 NMB branches across Tanzania which guarantees agents simplicity to withdraw or deposit Airtel Money floats at all times. NMB will manage physical cash movements and its accounting while Airtel Money will manage float movement and its accounting," he explained. *(Daily News)*

THE Tanzania-Zambia Railway Authority (TAZARA) says it has made a profit of 13.50 million US dollars for 2015/2016 financial year as it makes steady progress from scores of turnaround measures. The jointly owned railway line, has attributed the profit to improved business resulting from increased haulage from 87,000 metric tonnes of freight in the 2014/2015 financial year to 130,000 metric tonnes in the 2015/2016 financial year. According to a communique, issued after the 108th meeting of the Board of Directors held in Lusaka, Zambia, the railway firm has since projected to generate about 44.10 million US dollars in the 2016/2017 financial year due to a turnaround in business and cost-effective operations. With impressive results, the Board of Directors of the Tanzania-Zambia Railway (TAZARA) said the railway firm has started showing signs of improvement. The communique further noted that there were improvements in both the inter-state and commuter passenger train operations, which were now not only running on time but also operating cost-effectively in some units. "In this regard, while commended for the improvements so far, the management was urged not to relent but to go further and apply more efforts to eliminate all losses in all units and aim to attain the break-even point in all operations," the communique added. The Board has since proposed management's plans for a projected 381,000 tonnes of freight and 2,280,000 interstate and commuter passengers to be transported in the financial year 2016/2017. The 1,860-kilometre railway line, built with the assistance of the Chinese government in the 1970s, runs from the Zambian town of Kapiri Mposhi to the Port of Dar-es-Salaam in Tanzania.*(Daily News)*

THE National Microfinance Bank (NMB) has injected 500bn/- in its new five year strategy aiming at revamping agricultural financing in the country. Dubbed 'AgriBiashara', the multi-billion strategy will ensure that it improves the agricultural sector in the country, according to NMB Managing Director (MD), Ineke Bussemaker. With the new strategy, NMB adopts the value chain approach while expanding its activities in agriculture sector by increasing the number of crops from the previous 5 to more than 12. According to the bank's Chief Agribusiness Officer, Seif Ahmed, the Bank financing in agriculture will focus not only to primary agricultural production but also input suppliers, traders, processors, importers and exporters. The bank's officials confirmed at launch of the AgriBiashara business plan yesterday that under the new approach, at least 500bn/- had been set aside to provide credit to agriculture in the country for the coming five years. In this year alone, NMB, which has 180 branches countrywide, is expected to spend 270bn/-, according to the head of Agribusiness, Renatus Mushi. According to the MD, the finance solution that facilitates access to credit is expected to aid farmers in achieving improved cultivation practices, higher yields and ultimately increased household income while increasing the export volume of agriculture products. Ms Bussemaker, who was speaking at the launch of the new plan, said her bank recognises the important role the agricultural sector plays in the country's economy as well as deliberate efforts to expand the financing and designing products and services targeting at developing the sector.

"Access to credit has been a major stumbling block in allowing players in agriculture to be employed in the sector and its value chain,'' she said adding: "The new plan and structure of agribusiness that we are launching today will provide an innovative solution in access to financing in the agricultural sector.'' Ms Bussemaker added that with 180 branches countrywide, NMB was reaching over 600,000 smallholder farmers by financing their crop production. In the new strategy, the bank is also targeting larger commercial farmers, input suppliers, processors, traders and other players in the agribusiness value chain. Agriculture is the back bone of the country's economy. It contributes about 70 percent of the rural household's income while employing over 75 percent of the Tanzanian population as well as contributing to 26 percent to the country's Gross Domestic Product (GDP). *(Daily News)*

Economic News

THE annual 2016 Article IV Consultation conducted by the International Monetary Fund (IMF) suggested that the Tanzanian government's tax revenue levels are too low to finance its infrastructure investment and social service plans. The IMF stressed that to achieve its development agenda, the government must take steps to increase its domestic revenue collections. However, the IMF was "encouraged by the authorities' plans to strengthen tax administration and to consider further tax policy reforms." It was noted that Tanzania's tax revenue, at about 13 per cent of GDP in 2015/16, remains below low-income country standards. The IMF has estimated that the country's tax performance was about four per cent of gross domestic product (GDP) below tax capacity in 2009-13, although that has been cut to between two and three per cent of GDP currently following the increase in tax revenue seen in 2015/16. The reason for Tanzania's low tax-GDP ratio is, according to the IMF, largely due to "poor performance in value added tax (VAT) collection (that) appears to be driven by administrative inefficiency, low taxpayer compliance, and policy gaps." In order to close the tax revenue gap, the IMF concluded that, although the new VAT law implemented from July 2015 was "a good step forward, more needs to be done to further streamline exemptions and improve the refund mechanism."

A staff paper on selected issues that accompanied the IMF's Article IV Consultation confirmed that "VAT collection has suffered from creeping exemptions, compliance issues, and a weak refund mechanism. The new VAT law has broadened the tax base by removing some exemptions, although there may still be some room for further base-broadening measures." "It would be particularly pertinent to review the experience with exemptions that were added to the VAT law before the legislation was finally approved by parliament," the paper continued. "The fact that businesses continue to push for these exemptions is an indication that the VAT refund mechanism does not work satisfactorily. " The IMF also commented that significant revenue could be mobilized through the elimination of corporate income tax holidays and exemptions. The staff paper noted that generous tax incentives undermine the corporate tax base, as do accelerated tax depreciation allowances and preferential dividend withholding tax rates for some sectors and asset types, and that they could be phased out or eliminated. In addition, it was thought that property tax "remains an underutilized source of revenue particularly for the rapidly growing urban centres. Combined efforts are required to expand the property cadastre, improve the valuation method, and provide more flexibility to increase the property tax rate in some municipalities." In the area of tax administration, "the need to step up reforms is pressing," the IMF also stated. "Areas for policy actions include cleaning up taxpayer registration and accounting, upgrading the IT system, and strengthening compliance risk management." In reply, the government agreed with the need to raise revenue collection. However, it pointed out that it is already taking action to fight tax evasion, streamline exemptions, widen the revenue base, and strengthen the capacity of revenue-collecting agencies. It also said that it has begun to consider further tax policy reforms, and that a strategy is expected to be adopted by the end of this year.*(Daily News)*

TREASURY bills auctioned on Wednesday last week was characterized by low demand that finally resulted into under subscriptions of the short term government instrument. Similarly, low appetite for the treasury bills is translated into continued tight liquidity stance in the circulation that contributed to poor performance of short and long term debt securities in the past two sessions. According to NMB e-market report, liquidity remained tight following tax payment period, with overnight rates trading at about 15 per cent amidst fairly high demand for funds. The auction summary by the Bank of Tanzania (BoT) shows that a total of 139bn/- was offered to the market for bidding and in the end it attracted bids worth 117.47bn/-, although the government retained 76.62bn/-as successful amount. Yield rates across all tenures increased slightly at weighted average of 15.81 per cent compared to 15.71 per cent of the previous treasury bills session held two weeks ago. Likewise out of 142 number of bids received during the trading session, only 72 emerged to be successful. Some of the investors in the one-year treasury bills are namely commercial banks, pension funds, insurance companies and some micro-finance institutions. The two tenures, 364 and 182 days have continued to dominate the trading session and most attractive after contributing some 90 per cent of the total bids while 91 and 35 shared the remaining. The 364 and 182 days offer attracted bids worth 61.71bn/- and 55.50bn/- respectively against 73bn/- and 50bn/- offered to the market for bidding while the 91 and 35 days offer attracted 100m/- and 160.4m/- all together. Yield rates for the 364 and 182 days offer were 16 per cent and 15.73 per cent respectively compared to 15.88 per cent and 15.60 per cent of the previous session held two weeks ago. The 35 days tenure interest rate was 7.35 per cent. The highest and lowest bid/100 for the 364 and 182 days offers were 86.61/84.00 and 93.03/91.66 respectively while for the 91 and 35 days offer were 96.70/96.70 and 99.30/99.30. The minimum successful price/100 for the 364, 182, 91 and 35 days offer were 86.03, 92.21, 100.00 and 99.30 respectively. *(Daily News)*

CUSTODIAL service providers in Tanzania are highly monitored and regulated to make sure investors' securities in stock market are kept safe, according to the Capital Market and Securities Authority (CMSA). CMSA Public Relations Manager, Charles Shirima told the Daily News yesterday that as regulator they closely monitor stock brokers who provide custodial services to ensure the business thrives and meet growing demand of the services from the equity market. He said services currently being provided by banks and stock brokers were being guided by laid down rules and regulations to ensure custodial service were provided by qualified and certified custodian to ward off risks of theft, loss and other malpractices. He said although it is still at its nascent stage in Tanzania, custodial services have become a lucrative business with players in the financial sector competing to get a share in the business. He said country's law stipulates that pension funds have to have fund managers. "Anyone can be a fund manager so long as he/she has been certified and approved by CMSA," he said. Brokers and banks both can act as fund managers as long as they get approval from CMSA, he said.

Tanzania Stock Exchange Brokers Association Secretary General, Raphael Masumbuko, said the brokerage firms were highly regulated by capital markets and securities authority and all funds are under trustee account. "Since DSE inception, 18 years ago, no case was reported of a broker to mess up with client shares…in whatsoever way," Mr Masumbuko said. He said custodian business is highly competitive and both banks and brokers are equally regarded when it comes to serve institution investors and all are facing some degree of risks. Yesterday, it was reported that brokerage firms are not highly regulated as banks when it come to safeguard assets thus clients risking losing their money kept by brokers. But brokers said the subsector is well regulated and comparing two markets under different jurisdictions was dead wrong. "Yes NSE (Nairobi Securities Exchange) had registered some cases of share selling without holder's consent but it is dead wrong to put it at par with DSE. "Dar is not Nairobi. We thank our regulator for the well done job for regulating us on safeguarding shareholders affairs in the last 18 years," Mr Juventus Simon, Managing Director of Orbit Securities said. "We also issued several reports based on shareholder needs ranging from daily markets reports, analytical reports to single share movements," Mr Simon said. Mr Shirima said the regulator has yet to receive or register a case of any broker to sell client share without consent. Despite automating buying and selling system, a broker cannot sell a customer share without the latter sign a consent form that authorised the transaction to take place. "We are regularly inspecting brokers' transactions against consent forms to check the validity of sell," Mr Shirima said. *(Daily News)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zambia

Corporate News

KONKOLA Copper Mines (KCM) is considering the use of oil-fired boilers to power for electrolyte heating and ramping up refinery capacity following increased power tariffs that has added US$3 million per month on the cost of production. KCM also plans to have its smelter undergo a biennial shutdown in second quarter of the financial year 2017 after which the feed-rate will increase from 70 to more than 80 tonnes per hour. According to the production results for the first quarter ended June 30, 2016 posted on the Vedanta Resources Plc website, metal production was stable at 29,000 tonnes compared to the prior quarter but was lower by two percent compared on year-on-year basis. "This is mainly due to the Nchanga underground mine being placed on managed care and maintenance in third quarter of financial year (FY2016). Nchanga underground contributed a production of 4,000 tonnes in FY2016 and [FY2015] production was at 7,871 tonnes," it stated. It stated that at the Konkola underground mine, production was higher by two percent year on year on account of improved recoveries. "Equipment availability at Konkola has increased by 10 percent in the quarter, as the trackless engineering and maintenance team at Konkola has been strengthened through external recruitment and this is showing a positive impact on equipment reliability. "At the Tailings Leach Plant, production continues to increase, and was five percent higher during the quarter at 14,000 tonnes compared on year-on-year basis," it stated. It stated that power tariffs were increased in January 2016 and this resulted in an adverse impact of US$ 3 million per month on the cost of production. "The company is exploring a range of possible solutions to reduce the cost of power including technical interventions, to use oil-fired boilers as an alternate to power for electrolyte heating and ramping up refinery capacity," it stated. *(Daily Mail)*

Glencore's Zambian Mopani Copper Mines (MCM) has halted production at all its operations after four miners were killed in separate accidents, a company official said on Friday. MCM on Thursday suspended production at its Mufulira underground mine after three miners were electrocuted, the official, who declined to be named, told Reuters. Last week another miner was killed in an accident at a Mopani shaft in Kitwe, local media reported. "The latest position is that we have suspended all production related operations across all Mopani facilities to facilitate investigations into the severe mines accidents that we have experienced in the recent past," the official said. Apart from the Mufulira underground shaft in Mufulira, Mopani also owns the Nkana underground shaft, South Ore Body shaft and the Mindola shaft in Kitwe. Glencore is investing more than $1.1 billion in Zambia to sink three shafts at MCM with new technology that will extend mine life by over 25 years. *(Reuters)*

Economic News

THE treasury bill auction yesterday was expected to contribute to the further appreciation of the Kwacha, a financial market analyst says. Zanaco Bank says the local unit that has been trading on an upward trend against the United States dollar was yesterday expected to continue with the momentum with the Kwacha projected to trade between K9.95 and K10.15 on bid and offer respectively. "The Kwacha is expected to keep within a narrow range in the near term floating between K9.95 and K10.15 but could gain on the back of today's [yesterday] treasury bill auction," the bank says in its daily treasury newsletter report. On Wednesday, the Kwacha strengthened against the dollar bolstered by strong interbank dollar selling. The local unit opened Wednesday's trading session at K10.15 and K10.20 on bid and offer respectively, K 0. 5 stronger than Tuesday's closing session, buoying further by K0.10 by close of the trading session. On the commodity market, the price of copper on the international market increased yesterday from a three week low in the previous session, as metals marked time ahead of Friday's non-farms report. According to Reuters, three-month copper on the London Metal Exchange edged up by 0.1 percent to US$4,882 a tonne, after closing little changed in the previous session. "Prices have been penned in a summer trading pattern as workers go on holiday, with a ceiling at US$5,000 and a floor of US$4,820 a tonne, hit on Wednesday, which was its weakest since July 12," Reuters reports. *(Daily Mail)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

Delta Corporation says it will commission two new Chibuku Super plants in Masvingo and Kwekwe by October this year at a cost of $30 million to increase volumes of its popular sorghum beer. Chief executive Pearson Gowero told shareholders at the company's annual general meeting that volumes for the first four months of the financial year were up, largely on increased uptake of Chibuku Super as customers were shifting towards cheaper products. "Sorghum beer improved on Chibuku Super and we have increased market share in that business thus we are looking at distribution as well as putting additional capacity in Kwekwe and Masvingo which will be commissioned in October," he said. Equipment for the Chibuku Super two plants was now on site, a welcome development after the group cut prices to stimulate demand, he added. In the review period, sorghum beer volume increased rose nine percent while revenue inched up three percent. Lager beer volumes dropped 14 percent and revenue went down 17 percent but the lower priced Eagle lager was in demand. "Soft drinks volumes were down 17 percent, but revenue is better because we sell high value products," he said. Gowero said weak economic fundamentals, cash shortages, underperformance of agriculture and significant policy shifts continue to undermine the company's performance. "We expect little change in the trading environment and we will focus on strengthening cost containment measures and cost base while continuing to defend market share," said Gowero. On associates, Afdis is still to report its financials, while Schweppes volumes were up eight percent but revenue slid down five percent, with the market share stable. Nampack Zimbabwe revenue is trending below prior year but profitability is improving due to streamlining costs and productivity. The company also witnessed growth in plastic packaging volumes. *(Source)*

OK Zimbabwe, the country's biggest supermarket chain, says its operating profit for the first quarter of 2016 was up by over 100 percent above prior year as low overheads helped offset a five percent sales decline. OK Zimbabwe had a torrid full year to March 2016, reporting an 88 percent decline in operating profit, at $1,3 million compared to $10,7 million in prior year amid growing competition chasing diminishing consumer spend. Profit after tax and finance charges fell by a massive 91 percent to $700,000, from $7,5 million previously. Chief executive Willard Zireva told shareholders at OK's annual general meeting on Thursday that despite the difficult operating environment, the company wants to improve margins and keep costs down while retaining its market share. Overheads in the period were 6,9 percent below the same period last year while shrinkage remained at previous levels. During the quarter, the specialist departments of fruit and vegetables and in-house bakeries grew above prior year while the financial services sector operations continue to grow. Zireva said a new agreement with Kawena of South Africa, which is awaiting approval by the South Africa Reserve Bank, will allow OK Zimbabwe to use the funds collected in SA to pay for imports and raw materials. The company re-opened OK First Street branch after renovations that cost $1,2 million, while a new OK **Mart was opened in Gweru. Further refurbishment work is planned for Bon Marche Chisipite while two larger premises are being put up in Chipinge and Houghton Park in Harare** and should be ready before the end of the 2nd quarter. Another OK Mart will be opened in Victoria Falls next month. Zireva said while outlook for the year will be influenced by what happens to the economy, the company will remain focused on efforts to keep delivering reasonable results. *(Source)*

A leading stock market analyst has warned that Treasury Bills (TBs) being issued by the Zimbabwe government are now carrying a high risk profile as the state's fiscal space shrinks. With no access to foreign money, Zimbabwe's budget is funded entirely through tax collections and has turned to the local market, with TBs the primary instrument for raising the cash. The government, however, is struggling to meet cash and at the weekend, the Zimbabwe Revenue Authority reported that it had missed the target by six percent in the three months to June 30. In the first quarter, it missed the target by 16 percent. Old Mutual Securities, a unit of the Zimbabwe Stock Exchange-listed financial services giant, Old Mutual Limited, estimates that the government is currently faced with TBs with a maturity call of $1,6 billion, which it said was unsustainable. Analysts say those who are being paid through TBs were simply discounting the securities in the local market and wiring the real money out of the system. The discord has forced the Zimbabwe Stock Exchange to act to shed light on the performance of the TBs. "In order to increase transparency over the performance of debt securities issued by government, the ZSE is in the final stages of approving the listing rules for debt instruments on the ZSE," said OMS in an analysis for the period to June 30.

"This would certainly go a long way in answering the questions surrounding the performance of government paper. We however maintain that the government has taken up an unsustainable debt profile given its revenue performance. "We conservatively estimate that government debt instruments have a maturity call of some $1,6 billion arising from the RBZ (Reserve Bank of Zimbabwe) debt assumption bill of $1,35 billion and Treasury Bill issuances being done by the Zimbabwe Asset Management Company (ZAMCO). In light of the above, we believe that government securities carry with them a high default risk in the absence of fiscal space as over 80 percent of government revenues are being consumed by salaries and operational costs," added OMS. The government resuscitated the Treasury Bill (TB) market in October 2012. Under the TB system, the government issues "promissory notes" to raise money. Worldwide, TBs are popular because, with government backing, they are virtually risk free. But this is only where markets work well. In Zimbabwe, these are not backed by performing assets. *(Source)*

Regional cement producer Pretoria Portland Cement (PPC) says it "is fundamentally strong and profitable with a solid operating base" and is on track to complete its projects in Zimbabwe, DRC and Ethiopia. Chief executive Darryll Castle told shareholders at the company's extraordinary general meeting in Johannesburg on Monday — at which shareholders approved PPC's proposed R4 billion ($253 million) rights issue unanimously – that the company has appropriate plans in place to navigate the current economic landscape by driving cost efficiencies. "PPC is fundamentally strong and profitable with a solid operating base. I am confident that we have the appropriate plans in place to navigate the current economic landscape by driving cost efficiencies and leveraging our capabilities to achieve operational excellence," Castle said. "We are on track to complete our sizeable projects in the DRC, Ethiopia and Zimbabwe which, in the medium-term, will start to contribute to PPC´s revenue stream." Commenting on the rights issue, Castle said it was "a pleasing result for PPC" and it placed them firmly on a path to resolving their immediate liquidity challenges as well as enabling them to pursue their corporate strategy. PPC is constructing a $75 million plant in Harare which will have capacity to produce 680,000 tonnes annually which is due to come online later this year. The capital raise move is part of a strategy to review its balance sheet to pay off debts due this year and next year, which it said would put it in good stead to execute its plans. PPC's only cement plant in Zimbabwe, located in Bulawayo, produced around 600,000 tonnes of cement last year while operating at 75 percent of installed capacity. The group also has a lime clinker plant in Coleen Bawn in Matabeleland South but the bulk of its cement market is in Harare. *(Source)*

Zimplats has posted a profit of $25,6 million in the second quarter to June, 65 percent down of the same period last year despite higher sales volumes as prices remained low and costs increased. On a quarterly basis, Zimplats trebled the $6,7 million profit for the period to March, 2016. Revenue nearly doubled to $129 million compared to $65 million last year but was seven percent lower than the first quarter to March this year figure of $138,5 million. Sales of 4E — platinum, palladium, Rhodium and gold — at 143 647 ounces were 110 percent higher on the Q2 2015 figure of 68,255oz and five percent higher on the first quarter of 2016, boosted by the stockpiled concentrates. In the quarter under review, platinum prices averaged $1,004/oz, 11 percent lower over the same period last year but 10 percent higher than the previous quarter to March. Net cash cost per 4E ounce were 31 percent lower on the prior year period but 10 percent higher quarter on quarter at $517. Operating costs fell by 22 percent to $100 million from $128 million in the prior quarter. Local spending in Zimbabwe — excluding payments to government and related institutions — increased by 79 percent to $92 million with total payments to government in direct and indirect taxes up to $42 million from $7 million in March. *(The Source)*

Aurex Diamonds, a subsidiary of the Reserve Bank of Zimbabwe says it now has the capacity to cut and polish diamonds on a large scale for the export market following the acquisition of new equipment from India. Diamond processing is concentrated in a few countries with India processing approximately 55 percent of the world's diamonds by value. Other countries include Israel, South Africa and Belgium. Aurex's general manager, Pasi Munhumutema, told journalists during a tour of the plant that the new equipment, which employs laser technology has capacity to process up to 10,000 carats per month. "Previously we had capacity to process only 200 carats per month but this new equipment automates 75 percent of the production process," said Munhumutema. In addition to the cutting and polishing, Aurex, which was set up in 1992, also manufactures jewellery. The company has also set up several retail jewellery shops around the country. "For now our jewellery unit is consuming all the diamonds that we process but going forward the plan is to cut and polish diamonds at a large scale for the export market because we now have the capacity to do so," said Munhumutema.

The company is currently operating below capacity as a result of depressed supply of diamonds after the government kicked off seven miners from the Marange diamond fields in February, resulting in production dropping by about 83 percent in the ensuing three months. "We have entered into a toll arrangement with the (new state-controlled miner) Zimbabwe Consolidated Diamond Company (ZCDC) where we will be processing their diamonds for them before they can be exported so when that arrangement kicks in next month we are expecting volumes to up."*(The Source)*

Zimbabwe's third largest mobile network operator, Telecel says it has added 15 franchise stores as it bids to increase its footprint in the country. The telco, Zimbabwe's smallest with about 2,4 million subscribers, started the retail expansion last year and to date has 52 customer service centres and 500 kiosks countrywide. Communications and branding director, Obert Mandimika said the franchise shops will increase convenience in areas with little corporate retail. "Following the success, popularity and impact of the first batch of franchise shops we saw it fit to add more retail shops across the country particularly in areas that had little Telecel corporate retail presence," said Mandimika. The additional franchise shops, which are mostly in urban, rural and peri-urban areas, are run in partnership with local entrepreneurs with the telco providing capital for stocking and branding the shops. "These franchise shops represent a win-win scenario where both Telecel and local business partners from the communities in which we operate stand to benefit financially," he said. The centres provide a full range of services, including the Telecel mobile money service, Telecash, SIM replacement and SIM registration services. (*The Source)*

CBZ Holdings on Thursday reported a 13 percent decline in profit after tax to $11,9 million in the six months to June as the group's business units recorded a poor performance. CBZ, which operates the country's biggest retail bank, also runs insurance and asset management subsidiaries. The group's total income amounted to $73,2 million in the half year compared to $83, 2 million last year. The banking unit contributed the largest share of profits with a PAT of $7, 4 million from $8, 6 million during the same period last year. Interest income fell 11 percent from $90, 4 million to $80, 1 million while operating expenses remained flat at $52 million. Non-performing loans are flat at 7.2 percent but the bank has sold off $40 million worth of bad loans to the Zimbabwe Asset Management Company (Zamco), the state's bad loan special purpose vehicle. Total deposits increased marginally to $1, 7 billion from $1, 6 billion last year. The life assurance business recorded a 44 percent decline in profit after tax from $2, 7 million to $1, 5 million. Presenting the unaudited results to shareholders, chief executive Never Nyemudzo said the group expected restricted growth given the outlook which he said remained depressed. "Income is expected to decline as we have fully complied with regulations on interest and transaction charges. What this means is the game is shifting to volumes which the group is currently enjoying," Nyemudzo said. The group's volumes were up 35 percent during the half year, he said. Basic earnings per share (EPS) at 4, 5 cents were down from 5 cents last year. The board declared a dividend 0.23 cents per share. Cash at hand at $53,6 million is down 50 percent from $107,2 million. *(Source)*

Zimbabwe's NMB Bank says it expects to benefit from the planned consolidation of African investments by its major shareholders, Netherlands development bank FMO, Norfund of Norway and Dutch multinational bank Rabobank. The three development institutions, which already have an extensive portfolio of investments in several financial institutions across Africa, plan to pool their investments on the continent under a new investment vehicle to be called Arise. FMO boosts of a committed portfolio of $10, 3 billion spanning 85 countries while Norfund has a portfolio of approximately $1,8 billion, 53 percent of which is in sub-Saharan Africa. Rabobank is a global leader in food and agri financing. It also holds minority stakes in five banks — Zambia's Zanaco, Tanzania's NMB which is the country's largest bank, BPR in Rwanda, BTM in Mozambique and Uganda's DFCU. In a joint statement on Thursday, the three financial institutions said that the new venture would strengthen and develop effective inclusive financial systems in Africa with a long-term perspective. Banco Montepio, a Portuguese financial group with banking investments in Africa, is also expected to join the partnership in the near future. Commenting on the partnership NMBZ chief executive Benefit Washaya said the partnership would enable NMBZ to benefit from a wider network of other African banks that are part of the group. "For NMBZ, the change will offer several opportunities. The bank will become part of a large pan‑African Bank network. The presence of the new foreign shareholders will assist NMBZ in its quest for much needed lines of credit,"he said.

The transaction is still subject to regulatory approvals. Washaya made no mention of the expected shareholding structure after the transaction. Norfund chief executive Kjell Roland said the establishment of Arise would contribute to the financial sector in Africa on a scale far beyond what Norfund could achieve on its own. FMO chief executive Nanno Kleiterp said Arise would be able to leverage the extensive banking knowledge and valuable agri-banking expertise of its founding partners. "This partnership will increase the availability of financial services to small and medium enterprises. Above all, it will allow the people in Sub-Saharan Africa to empower themselves by getting bank accounts and taking loans and hence building a better life for their families," he said. *(Source)*

Economic News

Zimbabwe's tax collections were six percent below target in the first half of this year due to a depressed economy, the tax authority said on Monday, adding pressure on a government struggling to pay workers' salaries. Taxes finance the entire budget in the southern African country because lenders like the International Monetary Fund and World Bank have said they will only resume supporting Zimbabwe once it clears its debts with the global lenders. Zimbabwe's economic troubles have been worsened by the worst drought in a quarter century, low mineral commodity prices that have hit exports and lack of foreign investment. President Robert Mugabe's government paid July salaries late and is yet to pay some workers as it grapples with an acute currency shortage. Zimbabwe Revenue Authority (ZIMRA) chairperson Willia Bonyongwe said January-June taxes amounted to $1.65 billion, below the projected $1.75 billion. Compared to the same period last year, collections were down 9 percent. "As expected, the economy continues to ride on choppy waters," Bonyongwe said. Company taxes were 13 percent below target at $145 million, a figure which is less than half what individuals paid. Bonyongwe said mining companies paid $33 million in royalties, below the target of $52 million as mines in Zimbabwe struggle with low commodity prices. ZIMRA was owed $2.63 billion in outstanding taxes during he first half of the year. Tax on imports was expected to fall during the second half of this year after the government imposed a ban on some imports from South Africa, a move which triggered violent protests in the southern border town of Beitbridge in July. *(Reuters)*

Zimbabwe's securities regulator has approved rules allowing companies to raise debt capital on the nation's stock exchange, including minimum requirements for amounts and maturities of bond sales. Companies will have to raise a minimum of $1 million with a maturity of at least one year to qualify for a listing, according to draft regulations approved by the Securities and Exchange Commission last month, a copy of which was obtained by Bloomberg and confirmed by the regulator. "We've approved the regulations and are now waiting for them to be" published before being adopted, Tafadzwa Chinamo, chief executive of the SEC, said by phone on Friday. "There is no time frame as yet." The Zimbabwe Stock Exchange is looking to expand into debt instruments to generate additional revenue amid a slump in stock trading, Chief Executive Officer Albany Chirume said in June. The bourse is cutting jobs after revenue fell by half in 2015, he said. The document sets a framework for the listing and trading of debt securities as well as procedures governing new issues and disclosures necessary to protect investors. Greater disclosure would lead to lower risk and yields, it says. The exchange, which has operated in the capital of Harare since 1951, has 63 listed companies with a total market value of about $2.72 billion. The biggest company on the exchange is Delta Corp., part owned by SABMiller Plc, with a market value of $824 million. Units of Barclays Plc and British American Tobacco Plc also trade on the exchange. The ZSE Mining Index, one of two indexes maintained by the bourse, dropped 2.2 percent last week, with only one trade taking place on Friday, according to data compiled by Bloomberg. *(Bloomberg)*

The country's tea sector has potential to grow by 66 percent from the current production of 15 000 tonnes to 25 000 tonnes, a government document has revealed. Tea production is dominated by three manufacturers, namely Tanganda Tea Company, Eastern Highlands Plantation and Arda Katiyo Tea. About 12 000 tonnes of locally produced tea is exported to various foreign markets. A Manicaland Investment Profile prepared by government with the assistance of the business community indicated that there are vast tracts of underutilised land that can boost production to 25 000 tonnes. Tea plantations are situated in Nyanga, Chipinge and Mutasa. Players in the sector indicated that the growth target is feasible if government provided a favourable operating environment. Tea producers have been lobbying for a ban in the import of tea, saying they have the capacity to supply the local market.

But government is of the understanding that local tea manufacturers have room to expand their export markets mainly dominated by United Kingdom, United States of America and South Africa. Tanganda alone has 2 000 smallholder farmers utilising a small fraction of their total land. Tanganda finance director, Henry Nemaire, said there was potential to boost production, and that their out-growers could increase their plantations by 3 000 hectares. "There is potential to do at least 3 000 hectares of more plantation crops if each farmer puts another 1,5 hectares," said Nemaire. Although Katiyo Tea is currently underperforming, Arda board chairperson, Basil Nyabadza, indicated that plans were under way to boost its tea line. Nyabadza said they had talks with two investors who had expressed interest to partner Arda Katiyo Tea under a Private-Public Partnership. He said the partnership will see 300 hectares of tea being planted, adding on to the 200 hectares currently under production. "There is now 200 hectares of tea in excellent condition, there is still 300 hectares to do and we are inviting investors," he said. The Eastern Highlands also has potential to boost its production. Nemaire who is the former CZI national vice president, indicated that the inclusion of the tea sector under Statutory Instrument 64 will be influential in boosting the production of the lucrative sector. SI 64 removed a wide range of goods from the Open General Import License. However, tea was not removed from the import license. *(Financial Gazette)*

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