SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	15-Aug-14	22-Aug-14	Local	USD	Local	USD
Botswana	DCI	9419.22	9400.96	-0.19%	-1.20%	3.84%	0.88%
Egypt	CASE 30	9443.81	9495.30	0.55%	0.40%	39.99%	35.34%
Ghana	GSE Comp Index	2216.52	2212.28	-0.19%	-0.96%	3.13%	-37.29%
Ivory Coast	BRVM Composite	244.22	247.21	1.22%	0.16%	6.55%	2.00%
Kenya	NSE 20	5042.90	5028.06	-0.29%	-0.47%	2.05%	-1.67%
Malawi	Malawi All Share	13621.15	13633.32	0.09%	-0.18%	8.80%	15.60%
Mauritius	SEMDEX	2098.06	2116.79	0.89%	0.47%	1.01%	-4.70%
	SEM 7	401.15	402.59	0.36%	-0.07%	-0.26%	-5.90%
Namibia	Overall Index	1124.62	1117.24	-0.66%	-2.04%	12.06%	9.70%
Nigeria	Nigeria All Share	41379.49	41564.19	0.45%	0.48%	0.57%	-0.96%
Swaziland	All Share	297.16	297.16	0.00%	-1.40%	4.02%	1.83%
Tanzania	TSI	4229.42	4270.69	0.98%	1.04%	50.19%	40.59%
Tunisia	TunIndex	4655.23	4699.94	0.96%	0.08%	7.27%	1.60%
Zambia	LUSE All Share	6225.07	6216.31	-0.14%	1.73%	16.22%	5.97%
Zimbabwe	Industrial Index	195.33	198.04	1.39%	1.39%	-2.02%	-2.02%
	Mining Index	97.28	101.78	4.63%	4.63%	122.28%	122.28%

CURRENCIES

Cur-rency	15-Aug-14 Close	22-Aug-14 Close	WTD % Change	YTD % Change
BWP	8.81	8.90	1.02	2.94
EGP	7.14	7.15	0.14	3.44
GHS	1.87	3.88	0.78	64.44
CFA	492.66	497.90	1.06	4.46
KES	88.15	88.31	0.18	3.79
MWK	387.26	388.30	0.27 -	5.89
MUR	30.63	30.76	0.42	5.99
NAD	10.56	10.71	1.42	2.15
NGN	162.05	162.00 -	0.03	1.54
SZL	10.56	162.00	1.42	2.15
TZS	1,664.00	1,663.00 -	0.06	6.83
TND	1.71	1.73	0.88	5.58
ZMW	6.14	6.03 -	1.84	9.67

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

Botswana's central bank left its benchmark lending rate unchanged at 7.5 percent on Friday, saying the stance was in line with its inflation objectives. "The current state of the economy, domestic and external economic prospects, and the inflation outlook, suggest that the current monetary policy stance is consistent with maintaining inflation within the Bank's 3-6 percent objective in the medium term," the Bank of Botswana said in a statement. *(Reuters)*

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Egypt

Corporate News

Amoun Pharmaceutical Co., one of the largest drugmakers in Egypt, is considering an initial public offering as an alternative to selling the company, three people with knowledge of the matter said. Amoun's shareholders are considering an IPO after some of the potential bidders for the company dropped out, one of the people said, asking not to be identified as the information is private. The company is still in sale discussions with one private-equity firm, another person said, without disclosing the name of the bidder. Emerging markets-focused private-equity firm Actis LLP is separately considering a pre-IPO investment in the company, two of the people said. The drugmaker's shareholders have hired Jefferies Group LLC to explore a potential sale, Chief Executive Officer Mohamed Roushdy said in May. The company's owners include U.S.-based emerging market-focused private-equity arms of Capital Group Inc., Concord International Investments LP, and the Rohatyn Group, which bought Citigroup Inc.'s buyout business last year. Buyout firms are stepping up acquisitions and exiting investments in Egypt amid improving markets and renewed political stability. Edita Food Industries SAE, part owned by London-based Actis, is close to hiring Goldman Sachs Group Inc. and EFG-Hermes Holding SAE for an initial public offering, three people familiar with the matter said in June. Capital Group, Concord and Citigroup's former buyout business bought Amoun, which makes both veterinary and human drugs, for about $450 million in 2006. A sale could value Amoun at $700 million to $800 million, people with knowledge of the matter said in July. Representatives for Amoun Pharma, Concord International Investments and Capital Group did not respond to telephone and e-mail requests seeking comment. A representative for Rohatyn Group and a spokeswoman for Actis declined to comment. *(Bloomberg)*

Egypt's Qalaa Holdings, formerly Citadel Capital, widened its first quarter net loss by 7 percent to 231.9 million Egyptian pounds (32.43 million US dollar) compared to the same period a year earlier, the firm said in a statement. "Net losses for the first quarter dipped seven percent year on year to reach 231.9 million pounds due to increased charges related to discontinued operations at portfolio companies including ESACO (ASEC Holding), El-Aguizy, Elmisrieen, Enjoy, Mom's Foods and certain non-core companies," it said. Qalaa Holdings has transformed from a private equity firm to an investment holding structure and its results for the first quarter of 2013 have been re-stated to reflect the impact of asset purchases under the transformation program. The firm completed a rights issue in April which raised its total paid -in capitial to 8 billion pounds. This allowed it to take majority stakes in most of its core industry subsidiaries including in the energy, cement, agri-foods, transportation and logistics sectors. As a result it now fully consolidates results from its various businesses, rather than using the equity method of previous years. Revenues for the first quarter rose by 14 percent at 1.4 billion pounds in the three months ending March 31 compared with "pro-forma" revenues of 1.2 billion pounds in the same period a year earlier, the statement said. As part of the firm's efforts to shed non-core assets, it exited its full majority stake in the Sudanese Egyptian Bank in a $22 million sale to the Islamic Solidarity Bank of Sudan. The firm expects to complete its divestiture of Egyptian glass manufacturer Sphinx Glass by the end of August after signing a sale and purchase agreement with Saudi Arabia's Construction Products Holding Co. (CPC) in June. *(Reuters)*

Egypt's Pioneers Holding posted a 54.8 percent rise in second-quarter net profit, it said in a bourse statement on Wednesday. Profit of 96 million Egyptian pounds ($13.43 million) were up from 62 million a year earlier. The firm, which specialises in brokerage services, said it plans to spend 1.2 billion pounds in investments in 2014. *(Reuters)*

Economic News

Most Middle East bourses look likely to be quiet on Sunday, with little company-specific news to trade on and an end-of-week wobble on international markets offering little incentive for regional investors to bid up stocks. Egypt's benchmark may buck the hesitant trend, however â€" Cairo hit a new six-year peak on Thursday and bullish earnings from investment bank EFG Hermes should bolster sentiment. EFG made a net profit of 188 million Egyptian pounds ($26.3 million) in the second quarter of 2014, up from a loss of 80 million pounds in the year-earlier period. Three Islamist protesters were killed on Friday during clashes between police and demonstrators in Cairo, security forces said, but Egypt's stock market has shown little reaction to periodic bouts of deadly unrest since the army ousted former president Mohamed Mursi. Elsewhere, volatility on Duba's index has declined markedly " the measure has moved within a 230-point range in August, compared with a range of 1,204 points in July and steadier trading appears likely to continue this week. Dubai ended Thursday at 4,813 points, up 38 percent in 2014. Another day of low-volume sideways session on Thursday signals a lack of confidence and brings consolidation just over the support zone of 4,760, Shiv Prakash, a senior technical analyst at NBAD Research, wrote in a note.

The intra-day trading range and the volume from open to close is getting reduced day by day. Any break below 4,760 could spark further selling towards the lower support range around 4,700, Prakash wrote. Looking upwards, the index must break above 4,935 for the trend to turn bullish, he added. Abu Dhabi appears slightly more bullish, with banks leading the emirate's index to a fifth gain in six trading days on Thursday. That could push traders to switch cash to Abu Dhabi from Dubai, although some will likely to be tempted to book profits from First Gulf Bank's record close on Thursday. Qatar's market is likely to be disappointed by news that Mesaieed Petrochemical has not been added to the MSCI All-Country World Index. Mesaieed shares surged 5.0 percent on Thursday after MSCI issued a statement saying the stock had been added to the index. But on Sunday, Mesaieed issued a bourse statement saying this was not in fact the case, contrary to what MSCI had originally announced. Global equity markets seesawed on Friday after Ukraine said its artillery shelled a Russian armored column on Ukrainian soil in a report that raised fears of escalating tensions. *(Reuters)*

Egypt's tourism revenue dropped by 24.7 percent to around $3 billion in the first half of 2014, the Ministry of Tourism said in a statement. Tourism has been hammered since the popular uprising that toppled autocrat Hosni Mubarak in 2011. It suffered another blow in February when a coach carrying Korean tourists was bombed by Islamist extremists. The bus carrying Korean tourists was bombed near Taba in southern Sinai, not far from an Israel border crossing often used by vacationers, killing two South Koreans and one Egyptian in February. The ministtry said that the number of tourists to visit Egypt in the first half of 2014 reached 4.5 million tourists, dropping by around 25 percent from the same period a year earlier. Tourism revenues had dropped by 41 percent in 2013 to $5.9 billion and the number of tourists during that year reached 9.5 million. *(Reuters)*

Egypt's stock index could gain further on Wednesday as foreign institutions expand their positions in expectation of a broad recovery in the country's economy, while weak oil prices may weigh on Gulf market sentiment. Cairo's measure rose 0.9 percent on Tuesday after falling 1.4 percent on the day before, its largest drop in eight weeks. Foreign funds used that drop to accumulate stocks at lower prices and push the market to within 50 points of its six-year high. Non-Arab foreigners only represent a small portion of traders - bourse data shows they accounted for 15.3 percent of the value of shares bought on Tuesday - but they were net buyers overall by a ratio of about 3:2. "Egypt's market offers good upside and good valuations for institutional investors," said Ali Adou, portfolio manager at The National Investor in Abu Dhabi. "Political stability is supporting the recovery story. There will be corrections on the way, but those should be seen as a good opportunity to accumulate shares." In early July, Egypt slashed subsidies for car fuel and natural gas, increasing their prices by more than 70 percent, a move that prompted scattered protests but which was welcomed by investors - the index has gained 15 percent since the start of last month. "Investors saw it as a positive step because it will help reduce the budget deficit," said Adou. "In addition, it is a very serious step from the government towards reforms." Elsewhere, Saudi Arabia is trading sideways at around a six-and-a-half year peak, while volumes on most Gulf markets are subdued. Oil steadied near 14-month lows above $101 a barrel on Wednesday, with ample supplies putting prices at risk of further losses as worries over geopolitical tensions ease. "We have to take into account oil prices - I don't see a direct effect on regional markets in the short term, but if prices continue to decline then we might get some negative repercussions for equities," added Adou. Oman's Renaissance Services may attract some interest after saying its unit Topaz Energy and Marine had secured a $75 million investment from Standard Chartered Private Equity in return for a 9.8 percent stake in the business. The funds will be used to expand the company.*(Reuters)*

Ghana

Corporate News

A National Payments Strategy (NPS) which provides appropriate road map to accelerate the process of moving the country from a cash dominant economy to a cash-lite one has been presented to the Bank of Ghana (BoG). Developed by the Standard Chartered Bank's internal payments experts, the Bank of Ghana, Ghana Interbank Payment and Settlement System and Capgemini, an internationally acclaimed consultant is expected to contribute in transforming Ghana into a 'cash-lite' society. Among the recommendations, the NPS called for the creation of Payments Council, an effective penalty regime, the need for BOG to issue a circular mandating both display of payment products pricing and also cap pricing at reasonable level and the need for a greater relationship between the national telecommunications companies and the BOG in the area of mobile money. Speaking at the ceremony, the Deputy Governor of the Bank of Ghana, Mr. Millison Narh said the NPS would help to promote financial inclusion and enhance access to financial services. He said national payment systems had become a development tool, providing a well- structured payment system and ensuring equitable distribution of financial resources and wealth. Mr. Narh assured stakeholders that all the recommendations in the NPSS would be implemented to promote the use of non-cash payments in the country. He said a Payment Council would be put in place to oversee the NPS and ensure that the recommendations made were implemented, and commended Standard Chartered Bank for responding to the call by the BOG to produce the document.

Mrs. Mornah Quartey, the Deputy Minister of Finance and Economic Planning, said the NPS would provide a framework for achieving a ''cash-lite'' economy. She said the benefits of the NPS could not be overemphasised, saying ''there is growing evidence that digitising payment systems can yield many benefits.'' ''A national cash-lite payment system enhanced accountability and ensure safer and speedier delivery of money,'' she said. The Deputy Minister said government was putting strategies in place to pay all government workers electronically to ensure government does not pay ghost workers. She disclosed that government was developing a National Inclusion Strategy to deepen financial penetration in the country. ''Cashless payment system is fool-proof,'' she said, and called for collaboration and co-ordination among players in banking and financial industry to enable the NPSS to succeed. She said shifting payments from cash to electronic, does not only have the potential to improve the livelihoods of low-income people by advancing financial inclusion, but also enabled the poor grow assets and provide a more efficient, transparent and often safer means of disbursing payments. The Chief Executive Officer of Standard Chartered Bank, Mr. Kweku Bedu Addo in his remark said the NPS is to help Ghana ''progress towards a cash-lite payment economy.'' He said a 'cash-lite' economy is critical to accelerate the development of the country and to also promote financial inclusion. He said consultations were made with stakeholders across key sectors of Ghana's economy, including banking, telecoms and other private and public institutions. Mr. Bedu-Addo said a concerted effort was required from BoG to drive the implementation of the recommendations for a drastic reduction in the dependence on cash to the more sophisticated and easy reliance on electronic payments. *(Ghana Web)*

Regency Insurance Company Limited says it foresees the ongoing financial year to be a difficult one for the insurance industry following the various challenges facing the local economy. The company said growth of the insurance industry could slow in the long run and that would impact its gross premiums. This is because of such factors as inflation, which is at a two-year high of 15.3 per cent, the cedi consistently losing value against the US Dollar, government borrowing at 25 per cent and a budget deficit of 10.1 per cent for 2013 but now projected to end 2014 at 8.8 per cent. That notwithstanding, the` company's Board Chairman, Mr Musa Badimsugru Adam, said at its annual general meeting, strategic initiatives had been put in place to mitigate the overall impact of the current challenges on the business. Regency Alliance made a net profit of GH¢ 784,779 last year after it rose by 35.6 per cent over the 2012 figure. That was as a result of a 36.2 per cent growth in the company's gross premiums, which rose from the 2012 close of GH¢?6.32 million to GH¢?8.38million last year.
The increment was on the back of strong growth in net premium, which saw a 56.1 per cent growth over the 12-month period. Consequently, the company will pay a dividend of one pesewa per share, translating into GH¢?240, 000 for the year under review. Although the company is confident of maintaining and even exceeding that growth trend, the Board Chairman said internal operations would have been higher if such challenges were minimal. He, however, lauded the 'no premium no cover' introduced by the industry regulator, the

National Insurance Commission (NIC), in response to the debt challenge facing the industry. He further called for it to be sustained for the benefit of the industry and also urged the insurance companies to abide by it. Meanwhile, the company has presented a cash award to Madam Ophelia Mitchell, one of its staff, for being the first business executive to exceed her targets this year. The initiative was the first of its kind by Regency Alliance and will be carried through in subsequent years as a form of motivation for the staff to work harder. *(Ghana Web)*

Ghana company Surfline Communications launched the country's first 4G data network on Tuesday in partnership with French technology company Alcatel-Lucent, making Ghana the sixth nation in sub-Saharan Africa to get the high speed service. The wholly-owned company invested more than $100 million for the first phase of the Long-Term Evolution (LTE) network, which has 300 cell sites, according to Chairman John Taylor, who owns a string of oil-related businesses, and wholly owns Surfline. The pre-paid data-only service is available in the capital and the nearby port city of Tema, but Taylor said Surfline aimed to go nationwide within two years. "We want to fill the void by providing high speed connectivity to facilitate e-education, e-commerce and facilitate long distance activities especially by people living outside the cities," Taylor said. South Africa's MTN is the dominant mobile phone company in the West African state, less than 20 percent of whose population uses the Internet. Rapid cell and internet growth across Africa is making it an increasingly attractive proposition for companies looking to sell data services. *(Reuters)*

Economic News

Microfinance companies have been urged not to charge high, unsustainable interest rates. This is because such rates, which have been described as worrying, could affect the quantum of deposits at the companies. The Head of Other Financial Institutions Supervision Department of the Bank of Ghana (BoG), Mr Raymond Amanfu,made the remark at the third annual general meeting (AGM) of the Ghana Association of Microfinance Companies (GAMC) in Accra. It had the theme: "The role of the second tier microfinance companies in promoting financial inclusion in Ghana". He said although the central bank was not interested in promulgating a legislation to fix interest rates in the financial sector, the high interest rates charged by some microfinance companies could compel it to do so to fix interest rates on their loans. Mr Amanfu cited the example of a microfinance company that charged an interest of 75 per cent per quarter on its loans.

He also expressed concern about the practice where some microfinance companies borrowed from foreign institutions, adding that "it is against the law for microfinance institutions to borrow from foreign companies". According to Mr Amanfu, some owners of microfinance companies have resorted to selling their licences to third parties without seeking approval from the central bank. He stated that it was unlawful for any microfinance institution to change the ownership structure of the company without prior approval from the central bank. "We have to be involved and give approval to the whole transfer and sale process to check the financial status of the incoming owner and to be sure of the source of money to be used in the purchase because of issues such as money laundering," he said. Mr Amanfu advised owners of microfinance companies against their penchant for establishing many branches. He added that the companies established many branches without assessing their human resource and financial strengths; a situation that had led to the collapse of many microfinance companies. "Some of the companies equate visibility to viability and sink huge sums of money belonging to clients into establishing branches,"

he said. According to Mr Amanfu, the BoG would continue to close down unlawfully established microfinance institutions. "We will also sanction licensed companies who do not file their returns," he added. For his part, the Director of the Financial Sector Division of the Ministry of Finance, Mr Joseph Chognuru said microfinance institutions were able to cater for the financial needs of the un-banked population who had been excluded from the formal banking sector. He said trends in the microfinance sector suggested that clients of microfinance companies were net depositors rather than borrowers. "This provides opportunities to mobilise very cheap deposits from the public and in turn offer very competitive credit products strong enough to keep universal banks out of the microfinance sector," he said. *(Ghana Web)*

The World Bank has praised Ghana for what it calls the enviable growth of the country's economy in terms of development over the past ten years. According to the WB, Ghana's significant growth is as a result of strong governance systems, increased in productivity and the discovery of oil in recent years, ranking Ghana 67th on the world rankings. This was disclosed at the opening ceremony of the first Global Public – Private Partnership (PPP) Conference here in Accra under the theme "Addressing Ghana's Infrastructure Deficit: Moving from Policy to Implementation- the Public-Private Partnership Alternative". Delivering a message on behalf of the World Bank, Country Director for Ghana Yusupha Crookes noted, that the stride made by the country is one that needs to be recommended. Mr. Crookes also assured that the World Bank is ready and willing to support Ghana's PPP program to ensure, that targets and goals set under the program are achieved. The three day event is the first of its kind to be organized in the country by C – Nergy Global Holdings an investment advisory services firm and the Ministry of Finance and Economic Planning. The conference is to create the platform for practitioners of PPPs to engage with investors and countries that have successfully implemented the PPPs. It will also see delegates from Ghana, Nigeria, Sierra Leone, Liberia among other countries. *(Ghana Web)*

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TRADING

Kenya

Corporate News

Kenya Re has announced plans to set up a subsidiary in Zambia by the end of the year to cut reliance on the local market and diversify revenue streams. The Nairobi Securities Exchange-listed re-insurance firm said the Lusaka office would be a regional hub to serve the southern African markets such as Botswana, Lesotho, Namibia, South Africa and Swaziland. This will be Kenya Re's second operation outside the country after opening of its operations in Abidjan, Ivory Coast, which serves the West African and Francophone markets. "We plan to set up in Lusaka to serve the southern Africa market by end of the year," said Kenya Re managing director Jadiah Mwarania last week after announcing the re-insurer's half-year results. "We have hired a consultant to advise on issues such as capital and regulatory requirements." Kenya Re said it would fund the unit from its internal cash reserves. The Pensions and Insurance Authority — Zambia's insurance industry regulator — has said it plans to increase ten-fold the minimum capital requirement to set up an insurance firm to ZK10 million from the current ZK1 million Kwacha. Kenya in 2010 increased the minimum required paid up capital to Sh300 million from Sh100 million for short-term insurance underwriters; Sh150 million (from Sh50 million) for long-term underwriters and Sh450 million for composite insurance companies. The firm's net profit stood at Sh1.24 billion in the six months to June compared to Sh1.19 billion in the same period a year earlier, a marginal growth of 4.6 per cent. Its gross written premiums rose by a fifth to Sh4.9 billion from Sh4 billion in the period under review.*(Business Daily)*

NSE-listed Ugandan electricity company Umeme's half-year net earnings dipped by a fifth weighed down by mounting foreign exchange losses and increased repair and maintenance costs. The power company, which is Uganda's sole electricity retailer, said net profit stood at USh38.2 billion (Sh1.3 billion) in the six months to June compared to USh47.3 billion (Sh1.6 billion) the previous year, a drop of 19.2 per cent. The company, however, sought to appease shareholders with an interim dividend of USh9.40 (Sh0.35). It paid an initial dividend of USh8.00 (Sh0.27) in the first half of last year. Umeme is primarily listed on the Uganda Securities Exchange (USE). "The reduction was driven by an increase in repairs and maintenance costs and foreign exchange losses," said Charles Chapman, its managing director. The power distributor reported flat electricity sales totaling USh482.8 billion (Sh16.3 billion) from USh467.04 billion (Sh15.8 billion) in June last year, despite customer numbers growing by a tenth.

Repair and maintenance costs doubled to USh13.4 billion (Sh456 million) from Ush6.6 billion (Sh226.2 million) in the first half of last year. The dividend windfall comes as good news to investors who bought into Umeme in June after London based PE firm Actis sold two-thirds of its shareholding in the power retailer. Umeme added 73,887 new customers to the grid, bringing the total number of electricity connections in Uganda to 613,444. The company is running an obsolete grid, resulting in 21.6 per cent energy losses. *(Business Daily)*

Safaricom has opened negotiations with its UK parent company, Vodafone, which could see the telecoms firm pay less M-Pesa licence fees to it starting April next year. As the inventor of the globally acclaimed mobile money payments service, Vodafone is entitled to licence fees from Safaricom, calculated as a fraction of M-Pesa's annual turnover. Vodafone has also been getting annual fees from Safaricom for maintenance of M-Pesa servers in Germany, but these are now set to be shifted to Kenya again lowering charges paid to the UK firm which is the single-largest owner controlling 40 per cent shares of the Nairobi Securities Exchange-listed telco. "By April next year Safaricom will have moved onto a new M-Pesa platform, which is centrally designed by Vodafone, built by Huawei and hosted locally," said Nzioka Waita, director of corporate affairs at Safaricom. "The capital and operating cost structure will therefore change and the licence agreement will also change, this is a work in progress," he added. Safaricom further expects Vodafone to have recovered the costs it incurred in setting up and maintaining the M-Pesa infrastructure by April next year, through the royalties fees it has been paying since 2007.

Vodafone currently receives quarterly payments pegged at about 11 per cent of M-Pesa revenue as royalties for using the mobile-based money transfer and payments service. The Newbury-based telco pocketed a total of Sh2.9 billion from the Sh26.56 billion revenue that Safaricom generated from M-Pesa in the year to March 2014. Vodafone Sales and Services Ltd (VSSL) owns proprietary rights to the M-Pesa platform and earns service fees accrued from the use of the mobile money transfer solution. The success of M-Pesa in Kenya has turned out to be a cash cow for Vodafone plc — generating handsome royalty fees as well as boosting Safaricom's bottom-line, resulting in higher dividend pay to the UK firm. "The current M-Pesa licence fee is based on Vodafone recouping the capital investment and operating expenditure incurred in the development and running of the M-Pesa platform on behalf of Safaricom, plus a fee for the intellectual property which belongs to Vodafone," Safaricom said in a statement. In total, Vodafone has earned Sh9.6 billion in royalties since the launch of M-Pesa in March 2007, and the money transfer service has recorded double-digit growth in revenue due to increased uptake of the service. "At this point in time, the accumulated licence fees paid by Safaricom have not recuperated the costs incurred by Vodafone," Mr Nzioka told the Business Daily.At the moment, M-Pesa transactions are routed to Germany and bounced back to Kenya, exposing the system to delays and service outages especially when connection is disrupted due to under-sea fibre optic cable cuts. *(Business Daily)*

Kenya Airways piled up its debt stock by Sh28 billion last year as it sought financing for new and more efficient planes. KQ borrowings rose to Sh89 billion, raising its gearing ratio (debt/equity ratio) to 279 per cent from 156 per cent a year earlier. The growth in debt resulted from a Sh10 billion financing from international lenders Citi Bank and JP Morgan that is repayable in 12 years and an additional Sh13.5 billion financing from Afrexim Bank. "The loans were obtained for funding aircraft acquisition, aircraft spare engines and for pre-delivery payments for ordered aircraft," said Kenya Airways in its annual report. KQ launched an ambitious expansion plan in 2012 to double its fleet in the next five years to 68 planes at an estimated cost of Sh300 billion. The airline planned to raise Sh100 billion internally in the five-year period and borrow Sh182 billion. However two years of loss-making have seen the company's reserves drop by more than half to Sh10 billion and significantly hurt its gearing ratio. "Structurally the airline industry all over the world is weak because it is a high-capital expenditure industry with low margins and volatile revenues so if you are lending to it you have to structure the loan well in fairly soft terms," said Standard Investment Bank head of research Francis Mwangi. The debts have largely been sourced from international lenders who are able to offer soft terms. The Co-operative Bank is the only local lender listed as a financier of the airline, having financed the acquisition of an Embraer spare engine through a five-year loan whose current balance is Sh393 million. Other local lenders are only engaged on short-term borrowings of less than a year. Last year KQ made a Sh12.1 billion deposit towards acquisition of eight Boeing 787-8 aircraft and Boeing 777-300ER, scheduled for delivery between 2014 and 2015.

The total deposits made so far are Sh27.5 billion. The deposits do not earn any interest indicating that the airline lenders have to offer some relief on the principal and interest repayment before the asset is delivered, argued Mr. Mwangi. "For the purpose of holding collateral for the financiers the aircraft are registered in the name of special entities whose equity is held by the security trustees on behalf of the respective financiers. The legal title is to be transferred to Kenya Airways once the loans are fully repaid," said KQ in the report. The airline has already received two Boeings whose deposit KQ paid using cash raised from shareholders in a rights issue. KQ had also signed an agreement to acquire 26 jets from Brazilian firm Embraer. It already has 20 Embraer in its fleet. As at end of March KQ's fleet stood at 47 planes up from 43 in 2013 and 34 a year earlier. KQ is banking on the increased fleet to expand its destinations and increase its revenues. The airline's revenues are expected to take a hit again this year from suspension of flights to West Africa due to the Ebola scare and fewer tourist visits to the country due to travel advisories issued by source countries based on terrorism scare. KQ's counter at the securities exchange has lost 23.4 per cent in the last three months with the share trading at Sh9.80. *(Business Daily)*

Financial services group Britam has tapped NSSF executives in Kenya and Uganda aiming to lean on the multi-billion-shilling pensioners' funds to grow its asset management business. Britam, which on Wednesday reported a 27 per cent jump in half-year net profit to Sh2.74 billion, announced that it had hired the former chief investments officer at NSSF Uganda Francis Kajura as the general manager for Britam Asset Managers Uganda, a new unit that is currently being set up. The company also announced the appointment of the NSSF Kenya managing trustee Richard Lang'at as a director on its board, securing within its ranks two key contacts for the funds that control combined assets of close to Sh300 billion. "Our expansion strategy has been predominantly in insurance and the next phase is on asset management and that is why we have decided to set up a new unit in Uganda, a country that is very promising," said Britam chief executive Benson Wairegi at a media briefing.

The new Ugandan business, which is to be a fully licensed operation by end of the year, will be Britam's second asset management unit after the Kenyan one that was set up in 2004. Mr Kajura has been handling an NSSF Uganda asset portfolio of about Sh137 billion, spread across real estate, fixed income as well as investments at the stock market. Uganda's social security fund, which is made up of 450,000 members, has seen its size double over the past year. Britam's goal is to increase asset management's contribution to total revenue from the current 14.5 per cent to 20 per cent by 2016. The group's asset management revenue in the half-year to June, grew 54.4 per cent to Sh413.8 million up from last year's Sh267.2 million. The asset base also increased 28.3 per cent to Sh55.2 billion from Sh43 billion posted during a similar period last year. Britam says this will increase in coming years following ongoing substantial investments in real estate. Mr Lang'at, who heads Kenya's social security fund of 1.7 million members oversees a portfolio of investments that is run by fund managers. NSSF Kenya had an asset base of Sh135 billion as at the end of last year, representing a 22 per cent growth from Sh110.5 billion in the previous year. "The board is confident that it will immensely benefit from the experience and skill set of Mr Lang'at," a notice from Britam reads in part. Britam on Wednesday announced that its revenue increased 29 per cent to Sh6 billion. *(Business Daily)*

Nakumatt Supermarkets has announced plans to list on the Nairobi Securities Exchange and neighbouring stock markets within the next three years, offering investors a chance to own a piece of the region's biggest retailer valued at Sh35 billion ($400 million). The retail chain has also said it will sell a 25 per cent stake within the next six to 12 months to fund growth. Nakumatt had announced suspension of talks with strategic investors following the Westgate Mall attack last year that destroyed its most lucrative branch, but now says it has re-opened negotiations to sell part of the business. "It is instructive to note that given that we are now considering to sell an equity stake (and not strategic investment), the stake in consideration will be significantly less than 25 per cent," Nakumatt MD Atul Shah said in a statement. "We are also progressively putting in place the requisite structures and systems to facilitate the cross-listing of Nakumatt at the regional bourses in the next 3-4 years."

Going by the retailer's current valuation revealed in October, an investor buying a quarter of the retailer would have to pay about Sh8.8 billion. Mr Shah said the listing by introduction will be done at the NSE as well as at the Kampala, Dar es Salaam and Kigali bourses. Kenyan retailers are currently seeking funding for expansion into neighbouring countries including the relatively under-developed South Sudan and Burundi, which have largely informal retail markets. Uchumi has lined up a Sh1.5 billion rights issue by the end of the year to raise cash for expansion to help the retailer claw back lost market share that has seen it drop to the fourth position in terms of sales. Recent plans by South Africa's Massmart to acquire a majority 51 per cent stake in third-placed Naivas Supermarkets flopped due to family feuds over ownership. Nakumatt said negotiations for sale of the minority stake will be complete by August next year. "We should be in a position to close such talks in about 6-12 months," Mr Shah said, adding that foreign investors eyeing a piece of the local retail market have been courting the supermarket chain. The supermarket faces growing competition from rivals Tuskys, Naivas and Uchumi.Nakumatt is currently owned by the Shah family and Hotnet Ltd, a company associated with former Kilome MP Harun Mwau. The sale of 25 per cent stake could leave the Shah family as majority shareholders. Nakumatt two weeks ago opened the second of the three branches in Dar es Salaam bringing to 49 the total number of Nakumatt stores across Kenya, Uganda, Tanzania and Rwanda. *(Business Daily)*

Kenya's British American (Britam) achieved a 31 percent jump in pretax profit in the six months to the end of June, the company said on Wednesday. Britam runs insurance, asset management and property development businesses, with operations in Rwanda, Uganda and South Sudan. Pretax profit grew to 3 billion shillings ($34 million) as the group's total assets swelled 28.3 percent to 55.2 billion shillings, Britam said in a statement. Last month, Britam raised 6 billion shillings through a bond issue to fund expansion in Kenya and in neighbouring countries. *(Reuters)*

Kenyan oil marketer KenolKobil reported a 299 percent jump in first half pretax profit to 795 million shillings ($9.01 million), largely due to cost savings. KenolKobil, which operates in several regional countries including Ethiopia, said in a statement the profits to the end of June had risen as a result of cutting its financing, operating and staff costs, an exercise it started in 2013. *(Reuters)*

Kenyan investment firm TransCentury reported a first-half pretax loss on Thursday, blaming the result on the sale of its stake in railway

company RVR. Founded as an investment club by a group of wealthy Kenyans, TransCentury said in a statement new power and construction projects would improve its second-half performance. The company, which runs an electricity equipment maker and an engineering services firm active in the nascent petroleum and mining sectors in Kenya, sold its 34 percent stake in RVR to Egyptian private equity firm Citadel Capital in March. The $43.7 million received from the sale meant TransCentury had recovered its entire cash investment in RVR, but the proceeds were below the historical fair value of the investment. The loss before tax came in at 1.5 billion shillings ($16.99 million) for the half year to the end of June, compared with a pretax profit of 590 million shillings in the year-ago period. Revenue fell by 30 percent to 4.95 billion shillings due to a delay to the start of several construction projects under its engineering division, the company said. However, the projects kicked off at the start of the second half of the year. The company has said it will invest more than $2 billion in building power plants, gas storage facilities and roads as it broadens its operations to include potentially lucrative infrastructure projects. *(Reuters)*

Economic News

NIC Bank plans to borrow Sh4.8 billion from the International Finance Corporation (IFC), making the World Bank arm its proposed third funding source. A disclosure document released by the private sector lender shows it intends to offer the listed bank $55 million (Sh4.8 billion) in two loans. One is a senior loan of $25 million (Sh2.21 billion) and a $30 million (Sh2.65 billion) subordinated loan. The IFC said the loans are meant to have the twin effects of giving the bank access to long-term funding for its business and to help it meet Central Bank of Kenya (CBK) capital requirements. "The project will allow NIC to grow its SME portfolio and provide this crucial segment of the economy with access to longer-term funding, thereby enabling SMEs to undertake investment projects with more appropriate financing structures," said the document. "This will ensure that NIC complies with new regulatory capital requirements that are aimed at improving the overall risk profile of the banking sector." As at the end of June, the bank's capital stood at 12.52 per cent of its total risk weighted assets, which is just 0.52 per cent above CBK's 12 per cent minimum. IFC subordinated loan — prioritised lowly in terms of claim to payment than the secured senior debt — can qualify as tier II capital which should boost the bank's total capital ratios and enable it to lend more. CBK has also issued fresh guidelines seeking to have all banks raise this ratio to 14.5 per cent by the end of this year.

The proposal by the IFC means the bank could raise as much as Sh10 billion this year. NIC earlier announced that it will be seeking to raise Sh5 billion through a corporate bond and a rights issue. Shareholders approved the raising of Sh2 billion through a rights issue at an extra-ordinary AGM and directors said they would raise another Sh3 billion through a corporate bond. NIC chief executive John Gachora said the decision to seek additional dollar-denominated funding will enable the bank to increase its dollar loans. "NIC Bank is diversifying its pool of funds to improve on the capital mix between equity and debt as well as between currencies to cater for its growth objectives. The relationship with IFC will provide funding in US dollars to support the bank's foreign currency asset book," Mr. Gachora said. Analysts said the combination of a rights and bond issues in Kenya shillings and a dollar loan will lower the bank's risk of servicing the IFC loan. "If combined with a cash call the bank would have mitigated credit risk associated with repayments on the dollar-denominated loan as more of these funds will be directed to servicing the loan in case of a rise in the non-performing loans," said Samuel Oyier, a research analyst at StratLink Global. *(Business Daily)*

A spike in State borrowing and rates on government securities in June pushed commercial banks to half-year bond losses, eating significantly into shareholders' wealth. The income of five large banks was reduced by Sh1 billion owing to the inverse relation of interest rates and the value of bonds in the books. The situation is expected to reverse in the second half as rates fall. Data from the Central Bank of Kenya shows that the indicative 91-day Treasury bill rate jumped to 11.4 per cent toward the end of June from 9.2 per cent two weeks earlier. Standard Chartered Bank captured unrealised loss of Sh361 million under "other comprehensive income" compared to a profit of Sh308 million in March relating to bonds worth Sh51 billion. CFC Stanbic recorded revaluation losses of Sh341 million down from Sh137 million gain three months earlier. The rise in market rates means banks that were holding older bonds yielding lower returns could only sell them to new investors at a lower price or at a loss as the entrants could get better return by buying bonds available in the primary market.

"In June the government issued the supplementary budget and it had to borrow more from the market than targeted; in trying to meet the demand it had to raise interest rates. Banks had to mark to market as at end of June," said head of fixed income at Kestrel Capital Alex Muiruri.

The Central Bank requires banks to disclose the profits or losses they would make if they decided to sell Treasury bonds in their books that can be traded in the secondary market. Though the disclosure does not affect the banks' bottom line as the securities are not sold to actualise the loss or gain, it cuts back shareholders' funds when booked in the balance sheet and the lenders' comprehensive income, which determines dividend issuance. The comprehensive disclosure followed claims that banks were manipulating bond portfolios to overstate their profit position. When banks buy Treasury bonds they have the option of categorising them as held to maturity –where they will not be affected by interest movements; available for sale, whose revaluation impacts the balance sheet; and for trading, whose values affect the profit and loss account of the lender. Citi research estimated that banks overstated their profits by 23 per cent in 2011 due to the unprofessional reclassification of bonds, allowing the banks to hide the drop in values in the shareholders' funds. If the losses were captured in the profit and loss accounts they would have been more noticeable likely affecting the lenders' share prices. The banks also reported growth in "other income", which mainly relates to capital gains recovered from the sale of bonds. Since June interest rates have taken a downturn with the 91-day paper currently attracting a return of 8.2 per cent, that could see the wealth of bank owners grow. *(Business Daily)*

NIC Bank has launched the sale of a Sh3 billion bond as the first part of a strategy of raising capital through a bond and Rights Issue to fund future business growth. The bond is part of a major capital-raising program as it seeks to grow its corporate client base as well as to enhance its branch channels to reach more retail and Small Medium Enterprises (SMEs) customers across the region. Investors in the bond will earn a yield of 12.5 percent, available to investors from August 21, 2014 to September 3, 2014 while the minimum investible amount in the bond, which will be listed on the Fixed Income Securities Investment Segment of the Nairobi Securities Exchange (NSE), is Sh100,000. The launch follows the bank's approval early this month of Sh8 billion corporate bond program by the Capital Markets Authority (CMA). The medium term note program allows the bank to issue up to Sh8 billion in subordinated notes over the next five years. "This launch is a major milestone in executing our corporate bond program. The cash raised will be critical in strengthening our capital base so as to underpin growth in our loan books for both the retail and business segments," NIC Bank Group Managing Director John Gachora said. NIC Capital Limited, a subsidiary of NIC Bank Group, has been mandated as the lead arranger for the transaction. According to NIC Capital Managing Director Maurice Opiyo, the bond provides investors with an opportunity to diversify their fixed income portfolios at a good return on investment. "We expect good uptake for the issue, based on the yield and the NIC Bank investment case. We invite investors to take advantage of this opportunity," said Opiyo. The bank also plans to raise Sh2 billion through a Rights Issue subject to getting CMA approval. *(Capital FM)*

Kenyan agricultural firm Limuru Tea reported a 42 percent drop in first-half pretax profit and forecast lower revenue in the second half of the year, blaming weaker tea prices for both declines. Kenya is the world's leading black tea exporter, and the crop is a major foreign exchange earner in east Africa's largest economy alongside horticulture, remittances and tourism. Increased production due to favourable weather this term has dented prices sharply, the company said in a statement on Monday. Pretax profit fell to 10.8 million Kenyan shillings ($122,448), after revenue fell by 18 percent to 48 million shillings. Prices for the six months to the end of June declined by 19 percent from the year-ago period, Limuru said. For the first half, Limuru Tea produced 1.6 million kg of green leaf, which was processed into 378 tonnes of black tea, a 9 percent jump from the year-ago period. "If the price trend persists, we expect revenues in the second half to be lower compared to 2013," the company said. The company said it would not pay a dividend, similar to its stance for the first half of 2013. Tea exports from the east African country rose slightly in the first six months, while the average prices dipped at auction and output was steady, the regulator Tea Board of Kenya said on Aug. 6. *(Reuters)*

The Kenyan shilling weakened on Tuesday, hurt by dollar demand from the oil and telecommunication sectors, as traders watched to see if the central bank would intervene to stop the currency's depreciation. At 0730 GMT, commercial banks quoted the shilling at 88.25/88.35

to the dollar, slightly down from Monday's close of 88.20/30. The shilling, down about 2.3 percent against the dollar this year, has been weakening over the past few weeks, even though liquidity has tightened. Traders are now looking to see whether the central bank will intervene to prop up the local currency. "The last time we traded at 82.25/35 levels, the central bank came in and intervened.

So the question is will they intervene considering the slow pace of depreciation," said one trader a commercial bank in Nairobi. He said oil and telecommunications companies were adjusting to a weaker shilling and coming in to buy dollars waiting to see if the local currency would firm. The weighted average lending rate on the interbank market rose to 12.1919 percent on Monday from about 7.5 percent in mid-July. Traders forecast the shilling was likely to reach 88.50 once the liquidity crunch eased. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' revenue from tourism rose 2.4 percent in the first half to end June from a year earlier, thanks to a jump in visitors from China, official data showed on Thursday. Tourism is a key source of hard currency for the Indian Ocean island, best known for its luxury spas and beaches. The country raked in 22.57 billion rupees ($735 million) during the period, Statistics Mauritius said in a statement. Total tourist arrivals to the island rose by 4 percent to 490,697, driven by a growth of 86.9 percent in visitors from China, the statistics office said. African nations, including Kenya, have been wooing Chinese tourists in recent years, to make up for shortfalls in visitors from Europe and America following the global financial crisis. The number of tourist visiting Mauritius from Europe, which accounts for two-thirds of arrivals, inched up 0.8 percent to 266,295 in the first six months of this year. Visitors from France fell by 4.3 percent, but the European nation remained the top source of tourists, contributing 24.2 percent of all arrivals in the first half. There were 114 licensed hotels in Mauritius during the period with 105 in operation. The room occupancy rate rose from 60 percent in the first half of 2013 to 62 percent this year. The statistics agency said it expected arrivals for 2014 to increase by 3.7 percent to 1,030,000 and earnings to rise by 9.7 percent to 44.50 billion rupees. *(Reuters)*

Mauritius' trade deficit widened 23 percent in June from a year earlier, data showed on Friday. Imports climbed 11.6 percent to 14.80 billion rupees ($493.3 million) while exports rose 4.4 percent to 8.51 billion, Statistics Mauritius said in a statement. Britain was the main buyer of goods from Mauritius in June, accounting for 12.4 percent, while India supplied 26.2 percent of the Indian Ocean island's imports. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

International Brewery Nigeria (IBN) plc, which has been consistently improving its operational performance since SABMiller acquired a majority stake in the company two years ago, saw its profit surged by 32.46 percent, for the three month period ended June 2014. Net income surged to N708.20 million from N534.0 million in the same period of the corresponding year Q1 2013, while revenues for the period were up 19.93 percent to N5.21 billion. This above stellar performance has been the trajectory of the company's financial condition since SABMiller, the world's second largest brewer by volume, bought 72.9 percent of the Nigerian brewer. The gains of the acquisition were instantaneous as the parent company expanded its subsidiary's Ilesha operations by 30 percent. Additionally, this is the best performance among Nigerian brewers given the operational challenges crimping their growth potentials. "Compared with other Nigerian brewers, International Breweries appears to be continuing to gain market share," said Olajumoke Okeowo, analyst with FBN Capital, a research and investment firm in an email note. Net margin, a measure of profitability and efficiency, moved to 20.09 percent in 2014, from 18.20 percent last year. Earnings per share (EPS) moved to 22k in Q1 2014, from 16K as of Q1 2013. The industry has been hit by high operating costs from unstable power supply and bad roads culminating in spiralling distribution costs. Furthermore, barley, a major material used in the manufacturer of beer, is imported, which makes it susceptible to foreign exchange volatility and thus spiking input cost.

Marketing/administrative and other expenses were up by 32.07 percent to N1.37 billion in Q1 2014, from N1.04 billion as of Q1 2013, while operating expenses margins moved to 26.46 percent in 2014, from 23.96 percent in 2013. Cost-of-sales margin was as high as 51 percent fuelled by the peculiar environmental challenges in the country. International Breweries is aggressively swooping on the brewery industry with its market penetrating product "Hero" Larger beer. Hero is called Oh Mpa, meaning "Oh Father" among the Igbo speaking people of the country, because the bottles bear the rising sun of the Biafra flag, which brings memories of the civil war. However, the product seem not to have penetrated in other parts of the country as it is mostly predominant in the Southern part of the country. The company was able to better manage direct costs as gross profit increased by 22.96 percent to N2.57 billion from N2.09 billion as of Q1 2013. Total assets were up by 20.86 percent to N27.17 billion in the review period compared with N22.48 billion as of Q1 2013. Debt to equity ratio was 57.76 percent, which mean that over 50 percent of IBN's balance sheet is funded by lenders. The company's share price closed at N27.50 August 15, 2014, on the floor of the Nigerian Stock Exchange, while market capitalisation was N89.71. "The figures appear to confirm the view that the mid-to low-end segments of the market is faring much better," said Okeowo. *(Business Daily)*

Oando Energy Resources Inc. (OER), a company focused on oil and gas exploration and production in Nigeria, said production from its existing assets for the first half (H1) of the year was 821,786 barrels (an average of 4,540 barrels per day (bpd)) compared with 687,757 barrels (an average of 3,800bpd) for the comparative period. The increase in production was primarily as a result of improved well optimisation at Oil Mining Lease (OML) 125 (Abo field), the company said, in its financial and operating results for the six month period ended June 30, 2014, released last week. Production also increased at the Ebendo field (OML 56). OML 125 production increased by 17 percent to 651,000 barrels in the six months ended June 30, 2014, from 557,000 barrels in the comparative period. The Ebendo field production increased by 30 percent to 171,000 barrels from 131,000 barrels in the comparative period. The company said it spent $9.2 million on Umugini pipeline construction and Ebendo Well 7 drilling and completion activities and flow station de-bottlenecking in the period, adding that projected delivery date remain to be completed during the fourth quarter (Q4) of 2014. The 45,000bpd Umugini pipeline is designed as an alternative evacuation route for the OML 56 asset. Ebendo Well 7 was successfully drilled and completed on April 1, 2014, the company said, adding that the well had since been shut in pending completion of Umugini pipeline.

Pade Durotoye, CEO, OER, said: "This half year we have witnessed a 20 percent growth in production against last year, due to optimisation processes on our current producing assets. "We are truly excited at the 9 fold ramp up in production that we are experiencing in H2, 2014, as well as a much larger corporation, as a result of our completion of the acquisition of the ConocoPhillips Nigeria business unit, our immediate outlook will be to integrate the systems, processes and people towards growing the business and creating true value for our shareholders." OER said revenue declined from the comparative period by $3.2 million in the first half of 2014. "During this period, lower realised net sales prices reduced revenues by $13.4 million and increased production increased revenues by $10.2 million. Lower revenues from lower realised net sales prices were primarily due to $13 million in unrecognised revenue at OML 125," said OER. On July 30, 2014, Oando completed the acquisition of ConocoPhillips Nigerian business unit, with an effective date of January 1, 2012. The final purchase consideration for the acquisition transferred on July 30, 2014, net of working capital adjustments, transaction costs, purchase price adjustments was $1.5 billion. The total reserves and resources associated with this transaction are proved plus probable reserves of 211.6 million barrels oil equivalent (MMboe); best estimate contingent resources of 498.6 Mmboe, and unrisked best prospective resources of 656.9 MMboe.*(Business Day)*

Continental Reinsurance plc has said it is evolving a programme that would strengthen local capacity and foster its rapid growth and expansion plans in Africa. A statement from the firm states that the focus is to build financial and technical capacity in local markets in order to build on its pan-African commitment as it expands in Africa. Femi Oyetunji, group chief executive officer, Continental Reinsurance, says "we remain true to our mission of being the premier pan-African reinsurer, committed to the long-term prospects of the continent. We are now stepping up how we translate this commitment to build local capacity and provide local solutions, which combined will result in industry-wide development." Continental Reinsurance aims to localise market development and wants to bring its pan-African strengths to new locations, as part of its strategy of continued expansion. It says a sustainable presence bodes for acceptance in these new markets and its dedication to pan-African growth will be facilitated in return. With business activities in more than 46 countries across the continent, the firm intends to use its subsidiaries as hubs. It aims to build local markets by employing highly skilled local professionals with strong local market knowledge and experience. "We see localisation as a way to grow the market, but also to develop solutions that are more apt for the local market, and to ensure sustainability and responsible local corporate citizenship in the markets we operate in. It is also about making sure our staff understand the needs of their clients in their local markets the best, and are able to serve them well, both in terms of customer-centricity and proximity," Oyetunji says.

The company's customer management is rated very highly and the business remains fully focused on local and pan-African clients and the African continent. By localising its pan-African commitment, it intends to create a virtuous circle of stronger local relevance, services and market development. The firm is the only African reinsurer who is a signatory of the Principles of Sustainable Insurance of the United Nations Environment Programme Finance Initiative. It emphasises that this new brand strategy is aimed to deliver substantial value across the continent, to help advance world-class standards in environmental, social and governance focus areas, through localisation that is true to its pan-African commitment. Continental Reinsurance is a private-sector reinsurer in Africa, and offers non-life and life reinsurance services to African insurers. It is rated B+ (Good) by AM Best for financial strength and credited for robust risk-adjusted capital. The company operates in more than 44 African countries and supports its pan-African footprint with regional offices in Douala – Cameroon, Abidjan – Cote d'Ivoire, Tunis -Tunisia, Gaborone – Botswana and a fully licensed subsidiary, Continental Re Ltd, in Nairobi, Kenya. Continental Reinsurance began operations in 1987, and was listed on the Nigerian Stock Exchange in 2007. *(Business Day)*

Leading cement manufacturing company, Dangote Cement Plc last week announced its financial results for the half year ended June 30, 2014 and reported profit after tax (PAT) of N95 billion. The company reported increased revenue from N198.5 billion to N208.9billion, while PAT declined by 11 per cent due to high tax payments and other high cost of operations. An analysis of the results showed that Dangote Cement expended N75 billion on cost of sale, up 14 per cent from N66 billion. Gross profit rose from N132billion to N133 billion. However, selling and distribution expenses rose by 17 per cent from N12.9 billion to N14 billion. Finance cost rose by 29 per cent from N6.3 billion to N8.1bilion, while tax stood at N11.6 billion, compared to zero tax in the corresponding period of 2013. Consequently, profit after tax fell by 11 per cent from N107 billion to N95 billion. Market analysts said Dangote Cement's tax holiday on some of its plants as a result of pioneer status has expired, hence the huge tax liabilities paid in the first half of 2014. Although the huge tax is seen as a new challenge for the company, Group Managing Director of Dangote Cement, Mr. Devakumar Edwin told shareholders last May that the company would intensify its direct-delivery strategy, which he said, boosted the company's sales in 2013. The company had ended 2013 with N201 billion profit, which Edwin attributed to focused and strategic management.

"Our direct-delivery strategy is proving very popular with customers and I am pleased to report that direct-to-customer deliveries now account for more than half of our sales. We increased our margins despite continuing disruption to our gas supply and believe that the gas distribution infrastructure will be more robust in 2014, enabling us to improve our margins even further. At the same time we are looking at ways to diversify our fuel supplies to mitigate the impact of any future disruption and reduce the cost of using alternative fuels to gas," Edwin said. *(This Day)*

One of Nigeria's leading petroleum products marketer, Conoil Plc, recorded impressive financial performance at the end of its last financial year with 298 per cent increase in profit before tax. According to the audited result of the company filed at the Nigerian Stock Exchange (NSE), its profit rose from N1.15 billion in the preceding year to N4.6 billion in 2013. Analysis of the results showed that its profit after tax also increased significantly by 329 per cent; from N714 million to N3.07 billion. Its revenue increased from N149.9 billion to N159.5 billion. The company's earnings per share (EPS), which measures the net income for every shareholder, increased by 329 per cent from 103 kobo to 442 kobo. Following the performance, the board of directors of the company has recommended total dividend payment of N2.78 billion at N4.00 for every 50 kobo share held. The company attributed the great financial outing to improved cost efficiency, significant reduction in interest expense and a strong hold on cost of sales. Conoil had shown signs of a sound financial year after posting 341 per cent increase in profit before tax while its profit after tax went up by 329 per cent in the third quarter of 2013. Conoil said its performance was driven by revenue increase from its nationwide retail outlets, especially its newly commissioned mega stations. It added that the performance was also augmented by additional income streams from its world-class quality lubricant products.

The company further said that it has stepped up engine oil export to West African markets as well as entered into joint venture partnerships with leading car manufacturing companies. It added that its income was also bolstered by ancillary services including marketing of low pour fuel oil (LPFO). Chairman of Conoil, Dr. Mike Adenuga, assured the company's shareholders at its last general meeting that the company had a robust growth strategy that placed emphasis on continued investments and delivery of quality products and services. According to him, the future outlook of the company remained bright as it has built stronger financial position and facilities that would create enduring value for shareholders. "We will constantly develop strategies to sustain our position as the only marketer that always goes the extra mile for our ever growing customers, with total commitment to excellent service delivery. We firmly believe that such a robust strategy will ensure continued growth and stronger position in our core markets," Adenuga said. He outlined that the company's strategy remains the provision of quality products and services that would make customers want to patronize its fuel and non-fuel products. He added that the company would continue its aggressive acquisition and expansion drive that aims at increasing, substantially, the number of its retail outlets nationwide. Adenuga noted that as part of the strategy to shore up the bottom-line, the company strengthened and consolidated its leadership position in the aviation business with investment in the acquisition of new world-class equipment to meet the demands, on real time basis, of its ever-growing local and international clientele. *(This Day)*

Dangote Cement Plc has recorded a slim growth in earnings for the half year period ended June 30, 2014. The results released on the floor of the Nigerian Stock Exchange (NSE) showed that its earnings went up marginally by 5.26 per cent to N208.91 billion from N198.46 billion in the prior year. However, there was a higher increase in the cost of sales by 13.63 per cent to N75.37 billion from N66.33 billion in the first half of 2013, which leads to a flat growth in profit from core operation which stood at N111.98 billion compared with the N111.09 billion in the prior year. Following the expiration of the tax holiday it enjoyed over the years, its net earnings dipped as pre-tax income reduced by 0.57 per cent to N107.07 billion in the period under review, from N107.68 billion in the corresponding period. This occurred despite a 9.16 per cent growth in finance income to N3.23 billion from N2.96 billion achieved in the corresponding period of 2013. Analysts believed this was largely due to a significant spike in finance charges of 27.89 per cent to N8.15 billion from N6.40 billion, supported by the significant rise in short term borrowing and bank overdraft by 89 per cent and 169 per cent respectively during the period. A further analysis of the results showed that the company's shareholders' funds declined by 4.17 per cent to N522.3 billion, reflecting the dip in net earnings. Although its total assets grew by 6.74 per cent to N900.06 billion from N843.20 billion over the period, it was impacted by the significant rise in short term borrowings and bank overdrafts to N104.7 billion and N2.3 billion during the period. Despite the company's half year performance, analysts at BGL Limited stressed that they are optimistic about their full year revenue projection of N488.30 billion. "As usual, the third quarter demand for construction is expected to lead to increase in sales by the company. In this regard, we retain out buy recommendation on the shares of Dangote Cement ahead of our detailed report on this result," BGL stated. Meanwhile, the Nigerian stock market performance indicator showed that the NSE -ASI depreciated by 0.05 per cent in yesterday's trading to close at 41,767.33 (this brings the year-to-date appreciation to 1.06%) relative to the previous day trading session closing figure of 41,789.58. Also, the turnover by volume of transaction decreased by 5.16 per cent relative to the previous day trading session closing figure. Value of transaction however, increased by 78.62 per cent.*(This Day)*

Nigeria's Guaranty Trust Bank (GT Bank) on Thursday posted a 6.92 percent fall in half year pretax profit of 53.39 billion naira ($329.7 million), prompting a slide in its shares. But gross earnings rose to 132.98 billion naira in the six months to June 30 from 124.20 billion a year earlier, it said in a filing with the Nigerian Stock Exchange. Its shares were down 2.03 percent to 28.90 naira at 1050 GMT. GT Bank declared an interim dividend of 0.25 naira, unchanged from a year earlier. *(Reuters)*

Economic News

Nigeria's foreign debt stands at $9.38 billion, up 40 percent in absolute terms from its last publicly available data of $6.7 billion at the end of March 2013, the Debt Management Office said on Tuesday. The DMO said local debt was currently at 8.9 trillion naira($55 bln), up 37.1 percent from 6.49 trillion naira at end-March 2013. But the debt-to-GDP ratio is 12.51 percent of its rebased GDP, down from 21 percent at end-March 2013, the DMO said. Nigeria rebased its economy in April, almost doubling its gross domestic product to more than $500 billion, making it Africa's top economy. "This is not an indication that Nigeria can borrow without caution ... because our tax GDP ratio is very low," DMO director general Abraham Nwankwo told reporters. He said tax revenue as a percentage of GDP was just 6 percent. Nigeria has said it wants to increase the amount it borrows overseas to around 40 percent of all debt over a three to five year period, to take advantage of ultra-loose monetary policy in the West to lower its funding costs. Foreign borrowing stood at 12 percent of total debt in 2013. Africa's biggest economy is growing as an investment destination as economic growth remains high and its currency stabilises. But investors are wary of a long-established tendency to mismanage oil revenues, mostly because of massive corruption particularly as national elections loom next year. Nigeria raised $1 billion in a Eurobond issue last year to increase its total foreign debt. But analysts say the build-up in domestic debt is a concern. "The rebasing made the debt ratios look better, but that is still a sharp nominal increase in Nigeria's debt," Razia Khan, head of Africa research at Standard Chartered Bank said. "In more upbeat circumstances - higher oil prices, investors would focus on the benign public debt ratios. With oil below $100 per barrel, the focus is more likely to shift to the rapid build-up in debt," Khan said. *(Reuters)*

The Nigerian currency was unchanged at 162.15 naira to the greenback at Wednesday's market close, as dealers maintained their positions in anticipation of U.S. dollar supply from oil companies next week. The unit closed at 162.13 naira the previous day, broadly at the same level as Wednesday. The naira gained 0.11 percent on Monday after some lenders sold the greenback to stay within a regulatory limit. Dealers said demand for hard currency had weakened after an initial rise last week as importers locked in at favourable exchange rates following a recent naira rally. "We expect the naira to trade within the present band of 162 to the dollar this week," one dealer said, adding that it could strengthen as oil companies start their month-end dollar sales. The local currency eased to a five-week low against the U.S. dollar two weeks ago but recovered some ground last week after some oil companies sold the greenback, including the state-owned oil firm NNPC. *(Reuters)*

Apparently worried by the outcome of the 2015 election foreign investors are beginning to scale down their level of investment in Nigeria as witnessed by marked slowdown in investment inflows in first quarter of this year. THISDAY investigation revealed that the failure by the national assembly to pass the Petroleum Industry Bill has also played a major role in the slowdown of foreign investment into the country. Meanwhile, the Central Bank of Nigeria (CBN) External Sector Development Report (ESDR) for Q1 2014 revealed a reduced contribution of portfolio transactions to total investment inflows. The ESDR revealed that portfolio investors provided 80 per cent of total investment flows in Q4 2013, dropping to 63 per cent in the first quarter of this year. The ESDR also showed that a combined portfolio and direct inflows declined by 42 per cent to $2.86 billion in first quarter of 2014.

These, analysts told THISDAY, are gross flows, which are not adjusted for outflows captured as assets in the balance of payments. "Adjusted, the recent trend has been a net inflow for both direct and portfolio transactions. Q1 2014 proved an exception with a net outflow of $980 million on the portfolio side. Happily, we can reconcile the figure with turbulence in emerging and frontier markets. There was a sell-off on the NSE, FGN bond yields picked up and the CBN struggled to hold the line on the exchange rate," said analysts at FBN Capital. This, according to the analysts, was a period of negative global market thinking on the impact of tapering by the US Federal Reserve and on the end of cheap money generally. "Sentiment has since calmed, and we would expect a net portfolio inflow in Q2 2014. We track this data series because of the scale of oil production losses/leakages. The US Federal Open Market Committee (FOMC), has now trimmed the Fed's monthly asset purchases to $25 billion (from a peak of $85 billion) and we expect the completion of tapering by October. "Thereafter the committee will at some point increase the Fed Funds rate. This could come as soon as Q1 2015. We expect the financial impact of this tightening to be greater in economies with liquid markets and current-account deficits such as South Africa and Brazil than those with strong external balance sheets like Nigeria," they stated. *(This Day)*

Lagos-based financial advisory and research firm, Financial Derivatives Company Limited (FDC), has forecast that Nigeria may lose about $2 billion to the outbreak of the Ebola virus in the country. The firm in a report titled: "Making Economic Sense of the Ebola Scare," made available to THISDAY at the weekend, listed sectors that would be impacted mostly in the country to include aviation, hospitality and tourism, trade, medical and agriculture. Analysing these sectors' contribution to the country's gross domestic product (GDP), it stated that though the chance of the outbreak going into a second quarter was very slim, it could extend the loss to $3.5 billion. The Boko Haram insurgency had been the headline news in Nigeria until July 25th when it was confirmed that Ebola had been imported into the country. Since then, fear, panic, disbelief and frustration has taken its toll as economic activities, particularly in Lagos, have gradually slowed. Moody's had announced that the outbreak of Ebola in Nigeria could lead to serious disruptions in some sectors of the economy with negative financial consequences.

"Whilst a small part of the Nigerian economy is already benefiting from the Ebola scare such as shop owners selling sanitisers, a larger part is experiencing losses," it stated. The report showed that air transport, the second most used means of transportation after road., accounted forb0.09 per cent of Nigeria's GDP in first quarter of 2014. But the report revealed that since the outbreak of Ebola in West Africa, several airlines including Arik Air, Asky, British Airways and Emirates have suspended flight operations to and from any of the Ebola affected countries. Saudi Arabia also suspended giving out visas to Muslim pilgrims from West African countries. Serious screening for Ebola has also begun at several international airports before passengers are allowed to board an airplane. "We expect revenues in the aviation sector to plunge downwards, which would affect both the airlines and the support industry (handling companies, oil marketers, catering, duty free shops, etc.)," the report stated. Commenting on the impact on the hospitality and tourism sector, it stated that preliminary information showed that many hotel and airline bookings in Lagos have been cancelled by in-bound travellers due to the scare of the virus. "This is not surprising since India and Greece have openly advised their citizens to avoid non-essential travel to Nigeria and other Ebola-affected countries. It is estimated that restaurant visits in Lagos have already declined by 50 per cent. The accommodation and food services sector was approximately one per cent of total GDP in first quarter 2014.

"This amount is not negligible considering the importance that restaurants play in the lives of many working-class Nigerians. In addition, a direct implication of the low turnout to social events is a decline in the events management business," it added. In first quarter of 2014, trade contributed 17.35 per cent to Nigeria's GDP. Trade and investment flows are critical to the external sector of the country and the West African region. The region enjoys almost a custom union with common external tariff and movement of visitors without visas. "Since movement of people is restricted in and out of the affected regions, fewer goods will be equally transported. Air transportation is very critical to trade. Hence, a reduction in the number of international flights literally means a reduction in international trade flows. Domestic trade is also likely to be negatively affected significantly if the disease spreads," the report added. On agriculture, it argued that there would be a decline in sales of several animals, even when they have not been linked to Ebola. "Farmers or hunters living in areas where there is co-mingling of animals connected to Ebola will reduce their exploits. The hunters association in Nigeria has already complained about a slowdown in business due to experts' directive that people should abstain from consuming bush meat. Other meat sellers may also witness a reduction in patronage if the disease spreads further. In addition, in a bid to prevent illegal movement of Ebola-linked corpses across states, there will be many stops at checkpoints" it argued. *(This Day)*

The Federal Executive Council (FEC) yesterday approved a contractual sum of N31.2 billion for the execution of a 40megawatt electricity project for Kashim Billa Dam in Taraba State. Also, an assurance was given for the early completion on the N15 billion gully erosion in the South-east. The Minister of Information, Labaran Maku, dropped the hints while briefing State House correspondents at the end of the meeting. "We devoted a substantial part of today's FEC to review the report of the erosion control project in the South-eastern part of the country. "As you are all aware, Mr. President, on assumption of power, promised prompt intervention in resolving some of the key erosion problems in the South-east which is known through out this country to be the most affected when it comes to erosion. "Several communities in the South-east have always been affected and Mr. President had promised to handle some of these projects in order to bring relief and stop the deterioration of the environment and the destruction of their means of livelihood," Maku said. The Director General of the Bureau for Public Procurement (BPP), Mr. Emeka Eze, told journalists that Jonathan, who lamented the slow pace of work had inaugurated a committee to review all the erosion control contracts in the region. Maku said: "Today, the committee reported back to council on its findings and recommendations to ensure speedy completion of the projects currently ongoing. "We were reassured that the ecological office has started the ratification of all the teething problems connected with the erosion projects. "In the last one year, most of the projects are now doing very well and we want to make sure that environmental sustainability in the South-east which is the main aim of Mr. President is achieved under the dispensation of the current administration." *(This Day)*

As part of efforts to enlighten bank customers on its decision to introduce N65 on remote-on-us automated teller machines (ATMs) transactions in the country, the Central Bank of Nigeria (CBN) yesterday maintained that the policy would ensure customers get better services from banks. The central bank also insisted that the fee would engender healthy competition among banks. It noted that transaction volumes at other banks' ATMs had increased astronomically due to the free cash withdrawal at ATMs. "The wear and tear as well as the frequency of servicing the ATMs has increased significantly. Indeed, some customers were beginning to abuse the use of ATMs through countless withdrawals. This development has led to increase in cash transactions, which negates the bank's cashless policy," the CBN added in a notice on its website yesterday. Furthermore, the banking sector regulator argued that maintaining ATMs is expensive as it requires economic incentive for owners to deploy and maintain the facility.

"If a part of this cost goes unabated, the banks may be forced to reject transactions coming from their customers at another bank ATMs, thereby frustrating the interoperability of payment systems. "The CBN wishes therefore to reassure the public that the long term interest and welfare of all bank customers remain the goal of all banking policies," it explained. The Director, Banking and Payment System Department, CBN, Mr. Dipo Fatokun, had said the policy would not affect the central bank financial inclusion strategy. Prior to the amendments in December 2012, it used to be N100 on any remote-on-us withdrawal. But the N100 was removed then so that people would be encouraged to go to other banks' ATMs. "But the truth is that of the N100, N35 goes to the payment bank, which has now been completely waived. But in going to other ATMs to make withdrawals, your bank, which is the acquirer bank, incurs a cost of N65 which they pay to the switches and the owner of the ATM that you are using. "Between 2012 and recently when the review was done, it was discovered that people have actually turned ATMs into their personally purses because nothing is charged. Somebody needs N500, N1, 000, he will go to an ATM to withdraw, such that in a day, some people can patronise ATMs up to five times," Fatokun said. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

THE NMB Bank has said it was making some studies before it decides to give out loans on mining, gas and oil undertakings in the country. NMB Chief Risk Officer Mr. Tom Borghols said here on Monday that the bank is carefully studying the development of the sectors and the involving risks before it finally arrives on the position of whether to dish out loans or not. "We are aware that of late mining industry is fast growing in Tanzania as well as the oil and gas but as a bank we are very careful before we can venture into supporting those businesses," he said. He was responding to a question posed by one mining dealer Mr. Chacha Marwa Warioba who challenged the Bank to start dishing out loans to businessmen dealing with mining activities. Apart from meeting with its corporate customers, the bank also took the opportunity to launch the new service 'NMB Executive Network' which targets to bring all large scale businesses under one roof. Through the network, the bank plans to bring the businessmen closer to its services by issuing them special Indentification Cards that will enable them get quick services with the bank. According to the NMB Head of Business Banking Mr. Filbert Mponzi the new service has been launched in Mwanza due to the fact that the region and the entire Lake Zone is fast expanding economically. He said the bank has decided to give special services to customers with huge transactions as a way of winning more and that more other packages will also be offered to them.

However, the businessmen who attended the event challenged the bank to improve its services especially in upcountry branches where long queues are now order of the day. They also asked for the bank to work on the issue of the "down system" regularly encountered in some branches mentioning Tarime and Bukoba as examples. But according to Mr. Mponzi, the bank is revisiting its computerized systems to make sure they conform to the required standards and speed. NMB Manager for the Lake Zone Mr. Straton Chilongola said efforts are going on for the improvement of the security systems at the bank that will involve all branches. "We are currently working on the issue of security for both our bank and our customers and many changes on that area are soon coming," he said. Mr. Mponzi also explained on the questioning exercise the businessmen depositing large sums of money are passing through when they come to bank their money. According to him, all large sums should be handled with extra care with businessmen being required to explain in details on their business particulars as part of the war on money laundering and cyber crimes. He said there are specific sums of money that must be accompanied with detailed explanations before they are accepted in the bank as per the Bank of Tanzania (BOT) directives. *(Daily News)*

Economic News

THE Minister for Industry and Trade, Dr Abdallah Kigoda and Ambassador of China to Tanzania, Dr Lu Youqing, cut a ribbon during the launch of Brands of China African Showcase 2014 at the Diamond Jubilee Hall in Dar es Salaam on Thursday. THE government has made a passionate appeal to China to increase investments in spite of 2012 statistics that pegs the aggregate at approximately one billion US Dollars. Speaking at the opening of the 2014 Brands of China African Showcase, the Minister for Industry and Trade, Dr Abdallah Kigoda, said that this level of investment is lower than what has been invested in other countries, whose relationship with China came later compared to that with Tanzania. "Therefore I take this opportunity to appeal to the Chinese government to increase investment in Tanzania in sectors such as mining and gas," he said. Dr Kigoda said that the engagement of Tanzania with emerging powers like China, though seen as an opportunity for growth, faces some challenges and missed opportunities. He mentioned these as importations of manufactured goods while exporting raw materials which create an unfavourabe balance of trade. "It is my opinion that it is high time now for Chinese people to establish manufacturing industries in Tanzania to ensure quality products are produced, employment opportunities to Tanzanians who are engaged in trade and transfer of technology," the Minister urged.

In 2013 bilateral trade between China and Tanzania reached 3.7 billion US Dollars and by the end of 2013 China's investments in Tanzania reached 2.5 billion US Dollars with nearly 500 Chinese companies doing business in the country. Dr Kigoda said that trade between Tanzania and China has increased rapidly over the last decade, particularly China's exports to Tanzania. China's exports to Tanzania comprise largely of manufactured goods; electrical appliances, garments and vehicles. "The composition of China's exports to Tanzania has remained largely unchanged although trade volumes have increased substantially. "China is largely importing ores mainly copper and precious metal ores, but also smaller quantities of niobium, tantalum, vanadium, zirconium and manganese, vegetable and animal products from Tanzania," he cited. The Chinese Ambassador to Tanzania, Dr Lu Youqing, said that in 2001, before the introduction of the preferential market access by China, Tanzania exported 0.7 million US Dollars and that the figure remained the same the following year before picking up in 2003 to 4 million US Dollars. Dr Youqing said that in the first year of the preferential market access, Tanzania's export jumped to 71 million US Dollars or 17 times more than the previous year. "By 2007, export had reached 156 million US Dollars. Although many exports experienced fall in demand in 2009, this wasn't the case for Tanzania's export to China as it recorded 43 per cent or 117 million US Dollars increase from that of 2008 (270 million US Dollars)," he said. He said that more than 100 Chinese exhibitors are taking part in Brands of China African showcase and that the event helps Chinese manufacturers and traders to showcase their products and commodities in front of more than 30,000 professional buyers and visitors. The exhibitors will showcase machinery and vehicles, household appliances, electronics and communication devices, solar energy, daily consumer goods, hardware and building materials, chemical products, medical products, electrical equipment, construction materials, health care and comprehensive products.(Daily News)

<u>Zambia</u>

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Zimbabwe

Corporate News

Pan African bank, Ecobank Zimbabwe says it has extended and deployed $120 million in lines of credit harnessed from within the Ecobank group and external financiers to support both the local corporate world and government programmes. Managing director Daniel Sackey said this on Saturday at the official opening of the banking group's new branch in the mining town of Bindura, which extended its branch network to 14. "The bank has harnessed significant lines of credit from within the Ecobank group and external financiers to support local business and corporate. "To date a significant portion of these has been committed to supporting the Zimbabwe Agenda for Socio-Economic Transformation (ZimAsset) programme launched by the government in October 2013 and has so far mobilised funds to the tune of $120 million deployed in different programmes under the government," he said. Sackey said Ecobank, introduced in Zimbabwe in 2011 after taking over from Premier Banking Corporation, had seen a smooth transition of its operations within the country. "We have managed to convert it from a merchant bank to a full service bank providing a broad range of products and services to the government, financial institutions, multinationals, international organisations, medium, small and micro businesses and individuals," he said. Sackey said his corporation has embraced the government economic blue print, ZimAsset programme by availing credit facilities to companies and individuals. "It is our hope that the economy of the country will continue to improve and benefit from the policies being spearheaded by your government," he said *(Bulawayo24)*

Leading beverages manufacturer Delta Corporation says it has spent an estimated $13 million financing the production of sorghum and barley, key ingredients required by the firm to sustainably run and support its breweries. The amount, invested during the 2013/2014 summer cropping season under Delta's contract farming scheme, is part of a raft of measures the beverage giant has traditionally employed to source barley and sorghum locally, rather than rely on costly imports. But in 2013, the company had to import sorghum from Malawi due to shortages of the commodity on the domestic market. In a statement, Delta says over $1 million was invested to contract 8 976 farmers who produced 9 339 tonnes of sorghum. The firm also contracted 73 barley farmers to the tune of over $11 million who produced 46 196 tonnes of the grain. "Total (sorghum and barley) investment is as follows: Barley- $11,514,759.67, Sorghum- $1,170,752.00, Total – $12,685,511.67," read part of the e-mailed statement. In total, Delta contracted 9 049 farmers to grow grain during the 2013/2014 cropping season. The company has since indicated that it will spend $590 000 to support production of 2 000 tonnes of white and red sorghum varieties during the 2014/2015 season. Delta requires an estimated 12 000 tonnes of sorghum annually. Delta's demand for sorghum and barley, among major raw materials rose exponentially when the firm increased its production capacity following acquisition of state of the art bottling lines in recent years. But lager volumes for the first quarter to June 30 dropped 21 percent year on year. *(Herald)*

Ecobank Zimbabwe will continue harnessing significant lines of credit from its parent company, Ecobank Transnational Inc and from external financiers to support agriculture, infrastructure, energy and mining sectors, a company official said. Ecobank came into the country in 2011 after taking over Premier Banking Corporation. The bank has since January this year injected about $120 million towards supporting different economic sectors. Ecobank managing director Mr Daniel Sackey said the bank would continue looking for growth opportunities in line with Government's Zimbabwe Agenda for Sustainable Socio-Economic Transformation. "The bank will continue to pursue feasible growth opportunities in Zimbabwe that are in line with Government economic blueprint to grow Ecobank to become number one bank in the country. "Ecobank's support to Zimbabwe's economic sectors was over $120 million covering agriculture, infrastructure, energy, mining, service and other sectors," said Mr Sackey. Ecobank Zimbabwe secured lines of credit from the parent company and offshore financiers to support local companies and the Government programmes. The Pan-African bank, which is headquartered in Togo, has expanded its local branch network to 14 across the country. *(Herald)*

PPC Zimbabwe volumes for this financial year are expected to grow three percent on the back of increased exports into the region, an official said yesterday. Managing director Mr Njambo Lekula told The Herald Business yesterday that while there was an improvement in cement exports, the domestic market remained subdued. "On the domestic side, we are not doing very well . . . the market is stressed," he said. "The 3 percent growth will be derived from exports which have slightly improved." A slowdown in Zimbabwe's economy, characterized by low aggregate demand has muted local growth of cement sales and the company is focusing on exports markets. Mr Lekula said the company had in "principle" secured the money for Mt Darwin project and a Harare crushing plant. "We are now in the final stages of obtaining environmental approvals from EMA before the funds can be released," said Mr Lekula. The company, he said, secured loans from PTA Bank and some local financial institutions. PPC, with an annual capacity of 1,2 million tonnes intends to double its capacity by building a clinker plant in Mt Darwin and cement crushing mills in Harare and Tete Province in Mozambique at an estimated cost of about $200 million. Cement is produced in two phases with the first being the production of clinker from limestone. The second phase involves crushing of the clinker into cement powder. *(Herald)*

SEED CO has concluded discussions with a foreign investor for the acquisition of a significant stake in Quton. Chief executive Morgan Nzwere said the investor, Indian company Mahyco will take up 60 percent shareholding in the company for $10 million. "The cotton seed business at present is a nightmare, just like the cotton industry in general. So we want to try to divest a significant stake out of it. "We are trying to go beyond the indigenisation threshold. The ministry has shown that it is flexible. It has set certain conditions; they have to comply gradually over a certain period and that they help in vocational training for the various agricultural colleges." Mr. Nzwere said the transaction will be completed by the end of September. He said since the transaction was below 10 percent of Seed Co's value, the group would not go to the market with it. Quton is the only cotton planting seed company in Zimbabwe. Its main role is breeding, processing and marketing cotton seed to largely smallholder farmers in the SADC region. On the other capitalisation initiatives, Mr. Nzwere said the second tranche of the equity from Limagrain totalling $27 million was expected before December. The French company would take up a 32 percent shareholding in the company. "The partnership with Limagrain is going well and work on the five joint quick wins is progressing well.
The new cash including for Quton will enable us to keep on operating" He said from a research point of view, Limagrain will bring a lot of value. "There are research processes going on at the moment to try to come up with stronger products for the market. So we will benefit more from research facilities, getting our breeders exposed to the international markets and technologies, sharing their gem traits. They also have modern state-of-the-art testing facilities" On operations, Mr. Nzwere told the annual general meeting that demand for winter cereals seed was flat with increases in wheat being offset by reduction in barley owing to the main customer Delta, holding carry-over stocks. "The problems affecting winter cereal production in Zimbabwe remain, with sustainable winter cropping funding and reliable electricity for irrigation the major challenges. He said seed deliveries were progressing well and current estimates are within targets. "The products had continued to outperform competition in independent trials." The group was in the process of re-branding its products across all markets with the new packaging difficult to replicate which is going to take fake seed producers out of the market while also increasing the product appeal to the consumer.*(Herald)*

Impala Platinum's Zimbabwe unit Zimplats has ceased operations at its Bimha mine following an underground collapse in July, the company said on Wednesday, adding that the stoppage could cost it 70,000 ounces in 2015. At current spot prices, 70,000 ounces of lost platinum production would be worth around $100 million. Implats' share price fell around 5 percent on the news and then pared losses to be around 2 percent lower. Bimha is located 150 km (90 miles) southeast of the capital Harare and is the biggest of the four mines run by Zimplats. Implats, which owns 87 percent of Zimplats, said production at the mine had been stopped to ensure the safety of employees. Engineers would look at how to redesign the mine to stop further collapse. Production at the three other mines would not be affected. "Over recent weeks, ground conditions have continued to deteriorate and as a consequence, it has been decided to withdraw employees in high-risk areas with immediate effect and to implement orderly closure procedures across the rest of the mine," Implats said in a statement.
Zimplats produced 240,000 ounces during the year to June 2014 and is a key source of revenue for Implats, which was hit by a five-month strike earlier this year at its Rustenburg operations in South Africa.*(Reuters)*

Economic News

The insurance sector should come up with measures to mitigate fraud cases in the industry being perpetrated by clients, insurance firms,

assessors, and panel beating companies, an insurance risk and loss consultant has said. Mr Malvern Mudzingwa of Hillcrest Loss Consultancy told delegates attending the Insurance Institute of Zimbabwe's 2014 winter school that one of the key factors in the fight against insurance fraud was to come up with clear statistics on insurance fraud. "At the moment we are all agreed that insurance fraud is rampant, but we do not know the extent of the problem and we need to come up with accurate data to determine the extent of the problem before we start addressing it," he said. Mr Mudzingwa said countries such as South Africa, the United Kingdom and the United States have agencies responsible for collecting data on insurance fraud. Mr Mudzingwa, who was making a presentation on insurance fraud, noted the insurance fraud was being fuelled by economic challenges and the high reward-low risk proposition for the perpetrators. Other factors included declining moral and ethical standards as well as compromise on underwriting practices.

"We have had very few convictions in terms of insurance fraud and part of the problems is that 90 percent of cases are referred to the police at claim settlement stage at which time most of the evidence will have been lost," he said. Mr Mudzingwa, however, said the problem was not peculiar to Zimbabwe as it was also common in other countries such as South Africa, where the rate of conviction of perpetrators for insurance fraud was also low. He said in South Africa, the institution that deals with insurance fraud had managed to expose many cases, enabling insurance firms to save R650 million. However, of the 900 cases that the body reported to the police, only 20 resulted in convictions. He said common cases of insurance fraud in Zimbabwe included arson, stage managed road traffic accidents, insuring assets damaged prior to the commencement of the insurance contract, insuring non-existent assets and multiple insuring. He called for the establishment of an institution in the mould of the credit bureau for the insurance sector to help flush out fraudsters. Meanwhile the IIZ president Mr Chomi Makina who officially opened the four-day winter school challenged participants to use the winter school to come up with new strategies to take the industry forward. "Some of you are new in the industry, you should profit from the knowledge that you will acquire here and ensure that you bring in new ideas that takes us forward. "As an industry we should not remain stuck in the past but should move with the times," he said. This year's winter school is being held under the theme: "Get switched on-rise to the challenge". *(Herald)*

ZIMBABWE imported nearly 121 000 metric tonnes of genetically modified (GM) maize from Saouth Africa between February and July this year, in contravention of the country's own biosafety laws. The Herald Business can reveal. The grain — enough to feed Zimbabwe's 13 million citizens foran entire month — was mainly for food and processing. Genetically modified foods are widely considered unsafe for human consumption. They are suspected of causing or multiplying the risk of an array of illnesses including cancers. GMs are produced from seed that has been doctored in laboratories, supposedly making them resistant to disease. Statistics obtained by this paper from South Africa's Department of Agriculture show that the imports were by three non-governmental organisations, Louis Dreyfus, Toepfer International and GAPS. In February, GAPS imported 50 000mt of maize; Toepfer International, a German commodity broking firm, 30 000mt and Louis Dreyfus, a trader of agricultural goods from Netherlands, imported 9 300mt. Louis Dreyfus took in a further 7 000mt of the staple in March; 3 420mt in May and another 7 000mt in June. For June and July, Toepfer imported a total 13 900mt.

The NGOs were fully aware the maize was genetically modified. Mariam Mayet, director at the African Centre for Biosafety in South Africa told Foodmatters Zimbabwe, an online grouping of agriculture experts, that: "We have been informing the Zimbabweans about all the exports…" It is unlikely in the melee of emergency food aid necessitated by Zimbabwe's chronic food shortages in recent years, the grain was clearly labelled "GMO", for consumer purposes. It also remains unclear how the imports passed through border control without detection. Government has publicly stated its policy against the use of genetically modified organisms (GMs) for food, seed, animal feed or processing. Repeated efforts to obtain comment from Agriculture Minister Joseph Made were unfruitful. His deputy, Davis Mharapira refused to comment saying "talk to the minister. He is the one handling the issue on GMs." Dr Made has on numerous occasions in the past made clear Government's anti-GMs stance. Fears are that the maize imports may not have been assessed for risk, leading to contamination with organic grain. Millions of people could have consumed the contaminated grain unknowingly. In Zimbabwe, risk assessment is an obligation under international agreements such as the Cartagena Protocol on Biosafety and national laws which include the National Biotechnology Authority Act of 2006. The Cartagena Protocol seeks to protect biological diversity from the potential risks posed by genetically modified organisms resulting from modern biotechnology. Domestic biosafety laws are vague on the exemption (or not) of GM imports during food emergency situations.

Countries under the Common Market for East and Southern Africa, of which Zimbabwe is a member, disallow GMO use, at any time. The National Biotechnology Authority of Zimbabwe, which has been advocating GMO cotton, says on its website: "biosafety is the protection of human and animal health and the environment from the possible effects of products of biotechnology. "Risk assessment is the evaluation of the likelihood of the occurrence of an undesirable event. It is science based, carried out on a case-by-case basis, comparative and iterative." However, it is common knowledge that there is no baseline data on the safety of GMs to the environment and human health in most African countries of the east and south, hence no foundation for the assessment of food and feed safety. The sustained importation of GMs has raised questions on Government's capacity to monitor and control effectively the sphere of unregulated genetically modified grain trade. Zimbabwe's persistent shortages of food in the past decade have seen numerous non-governmental organisations and the private sector coming to the rescue of hungry villagers. This has opened the food industry to possible manipulation, increasing the risk of GM imports, as a last gap measure to avert hunger. At least 2,2 million people were estimated to be in need of food aid last year. The African Union has recently adopted the revised African Model Law on Biosafety, which recognises the "potential adverse effects on the environment, biological diversity and human health posed by GMs [that] are causing a growing public concern." *(Herald)*

ZIMBABWE'S annual inflation for the month of July rose to 0,31% from -0,08% recorded in June, official figures have shown as the country slipped out of five months deflation period. Deflation occurs when there is a decrease in the general price level of goods and services and happens when the inflation rate falls below 0%. Zimbabwe slipped into deflation in February when year-on-year inflation shed 0,90 percentage points to -0,49% from the January statistics. The new data means that prices as measured by the all items consumer price index increased by an average of 0,31 percentage points between July 2013 and July 2014, the Zimbabwe National Statistics Agency (Zimstat) said on Friday. Zimstat's data would come as relief to companies that had recorded low uptake of products due to a slowdown in consumer spending and economic activity. Deflation had exerted a negative impact on the country's economic conditions as it acts as a tax on the borrowers and the liquid asset holders simultaneously. Zimstat said the year-on-year Food and Non-Alcoholic beverages inflation prone to transitory shocks stood at -2,88% while the non-food inflation rate was 1,91%. The month-on-month inflation rate in July 2014 was 0,01% gaining 0,04 percentage points on the June 2014 rate of -0,03%.

Economist John Robertson said prices will remain stable. "Deflation has come to an end, we are now on inflation. Prices will remain stable," he said. He, however, said the economy will remain fragile as traders were reluctant to increase prices as they feel they might lose their market share to other competitors. In a report after the annual Article IV consultation, the International Monetary Fund projected inflation to be low this year at 0,2% rising to 1,2 % in 2015. IMF said a closer look at the Consumer Price Index components showed that deflationary pressures have been stronger in traded sectors suggesting that pass-through from a depreciating rand also played an important role. "On the upside temporarily falling prices benefit consumers with job security. By delivering a boost to aggregate demand, falling prices may contribute to eroding the country's negative output. Deflation could also correct the existing overvaluation in the real exchange although that would require a process of non-traded inputs and final goods to fall faster that the prices of traded goods which has been the case so far," IMF said. In a latest report, the Reserve Bank of Zimbabwe said developments in the South African rand/Unites States dollar exchange rate, international oil prices, the pricing of utilities and the level of aggregate demand in the domestic economy will continue to influence inflation developments. *(News Day)*

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