SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

# WEEKLY AFRICAN FOOTPRINT

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

TRADING

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



## AFRICA STOCK EXCHANGE PERFORMANCE

| | | | | WTD % Change | | YTD % Change | |
|---|---|---|---|---|---|---|---|
| Country | Index | 31-Oct-14 | 7-Nov-14 | Local | USD | Local | USD |
| Botswana | DCI | 9563.75 | 9526.22 | -0.39% | -1.47% | 5.22% | -0.18% |
| Egypt | CASE 30 | 9115.63 | 9420.75 | 3.35% | 3.32% | 38.89% | 34.67% |
| Ghana | GSE Comp Index | 2249.27 | 2228.85 | -0.91% | 2.48% | 3.90% | -23.23% |
| Ivory Coast | BRVM Composite | 238.40 | 234.41 | -1.67% | -2.68% | 1.03% | -8.22% |
| Kenya | NSE 20 | 5194.89 | 5074.53 | -2.32% | -3.05% | 2.99% | -0.56% |
| Malawi | Malawi All Share | 14127.41 | 14220.16 | 0.66% | 0.49% | 13.48% | 3.21% |
| Mauritius | SEMDEX | 2130.25 | 2114.99 | -0.72% | -0.88% | 0.92% | -3.07% |
| | SEM 7 | 401.76 | 398.81 | -0.73% | -0.90% | -1.20% | -5.10% |
| Namibia | Overall Index | 1089.45 | 1096.12 | 0.61% | -1.54% | 9.94% | 3.32% |
| Nigeria | Nigeria All Share | 37550.24 | 33216.31 | -11.54% | -12.53% | -19.63% | -22.73% |
| Swaziland | All Share | 298.01 | 298.01 | 0.00% | -2.14% | 4.32% | -1.97% |
| Tanzania | TSI | 5486.68 | 5299.95 | -3.40% | -2.54% | 86.39% | 74.03% |
| Tunisia | TunIndex | 4903.10 | 4999.91 | 1.97% | 1.06% | 14.12% | 2.50% |
| Zambia | LUSE All Share | 6182.94 | 6137.44 | -0.74% | 0.84% | 14.74% | -0.40% |
| Zimbabwe | Industrial Index | 177.88 | 176.91 | -0.55% | -0.55% | -12.47% | -12.47% |
| | Mining Index | 70.38 | 73.16 | 3.95% | 3.95% | 59.77% | 59.77% |

## CURRENCIES

| Cur-rency | 31-Oct-14 Close | 7-Nov-14 Close | WTD % Change | YTD % Change |
|---|---|---|---|---|
| BWP | 9.02 | 9.11 | 1.09 | 5.42 |
| EGP | 7.13 | 7.13 | 0.03 | 3.13 |
| GHS | 1.87 | 3.19 - | 3.31 | 35.34 |
| CFA | 519.29 | 524.66 | 1.03 | 10.07 |
| KES | 87.47 | 88.13 | 0.75 | 3.58 |
| MWK | 452.92 | 453.67 | 0.16 | 9.95 |
| MUR | 30.17 | 30.21 | 0.16 | 4.11 |
| NAD | 10.92 | 11.16 | 2.18 | 6.41 |
| NGN | 164.07 | 165.93 | 1.13 | 4.01 |
| SZL | 10.92 | 165.93 | 2.18 | 6.41 |
| TZS | 1,682.04 | 1,667.22 - | 0.88 | 7.10 |
| TND | 1.81 | 1.82 | 0.91 | 11.34 |
| ZMW | 6.43 | 6.33 - | 1.56 | 15.20 |

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## Botswana

### Corporate News

**The first diamonds recovered from Gem Diamonds Ltd's new mine in Botswana will go on sale in February, the company said on Thursday**. The Ghaghoo mine, officially opened on Sept. 5, had produced 4,028 carats by the end of September. Gem Diamonds has drawn down the entire $25 million debt facility for the first phase of the mine's development, the company said. "We are pleased to have completed the construction of the mine on time and within budget and to have overcome the challenges posed by developing a decline through some 80 metres of sand," Chief Executive Clifford Elphick said in a statement. The first Ghaghoo diamonds will be sold alongside stones from the company's 70 percent-owned Letseng mine in Lesotho, the source of some of the largest white gem-quality diamonds on record. Gem Diamonds said it had recovered 28,365 carats from Letseng in the quarter ended Sept. 30, slightly fewer than the 28,623 carats mined in the preceding three months. *(Reuters)*

### Economic News

**Botswana's mining production rose 16.7 percent year-on-year in the first quarter mainly due to the completion of maintenance at the Orapa diamond mine, the first set of industry figures from Statistics Botswana showed on Friday.** Diamond output was the biggest contributor to growth in the first quarter, rising 26 percent. Orapa, the world's largest open cast mine, is operated by Debswana, a joint venture between the government of the southern African country and Anglo American unit De Beers. Mining is the life-blood of the economy in Botswana where copper, gold, coal and silver are also mined. *(Reuters)*

## Egypt

### Corporate News

**Egypt has awarded British Petroleum (BP) two new exploration blocks to which the company and its partners have committed investments worth $240 million, the company announced on Tuesday.** The deal, which comes out of Egypt's 2013 bid round, includes rights to the North El-Mataria onshore block in the north-eastern Nile Delta, some 57km to the west of Port Said city, which BP will operate with 50 percent equity, with Dana Gas holding the other 50 percent. The Karawan offshore block in the Mediterranean Sea, located 220km north east of Alexandria will be operated by BP and ENI, with a 50-50 equity split. The exploration is expected to proceed over a period of 6-8 years. "Our expertise and latest technologies will be deployed for mutual benefit in these new blocks, which we believe have gas-bearing characteristics. Exploring the two blocks will require substantial investments to unlock their potential, and will be done as part of our commitment to meeting Egypt's energy needs," said Hesham Mekawi, BP North Africa Regional President. Egypt has suffered an energy crisis in recent years, most evident in frequent electricity blackouts. Several government officials have attributed the power cuts to a growing fuel subsidies bill and declining gas production. In September, the government awarded exploration blocks worth $187 million in investments to foreign oil and gas companies. BP produces ten percent of Egypt's annual oil and condensate production, in collaboration with the Gulf of Suez Petroleum Company (GUPCO), and BP's joint venture company with the Egyptian General Petroleum Company (EGPC), said the company. The company has invested over $25 billion in Egypt over the past 50 years in oil and gas exploration and production. *(Aharam)*

**Shareholders holding 56 percent of Egyptian snack maker Bisco Misr have agreed to sell their shares to United Arab Emirates-based Abraaj Investment Management, Bisco Misr said.** Abraaj Investment Management, an affiliate of UAE's Abraaj Capital, first made an approach to buy at least 51 percent of Bisco Misr in July, pending a technical study that is now complete, according to Bisco Misr. The company, one of Egypt's main producers of biscuits and cakes, said in a statement on Sunday that the shareholders had agreed to sell provided that the formal offer came within two working days from Thursday, indicating that a deal could take place on Monday or before. Dubai-based Abraaj Capital, the Middle East's largest private equity firm, has been pushing to expand in emerging markets. It already owns stakes in Egypt's Orascom Construction, budget carrier Air Arabia and supermarket chain Spinneys. The Bisco Misr statement, which did not provide the financial details of Abraaj's offer, listed the names of eight shareholders that it said had conditionally agreed to sell. Bisco Misr said in August that Kellogg Co, the world's biggest breakfast cereal maker, had also made a bid approach. The company also earlier refused a takeover bid from Juhayna Foods, Egypt's largest juice maker. Bisco Misr owns three baking facilities in Cairo and Alexandria. *(Reuters)*

**Amsterdam-listed OCI said on Thursday it planned to spin off its construction and engineering business and list it on stock markets in Egypt and the United Arab Emirates in the first quarter of 2015.** The new company is expected to be named Orascom Construction Ltd and will include all construction assets and subsidiaries of OCI as well as its 50 percent stake in BESIX Group, the group said in a statement. The fertiliser and chemicals division will constitute OCI's core business after the spin-off and remain listed in the Netherlands, it said. The news from OCI comes two days after the company won a two-year dispute with Egypt's tax authority, hailed by billionaire CEO Nassef Sawiris as a victory for the rule of law. Sawiris, one of Egypt's richest men, told Reuters that his company would make "huge" investments in Egypt after the ruling. Comments by Sawiris, a prominent member of the country's wealthiest business family, are watched closely by the types of foreign investors the country is seeking to win back after more than three years of political turmoil. Orascom Construction will focus on engineering and construction projects including plans to build a 2,000 to 3,000 megawatt coal-fired power plant on Egypt's Red Sea, which the company announced on Wednesday.

OCI said in its statement it was also keen to be among the first companies to benefit from plans by Egypt's regulatory authorities to encourage dual listings. Egypt's stock exchange has seen activity slow down since the 2011 uprising that overthrew Hosni Mubarak. "We have been trying for some time to list new companies on the stock exchange and the listing of a company like Orascom Construction on the Egyptian bourse will be an addition to the market and its participants," Egyptian bourse head Mohamed Omran told Reuters by telephone.

Investors have been hesitant to return to Egypt since veteran autocrat Mubarak was deposed in 2011, followed by more unrest and the army overthrow of Islamist President Mohamed Mursi in July 2013. President Abdel Fattah al-Sisi, the former army chief who ousted Mursi following mass protests, has pledged to rebuild the economy and fix state finances battered by the drop in foreign investment and tourism. *(Reuters)*

## Economic News

**Egypt's stocks continued to rally for the fourth consecutive session on Sunday after last month's downward trend. The benchmark index EGX30 increased 2.1 percent to 9,306 points and daily stock turnover registered LE664.9 million.** But the index remains well below the six-year record high of 9,811 points it reached on 30 September. Egyptian investors were net sellers on Sunday to the tune of LE37.8 million, while net purchases were almost equal among non-Arab and Arab foreign investors. The index's largest stock, Commercial International Bank, gained 2.11 percent to LE49.4 per share. In a sign of growing foreign investment opportunities in Egypt, United Arab Emirates-based Abraaj Investment Managment acquired Bisco Misr. Shareholders owning 56 percent of the Egyptian snack maker have agreed to sell their shares to Abraaj, Bisco Misr said, without revealing the financial details of the offer. Bisco Misr shares are extremely illiquid and fell 10 percent in tiny volume. In the construction sector, ElSWEDY electric climbed 4.78 percent to LE47.6 per share and Talaat Moustafa Group (TMG) holding was up 1.52 percent to LE10.54 per share. The telecom sector's top shares Global Telecom Holding (GTH) and Telecom Egypt (TE) increased by 2.3 percent to LE4.46 per share and 0.15 percent to LE13.7 per share, respectively. In real estate, Palm Hills for Development (PHD) company rose 4.21 percent to LE4.32 per share and Six of October for Development and Investment Company (SODIC) inched up 1.43 percent LE16.35 per share. Financial services company Pioneers holding, which announced plans to acquire a governing stake in two textile companies, saw its share gain 1.52 percent to LE12.51 per share. The broader index EGX70 increased 1.31 percent**.** *(Ahram)*

**A project to establish Egypt as the region's hub for the grain trade is now estimated to be finished in two years instead of the originally proposed five, raising the cost of the project by almost LE2 billion.** The ministry of supply announced last month that a project to build a logistics hub to store, trade and manufacture grains and seeds in the Nile Delta would cost a total of LE13.1 billion. But President Abdel-Fattah El-Sisi, who approved the project last week, asked to cut the execution phase to two years, leading to a rise in costs, said Mahmoud Diab, spokesman for the ministry of supply. The project, which will be built on 3,350 square kilometres in the Delta governorate of Damietta, is expected to annually trade up to 65 million tonnes of grain and basic food commodities. Egypt, the world's largest wheat buyer, hopes to use its standing in the international market to become a logistics hub for grains in the Middle East and North Africa. The project will build high-tech storage silos, which will raise Damietta's storage capacity to 7.5 million tonnes from the current 2.5 million tonnes. Also in the works are two new platforms capable of receiving large cargos in Damietta's marine port and five manufacturing areas. The manufacturing areas are meant to boost the food industry by producing flour, pasta, cooking oils and sugar for both domestic consumption and export to the MENA region. The grain hub project is one of several projects the government plans to offer to international investors at an economic summit in February, the ministry spokesman said. Egypt's government has set a target of 6 percent growth rate in FY 2018/19. *(Ahram)*

**Egypt will amend laws regulating investments before the country's February economic summit, investment minister Ashraf Salman said on Thursday.** A major economic summit aimed at encouraging international investment in Egypt after years of political and economic turmoil is scheduled to be held on 21 February in the resort town of Sharm El-Sheikh. The new legislation "will be in place by late December, early January," Salman told Ahram Online at an event hosted by the British Egyptian Business Association (BEBA). The minister explained that among the priorities of the legal reform was to empower the General Authority for Investment (GAFI), to become the one-stop-shop for investors in Egypt to simplify the bureaucratic process for them. "This is our coming fight as the investment ministry...because there are 42 institutions in this country that are issuing licenses and permits," said Salman.

Salman added that "the law that will not permit any investor to deal with any other place expect GAFI, and we are trying afterwards to simplify the process." Egypt needs about LE280 billion ($39.1 billion) in private sector investments to reach its target growth of 3.5 to 3.7

percent of GDP by the end of the current fiscal year, to supplement the LE58 billion ($8.1) which its cash-strapped government is willing to invest out of its budget. Salman explained that rather than creating a new investment law, the ministry had decided to amend different articles of several existing laws to improve the investment environment overall."We are changing major articles in existing laws, we are not drafting a new law," said Salman, adding that existing articles allowing for special treatment of certain investors over others were "unacceptable." The minister also revealed that he disapproved of the latest tax amendments introduced by the government in recent months. Earlier this year, Egypt introduced a 10 percent capital gains tax in the stock exchange, a property tax, as well as a temporary 5 percent income tax hike on individuals and businesses earning over LE1 million annually.

The government of President Abdel-Fattah El-Sisi, elected after three years of political turmoil, is striving to rein in the country's budget deficit to 10.5 percent of GDP this year, down from 12.5 to 12.6 percent in the fiscal year ended in June. "I am fighting the law," the minister said of the reforms, "and I am asking the whole business community to fight with me on that." "It definitely needs amendment," said Salman of the tax law, warning that the tax hikes and newly-introduced taxes would discourage the informal economy from seeking to become formal and expand tax base. Egypt's sprawling informal sector accounts for 30 percent of the economy and employs 40 percent of the labour force, according to former finance minister and world bank economist Ahmed Galal. Current finance minister Hany Kadry has stated that the government is aiming to widen the tax base as well as boost tax revenues.*(Ahram)*

**Egypt signed $350 million worth of financing agreements with Saudi Arabia on Saturday aimed at upgrading its power grid and securing imports of petroleum products as it seeks to end its worst energy crisis in decades.** Power cuts have become common in Egypt as the cash-strapped government struggles to supply enough gas to its power stations let alone upgrade a grid suffering from decades of neglect. The energy crunch has become a political hot potato in the Arab world's most populous country, which has turned from a gas exporter into a net importer in recent years as it diverts gas once destined for export to meet burgeoning domestic demand. Lines at petrol stations and a shortage of gas were among the main public grievances against former President Mohamed Mursi of the Muslim Brotherhood. But oil-producing Gulf allies have come to Egypt's aid since the army, prompted by mass protests, ousted Mursi last year. Two loan agreements signed on Saturday worth a total of about $100 million will be invested in two electricity stations that are expected to boost the capacity of the national grid. A further $250 million in assistance will come in the form of petroleum products.

Saudi Arabia sent Egypt $3 billion worth of refined oil products between April and September of this year, according to an Egyptian oil official, while the total value of Saudi oil aid since July 2013 amounted to about $5 billion. Egypt has also turned to the United Arab Emirates for oil products, signing deal in September that commits it to purchasing about 65 percent of its needs from its Gulf ally in the next year. Egypt introduced deep cuts to energy subsidies in July, which have resulted in price rises of more than 70 percent, as it seeks to curb public spending and fuel waste.*(Reuters)*

**Business activity in Egypt expanded in October for the third straight month, a survey showed on Tuesday, but the pace of growth slowed, highlighting the fragile nature of the country's nascent economic recovery.** Egypt has been hit by more than three years of political and economic turmoil following the 2011 uprising that toppled Hosni Mubarak after 30 years in power. The government is trying to strike a balance between cutting its deficit whilst reviving economic growth, which at 2.2 percent in the 2013/14 fiscal year remains too slow to create enough jobs for a youthful population of 86 million. Though output and new orders both continued to expand last month, they grew at a much slower pace. Employment, which grew in September for the first time in 2-1/2 years, continued to rise last month, but also at a slower rate. At the same time, inflationary pressures stoked by a major reduction in government subsidies to the energy sector in July eased significantly, suggesting the effects of the reforms on prices would be short-lived.

The HSBC Egypt Purchasing Managers Index (PMI) for the non-oil private sector stood at 51 points in October, down from a near-record 52.4 points in September and 51.6 points in August, but still showing growth. Readings above 50 indicate expansion while those below 50 point to contraction. "The pace of growth is still muted, but the PMI score points to the Egyptian economy starting to find its feet," Simon Williams, Chief Economist for the Middle East at HSBC, said. "As confidence improves, we remain optimistic that the economy will continue to expand into the year-end, albeit off a low base.â€�. Egypt raised fuel prices by up to 78 percent in July in a long-awaited step to cut energy subsidies and ease the burden on the government's swelling budget deficit. The cuts pushed up prices and hit business activity in July, but the effects appear to have been short-lived, with the pace of economic activity picking up in the three months since.

Egypt is targeting economic growth of up to 5.8 percent in the next three years, with the deficit staying at around 10.5 percent of gross domestic product (GDP). The PMI survey of around 350 private-sector firms showed that output grew at a slower pace in October, with the related sub-index at 51 points compared to 53.3 points in September. The sub-index for new orders stood at 51 points in October, slowing from a nine-month high of 53.8 points in September. The new export orders sub-index stood at 51.7 points, also easing from September's 52.4 points. In one of the most significant trends, however, Egypt continued to create more jobs in October, with the sub-index at 50.8 points, slowing only slightly from the previous month when hiring grew at the fastest rate since records began in 2011. Non-oil private sector firms had been shedding jobs since May 2012, with one month of stability at 50 points in July. Input prices rose sharply, with the index at 58 points, squeezing company profits, but the pace of increase eased from 61 points, 63.8 points and 67.8 in the previous three months. Selling prices began to stabilise in October, however, with the output price index at 50.5 points versus 51.5 points the previous month. *(Reuters)*

**Egyptian billionaire Nassef Sawiris said on Tuesday his company, OCI, would make "huge" investments in Egypt following the resolution of a tax dispute between its subsidiary, Orascom Construction Industries , and the tax authority.** "Our first investment is going to be presented to the government this week for a multi-billion dollar project related to the power sector in partnership with a prominent Middle Eastern group," Sawiris, one of the richest men in the country, told Reuters. Egypt's economy is struggling to rebuild following more than three years of political turmoil which has scared away tourists and foreign investors. *(Reuters)*

**NASDAQ Dubai has agreed with Egypt's securities clearing house to promote cross-listings of Egyptian firms' shares in Dubai, a sign of growing investment links between the two economies.** The deal between NASDAQ Dubai, the smaller of Dubai's two stock exchanges, and Misr for Central Clearing, Depository and Registry (MCDR) establishes technical ties that will facilitate dual listings, the two bodies said on Thursday. MCDR's chairman Mohamed Soliman Abdel Salam said the agreement would also encourage portfolio investment flows from the United Arab Emirates into Egyptian markets, by allowing UAE investors to clear their trades via NASDAQ Dubai. "This will reduce risk for investors," Salam told reporters, estimating that UAE investment in Egypt's stock market now totalled about 14 billion Egyptian pounds ($2 billion). The market has a capitalisation of around $72 billion. Hamed Ali, NASDAQ Dubai's chief executive, said a number of Egyptian companies had expressed interest in the idea of dual listings to increase their access to cash-rich Gulf investors and raise their profile in the region.

He declined to comment on specifics, but Amsterdam-listed OCI, controlled by Egypt's billionaire Sawiris family, said on Thursday it planned to spin off its construction and engineering business and list it on stock markets in Egypt and the UAE in the first quarter of 2015. UAE investors' interest in Egypt has been increasing since Islamist President Mohamed Mursi was overthrown by the army last year, prompting the UAE and other Gulf states to provide billions of dollars of aid to Cairo. Salam said MCDR was also exploring the possibility of a deal to promote dual listings with the Abu Dhabi Securities Exchange. Commercial International Bank, Egypt's biggest listed bank, obtained a cross-listing in Abu Dhabi about a decade ago but subsequently delisted after there was minimal trade in its shares, which Salam attributed to a lack of publicity. NASDAQ Dubai is also looking a tie-ups with a couple of exchanges outside the Middle East, Ali said. He did not elaborate. *(Reuters)*

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## Ghana

### Corporate News

**Izwe Loans Ltd. will list debt on the Ghana Alternative Market next week after selling the West African nation's first corporate bond in more than seven years.** The company, which started giving personal loans in Pretoria, South Africa's capital, in 2004, will list 38.6 million cedis ($12 million) of one and three-year securities sold to 13 Ghanaian fund managers, it said in a statement e-mailed by the stock exchange in Accra, the capital. They're part of an 80 million-cedi medium-term note program, Izwe said. Issuance in Ghana dried up as the cedi plummeted against the dollar, inflation accelerated and economic growth slowed. HFC Bank Ghana Ltd. sold dollar debt in 2007, while Standard Chartered Plc's local unit issued cedi notes in 2005, according to report from the Ghana Stock Exchange. Both have matured and currently only two- to seven-year government debt are listed on the GSE.

"Now we have an alternative on the market," Collins Appiah, head of asset management at NDK Financial Services Ltd. in Accra, who bought some of the debt, said by phone. "Fund managers do not have to keep giving their money to the government." The cedi weakened 26 percent against the dollar this year, the worst among 24 African currencies tracked by Bloomberg. It retreated 0.2 percent to 3.2251 per dollar at 4:12 p.m. in Accra. Izwe's one-year notes yielded 250 basis points above the 182-day Treasury-bill rate, Cecilia Hesse, managing director of Temple Investments Ltd., one of two lead managers of the sale, said by phone today. Three-year securities were 450 points above the T-bills, which yielded 26.4 percent at the Oct. 31 auction. Izwe's sale "opens the capital market for further issuance," Hesse said. "The market is ripe for financial institutions and big corporates." Databank Brokerage Ltd. was the offer's other manager, Izwe said. The GSE's alternative market was set up last year for smaller companies that don't meet the requirements for listing on the main index. Bonds from Izwe, which has seven branches in Ghana and also gives loans in Kenya, Zambia and South Africa, will be the first on the alternative exchange, the company said. "The bonds provide a welcome window for private pension funds to invest their funds, which are growing on a daily basis," Appiah said. "Listing it on the market gives it visibility and provides further opportunity for trading in the bonds."*(Bloomberg)*

**CAL Bank, in its continuous aggressive growth agenda, has posted very impressive third quarter results, with interest income, fees and commission, as well as profits shooting up from last year.** The bank saw its net interest income go up by 20.4 percent from the same period last year to GH¢129.9million, while net fees and commissions increased by 71.6 percent to GH¢37.9million. Net trading income increased almost threefold (278.8percent) to GH¢64.6million in the period. Non-funded income increased by 127.7 percent to GH¢110.9million, with net operating income rising by 54.9 percent to GH¢225.4million. The bank posted a credit loss expense of GH¢15.4million, which is an increase of 38.3 percent from the previous year.

Total operating expenses increased by 37.7 percent to GH¢75.1million, while profit before tax increased by 65.3 percent to GH ¢150.3million. Net profit for the period jumped by 57.9 percent to GH¢105.2million. CAL Bank appeared to be on a sound financial track with cost/income ratio improving to 31.2 percent from 34.8 percent a year ago. The bank is set to boost its lending as it earlier this year signed an unsecured US$28.5million Tier II loan facility agreement with Proparco, a subsidiary of Agence Française de Développement (AFD). CEO of CAL Bank, Frank Adu Jnr., commented: "The economic difficulties of the first half of 2014 have persisted into the second half of the year. Although local currency depreciation has abated in Q3-2014, the continuing upward trajectories of inflation and interest rates have further concentrated CAL's focus on preserving our balance sheet and rigorously pursuing our risk management imperatives in the second half of 2014. Through these measures, we have generated a healthy 54% y/y growth in Total Income, 65% y/y growth in pre-tax profits and 57% growth in total assets. We have further returned an Average ROA of 7.7% and an Average ROE of 45% to our shareholders". On the way forward, Mr. Adu added: "The entire Ghanaian banking industry is facing increased risks to asset quality, liquidity and capital funding. However, following CAL's successful performance so far in this trying macro-environment, we will continue in 2014 with our strategy of rebalancing our earning asset-mix to mitigate increased credit risk and interest rate risk. Further, we will continue to effectively manage Forex assets and liabilities to reduce exchange risk". *(Ghana Web)*

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## Economic News

**The risk of Ghana overspending before elections in 2016 and missing International Monetary Fund targets tied to a bailout is spurring ING Investment Management to consider selling the nation's Eurobonds.** The world's second-biggest cocoa producer is in talks with the Washington-based IMF that may lead to about $800 million in assistance as soon as January, Finance Minister Seth Terkper said last month. The West African nation turned to the IMF as revenue from exports including gold dropped and spending rose, driven by pay increases for state workers. Widening deficits put pressure on the currency, the continent's worst performer against the dollar in 2014. "I will probably reconsider my position in Ghana quite soon after the IMF program has been closed," Marco Ruijer, the lead portfolio manager of hard-currency emerging-market debt at ING IM, which manages $7 billion in developing-nation bonds, said in an e-mailed response to questions yesterday. An IMF mission is due to visit the capital Accra for a second time to thrash out details of the program this month, the lender said Oct. 16, following talks in Washington. In 2009, a deal for more than $600 million over three years was signed seven months after an election that was cited by the IMF as contributing to higher spending.

The fiscal deficit excluding grants widened to almost 14 percent in 2012, when John Dramani Mahama won the presidency, according to the IMF. He's eligible for a second term in 2016. "Ghana might do OK in 2015," Ruijer said. "But 2016 is an election year again. And I wonder if they will stick to the IMF program in an election year. I don't think so. Every election year, they just spend so much money." The effect of higher wages, including compensation and arrears, has reduced, Terkper said by phone yesterday. Ghana is targeting a fiscal gap of 8.8 percent of gross domestic product this year. "Even without the IMF, we had a roadmap to bring the deficit to a single digit in the short-to-medium term," Terkper said. The country's "wage-to-tax revenue ratio has reduced to nearly 56 percent from 63 percent," he said. Natural gas from the offshore Jubilee field "will provide cheaper and reliable power to boost revenue and growth," Terkper said. Standard & Poor's cut Ghana's credit rating to B-, six steps below investment grade, on Oct. 24, saying IMF conditions would be hard for the government to meet "with parliamentary and presidential elections coming up in late 2016." While yields on Ghana's debt due August 2023 fell 54 basis points in August and September, after Mahama said the nation was open to IMF aid, they were little changed in October. Yields on the securities rose one basis point to 7.82 percent in Accra yesterday. The cedi weakened 0.2 percent to 3.2277 per dollar by 7:56 a.m. in the city, bringing losses this year to 26 percent.*(Bloomberg)*

**The Central Securities Depository (CSD) will this month mark ten years since it went live. It is worth noting that it has not just been a decade of working without hitches but what is important such obstacles have been overcome growing the institution into one of the leading securities depositories in Africa.** Despite being in operation for a decade there are quite a good number of people who know little about the operations of the securities depository. Experts define CSD as a specialist financial organisation holding securities such as shares either in certificated or uncertificated (dematerialised) form so that ownership can be easily transferred through a book entry rather than the transfer of physical certificates. This, according to the experts, allows brokers and financial companies to hold their securities at one location where they can be available for clearing and settlement. This is usually done electronically making it much faster and easier than was traditionally the case where physical certificates had to be exchanged after a trade had been completed. The establishment of the Central Securities Depository (CSD) is a vision embodied in Ghana's Financial Sector Strategic Plan (FINSSP) which sought to reform the financial system to attract investors into the Ghanaian economy.

Bank of Ghana spearheaded the establishment of the Central Securities Depository (CSD) alongside the introduction of an Electronic Auction system to handle the issue, custody, dealing and redemption of government securities. This led to the establishment of an implementation committee to supervise the smooth implementation of a Central Securities Depository (CSD) to cater for all securities in Ghana. Membership was drawn from Ministry of Finance, Bank of Ghana and Ghana Stock Exchange. The vision of the CSD was to manage the issue, redemption and maintaining records of ownership for securities issued by Government of Ghana, Bank of Ghana and the Ghana COCOBOD. The Ghana Stock Exchange also established GSE Securities Depository Co Ltd (GSD) to handle equities. But in January last year after consultation with stakeholders, the two depositories merged, with Bank of Ghana having a stake of 82 percent while 18 percent of CSD is owned by GSE. It now operates completely as a single entity managing both debt and equity securities. The merger between the two entities has been hailed by industry players with the Head of Databank Brokerage Armah Akotey, remarking that the merger is fuelling speedy and easy undertaking of business in Ghana's securities market. "With the depository in place, now it is easy to drive credit lending. One main barrier to lending in our part of the world is the issue of collateral, but when you have your securities at the depository it can be used as collateral for credit because the lender can easily confirm how much you have with the depository," he said. Under the CSD system, there is total elimination of risk such as the loss, mutilation and theft of certificates associated with holding and trading of paper-based securities of investors.

The CSD system ensures Delivery vs. Payment (DVP) where securities and funds are settled simultaneously. The CSD system has brought a significant reduction in the errors and delays associated with paper-based manual processing and as a result brought efficiency in the clearing and settlement in the securities market. This bring afore the primary objective of the CSD, which is to reduce risk and improve efficiency. There exist a signed agreement between the CSD and its participants for the maintenance of strict confidentiality of information and also to operate within the confines of the rules and regulations of the CSD. The CSD records are maintained electronically and therefore cannot be stolen or it getting lost. The CSD also maintains a well secured back up system to ensure business continuity and integrity of its data. Commenting on the achievement of the Depository, CEO of the CSD, Mr. Stephen K. Tetteh touted the confidence the CSD has brought into the market within this short time of 10 Years.

He said, "Sometimes it is good to start late because it allows you to learn from the mistakes of others. Now the whole market have realised we need to work together to holistically achieve our objectives as partners," He mentioned the support received from the Bank of Ghana, Securities and Exchange Commission (SEC), the Ghana Stock Exchange and the Ministry of Finance in bringing the Depository this far. Going forward, Mr. Tetteh appealed to the investing public to deposit their certificates to the depository, saying, "We need the public to surrender their certificates to the depository from which they stand to derive lots of benefits." Available data shows that out of 9.76 billion share listed on the Ghana Stock Exchange, 8.62 billion of the figure, representing about 88.24% percent has so far been migrated onto an electronic platform as at September 31, 2014. The anniversary celebrations starts today with the official launch of the anniversary at the Alisa Hotel in Accra where a key note address will be delivered by the Finance Minister Hon. Seth Terkper. There will be further activities subsequently including a seminar, an outreach programme at the University of Ghana Business School on the topic "Role of the CSD in the Ghana's Financial Market." On Wednesday, there will be an anniversary lecture on the topic "Depository Services in Ghana –The next Decade" which will round up activities marking the anniversary. *(Ghana Web)*

**Banks in Ghana are on course to achieving another record for the 2014 fiscal year following impressive third quarter results.** This is not very surprising because of the high interest regime in Ghana though good for banks but unfavorable to the Ghanaian economy. With only two months more to end the year, Ghana's biggest indigenous bank and second biggest bank, GCB recorded a sterling 53.78 percent profit to GHc205.38 million at the end of September 2014. According to its unaudited financial results, the bank's interest income from both loans and investments grew from GHc396.4 million a year before to GHc497.7 million at the end of September 2014. Its balance sheet also remained strong as deposits hit GHc2.7 billion during the first nine months of this year compared to GHc2.3 billion Cedis in September 2013. At the same time, loans and advances also grew from GHc942.84 million to GHc.27 billion Cedis at the end of the third quarter. Another indigenous bank, CAL also saw its income going up by 59.2 percent to GHc103.27 million Cedis during the first nine months of this year. It achieved GHc37 million from fees and commission at the end of September 2014, compared with GHc22million a year before. Customer deposits also shot up from GHc742 million a year before to GHc926 million in the first nine months of 2014. Investors will also be smiling as basic earnings per share jumped from 11 pesewas at the end of September 2013 to 18 pesewas at the end of September 2014. Ghana's third largest bank, Stanchart also grew its profit by 33 percent at the end of the third quarter of 2014 to GHc197.59 million. Customer deposits also grew from GHc1.7 billion to GH2.2 billion at the end of September 2014. However, its NPL ratio shot up to 18.74 percent from 10.06 percent a year before**.** (Ghana Web)

**Interest rates on government issued Treasury bills, and bonds continue to rise despite the stability being experienced by the local currency over the past three months.** Since August, the cedi has seen some stability - and has even appreciated against the dollar since the central bank relaxed its foreign exchange laws, coupled with announcement of the Eurobond, cocoa syndication deal and the IMF bailout.

But these factors have failed to rein in the interest rate as government continues to borrow excessively from the market. The domestic cost of borrowing by government has now reached a five-year record, B&FT's analysis has shown. As at the end of last month, government has been paying 25.75 percent per annum on 91-day debt, which is almost equivalent to 26 pesewas on every cedi borrowed. That rate of interest is the highest since the third quarter of 2009, when three-month borrowing costs peaked at almost 26 percent. Market analyst and economist at NDK Asset Management, Collins Appiah, believes that even though the currency has stabilised, stability is not the only factor contributing to high interest rates. He noted that several factors including inflation, excessive government borrowing and increased demand on deposit fund also contribute significantly to determining interest rates. "A lot of things on our economic front happened this year. Most of the indicators in the entire macroeconomy did not go in favour of the interest rate. At the beginning of the year, the cedi had a deteriorating impact on the other indicators.

"Any investor, especially foreign ones, who brings in foreign currency to invest expects to take the exchange rate upon himself; so if the rates are falling, then that investor will invariably demand a high interest rate to compensate for the risk he is taking". Mr. Appiah also noted that with currency depreciation the government is forced to increase the rate to attract much-needed investment. "To attract investments you have to give a rate higher and, this time in particular, government will continue to borrow to finance most of the promises they have made. If there is high demand, the rates go up. Government is still borrowing a lot from the economy, crowding out the private sector." With inflation currently at 16.5percent, Mr. Appiah said one of the unseen factors accounting for high interest rates is the increased demand for deposit funds. The country has about 28 banks, 80 asset management and investment advisory firms, over 500 deposit-taking microfinance companies and several other deposit-taking finance houses. "There is so much demand for deposits, so the price of the interest rate becomes who can give the highest price. "Because there are a lot of financial institutions who are looking for deposits, you have to increase your interest rate to attract that money; and anytime you increase your rate somebody will also have to increase. So across the board, the rate we are operating on in Ghana has been very high." He believes that what can be done to stem the high interest rates solely lies at the doorstep of government. According to him, if government can reduce borrowing and instead focus on increasing the tax base to generate more revenue, then interest rates will plummet and the financial institutions that are buying the Treasury bills and bonds will be forced to offer credit to businesses. "The interest rate cannot comedown because government is still borrowing; but unfortunately, at the moment, it cannot do that. It needs to service the huge wage bill and other obligatory services." *(Ghana Web)*

**First 'Windows Zone' in the country will give consumers a first-hand experience of the company's productivity and platforms offering Accra, Ghana – 04/11/14 – Microsoft in partnership with Surfline Communications, a Ghana based telecommunications network provider, recently opened the country's first Windows Zone at Surfline's flagship store based in Osu, Accra.** This one-of-a-kind outlet provides consumers with the opportunity to experience and interact with a full suite of Microsoft products and services in a single store and gain insights on the benefits of using Windows. Windows Zone showcases how people can use their multiple devices like laptops, tablets, and smart phones to bring personal computing into the 'mobile-first and cloud-first era'. This is a phrase Microsoft uses to describe its vision to enable people to complete tasks across a range of devices from anywhere, and at any time, making use of 'the cloud' to access and store files. With Windows Zone, Microsoft is making it easier for Ghanaians to understand how they can use ICT to solve their day-to-day challenges, and highlighting how platforms like Windows 8.1 can provide an impressive and improved digital experience. The store consists of two floors where customers can trial Windows devices including the Nokia product line and Microsoft's productivity-enhancing software tools like Office 365, Lync and Note.

"The Windows Zone gives consumers a taste of how Microsoft's hardware and software – or devices and services - work together to provide rich consumer experiences for all life and work scenarios, on screens of all sizes," says Otema Yirenkyi, Country Manager for Microsoft Ghana. In the 22 years that Microsoft has been operating in Africa, the company has been working to improve people's lives by enabling them to reach their full potential through technology, including its new range of devices like the Nokia phones and modern versions of the Windows operating system. Microsoft aims to empower people across the world to increasingly use technology to make lives easier. "We want to help people in Ghana get work done, whether it's term papers, financial planning, creating a malaria detection application, running a whole city – or just chatting to family and friends from all over the world." According to the International Telecommunications Union report from 2013, Ghana has Africa's highest mobile broadband penetration rate in Africa with 23% penetration in 2011. And, Surfline Communications has officially launched the country's first 4G LTE service, enabling more Ghanaians to participate in the cloud-first mobile-first era. "We will use the Windows Zone to make sure people understand how mobile technology can improve their lives and help them solve business and personal challenges. In addition, we will use the space to conduct experiential tours with our partners and customers," concludes Yirenkyi. *(Ghana Web)*

**Small-scale Rice Dealers Association of Ghana (SSRIDA) has kicked against moves by government to totally ban the importation of rice.** According to them, the total ban of the importation of rice will create a huge shortage of the commodity. Government over the years has been pushing for a total ban on rice imports as part of moves to boost local production and also ease pressure on the country's foreign exchange reserves. Yaw Koran, President of SSRIDA, who was speaking to Citi Business News, said the ban will not help the country's economy, explaining that it will lead to price hikes due to the gap that would be created when the ban is put in place." "As local rice producers, we are looking forward to the day when Ghana would be self sufficient to emulate the example of Nigeria by banning all imports of rice. As we speak we are not self sufficient," he said. Mr Koran said though rice production in the country was little over 500, 000 tonnes per year, the country consumes about 1.8 million tonnes per year. He said, "If the directive is enforced there will be a huge gap which will bring about price hikes. Rice is not the only commodity that is imported into the country so if we want to ban then we should ban other commodities as well. "But we should also not lose sight of the fact that the ban will increase the level of unemployment and also reduce supply which will result in price of rice going up." *(Ghana Web)*

# WEEKLY AFRICAN FOOTPRINT

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



## Kenya

### Corporate News

**Footwear retailer Bata Kenya plans to open 25 new stores across the country within a year in an expansion plan that has seen it book space in the upcoming** Two Rivers and Garden City malls. The Limuru-based firm has secured 400 square metres of space in each of the two shopping complexes that are currently under construction in Runda and Ruaraka respectively. Managing director Alberto Errico says the company wants to increase the number of its stores from the current 140. "The shopping malls coming up across the country are evidence of commerce evolution which is supported by a middle class which prefers to shop in one place," he said. "We plan to have a presence in all shopping malls that have a suitable size and location. However, we will still continue opening standalone outlets in towns." Last year the firm opened a total of 35 stores in the country. Bata is putting the final touches to what it says will be its biggest outlet in Africa— an 11,000 square metre store to be situated opposite Jevanjee Gardens, along Muindi Mbingu Street. This large format store is part of the firm's strategy to open branches whose ample size will see them display their commodities better and give customers more space to shop. Bata on Friday started selling Clarks, Skechers, Naturalizer and Nike international brands of shoes at their remodelled Hilton Hotel branch with plans to stock them in at least 10 other stores. The firm is sourcing Clarks and Skechers from regional retailer Nakumatt Supermarkets, the local franchise holders of the British and American brands respectively.

Naturalizer is being imported directly from the American manufacturer while Nike footwear is being supplied by a local franchise holder. "We have decided to stock these well-known international brands in order to give our customers a wider choice," Mr Errico said. "We were already stocking some global brands like Hush Puppies but this is the first time we are selling shoes like Skechers." Bata Kenya manufactures about 30 million shoes at its Limuru factory annually and imports about 1.5 million from its sister companies in countries like Pakistan and Bangladesh. Their expansion drive comes even as the Economic Survey 2014 shows that the leather sub-sector grew by only 0.3 per cent last year and production of finished leather shoes went down by 0.4 per cent. *(Business Daily)*

**Uchumi supermarket has acquired a store in Tanzania as part of its aggressive expansion plan in that market. Chief executive Jonathan Ciano said acquisition of the outlet from Dar es Salaam-based Sifamart Supermarkets was concluded last week in a deal financed by debt.** Uchumi is yet to decide whether to take over a second branch operated by Sifamart in the same city. The acquisition is part of the supermarket's planned expansion in Tanzania over the next eight months, when it expects to have opened a total of six stores in Dar es Salaam, Morogoro, Arusha and Mwanza. The latest expansion increased Uchumi's branches in Tanzania to five. "Uchumi concluded closely guarded discussions with the management of Sifamart allowing Uchumi to take over the operations … effective November 1, 2014," Mr Ciano said. "The acquisition was supported by our financiers who have leased the supermarket equipment to Uchumi and our esteemed suppliers who have enabled the working capital to the tune of TSh1.02 billion (Sh53 million)," Mr Ciano said.

He declined to reveal the acquisition cost and whether the transaction included the premises and inventory. Uchumi is reviewing its staffing needs and the qualifications of workers inherited from Sifamart to inform how many will be absorbed. Tanzania's Fair Competition Commission could not be reached for comment. This latest acquisition comes soon after rival Nakumatt Holdings bought out South African retail giant Shoprite in Tanzania at a cost of Sh3 billion. The acquisition involved three Shoprite sores located in Dar es Salaam and Arusha. Reliable sources told the Business Daily that Nakumatt is also eyeing two stores in Uganda owned by the South African firm, which appears to be exiting the regional retail market. Shoprite's exit from Tanzania was blamed on regulatory actions, with the government piling pressure on the retailer for importing most of its products instead of supporting Tanzanian suppliers. Uchumi said its Tanzania branches will not be importing products from Kenya. "All products sold in Uchumi stores in Tanzania are locally procured from Tanzanian-based entrepreneurs," the firm said in a statement. Uchumi, with 37 stores in Kenya, Uganda and Tanzania, plans to venture into Rwanda and Burundi in the near term. Expansion into the new markets is to be funded through an upcoming rights issue targeting to raise Sh895 million. The cash call, which opens this coming Monday, is priced at Sh9 apiece. The firm's stock closed at Sh8 yesterday, indicating that the rights issue is set at a 12.5 per cent premium on the prevailing market rates. Shareholders are entitled to three new shares for every eight held. READ: Uchumi stock now declines below discounted price. The cash call was approved by shareholders in December 2012 and its delay has seen Uchumi struggle with supplier debts and stock-outs, forcing the retailer to turn to borrowing for working capital. Its latest debts include a Sh600 million one-year loan from KCB at an interest rate of 18 per cent, a move that will see the retailer incur an extra Sh108 million in finance costs.*(Business Daily)*

**Texas-based money transfer firm MoneyGram will Wednesday sign a deal with Safaricom that will allow Kenyans in the diaspora to send money directly to M-Pesa accounts.** MoneyGram, the world's second-largest money transfer company, is banking on the partnership with Safaricom to increase its agent footprint beyond commercial banks and win a bigger share of Kenya's lucrative diaspora remittances market. The multinational has also appointed a Kenyan to head its regional operations after making Nairobi its Eastern Africa hub ahead of Wednesday's tie-up with the country's largest telco. MoneyGram has tapped Erick Njuguna, a former executive at Japanese electronics giant Toshiba, as its first regional manager based in Nairobi. Mr Njuguna, 35, previously served as regional sales manager in charge of East Africa at Toshiba where he worked for about four years. The deal to partner with Safaricom and set up shop in Nairobi was brokered by President Uhuru Kenyatta when he met MoneyGram CEO Pamela Patsley in August on the sidelines of the US-Africa Leaders' Summit hosted by US President Barack Obama.

Ms Patsley is expected at the launch Wednesday and is betting on frontier markets such as Africa to grow earnings and reverse a loss of Sh268.8 million ($3 million) MoneyGram posted in the nine months ended in September compared to a profit of Sh2.01 billion ($22.5 million) a year earlier. The new MoneyGram office cements Kenya's position as the region's financial services hub, given that Nairobi already hosts firms such as Visa, MasterCard, World Bank and representative offices of global lenders such as Bank of China, Rabobank Nederland, HDFC Bank and Central Bank of India. The deal with Safaricom will allow Kenyans living, working and studying in over 200 countries to send money directly to Safaricom's M-Pesa accounts. MoneyGram is seeking to ride on the popularity and vast agent network of M-Pesa to woo consumers to use its money transfer service to send cash to Kenya. Kenya's diaspora inflows have been growing at a compounded annual rate of 26.2 per cent in the last three years, reaching Sh115.5 billion ($1.29 billion) in 2013, data from the Central Bank of Kenya shows. The inward remittances grew 11 per cent to top Sh83.5 billion ($936.03 million) as at August 2014, according to CBK statistics. The growing diaspora remittances market has sparked intense competition among commercial banks, Saccos and service providers such as Western Union, MoneyGram and Xpress Money. The rivals earn remittance fees and charges for other related services including cash withdrawal.M-Pesa handled a total of Sh3.39 billion ($38.03 million) in diaspora remittances in the eight months to August, ranking the mobile cash platform 11th, with a market share of 4.06 per cent that saw it beat 34 banks. *(Business Daily)*

**Telecoms operator Safaricom's half-year net earnings surged by a third, setting a new profitability record for corporate Kenya. They were powered by increased income from mobile money service M-Pesa and mobile data.** The Nairobi Securities Exchange-listed company reported that it had returned a net profit of Sh14.7 billion in the six months to September, riding on robust performance of non-voice business lines, including mobile money transfer service M-Pesa, mobile data, handset sales and text messaging. Earnings from non-voice services rose by a quarter to Sh31.9 billion or 40 per cent of total revenue which hit Sh79.3 billion in the period under review. "Our financial results continue to demonstrate our resolve to grow the business and returns to our shareholders while at the same time providing our customers with quality products and services," said Bob Collymore, Safaricom's chief executive officer.

Safaricom's direct costs, however, grew faster than revenue at 16.7 per cent to Sh28.9 billion, a development that the telecom operator attributed to subsidies it offers consumers to reduce the cost of smartphones, hook them to data and increase their average spend. "Direct costs grew by slightly higher than our revenue growth, due to a reduction of the handset prices in July and August to 30 per cent below cost," Mr Collymore said. But the plan helped mobile data to register the highest sales growth of Sh6.5 billion from Sh4.25 billion the previous year, an increase of 52.9 per cent. "Customer usage has also increased as they continue to enjoy better data experience through continuous improvement of our network capacity and quality and affordable data bundles," Safaricom said in a statement. Handset sales grew 40 per cent to Sh3.1 billion as Safaricom used its countrywide network of 42 retail shops and more than 300 dealer outlets to partner with device manufacturers to ship in latest smartphones and subsidised the prices. Safaricom said the number of smartphones in its network stands at 3.1 million from 400,000 in 2012. The telecoms operator has an additional 400,000 active modem users and 120,000 tablet users who consume data on the move. The M-Pesa business revenue grew by a quarter to Sh15.5 billion in the period under review, defying a tariff increase effected in August and the looming entry of Equity Bank into the mobile money transfer space. M-Pesa now accounts for nearly a fifth or 19.6 per cent of Safaricom's total turnover. The service has 12.8 million active users who can access the platform at 80,330 outlets countrywide.

Tuesday Mr Collymore said Safaricom was not at war with Equity over the bank's planned entry into the mobile money market, but would concentrate on improving the quality of its service to the customers."We are going to focus on our partners and customers. This has worked for us previously and is what we are going to focus on," said Mr Collymore at a Press briefing. Safaricom has so far enrolled 139,600 merchants to its Lipa Na M-Pesa service with 32,300 active outlets including kiosks, retailers, SMEs, fuel stations, pharmacies, matatu saccos, bars and restaurants where consumers pay their bills via mobile money. The firm charges retailers a one per cent transaction processing fee under the Lipa Na M-Pesa service, whose volume has now exceeded Sh23 billion per month in retail payments. Safaricom's stock closed trading Tuesday unchanged at Sh12.20 per share and has shed 6.87 of its value in the last six months. Safaricom's average revenue per user (ARPU) defied the industry trend to grow to Sh577.70 as at September compared to Sh547.93 a year earlier. Kenya's ARPU dropped marginally to Shs.362.40 in 2013 down from Sh364.10 reported a year earlier, according to data from the Communications Authority (CA). Revenue from short messaging services grew 13 per cent to Sh7.17 billion on the back of increased uptake of SMS bundles. Overall, non-voice revenue now make up 40 per cent of Safaricom's turnover compared to 32 per cent in September 2013. Safaricom earned 87 per cent of its total revenues in 2008 from voice calls and this share has been declining over the years to stand at 60 per cent in the year ended March 2014. The decline has been linked to the faster growth in the non-voice business which still has large headroom for growth unlike the voice segment which is nearing maturity and is beset by price wars. *(Business Daily)*

## Economic News

**Kenya may allow foreign investors to hold all shares in some companies listed on East Africa's biggest bourse and lower capital requirements for stockbrokers, according to the market's regulator.** Non-Kenyans can currently hold as much as 75 percent of publicly traded companies, Luke Ombara, acting director of regulatory policy and strategy at the Capital Markets Authority, told reporters in the city today. "We will be proposing the idea of opening up the market 100 percent for some securities," he said. The proposals are based on input from companies, brokers, investment banks, fund managers and other institutional investors, Ombara said. Kenya's plan to allow more foreign ownership follows moves by neighboring Tanzania, which has Africa's best-performing stock market in 2014, to lift controls on investors outside the country, allowing room for new listings. The Nairobi Securities Exchange All Share Index (NSEASI) gained 17 percent this year to yesterday, while Dar es Salaam's main gauge is up 86 percent. The CMA's proposals include cutting capital requirements for stockbrokers and investments banks from 50 million Kenyan shillings ($557,000) and 250 million shillings respectively, Ombara said. The size of the reduction hasn't been decided yet, he said. Nairobi's FTSE NSE Kenya 25 Index, a measure of the most liquid stocks, fell 0.1 percent to 205.68 by 1:20 p.m. in the city, a third day of declines. *(Bloomberg)*

**A planned meeting of the Strategic Grain Reserve (SGR) trustees failed to take place yesterday even as maize prices in the grain basket of the North Rift continued to slide for the fourth week in a row, eating away farmers' profits.** Reports indicated that the price of a 90 kilogramme bag of maize had dropped to Sh1,300 in parts of North Rift from Sh1,500 two weeks ago and Sh2,800 in May as uncertainty remained over the government's release of the Sh2.7 billion that had been set aside to buy grains for SGR in the current financial year. Sources within Kilimo House, where the trustees were to meet, told the Business Daily that the meeting was postponed after the principal secretaries for Interior and the Treasury failed to show up. The two PSs (Interior and Treasury) together with their Devolution and Agriculture counterparts form the team of SGR trustees. "The meeting has been pushed to Thursday as some of the trustees did not show up today," said the source who requested anonymity. This came even as the National Cereals and Produce Board (NCPB) faced logistical nightmares in its plan to move about 1.5 million bags of maize from the North Rift depots to create room for purchase of new grains from the current harvesting season.

The board requires up to Sh200 million to move the old stock from Eldoret, Moi's Bridge and Kitale depots to deficit areas like Turkana and Eastern Kenya silos. As confusion reigns, farmers have been left at the mercy of middlemen, who are capitalising on the absence of NCPB and poor weather conditions to exploit growers. Western Kenya is experiencing heavy rains that have hindered drying of grains, forcing growers to hurriedly sell their crop to avoid post-harvest losses. That urgency to sell has opened the room for traders to offer low prices arguing that they incur additional cost in handling the grain with high moisture content. NCPB accepts maize with a moisture content of up to 13.5 per cent and subjects any produce exceeding this limit to dryers at a cost of Sh28 per every drop of water content in a bag. Kenya loses up to 30 per cent of the annual maize output to poor post-harvest handling of the crop because a lot of farmers lack proper storage facilities.

The government has indicated that it might not buy maize at Sh3,000 it paid for a 90 kilogramme bag in the past two years, noting that the cost of production fell significantly with the drop in fertilizer prices. President Uhuru Kenyatta in April reduced the price of a 50 kilogramme bag of planting fertiliser from Sh2,500 to Sh2,000, offering much needed relief to growers. Kenya Farmers Association has, however, warned the government against reducing the buying price below Sh3,000, arguing that the move would subject farmers to losses. "Even with the reduction in the price of fertiliser, the cost of production remains high and it would be unwise for the government to buy maize from farmers at less than what has been spent growing it," said Kipkorir Menjo, a KFA director. Egerton University-based think tank-Tegemeo Institute, in one of its findings last year, said it would cost a farmer Sh1,741 to produce a bag of maize in Trans Nzoia, while a grower in Uasin Gishu spent Sh1,400 to produce a similar quantity of maize. A fortnight ago, farmers protested in Eldoret, asking the government to open NCPB and purchase maize at Sh3,800 per bag. Last year, the government released Sh3 billion in September and by the third week of October NCPB had already commenced the buying exercise. Harvesting in the North Rift- the country's bread basket started this month and traders reckon maize prices could fall further.The falling maize prices have come as a reprieve to households that have been enjoying a drop in price of flour that has in the past three months dropped by Sh12, a move that helped in easing inflation last month to 6.6 from 8.36 in August. *(Business Daily)*

**Kenya's year-on-year inflation fell to 6.43 percent in the year to October from 6.60 percent in the previous month as food and transport prices moderated, the statistics office said on Friday.** *(Reuters)*

**The Kenyan shilling weakened on Monday, hurt by fears that the ailing tourism sector, a key source of hard currency, could be damaged further after weekend attacks along the country's Indian Ocean coastline.** At 0730 GMT, commercial banks posted the shilling at 89.45/55, slightly weaker on Friday's close of 89.40/50. "Security concerns are what has made the shilling weaken slightly," said Eric Gathecha, a trader at I&M Bank. Kenyan soldiers on Sunday shot dead six suspected members of a separatist group after they hacked an officer to death in an attack on barracks in the port city of Mombasa. A day earlier officers fought off armed men at a police station in Malindi, a tourist resort north of Mombasa. Insecurity plagues the East African country and attacks in recent years on the coast and in the capital have prompted Western nations to issue travel warnings, hitting the tourist industry, a big contributor to the economy.
The shilling has been under pressure for much of the year largely because of a sharp drop in tourist arrivals, due to a series of Islamist attacks on the coast and elsewhere. The central bank supported the currency by selling dollars last month when the shilling reached the 89.50 mark. Gathecha said the shilling has also come under pressure from a strengthening U.S. dollar, which on Monday powered to a seven -year peak against the yen and a two-year high on the euro. *(Reuters)*

**Kenya signed a $66 million financing agreement with the French Agency for Development (AFD) on Wednesday, to modernise its second largest airport in the port city of Mombasa.** Moi International Airport is a key entry point for tourists with more than eighteen airlines flying in directly from Europe. It offers connections to more than twenty cities in the region. The port city is a renowned tourist destination with an average of one million tourists visiting the Coast of Kenya annually; but this number has declined in recent years because of attacks linked to Islamists, which led some western countries to issue travel warnings over the region. Lucy Mbugua, Kenya Airport Authority's managing director, said the loan would fund the rehabilitation of the airport's airside pavements, including ground lighting and upgrading of power and water supply. The east African nation has been building new terminals and runways in its other main airports in Nairobi and in the western city of Kisumu, to cope with growing demand for air travel by locals and foreigners. Yves Boudot, AFD's regional director, said the loan was intended to help upgrade the airport in a wider move to position Kenya as the region's key business hub. "In Kenya, air transport is a key issue for channelling hard currencies coming from tourism and high-value exports for perishable goods, like flowers and vegetables," Boudot said during the signing of the deal. *(Reuters)*

**The top price of Kenya's benchmark grade AA coffee rose to $339 per 50-kg bag at auction this week from $324 at last week's sale, the Nairobi Coffee Exchange (NCE) said on Wednesday.** The east African nation is a fairly small producer of coffee but its quality beans are used by roasters to blend with beans from other nations. Grade AA coffee sold at $208-$339 per bag compared with $170-$324 at last week's sale, the NCE said in a market report. Grade AB fetched $194-$262 per bag compared with $166-$265 in last week's auction. The average price of all grades sold edged up to $225.15 per bag from $224.51 at the previous sale. *(Reuters)*

**The Kenyan shilling weakened to a new three-year low on Friday, hurt by worries over the country's ailing tourism sector and traders said they expect the central bank to intervene and prop up the shilling.** At 0745 GMT, commercial banks posted the shilling at 89.80/90.00 to the dollar, weaker on Thursday's close of 89.70/80, its weakest level since December 2011. Traders said they expect the central bank to defend the shilling, following comments made by the bank on Tuesday that it had adequate hard currency reserves to cushion the foreign exchange market against any shocks. "The shilling is on the back foot... weâ€™d expect (the central bank) to do something at these levels," said Nahashon Mungai, a trader at KCB. Mungai said the sell-off in Nigerian stocks and currency, could spill over into the Kenyan market. "Then of course the feeling is that what we are seeing in Nigeria, (offshore investors) are leaving Nigerian markets and there is a fear there could be a contagion effect on Kenya," Mugnai said. The naira has come under pressure in the past two months from falling global oil prices LCOc1, dampening the appetite for assets in Africa's biggest economy and chief oil exporter. The shilling has weakened about 4.2 percent against the dollar this year. The local currency has been on the back foot most of this week, losing about 0.5 percent against the dollar after weekend attacks along its Indian Ocean coastline reignited fears that the tourism industry will continue to suffer. Previous attacks by militants in the region that is a major tourist hub have scared away visitors and prompted Western nations to issue travel advisories. This has led to a drop in tourist arrivals this year, hurting Kenya's tourism sector, a key earner of hard currency. *(Reuters)*

## Malawi

### Corporate News

*No Corporate News this week*

### Economic News

**Malawi's central bank increased its benchmark lending rate by 250 basis points to 25 percent, it said on Friday, attempting to temper high inflation.** "The Committee observed that inflation outcomes for the second half of 2014 have generally been higher than during the second half of 2013," the bank said in a statement. "Looking ahead, inflation is expected to accelerate to 25.4 percent in December 2014, largely due to rising food prices and the depreciating Kwacha," it said. *(Reuters)*

## Mauritius

### Corporate News

*No Corporate News this week*

### Economic News

**Mauritius' year-on-year inflation rate fell to 1.9 percent in October from 2.9 percent a month earlier, its statistics office said on Friday.** *(Reuters)*

# WEEKLY AFRICAN FOOTPRINT

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



## Nigeria

### Corporate News

**Dangote Cement Plc (DANGCEM), Nigeria's largest company and the continent's biggest producer of the building material, said it's delaying a planned expansion in Sierra Leone due to the Ebola outbreak.** "Sierra Leone was scheduled to start this month, but we had to put the project on hold," Chief Executive Officer Devakumar Edwin said on a conference call yesterday. "When the crisis abates then we'll immediately start moving ahead." Companies have slowed investment in Sierra Leone, Guinea and Liberia, the three countries affected by the Ebola outbreak that's estimated to have killed more than 5,000 people in West Africa. Dangote Cement's parent company, Dangote Industries Ltd., postponed a visiting day for investors in Nigeria's commercial capital, Lagos, in September amid Ebola fears. Nigeria declared itself Ebola-free last month.
Dangote Cement, controlled by billionaire Chairman Aliko Dangote, expects to have a cement-production capacity of 29 million metric tons in Nigeria by year end. The company plans to expand in 13 other countries on the continent, bringing total capacity to as much as 60 million metric tons by 2016. Operations in Cameroon, Senegal and Zambia are set to open or begin producing this year, while a plant in Ethiopia will start getting commissioned next month, Edwin said.

Persistent fuel disruptions to Dangote's Nigerian plants are expected to ease after gas-supply authorities assured the company they don't anticipate major disruption within the next six months, according to Edwin. They assured supply from producers including Royal Dutch Shell Plc (RDSA)and Exxon Mobil Corp., he said. Nigeria sale volumes were down 1 percent to 9.8 million tons in the nine months through September, the company said Nov. 3. The company's group profit for the period fell 10 percent to 140.5 billion naira ($844 million) even as revenue climbed 7.3 percent to 310.2 billion naira. "The gas-supply was a major constraining factor," Edwin said. The authorities "have reviewed the pipeline integrity, the condition of the gas treatment stations, including the major scheduled maintenance which they have undertaken in the recent past."*(Bloomberg)*

**Nigerian fuel retailer Conoil (CONOIL.LG) said on Monday its 9-month pretax profit fell 32.1 percent to 2.09 billion Nigerian naira ($12.63 million) from 3.08 billion naira a year earlier.** Turnover fell to 104.22 billion naira in the nine months to September from 121.80 billion a year ago, the company said in a filing with the Nigerian Stock Exchange. *(Reuters)*

**Nigeria's Dangote Cement said on Monday its pretax profit for the nine months to September rose 1.5 percent to 154.05 billion naira ($930.70 million), compared with 151.72 billion naira in the same period last year.** Revenue for the nine month period was 310.21 billion naira compared with 288.98 billion in the same period last year, the company majority owned by billionaire Aliko Dangote said in a filing with the Nigerian Stock Exchange**.** *(Reuters)*

**Nigeria's Dangote Sugar said on Tuesday its nine month pretax profit fell to 13.97 billion naira ($84.2 million), down 9.3 percent from a year ago.** Turnover at the sugar refiner also fell 73.79 billion naira during the period to Sept 30, compared with 77.70 billion naira a year ago, it said in a filing with the Nigerian Stock Exchange. *(Reuters)*

**Hopes of shareholders of Transnational Corporation of Nigeria Plc (Transcorp) to receive another dividend at the end of the financial year were raised last week as the company announced improved results for the nine months ended September 30, 2014.** Shareholders of Transcorp got a dividend of N1.9 billion for the 2013 financial year for first time in seven years. And going by the performance of the company, another dividend payment is imminent. Transcorp reported profit before tax of N9.7 billion, up by 89 per cent from N5.15 billion in the corresponding period of 2013. The profit was recorded out of revenue of N31.4 billion, compared with N11.8billion posted in 2013. Total expenses rose by 41 per cent from N6.6 billion to N9.3 billion. Profit before tax grew from N5.15 billion to N9.7 billion, while profit after tax improved by from N3.5billion to N8.263 billion. Total assets stood at N157 billion compared with N149.454 billion as at December as at December 31, 2103. Commenting on the results, the Chief Executive Officer, Transcorp Plc, Mr. Emmanuel Nnorom said, "Our third quarter 2014 results underscore our determination to achieve our full year 2014 targets.

Our commitment to excellence is evident in the significant achievements we have recorded this year in our power and hospitality businesses. We have significantly increased the generating capacity of our Ughelli Power Plant from 160MW to 476 MW in nine months which has substantially added to our energy and capacity charge revenues. Our flagship hotel, Transcorp Hilton Abuja continues to outperform the Abuja hospitality market. Our just concluded Transcorp Hotels Plc IPO positions us to embark on an aggressive expansion agenda starting with the development of two five-star hotels in Lagos and Port Harcourt." He expressed the confident that the strategic activities in all their business focus areas would deliver strong growth and sustainable value in the years ahead. Chairman of the Transcorp, Mr. Tony Elumelu had during the last annual general meeting, told shareholders that the conglomerate used the 2013 business year to solidify its transformation noting that the very strong financial and operating results in the year were evidences of the success of the transformation. According to him, the company's results have begun to show the benefits of the discipline execution of strategy while shareholders have begun to see their rewards. *(This Day)*

**The Nigerian Breweries Plc's proposed merger with Consolidated Breweries Plc got a boost last week as the Federal High Court has approved a court ordered meeting of shareholders of the company to consider the proposal.** Managing Director/Chief Executive Officer of Nigerian Breweries, Mr. Nico Vervelde, who disclosed this, noted that the meeting has been scheduled to hold on Thursday December 4, 2014 in Lagos. Having obtained the approval of the statutory authorities, the distribution of the Scheme of Merger document to shareholders will commence immediately. The essential proposal before our shareholders is to combine the operations of Nigerian Breweries Plc and Consolidated Breweries Plc into one legal entity effected through a Scheme of Merger with Nigerian Breweries being the surviving entity," Vervelde said in a statement. For the proposed merger to be approved, 75 per cent of the shareholders present and voting at the meeting will need to vote in its favour.

However, Heineken N.V, the majority shareholder in Nigerian Breweries, has informed the company that it will not vote at the meeting. Heineken's decision will give the minority shareholders of the company the sole discretion to decide whether or not to approve the merger of the two companies. Under the terms of the Scheme of Merger, it is proposed that each Consolidated Breweries shareholder will receive four Nigerian Breweries shares for every five shares held in Consolidated Breweries or elect for a cash alternative. According to the company, the proposed merger is expected to deliver increased value to its shareholders, employees, customers, distributors, suppliers of the combined businesses, and the Nigerian economy as a whole. While Nigerian Breweries dominates the mainstream and premium beer market with its flagship product Star and others such as Heineken and Gulder, Consolidated Breweries is a strong player in the value segment of the market with products like Turbo King and 33 Export Lager Beer. Analysts have therefore expressed confidence that new combined entities will have a wider product portfolio covering all the major beer segments and will give Nigerian Breweries more exposure to the value segment. *(This Day)*

**Seplat Petroleum Development Company, a Nigerian oil producer that raised about $500 million in a share sale this year, is looking to buy natural-gas assets to take advantage of higher prices in Africa's biggest economy.** "Two things are driving the gas-commercialisation business: the gas price and increasing demand," Bloomberg quoted its Chairman, Bryant Orjiako to have said in an interview in Cape Town. "Another thing that we're doing is to find any available source of gas." Nigeria, the holder of Africa's largest gas reserves, raised the price of gas to power plants to $2.50 per million standard cubic feet plus 80 cents for transport in August, from $1.50. The country increased gas tariffs to help spur supplies to power plants in Nigeria, which generates less electricity than is needed by Africa's biggest population of about 170 million. This causes regular blackouts that the government said are a bottleneck for growth, with a shortage of the fuel for stations being one reason why generation is below capacity.

The nation wants to almost triple natural-gas production capacity to 11 billion cubic feet a day by 2020 to help meet its electricity and industrial development needs, Petroleum Minister, Diezani Alison-Madueke had said. Nigeria loses at least $3 billion in revenue a year by burning off associated gas, which is pumped together with crude oil, according to the Petroleum Ministry. Flaring was taking place because the domestic fuel prices were so low. Seplat has contracts to supply power generators and is in discussions to add others, Orjiako said. The company sells its gas for about $3 per 1,000 cubic feet to electricity plants, Chief Executive Officer Austin Avuru had said. The price for the fuel has risen from about 20 cents only a couple of years ago, he said. Royal Dutch Shell Plc (RDSA), Europe's largest oil company, is selling fields in Nigeria, where it lost almost $1 billion to sabotage in 2013, as part of its $15 billion asset-disposal plan. Seplat will consider some of these fields, Orjiako said. "We are interested in every divestment in the onshore and shallow water," he said. "Shell, having the largest footprint, obviously has the ability to put up all these assets so we're looking at all of these." Pipeline security has long been an issue in the Niger Delta and is now improving. Throughout the 700-kilometer (435-mile) network in the areas of Seplat assets, there were seven incidents of vandalism in 2011, its first full year of operations, four in 2012 and none since 2013, Orjiako said. Brent crude has dropped 28 percent from its 2014 high of $115.71 a barrel on June 19. It declined 1.4 percent to $83.57 a barrel at 9:24 a.m. in London. eplat fell 1.9 percent to 196 pence in the city, extending the decrease this year to 6.7 percent. In the "oil and gas business, like any commodity business, you expect volatility," Orjiako said. While the oil price has declined, Seplat isn't limiting itself to gas acquisitions. "Depending on what you find in your environment, you're bound to adjust," Orjiako said.*(This Day)*

**Guinness Nigeria Plc, the nation's leading beverage manufacturer and a subsidiary of Diageo, has announced its financial results for the first quarter ended September 30, 2014. The results showed an increase in profit before tax of 6 per cent year on year.** The results released to the Nigerian Stock Exchange (NSE) also showed a marginal increase in admin expenses largely driven by the company's recent investment in transforming its route to consumer infrastructure. Commenting on the results, Chairman, Guinness Nigeria Plc, Mr Babatunde Savage, said the board is optimistic of sustaining the trend for the remainder of the financial year. According to him, "We are pleased to report a year on year increase of 6 per cent in our profit before tax figure. The board is confident that this heralds a return to growth for the company as we begin to reap the dividends from the investments that we have made in areas like our capacity expansion and route to consumer infrastructure." Managing Director/Chief Executive Officer, Guinness Nigeria Plc, Mr. Seni Adetu said: "We are pleased to announce this turnaround in our financial results. In the period under review, we have remained focused on our strategic imperatives and this has translated into the increase in our profit before tax. Our cost of sales declined by 12 per cent Year on-Year with gross profit remaining flat in the quarter."

He added: "We are also reporting a significantly higher tax number as a result of the tax incentives which was reflected in the numbers for the first quarter of the previous year following approval from the NIPC. This will not recur going forward. Overall, we feel positive that with our core brands and great innovation backed by our strategic investments, we will continue to drive both top and bottom line growth." In 2011, Guinness announced an investment of N52 billion in its business to expand production and route to market infrastructure for its premium and innovation brands. While the premium brands have remained a strong portfolio of consumer brands holding their own against competition, the innovation brands are exceeding predicted growth numbers, gaining significant market share as is very visible on the table tops in leading bars in Lagos, Ibadan, Port Harcourt and other cities where these new brands have been launched.

The company confirmed that the sale of its innovation brands like Orijin Bitters, Snapp, Alvaro, Satzenbrau and Orijin Ready to drink were still up for the second consecutive quarter. Adetu observed that the business is upbeat because the impressive performance of recently introduced innovation brands will be a big boost for Guinness Nigeria's future performance. "That the best sales news is from innovation brands is cheering because the investment committed to its development is stimulating growth. This will ensure value creation for our shareholders in no distant future. The management and board of Guinness Nigeria Plc remain confident in our range of leading brands, our continued focus on distribution and our investment in our brands and people to deliver long term growth for the business." Guinness Nigeria Plc was listed on the Nigerian Stock Exchange in 1965. It has a shareholder base of over 75,000 shareholders, and is one of the foremost quoted companies in Nigeria.*(This Day)*

**Samsung Electronics has risen to the seventh position in Interbrand's annual 'Best Global Brands' report.** The recently released report recognised the global growth of Samsung's brand value through creative marketing initiatives and continued market leadership across several product categories, including smartphones, televisions, digital appliances and memory devices. Up one spot this year from the eighth position in 2013, Samsung recorded a brand value of $45.5 billion in 2014, a 15 per cent increase from last year's $39.6 billion. Samsung entered the top 20 Interbrand Global Brand list for the first time in 2009 and shot into the top 10 in 2012. The company has dominated the smartphone market for the past two years, boosted by the launch of flagship products such as the Galaxy S5 and Galaxy Note 4, while retaining its global leadership in the TV market for nine consecutive years, a position that was enhanced by its introduction of the world's first curved ultra-high definition televisions. Samsung is also leading the premium market for digital appliances, with new product line-ups such as the premium chef collection kitchen appliance range.

Commenting on its recent feat, Managing Director of Samsung Electronics West Africa, Mr. Brovo Kim, said the company had grown its brand value by focusing on one common brand ideal: 'Accelerating discoveries and possibilities', and making it come to life with a number of consumer engagement programmes, including the 2014 'Launching People' campaign which reached over 100 million people. Kim reiterated the company's commitment to delivering new and innovative solutions to consumers. "We will strive to continue to be an aspirational brand through innovative ideas and technologies that give people the power to discover new experiences and enhance their lives," he said. Samsung Electronics Limited is a global technology company, opening new possibilities for people everywhere. Through relentless innovation and discovery, Samsung is transforming the worlds of televisions, smartphones, personal computers, printers, cameras, home appliances, Long Term Evolution (LTE) technology systems, medical devices, semiconductors and light-emitting diodes (LED) solutions. *(This Day)*

**Bharti Airtel's net income in third quarter(Q3) surged 170 per cent to INR13.8 billion ($229 million) as growth in data revenue helped deliver the highest quarterly profit in more than three years.** Its overall revenue grew seven per cent to INR228.5 billion ($3.77 billion), with its core Indian market seeing growth of 12.3 per cent, accounting for 71 per cent of the group's revenue during the quarter. Mobile revenue, representing more than two-thirds of total revenue, increased 66.7 per cent in Q3 compared to the same period a year ago. India led the growth, with the easing of a long-running price war meaning that the price of voice actually rose by 2.4 per cent. Data revenue increased 74 per cent. Airtel's data customer base in India rose 43 per cent to 40.1 million (19 per cent of total connections) and usage per customer increased 31 per cent to 563MB. Data revenue accounted for 14.5 per cent of mobile revenue in India (up from 9.4 per cent a year ago). Data average revenue per user (ARPU) increased 16.7 per cent to INR150.3 while data traffic expanded 95 per cent. Revenue in Africa increased 6.4 per cent in local current terms, but after accounting for the appreciation of the US dollar, was up just 1.9 per cent. Data revenue grew 57 per cent thanks to a 50.4 per cent increase in the region's data customer base and a 24.5 per cent jump in usage per customer.

Mobile data now represents 10 per cent of Africa's overall revenue compared to 6.6 per cent a year ago. The company said active Airtel Money users increased to 5.3 million during the quarter and transactions on the platform reached $3.3 billion. Managing Director and CEO of Airtel Africa, Christian de Faria, said more than five million customers carried out an average of over 1.4 million daily transactions. The operator's total customer base, across 20 countries and including mobile and other services, increased 8.4 per cent to 303.7 million from a year ago. India, now with almost 212 million mobile connections, continued to outpace South Asia and Africa, growing 9.5 per cent. Africa grew 7.5 per cent and has 71.4 million connections. Capital expenditure expanded 74 per cent to INR37.2 billion, and almost 60 per cent was spent in India. It added almost 11,500 3G base stations in India over the past year, with 3G sites accounting for 27 per cent of its 141,000 base stations. Its Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA), was up 12.1 per cent to INR77 billion and its EBITDA margin rose from 32.2 per cent in Q3 2013 to 33.7 per cent. Its India EBITDA margin was up 3.2 percentage points to 38.3 per cent. *(This Day)*

## Economic News

**Nigerian stocks dropped, overtaking Zimbabwe as Africa's worst performer this year, as sliding oil prices weaken the nation's ability to defend its currency at a record low.** The Nigerian Stock Exchange All Share Index (NGSEINDX) fell for a 10th day, bringing losses in 2014 to 13 percent, the most of 14 African gauges monitored by Bloomberg. Zimbabwe's benchmark gauge is down 11.7 percent. The currency of Africa's largest producer of oil declined a fourth day as OPEC members' average crude price fell below $80 for the first time in four years. Nigeria, which relies on the commodity for 80 percent of government revenue, has run foreign-exchange reserves to a three-month low in a bid to defend the naira, avoid raising interest rates or devaluing the currency before elections in February. The NSE All Share Index's 50-day moving average fell below the 200-day line on Oct. 31, a technical indicator that may be bearish for the gauge. Nigeria's central bank "remains intent on managing the exchange-rate situation without needing to hike rates or devalue the currency," Gareth Brickman and Catherine Bennett, analysts at Johannesburg-based ETM Analytics, said in an e-mailed note. "Current trends still show the outlook to be pressuring away its room for maneuver." A falling currency deters foreign investors from holding Nigerian assets, while boosting the cost of importing everything from fuel to food, threatening support for President Goodluck Jonathan, who's already under pressure for failing to stem deadly attacks by Islamist militants. Wider Impact The NSE All Share Index slid 2.1 percent to 35,958.38, the lowest since September 2013, as 50 stocks retreated, seven rose and 138 were unchanged. The gauge is the world's fifth-worst performer this year after benchmarks in countries including Russia, Portugal, Greece and Austria.

The naira weakened 0.8 percent to 167.25 per dollar. Banks were among the main losers. FCMB Group Plc declined 9.5 percent, the most in more than two years. Union Bank Nigeria Plc, in which Bob Diamond's Atlas Mara Co-Nvest Ltd. (ATMA)has a stake of about 30 percent, fell 9.2 percent to its lowest level since September 2012. Lenders suffered because of tighter central bank regulations, which have forced some to raise capital, and investors' concerns about their exposure to oil companies, Seun Olanipekun, an analyst at Investment One Financial Services Ltd., said by phone from Lagos. "The central bank's measures have restricted the revenue streams of banks," said Olanipekun. "And the loan exposure to the oil and gas sector is pretty high for most of the banks." The naira's value before the elections will hinge on oil prices, said Tim Newbold, regional director for West Africa at africapractice Ltd., a consultancy. "As we move forward over the coming months and oil prices move downwards or remain stable there will be a significant impact potentially on wider macro economics," Newbold said on a conference call yesterday. The central bank may eventually have to devalue the naira, "depending on the rate of the fall of the oil price," he said. Oil has slumped into a bear market as the largest producers in the Organization of Petroleum Exporting Countries resisted calls to cut output. Global supplies are climbing, with the U.S. pumping at the fastest pace in more than 30 years. Nigeria's economy is set to grow 7.2 percent next year, outstripping Kenya at 5.8 percent and South Africa with 2.5 percent, Standard Chartered Plc forecasts show.

The NSE's main index is trading at 10.1 times future earnings, compared with 15.2 for South Africa's FTSE/JSE Africa All Share Index and 12.5 for Kenya's Nairobi Securities Exchange All Share Index. The Nigerian gauge's 14-day relative strength index is trading below the 30 level seen by some traders as overbought for a seventh day. Nigeria is one of "the most exciting long-term structural growth stories on the continent with a very young population, a population of 170 million people, and strong growth in the middle class," Joseph Rohm, who helps manage about $2 billion of Investec Asset Management's Africa funds. "As we move through the election next year, the sentiment around Nigeria will improve." There is value in the market and the "worst is behind us in terms of regulations for banking," while loan-growth has started picking up, he said. The fund is focused on financial services, infrastructure, telecommunications and consumer industries, Rohm said. "The central bank will do everything in their power to maintain the naira ahead of the election," he said. "But certainly beyond an election we may see a measured devaluation."*(Bloomberg)*

**Nigeria's naira fell to a record low against the dollar and stocks declined the most among global markets on speculation Africa's biggest economy will devalue its currency for a second time since 2011 as oil prices tumbled.** "Foreign investors are exiting the market," Pabina Yinkere, head of research at Lagos-based Vetiva Capital Management Ltd., said by phone. "They don't want to be stuck in Nigeria when the naira will be devalued. The fall in the oil price has given a challenging outlook to the economy." Nigeria, which relies on oil for 80 percent of government revenue, is facing lower export earnings as the average crude price among members of the Organization of Petroleum Exporting

Countries drops below $80 for the first time in four years and the commodity falls into a bear market. The central bank has run foreign-exchange reserves to a three-month low to defend the naira and avoid raisinginterest rates or devaluing the currency before elections in February. The Nigerian Stock Exchange All Share Index (NGSEINDX) fell 4.1 percent the most since 2010. The naira dropped as much as 2.7 percent, the steepest depreciation in almost three years, before trading at 170.02 per dollar as of 7:11 p.m. in Lagos.

The naira is trading at a discount of more than 6 percent than the upper limit of the official rate, suggesting traders are betting on an imminent devaluation. The central bank sells naira to commercial lenders at 155 per dollar, plus or minus 3 percent, at regular auctions held Mondays and Wednesday. Ibrahim Mu'azu, a spokesman for the Central Bank of Nigeria, said in a text message today that he's not aware of any plan or decision to devalue the currency. Finance Ministry spokesman Paul Nwabuikwu said he couldn't immediately comment. The bank will continue to defend the naira, Kingsley Moghalu, who stepped down as a deputy governor yesterday, said by phone from Abuja. Nigeria last devalued its currency in November 2011 by lowering the midpoint of the target band to 155 per dollar from 150 to support growth in Africa's biggest oil producer. Twelve-month non-deliverable forwards dropped 2.5 percent to 194.43 per dollar today, signaling that traders anticipate a further 12 percent depreciation in a year, according to data compiled by Bloomberg. Since mid-September, the central bank has used reserves to sell dollars outside of regular auctions held Mondays and Wednesdays, according to Standard Chartered Plc. The absence of central bank intervention today exacerbated the currency's decline, said Gareth Brickman, an analyst at Johannesburg-based ETM Analytics, by phone. "They seem to be trying to tiptoe through this period," he said. "I expect they will be back in the market when conditions are more favorable for them and it looks less like they're panic selling. The market would soak up every last dollar if they did that."

Morten Bugge, the chief investment officer at Global Evolution AS, said the central bank has enough foreign reserves to defend the naira and will probably avoid devaluation before the general election in February. While foreign-currency reserves dropped to a three-month low of $38.3 billion, it is still enough to cover about seven months of imports, according to data compiled by Bloomberg. "The chance of devaluing it now is close to none," said Bugge, who oversees $2.3 billion emerging-market assets, including naira-denominated bonds, by phone. "The market is testing the central bank. The ball is in their court."

The central bank banned paying for some imports, including electronics, generators and telecommunications equipment, using foreign-exchange bought at biweekly auctions, according to a circular posted on the Abuja-based regulator's website today. It also issued rules to lenders on accessing its standing deposit facility, according to a separate notice. "We're seeing more foreign-exchange flexibility," Samir Gadio, head of Africa strategy at Standard Chartered in London, said in e-mailed comments. "Perhaps they do not want to burn FX reserves unnecessarily. It's a risky strategy though as the market will now look for the topside of dollar-naira and also because the lower rates will reduce the incentive to hold naira fixed-income assets." Until recently, market participants were confident the central bank would step in to strengthen the naira if it weakened much below 165 against the dollar, said Kunle Ezun, a strategist at Ecobank Transnational Inc., by phone from Lagos.

"In the last couple of weeks, once the naira got to 166, we were sure they'd come in and calm the market to send it back to about 165," he said. "They seemed comfortable around 165." In the stock market, Lafarge Africa Plc (WAPCO) and Ashaka Cement Plc, makers of the building material, fell 9.7 percent, leading decliners. Dangote Sugar Refinery Plc (DANGSUGA) dropped to the lowest since November 2012, while Oando Plc, a crude producer, slipped 9.6 percent to the lowest in more than five months. Lenders also slid, with United Bank for Africa Plc decreasing to the lowest since December 2012, while Sterling Bank Plc fell the most since February 2013. Oil prices extended losses after OPEC cut demand forecasts and the European Central Banksaid it is ready to implement further stimulus measures. *(Bloomberg)*

**Nigeria approved borrowing of $945 million from the International Development Association, an arm of the World Bank, for irrigation and drainage projects, Minister of State for Finance Bashir Yuguda said.** The borrowing consists of $495 million for irrigation projects in states including Kano, Sokoto and Zamfara; $250 million for urban water projects in Bauchi, Ekiti and Rivers states; and $200 million to improve drainage in Ibadan, Nigeria's third-biggest city. The loan, repayable in 20 years, comes at an interest rate of 1.25 percent and a service cost of 0.75 percent, Yuguda told reporters today in the capital, Abuja. With irrigation Nigeria will have capacity for a "year-out year-in farming season," he said. Nigeria, Africa's biggest economy, is seeking to expand agricultural output to reduce dependence on oil exports, which account for more than 70 percent of government revenue. Agriculture, which employs more than 60 percent of the population, represents about 22 percent of the gross domestic product, according to the National Bureau of Statistics. *(Bloomberg)*

**The Central Bank of Nigeria (CBN) banned the sale of dollars to importers of telecom equipment, power generators and finished products at its foreign exchange auction, instead shifting demand to the interbank market, dealers said on Thursday.** The CBN also restricted lenders and discount houses from placing more than 7.5 billion naira ($44 mln) each as deposits with the regulator, swelling interbank naira liquidity. The naira hit a new intraday low of 170.5 against the dollar on Thursday, falling 1.87 percent as the stock market continued to slide. *(Business Day)*

**The naira slipped slightly against the dollar on the interbank market yesterday driven by tight supplies of the US dollar and sustained strong demand from offshore investors selling their equity holdings.** The local currency closed at N165.75 to the dollar, compared with N165.65 on Friday.A unit of Addax Petroleum sold $10 million to some lenders, Eni sold $2 million while Royal Dutch Shell sold an undisclosed amount of dollars. But aggregate dollar flows were seen as insufficient to support the local currency. "Many offshore investors in fixed income assets and equity considered the naira at this level a trigger for their exit from the local market," one dealer said, noting that this had fed the pressure on the local currency.The naira has been under pressure over the past six weeks from falling global oil prices and a drop in Nigeria's forex reserves, which has led offshore investors to cut back their positions in the debt and stock markets, Reuters noted. *(This Day)*

**With the BUA Cement factory in Okpella, Northern Edo State, ready for commissioning in 2015, the overall local manufacturing output of cement in Nigeria is set to take a leap from the current figure of about 30 million metric tonnes per annum to over 35 million tonnes yearly**. BUA Group has completed plans to add about 5.3million metric tonnes of cement into the Nigerian cement market as its state-of-the-art cement plant will be completed in February 2015. Executive Director, Projects and Technical, Mr. Yusuf Binji, explained that the investment, which had so far gulped about $500 million, will make Nigeria more self sufficient in cement production with good volumes available for the export market. Binji, during a facility tour of the new factory, pointed out that the factory is one of its many cement projects being carried out to make the commodity available and affordable in the country. He said: "Right now, this plant we are building is going to manufacture cement and it is one the many cement projects we are doing in Nigeria, the plant has 3 million metric tonnes capacity per annum. It is a modern plant with up to date facilities. It is technologically advanced and at the end of the construction period, which we started in 2012, the plant scheduled for completion and commission within the first quarter of 2015, will go into commercial production. The commissioning of the plant will commence at the end of February, then after about three months, the products will be available to the market."

He commended the federal government on the backward integration policy for cement, maintaining that the policy had sprung more investments into the cement industry shooting up the nation's installed capacity to about 30 million tonnes per annum. "The backward integration policy was a very good concept by the federal government. About 10 years ago, Nigeria was producing about 2 to 3 million tonnes of cement, but currently, the installed capacity in Nigeria is about 30 million tonnes and because of the good policy by the federal government, the existing and new entrant cement companies have ventured and established cement plants increasing the capacity to 10 to 15 per cent every year leading to high expansion in growth," he added. "In 2012, Nigeria was almost self sufficient in cement production and that is why you have seen the ban on importation of cement because we believe we have the capacity to satisfy all the market in Nigeria," he stressed. According to him, manufacturing is still plagued with so many challenges, pointing out that infrastructural deficit is still a major concern hindering the manufacturing sector of the economy.

He said the factory will run independently off the national grid at every point of its manufacturing processes, stressing that the Group has a 50 megawatt power plant to be commissioned by the end of December to power its operations. "The energy we are going to use both for the main production facility and also for the power plants that will call from our generators which we call the turbines and gas based. We are building a gas pipeline 30 kilometres from the point of where we get the gas to the factory. We are going to have a gas reduction station and the internal distribution of the gas pipeline into all the user department for the gas," he said. "We are also going to use liquid fuels for both our turbines and also for our plants. We are going to see more tanks built for storage of liquid fuels that will be used as a backup fuel in case of disruption with the gas supply and this is ongoing. We want to ensure that the plant is not under any form of threat as a result of power outages when carrying out our operations so that daily, about 250 to 300 trailers of cement will leave our factories," he added. BUA, he further noted, has equipped its facilities across Nigeria with batch enabling machines to ease proper identification and traceability, saying that this move by the company to be fully complaint to Standard Organisation of Nigeria (SON's) regulations. He said the company had also embarked on its Environmental Impact Assessment (EIA) report to ensure that the safety of the community while it carries out its production activities, stressing that the investment will provide about 1000 direct employments and thousands indirectly. *(This Day)*

**The Nigerian Ports Authority (NPA) on Thursday said four ships with 143,000 tonnes of petrol were waiting to berth at Lagos ports.** NPA, in its daily publication, 'Shipping Position', reported that four other ships had diesel, aviation fuel and kerosene. It said seven ships with buckwheat, rice in bags and containers were also waiting to berth. According to the document obtained by the News Agency of Nigeria (NAN), the NPA is expecting a total of 50 ships from November 6 to November 27. It said 22 of the expected ships would sail in with containers, while 13 others would move in with food items like rice, buckwheat, bulk sugar and palm oil. The NPA said six ships were being expected with general cargoes, while two would bring in vehicles *(This Day)*

## Tanzania

### Corporate News

*No Corporate News This Week*

### Economic News

**Tanzania's energy regulator cut fuel prices on Wednesday after prices on the international market fell and the move is likely to further ease inflation in east Africa's second-biggest economy.** Inflation in Tanzania dipped to 6.6 percent in the year to September from 6.7 percent in August. The state-run Energy and Water Utilities Regulatory Authority (EWURA) cut the petrol price in the commercial capital Dar es Salaam by 0.66 percent to 2,178 shillings per litre, and diesel by 1.81 percent to 2,027 shillings. The price of kerosene in the commercial capital was lowered by 1.1 percent to 1,993 shillings per litre. EWURA said it had also lowered wholesale prices for petrol by 0.69 percent, diesel by 1.9 percent and kerosene by 1.16 percent.

"The drop in retail and wholesale local prices would have been more, following the bullish trend of the world market prices, had it not been because of the depreciation of the Tanzanian shilling against the U.S. dollar," EWURA said in a statement. Brent crude has dropped more than a quarter from above $115 per barrel in June as abundant supplies of high-quality oil such as U.S. shale have overwhelmed demand in many markets, filling stocks worldwide. Offsetting that, the Tanzanian shilling, under pressure from rising demand for dollars from importers, has been undermined by a slowdown in inflows from tourism and agriculture sectors, traders said. The new fuel prices will take immediate effect and will stay in place for one month, the energy watchdog said. *(Reuters)*

## Zambia

### Corporate News

*No Corporate News This Week*

### Economic News

**Zambia's central bank has postponed Friday's interest rate-setting meeting during a period of mourning for President Michael Sata, who died last week.** A new date will be announced after Sata's burial on Tuesday. *(Reuters)*

## Zimbabwe

### Corporate News

**SPECIAL bargains on Seed Co saw shares valued at close to US$2 million changing hands ahead of a transaction that will see Limagrain, through its subsidiary Vilmorin & Cie, increasing its shareholding in the company.** Vilmorin, a French seed maker is expected to pay US$27 million to double its stake in Seed Co to 32 percent by year-end. It currently holds a 15 percent shareholding in the company. Although speculation indicated that Vilmorin was behind the special bargains on Seed Co, this was denied by Seed Co chief executive officer, Morgan Nzwere, who told the Financial Gazette's Companies & Markets that the Vilmorin deal would be supported by an issue of new shares. "They have an option to exercise their right by the 31st of December, " said Nzwere, who indicated that he was confident Vilmorin would seal the deal. "We'll raise US$27 million from the transaction. " But market watchers said there was a possibility that the French firm could tighten its grip on the company beyond the planned transaction that could see its shares reach 32 percent.On October 28, 1,5 million Seed Co shares valued at US$1,4 million changed hands at US$0,90c per share. The special bargain was done through EFE Securities. The next day, 456 268 shares valued at US$410 641 changed hands. In normal trades, the counter had no deals at a price of 82 cents. The planned Vilmorin transaction, which analysts said "had met barriers along the way", will likely see Vilmorin doubling its stake in Seed Co in the next few weeks, a source said.

"Everything is now in place to facilitate the transaction," one source said, indicating that the cash from the deal would be used to liquidate Seed Co debts. Nzwere hinted at the company analyst briefing in June that Vilmorin & Cie would follow its call option and increase its shareholding in the company. Vilmorin & Cie initially paid a 10 percent premium to last Wednesday's closing price in last year's private placement with a 12 month call option. The call option, which must be exercised before year end, will see Vilmorin & Cie paying 109c per share, which is a 21 percent premium on October 29's closing price. Vilmorin, the world's fourth-largest seed maker, took a 15 percent stake in Seed Co last year, giving it a foothold in Africa where the market for commercial seed is worth US$1 billion. Last year, Seed Co shareholders passed a special resolution for a US$40 million private placement that will see Limagrain taking up a 25 percent shareholding in the company through Vilmorin & Cie. This paved way for a possible strategic technical-equity partnership with Vilmorin & Cie to ensure that Seed Co remained competitive. "The proposed partnership is in response to the need to enhance seed breeding technology and research and brace for increased competition following the entry by global seed giants onto the continent," Seed Co said in a circular to members. The 38 million shares to be acquired by Vilmorin & Cie will translate into a 25 percent shareholding in Seed Co. In addition, the seed maker's parent company Aico would also receive US$20,4 million through the partial sale of its Seed Co stake to Vilmorin & Cie. Seed Co completed its transaction with Vilmorin & Cie in April after another special deal worth US$6,70 million was pushed through on the Zimbabwe Stock Exchange. A special bargain of 7 149 407 at 99,25c was conducted in the counter by brokers Inter Horizon selling to Imara completing the sale of the now unbundled Aico's stake in Vilmorin & Cie. *(Financial Gazette)*

**Mimosa is jointly owned by South African miners, Aquarius Platinum and Impala Platinum, the two largest platinum producers in the world.** In its annual Report for 2014, Aquarius Platinum said the expansion project would see operations extended to the Mtshingwe block. "This will entail on-reef development. The total cost of the revised project is $40 million over five years and includes additional mill capacity and an upgrade to the crusher, additional fully equipped production teams and a ventilation upgrade," the group said. It added the development from the existing decline shaft began in July and was expected to take four years to complete by which time it would have reached the Mtshingwe axis. Production is expected to start in 2017. Aquarius said total capital expenditure at Mimosa for the year amounted to $34 million. "Expenditure was incurred mainly on the purchase and maintenance of mobile equipment, drill rigs and LHDs, the conveyor belt extension and down-dip development, the milling and flotation project and the refurbishment of the primary jaw crusher." During the year, Mimosa retrenched 103 employees and 34 managers on a voluntary basis, about 8% of its total labour force. "The reduced number of employees will contribute to an estimated decrease in costs of five percent overall," Aquarius said. Mimosa's fourth quarter production of more than 60 000 PGM ounces was the mine's highest ever level production, it added. *(News Day)*

# WEEKLY AFRICAN FOOTPRINT

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



## Economic News

**WEAK sentiments that prevailed on the Zimbabwe Stock Exchange (ZSE) this month resulted to the market recording its biggest fall in October since January.** The bearish trend has been worsened by the miniscule funding that is available on the market and intense money market illiquidity. Analysts said some investors were taking positions ahead of anticipated developments such as the outcome of conflicts in Zanu PF and its congress scheduled for December. The conflicts have resulted to policy makers concentrating more on their political survival leaving the economy on auto-pilot. According to figures from ZSE the market recorded its biggest monthly fall this year after it tumbled -8,89 percent in October, surpassing the previous record loss of -7,13 percent recorded in March.

Minings index suffered its second biggest monthly fall after it lost 24,12 percent, slightly below the previous 2014 monthly record loss of 24,79 percent which was also recorded in March. October's overall turnover of US$28,2 million though low was however higher than the previous low of US$25,2 million recorded in July this year Financial results and annual general meeting held during the month failed to stimulate positive activities on the stock market. Traditionally, before annual corporate results are released, investors take positions in those stocks with the potential to report strong earnings. This usually triggers increased activity on the stock market, driving share prices and demand by foreign and local investors. The situation has changed as the liquidity strife continued to punish the market, leading to fatigue on the ZSE. A total 38 stocks closed in the red on the ZSE last month, with 12 of them recording losses above 20 percent. Some influential players on the market, especially insurance companies, have been concentrating on meeting their minimum capital requirements instead of growing their portfolios. Consequently, the flurry of financial results released this year and political activities have failed to generate excitement on the stock market. The ZSE has been driven by foreign investors whose participation rose from 23 percent in 2010 to 36 percent in 2011, 39 percent in 2012 and 41 percent last year. Analysts are projecting foreigners participation to be close to 50 percent by year end. "We retain our position that these figures continue to be severely understated and believe that the contribution of foreign turnover is significantly higher given the clear dearth in local liquidity," a fund manager said. *(Financial Gazette)*

**THE value of business generated online in Zimbabwe is now worth over $500 million annually as internet penetration continues to rise, according to technology blog, Techzim.** TechZim publisher, Limbikani Makani said his company had conducted a research on the business, adding that the figure included revenue from internet publishing, social network advertising and e-commerce. It also included other online ventures by Zimbabweans abroad and entrepreneurs targeting the country from outside. "With mobile penetration now at 106 percent and internet penetration now close to 50 percent, mobile phones and the internet are now a massive opportunity for Zimbabweans to do business online and to build companies that create solutions for the Zimbabweans connecting to these platforms," Makani said. Zimbabwe's growing online business was the inspiration behind the ZOL Start-up Challenge, an annual business and innovation competition targeting internet and mobile start-ups now in its fourth year. "The competition awards enterprising young people using the internet as a platform to build companies targeting both the local audience as well as globally," said Makani. Previous competitions have spawned successful internet businesses such as Schools Sports Network,ZimboKitchen.com, Soccer24.co.zw and TestLabs, which develops educational software. *(Financial Gazette)*

**AS the Zimbabwean economic situation continues to deteriorate, conglomerates are looking at more spin-offs to unlock shareholder value and substantial investments using their cash-flows, in a way that creates value for shareholders, by venturing into sectors that blend well with their trade and strategically fit into their structures.** This has raised questions on whether conglomerates still have space in the current operating environment, considering that most of them have hit bad patches and are struggling to survive. Zimbabwe Stock Exchange (ZSE)-listed conglomerate, AICO Limited, this year successfully embarked on an unbundling exercise to raise US$50 million to pay off debts to avoid foreclosure. It was later renamed Cottco Limited. Other ZSE-listed conglomerates that had to restructure to deal with a stormy economy include Innscor Africa, Art Corporation and TN Holdings, which delisted from the bourse a few years ago. As if to confirm that the conglomerate structure was onerous and taxing, TA Holdings sold a number of its subsidiaries a few years ago and transformed into an investment group.Away from the local bourse, the Industrial Development Corporation of Zimbabwe (IDCZ), a State-owned conglomerate that hit a bad patch during the country's decade-long economic crisis, has shown that even those conglomerates outside the public glare are not safe after lurching into technical insolvency. Some analysts say in an environment where even the big multinationals are moving away from conglomeration, the idea of a robust, fast expanding conglomerate with interests in everything and anything is hazardous, more so if the company is domiciled in Zimbabwe where companies are facing a persisted liquidity crisis.

The advantages of a conglomerate are risk spreading in the event of a recession, and pushing new products into new markets offers protection against failure of current products and markets and better access to capital markets. Conglomerates also have the ability to move into high growth, profitable industrial sectors. Most successful conglomerates have high quality management and financial ability at head office where diverse operations are brought together. The disadvantages of conglomerate-diversification is diluting shareholders earnings if diversification is into growth industries with high price earnings ratios. Also, failure in one business can drag down the rest. In Zimbabwe, analysts say most conglomerates' profits are going down because they are trying to dip their fingers into every sector despite these not blending or complementing each other. A conglomerate is a large corporation with diversified product lines, owned and run by the same management or a combination of two or more corporations engaged in entirely different businesses that fall under one corporate group, usually involving a parent company and many subsidiaries. Often, a conglomerate is a multi-industry company. Conglomerates are often large and multinational. They are defended for their synergies and for the benefits of diversity as a hedge against failure in one sector since shareholders can diversify and thus hedge risk for themselves.

But conglomerates are inherently more vulnerable than other companies. As many economists have argued, the burden of proof is on the company's management to show that these diverse businesses are better off together than they would be independently. Some economists say the trick with conglomerates is to manage those diverse businesses in ways that create meaningful and relevant scale. "Every successful conglomerate we know of has prospered by doing two things. First, it has applied a few critical capabilities to all the disparate parts of the enterprise. Second, it has taken advantage of its diversity in other ways, not forcing scale where scale would merely add cost and complexity," said one analyst. Some conglomerates might not seem, at first glance, to stand together as a single business. But they stands together as a relatively coherent entity, through the power and universal applicability of the things they do well. Innscor, which had changed and reshuffled all its executives to deal with a changing environment, reported a first quarter performance that did not only signal the slowdown of the economy, but also pointed to a business which has reached maturity and perhaps suffering from the old conglomerate syndrome. Innscor's turnover in the first quarter grew five percent and group chief executive officer, John Koumides, told an annual general meeting that the growth in turnover was almost similar to the one experienced by most of the companies such as OK Zimbabwe and Delta Corporation. TN Holdings, which had a foot in banking, pharmacy, fast foods, retail and furniture, failed to succeed due to an appetitive for more acquisitions. Analysts say it was never a focused entity.

Big conglomerates the world over manage business risk by participating in a number of different markets, although some conglomerates elect to participate in a single industry such as mining. Focuses conglomerates, which have stuck to core areas, have prospered. These include Delta Beverages and Econet Wireless Zimbabwe. Diversified group, ART Corporation was given the nod to borrow up to US$20 million to revive the group's operations by its shareholders, but analysts say the group might fail to raise half of that amount due to a persistent liquidity crisis, high cost of money against the group's present financial position and credit risk now associated with manufacturing companies. The approval by the shareholders at the company's extra-ordinary general meeting means that the company can now borrow twice its equity value. Most financial institutions have not been keen on lending as they have put in place strategies that speak to and resonate with the challenging operating environment. Art (Corporation) like many company in the manufacturing sector and facing competition from imports has not been a favourite for lending. *(Financial Gazette)*

**This has seen visits into the country by delegations from the United Kingdom and the European Union (EU) lifting trade and aid embargo on Zimbabwe.** Prior to that, the International Monetary Fund (IMF) had agreed to a supervised economic reform plan, the Staff Monitored Programme (SMP) on Zimbabwe. Last week, Zimbabwe received a five-member British trade delegation on a scouting mission after 20 years of non-engagement between the country and its former colonial master. The delegation was in the country to see how it could help Zimbabwe by funding some of the clusters under the economic blueprint, the Zimbabwe Agenda for Sustainable Socio-Economic

Transformation (ZimAsset) clusters that include infrastructure, power, food security and value addition. ZimAsset requires a funding of $27 billion. Chinamasa told the British delegation that Zimbabwe should create a conducive environment to lure investors. "It's not an event, it's a process. I am very optimistic that we are going to make it. Our problems are not insurmountable. When we wake up, we will be like a sleeping giant," Chinamasa said. EU head of delegation ambassador Phillipe Van Damme said the removal of appropriate measures by the bloc was a step in the right direction.

"It is a very important step, things will not change overnight. We have to find confidence-building measures and complete normalisation of relations," he said. At a Press conference in the capital recently, IMF Africa director Antoinette Sayeh said the economic conditions remained difficult and there was need to build confidence in the financial services sector as well as enhancing the business environment. Sayeh said the country's future was bright as long as it followed measures under the SMP and investigated whether there were no ghost workers on the payroll. Since the beginning of the year, the government has engaged with prospective investors from China, Russia, Europe and other countries. Investors from China and Russia signed deals with the government. Chinamasa visited China three times this year in a bid to revive relations after the country has been receiving funds from China and failing to repay them. The Russians signed $3 billion worth of platinum projects with the government. This year has really been a hype of activity for Zimbabwe. *(News Day)*

**Zimbabwe is considering removing tax royalties on locally cut and polished diamonds as part of government plans to add value to minerals and attract investment in the sector, the Minister of Mines Walter Chidhakwa said on Thursday.** The southern African country, which started its first diamond auction in December, has been selling rough diamonds but President Robert Mugabe's government is pushing companies to cut and polish them locally. In January the government increased the tax on diamond royalties to 15 percent from 10 percent. Chidhakwa told a diamond conference in Harare the government could also remove value added tax on diamonds that are processed locally. This will likely be announced in the 2015 budget set for later this month, Chidhakwa said. "We are looking at the possibility of reducing or eliminating royalties for those diamonds that are destined for local cutting and polishing, including the removal of 15 percent VAT as part of efforts to improve the environment," said Chidhakwa. More than 90 percent of Zimbabwe's diamonds are produced in Marange, in the east of the country, and sold mostly in Belgium and Dubai. Data on diamond production is not readily available but the country sold 1.34 million carats during the first quarter of this year, according to ministry of mines figures. *(Reuters)*

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