

# 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:

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## AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	3-Nov-17	10-Nov-17	WTD % Change		31-Dec-16	YTD % Change	
				Local	USD		Local	USD
Botswana	DCI	8907.92	8909.09	0.01	-0.52	9700.71	-8.16	-9.01
Egypt	CASE 30	14319.34	14350.14	0.22	0.18	12344.00	16.25	19.60
Ghana	GSE Comp Index	2367.28	2407.98	1.72	1.49	1689.09	42.56	36.13
Ivory Coast	BRVM Composite	232.16	226.99	-2.23	0.84	292.17	-22.31	-14.58
Kenya	NSE 20	3800.43	3752.15	-1.27	-1.19	3186.21	17.76	15.51
Malawi	Malawi All Share	20280.70	20184.11	-0.48	-0.55	13320.51	51.53	49.77
Mauritius	SEMDEX	2197.79	2215.13	0.79	0.68	1808.37	22.49	23.42
	SEM 10	420.26	423.34	0.73	0.62	345.04	22.69	23.62
Namibia	Overall Index	1175.77	1192.19	1.40	0.16	1068.59	11.57	5.86
Nigeria	Nigeria All Share	36939.59	37120.28	0.49	0.59	26874.62	38.12	16.26
Swaziland	All Share	398.28	404.51	1.56	0.33	380.34	6.35	0.91
Tanzania	TSI	3833.73	3844.98	0.29	8.55	3677.82	4.55	-1.15
Zambia	LUSE All Share	5107.74	5119.70	0.23	1.12	4158.51	23.11	21.62
Zimbabwe	Industrial Index	525.63	531.55	1.13	1.13	145.60	265.08	265.08
	Mining Index	140.50	138.12	-1.69	-1.69	58.51	136.06	136.06

## CURRENCIES

Currency	3-Nov-17 Close	10-Nov-17 Close	WTD % Change	YTD % Change
EGP	17.64	17.65	0.03	2.88
GHS	4.43	4.44	0.23	-4.51
CFA	583.22	565.46	-3.05	9.95
KES	103.65	103.57	-0.08	-1.91
MWK	718.87	719.37	0.07	-1.16
MUR	34.30	34.34	0.11	0.76
NAD	14.21	14.38	1.23	-5.12
NGN	360.40	360.04	-0.10	-15.83
SZL	14.21	14.38	1.23	-5.12
TZS	2428.70	2244.00	-7.60	-5.45
ZMW	10.02	9.93	-0.87	-1.21

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## Botswana

### Corporate News

**KFC Botswana will come out of liquidation after a joint venture between Shell Fuel distributors, Vivo Energy Botswana and South African KFC franchise operator Baobab Khulisani agreed to buy the fast food chain.** KFC Botswana, whose portfolio includes 12 stores, was placed under liquidation in June 2016 after the company failed to pay debts owed to banks, suppliers and franchise holder Yum Brands . The joint venture will run the franchise through a newly formed company, Baobab Energy Botswana. “Baobab Energy Botswana plans to invest to grow the KFC business in Botswana and will both refresh and improve current KFC restaurants and look to open new ones, including adding more restaurants to Shell service stations,” Vivo Energy Botswana managing director Wayne Kingwill said in a statement. Completion of the transaction is subject to legal agreements and regulatory approvals. The companies did not reveal financial details of the transaction. *(Reuters)*

### Economic News

*No Economic News This Week*

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## Egypt

### Corporate News

*No Corporate News This Week*

### Economic News

**Egypt's foreign reserves rose to \$36.703 billion at the end of October from \$36.535 billion at the end of September, the central bank said on Sunday.** Cairo's foreign reserves have been climbing since the country secured a \$12 billion, three-year International Monetary Fund loan programme in November in a bid to lure back foreign investors and revive its ailing economy. *(Reuters)*

**Egypt's President Abdel Fattah al-Sisi will not seek a third term in office, he said in an interview with CNBC, adding that he does not intend to change the constitution and its provision of a two-term presidential limit.** "It doesn't suit me as a president to stay one more day against the will of the Egyptians," he told CNBC over the weekend. "We will not interfere with (the constitution)..I am with preserving two four-year terms," Sisi added. However, he did not confirm if he intended to run for a second term when his current term expires. Sisi came to power in 2014, a year after he led the military in ousting elected but unpopular Islamist President Mohamed Mursi. Rights groups say Sisi has since led an unprecedented crackdown on political opponents, activists and critical media. He is unlikely to face strong opposition and many in Egypt see him as vital to stability in a country where unrest since 2011 has battered the economy. Egyptian human rights lawyer and opposition leader Khaled Ali on Monday became the first person to announce he is running against Sisi, vowing to challenge him in the 2018 presidential election, provided he was not barred from the contest. The 45-year-old gained prominence in January, when he won a case that nullified a government transfer of two Red Sea islands to Saudi Arabia, a deal that had provoked mass protests. *(Reuters)*

**Egypt's annual urban consumer price inflation eased slightly in October to 30.8 percent from 31.6 percent in September, the official CAPMAS statistics agency said on Thursday.** Inflation soared to a record high in July on the back of fuel and energy subsidy cuts by the government. Import-dependant Egypt abandoned its currency peg to the U.S. dollar last November and the currency has depreciated roughly by half since then. *(Reuters)*

**Egypt's inflation dipped for the third month in a row in October after hitting a record high on energy price rises, leaving the central bank on course to begin loosening monetary policy in the coming months.** Inflation climbed steadily after the central bank floated the Egyptian pound last November as part of reforms to secure a \$12 billion International Monetary Fund loan, reaching a multi-decade high in July. Egypt also jacked up interest rates after the pound was floated and many local economists expect it to start cutting again in December or January. Annual urban consumer price inflation eased to 30.8 percent in October from 31.6 percent the previous month, official data showed on Thursday. Core inflation, which strips out volatile items such as food, fell to 30.53 percent from 33.26 percent. "We reiterate our view of a lower annual reading of 18 percent by Jan 2018 triggering the first cut in interest rates," said Alia Mamdouh, lead economist at Beltone Financial. Inflation peaked in July after the government raised fuel prices by up to 50 percent and electricity prices by up to 42 percent in an effort to cut state spending. Narrowing the budget deficit is part of economic reforms Egypt has embarked on since it signed the IMF deal to revive an economy that has struggled since a 2011 uprising drove away foreign investors and tourists. The Egyptian pound has lost half its value since it was floated, while the central bank has increased key interest rates by 700 basis points, attracting foreign buying in the country's domestic debt. Some economists believe that an increase in global oil prices could put inflation back on an upward trajectory in Egypt and prompt the central bank to delay cutting interest rates. "Regional tensions leading to a significant increase in oil prices along with an increase in the credit default swap of Egypt might cause the CBE to postpone the cuts until the vision is more clear," said CI Capital economist Noaman Khalid. Egypt has said there would not be another increase in energy prices during the financial year that began in July, but subsidy reforms are part of the IMF programme. *(Reuters)*

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## Ghana

### Corporate News

**Standard Chartered Bank Ghana Limited has recorded a profit before tax of GHC331million in the third quarter of 2017.** The figure represents a 25% growth in profits, compared to the same period in 2016 which the company recorded GHC264million. The bank in its third quarter 2017 financial results released Tuesday said, they posted a loan impairment recovery of GHC18.1million as of 30th September 2017 compared to an impairment charge of GHC61.5million same period 2016. During the period under review, Operating expenses was up by only 28% to GHC177.6million as a result of continued focus on the cost management strategy and gains from operational efficiency compared to the third quarter of 2016 which recorded GHC138.5 million. Meanwhile the underlying operating income increased by 6% to GHC490 million from GHC464million recorded in September 2016, as a result of stable business performance for the bank. "The effects of the above drivers resulted in increase of pre-tax profit by 25% to GHC331million from GHC264million recorded in same period of 2016," the bank said in a statement on Tuesday. Earnings per share for the period increased by 24% from GH¢1.61 to GH¢2.00 while the average return on equity was 29.67% compared to prior year 29.75%.

The statement further explained that, the growth was possible due to the macro-economic environment having seen relative stability coupled with robust GDP growth during the period under review. "Capital adequacy ratio for the period is 28.27 per cent compared to 21.59 per cent in prior year," the statement added. Chief Financial Officer, Kweku Nimfah – Essuman, commenting on the results said, "We have a strong underlying business and we will continue to stick to our strategy of sustaining a diversified balance sheet which remains, structurally liquid and conservatively positioned". Meanwhile the Chief Executive Officer, Mansa Nettey who maintains that the bank can meet the set targets for 2017, all things being equal said, "Our results continue to trend upwards as we create shareholder value. Our focus for the rest of the year is to deliver on our strategic priorities while investing in the right systems and platforms to drive growth". (*Ghana Web*)

**Tullow Oil Plc raised its production guidance on Wednesday, aided by higher output from its TEN and Jubilee fields in Ghana.** The company now expects full-year West Africa net oil production, including production-equivalent insurance payments, to come in at 85,000-89,000 barrels of oil per day (bopd) compared with its prior guidance of 78,000-85,000 bopd. Full-year gross production guidance from Jubilee was raised to around 89,000 bopd, while production from the multi-billion dollar TEN deepwater oil and gas project is now expected to exceed the original guidance of 50,000 bopd. Kosmos Energy Ltd said on Monday it expects to resume development drilling on the TEN deepwater oil and gas project in early 2018, rather than around the end of this year as it previously expected. Kosmos, Anadarko Petroleum Corp, Ghana National Petroleum Corp and PetroSA also have stakes in the TEN project. In September, the International Tribunal for the Law of the Sea drew an ocean boundary favouring Ghana in a maritime border dispute with neighbouring Ivory Coast, opening the way for development drilling to resume on the TEN project. Tullow also said it expected to generate about \$400 million in free cash flow for 2017, helped by strong production and higher oil prices in the second half of the year. Prices of globally traded Brent crude have averaged \$54.13 per barrel so far in the second half of 2017, about 10 percent higher than the \$48.99 seen in the second half of last year. The company, which was forced to plug and abandon an exploration well offshore Suriname last month after it failed to make a commercial discovery, said net debt fell to \$3.6 billion at Oct. 31. Tullow said it had formally commenced the re-financing of its reserves-based lending facility in October and was on schedule to complete the process before the end of the year. Tullow also cuts its 2017 capital expenditure guidance by about \$100 million to \$300 million on Wednesday. (*Reuters*)

### Economic News

**Ghana missed its target to sell 3.6 billion cedis (\$816 million) of non-sovereign bonds to settle the debt of energy utilities as demand for the securities fell short even after the offer was extended by a week.** The West African nation placed 2.3 billion cedis of the 10-year bonds at 19.5 percent after receiving 2.8 billion cedis in bids demanding a yield of as much as 20 percent, joint deal advisers Fidelity Bank Ghana

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and the local unit of Standard Chartered Plc said in an emailed statement. The debt was offered separately to a tender for 2.4 billion cedis of seven-year securities that were fully subscribed on Oct. 27, when the book runners extended the sale for the 10-year bonds. The government wasn't prepared to pay more to sell the debt, Sam Aidoo, head of treasury at Fidelity, said by phone. "We will come back to issue the rest any time market conditions are ripe," he said. The sale is part of a 10 billion-cedis issuance program. Read more: A guide to the 19.5% debt Ghana can't get yield hunters to buy The bonds were sold through a special-purpose vehicle that will be funded with the proceeds of energy-sector levies. Five major energy utilities in Ghana had 10.8 billion cedis of payable loans at the end of June last year, according to the International Monetary Fund. The 10-month old government of President Nana Akufo-Addo sold the bonds after vowing to boost banks' ability to lend and restructure the debt-laden energy sector. Future issuance will continue until all the sector's legacy debts have been settled, E.S.L.A. Plc, as the special-purpose vehicle is known, said in an emailed statement. "Because it was not considered a sovereign bond by a lot of financial institutions, some people didn't buy," Michael Nana Sarfo, chief executive officer of Bora Capital Advisors Ltd. in the capital, Accra, said by phone. "They can always come back to raise the rest." (*Bloomberg*)

**Price stability in Ghana's economy is a key focus of the central bank, Dr Ernest Addison, Governor of the Bank of Ghana, has said.** According to him, price stability offers a strong foundation to facilitate growth and development, hence the need to focus on that aspect of the economy. Addressing members of the Journalists for Business Advocacy (JBA) at a workshop in financial reporting in Accra on Tuesday, 7 November, Dr Addison said: "All over the world, business and financial journalists are increasingly becoming an important fixture of the monetary policy communications process, acting as channels for major policy announcements to financial markets and to the public." He said: "Ghana is no different, therefore, the chosen theme for this training workshop is 'Monetary Policy Tools for Economic Development'. We think it is timely and appropriate and will offer the participants with a deeper understanding of monetary policy's role in economic development." Dr Addison added: "In the new legal dispensation, the primary objective of the bank is to maintain price stability independent of instructions from government or any other authority. This has refocused the central bank on the major task of inflation control and indirectly away from developmental activities which characterised the bank's operations in the past. To accomplish this, Dr Addison said: "Act 612 mandated the formation of the Monetary Policy Committee responsible for formulating monetary policy which has brought transparency to the central bank's operations and its communications with the public."

"The new statutory mandate of the bank is firmly rooted in a resurgence of public interest in economic policies and awareness of how much economic stability contributes to raising the standards of living of its people," he noted. Speaking about the importance of price stability to economic development, the central bank governor said "price stability offers the strong foundation to facilitate growth and development; price stability, and in this case achieving and maintaining a low and stable inflation regime, reduces uncertainty and helps economic agents to extract information from relative prices, thus, leading to a more efficient resource allocation and higher growth." "By controlling inflation through effective monetary policy formulation, the Bank of Ghana makes the best contribution" towards sustaining "long-term growth and economic development in the country," Dr Addison said. Meanwhile, Ecobank Ghana has reiterated its commitment towards strengthening the Small- and Medium-Scale Enterprise (SME) sector in the Ghanaian economy. Morgan Asiedu, Ecobank's Director of Legal and Human Resource, told participants that the "SME sector promotes national development." "The SME sector contributes over 60% of total employment, 40% GDP in developing economies." He, however, mentioned that the sector is bedeviled with some challenges such as a "lack of access to credit and high cost of credit", which need some attention. (*Ghana Web*)

**Ghana's annual consumer price inflation fell to 11.6 percent in October from 12.2 percent the previous month, the statistics office said on Wednesday.** The major commodity exporter is following a \$918 million credit programme with the International Monetary Fund that aims to restore fiscal balance and narrow inflation to 8 percent plus or minus 2 percentage points in 2018. (*Reuters*)

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## Kenya

### Corporate News

**Telecommunications firm Safaricom has established an online sales platform in a move expected to roil Kenya's fast-growing e-commerce market.** The platform, known as Masoko, Kiswahili for markets, is modelled after retail e-commerce giants Alibaba (Chinese) and Amazon (US). It is currently undergoing internal testing ahead of rollout later this month, according to people familiar with the matter. It will ride on Safaricom's successful mobile money platform, M-Pesa and will target the fast mushrooming formal retail and informal online trading in Kenya. Kenya's e-commerce sector is currently dominated by brands such as Jumia, Kilimall, OLX, Pigiame, among others. Safaricom is expected to face stiff competition from market leader Jumia which boasts of 5,000 vendors and about 500,000 products listed on its e-commerce site four years after its launch. Masoko will start with 200 vendors and about 30,000 consumer goods ranging from electronics to food and will provide a platform for merchants to trade goods on social media sites. "Kenya has a huge untapped potential for e-commerce," Safaricom chief financial officer Sateesh Kamath said at the company's investor briefing in Nairobi Friday. "To start with Kenya has a large number of customers with access to high speed internet through Safaricom's vast and efficient network". Mr Kamath, who is sitting in for Safaricom CEO Bob Collymore who has taken sick leave, did not give the timelines for its roll out. "We believe this market has the potential to grow multiple times in the next few years," he added.

The telecoms operator defied economic slowdown to announce a 9.5 per cent increase in after-tax profit to Sh26.2 billion for the six months ended September 30. Mr Kamath said the performance was boosted by a strong performance by M-Pesa and data while traditional services such as voice remained resilient. M-Pesa revenues grew by 16.2 per cent to Sh30.05 billion in the period while data income rose from Sh13.4 billion to Sh17.55 billion. Voice revenue, which is still Safaricom's biggest income stream, grew from Sh45.7 billion to Sh47.35 billion while messaging revenue rose 3.4 per cent to Sh8.92 billion. Total revenues jumped 12.1 per cent to Sh114.43 billion in the half year period. "M-Pesa and Mobile data are becoming the engines of growth," said Mr Kamath at the investor briefing. Yesterday, chairman Nicholas Ng'ang'a urged an end to speculation over Mr Collymore's health, whom he said went for specialised medical attention abroad on the advice of his doctors. Mr Ng'ang'a said Collymore's absence for "a few months" leaves no vacuum at the company. "Bob's style of management is very strong. He's empowered managers adequately hence as far as the company itself is concerned it's in strong hands," said Mr Ng'ang'a. The nature of Mr Collymore's sickness has not been disclosed a week after the company announced he would take leave. (*Business Daily*)

**Kenya Power has lost a bid to evade paying charges for poles and wayleave on grounds in a Sh605.6 million dispute with the Nairobi City County.** High Court judge John Mativo on Friday ruled that Kenya Power should lawfully pay way-leave charges. However, the judge pointed out that a dispute about laws surrounding that payment is a civil one and not a constitutional matter. Mr Justice Mativo, the referee, declined to stop City Hall from demanding such monies from Kenya Power saying that the company did not prove that the law had been violated in seeking of the charges. "First, the tests for granting injunctions have not been satisfied. It is trite law that an injunction cannot be issued to defeat clear provisions of a statute," he said. The dispute arose when Kenya Power received a February 18 demand letter from City Hall informing it of an intended clamping down of poles and wayleave should the company fail to clear the debt by February 29. Kenya Power had argued that it is the central government, which has the responsibility of making such payments that they were accused of failing to pay. The judge also declined to condemn the national government for failing to pay the disputed charges saying that the matter needed to be solved by both levels of governments considering that there exists a dispute regarding laws on the matter. "It is my view that the impugned legal notice has not been shown to be unreasonable or violating Section 48 of the local government Act as alleged, it is logically related to the legitimate purpose of collecting revenue as provided under the law," Mr Justice Mativo ruled. (*Business Daily*)

**Kenya Airways chief executive, Sebastian Mikosz, has appointed four senior executives in an ongoing reorganisation of the airline's management that has followed the exit of seven top executives in the past month.** Mr Mikosz, through an internal memo to staff on Friday, announced that Hellen Mwariri had been appointed the new acting chief finance officer (CFO) replacing Dick Muriangi, who has moved back to head the airline's cargo unit "at his own request. Teodosia Osir is the new acting general counsel and head of corporate

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affairs, a new department formed to, among others, oversee KQ's strategy and special projects, public affairs, investor relations and legal. Ms Osir was until this appointment the head of legal, a position she held for six years. Bridgette Imbuga has taken over as the acting head of the human resources department, succeeding Lucy Muhiu, who held the post (also in an acting capacity) until her exit from the company in early October. Mr Mikosz said he has received good feedback on Ms Imbuga from KQ's internal clients (employees), adding that she is "appreciated for her futuristic view of the airline." The information technology office, a new position created to enable the airline to boost its communication efforts through digital platforms, will be headed by Peter Mungai in an acting capacity. The director of IT and the digital transformation director will report to the CIO, a position Mr Mikosz says is in the process of being filled substantively. Kevin Kinyanjui was KQ's information systems director until early last month when he exited the business. Mr Mikosz said the internal audit position, as well as any other unfilled positions, will remain vacant as KQ "works with a head hunter to identify suitable talent" to fill them. "These changes mark the first wave of the business transformation journey that aims to promote internal talent," Mr Mikosz, who himself joined the airline in June, said in the memo.

"Over the next two weeks, the chiefs will work towards finalising their departmental structures and their key mandate would be to identify and promote internal talent where possible." Vincent Coste, KQ's chief commercial officer, will now also be responsible for products to the airline's customers, including on-board catering and lounges. He will also be in charge of KQ's relationships with external partners. Staff haemorrhage The appointments come on the back of a haemorrhage of senior staff at the national carrier. KQ on Thursday announced the exit of its human resources director Sammy Chepkwony after five months on the job to "pursue other interests." Brian Mbuti, who was until early October in charge of KQ's in-flight and jet fuel procurement also left the carrier alongside Ms Muhiu, Ms Moraa and Mr Kinyanjui. Christopher Oanda, who had been in charge of KQ's supply chain department for nearly nine years, also left the company on October 16 as the managerial shake-up took hold. "I believe that we have talent within the organisation and I am keen to continuously look internally for competent staff who can take up key roles," Mr Mikosz said Friday when making the latest appointments. (*Business Daily*)

**Kenya Airways (KQ) expects to conclude its financial restructuring plan in a fortnight after commercial banks originally opposed to converting their loans into equity finally accented to a redrafted deal.** Michael Joseph, the airline's chairman, in a Friday interview said a more equitable plan had been drawn up and all parties were taking turns signing their respective agreements. "I understand several parties have signed but not all. I expect that we should be done in one or two weeks," Mr Joseph said. "After everybody has signed, we shall move on to the next bit of the restructuring plan which is the rights issue and the employee stock ownership plan." Equity Bank, Jamii Bora and Ecobank opposed a push to have them convert Sh6.4 billion in risky loans to shares. National Bank of Kenya, Co-operative Bank, CBA, NIC Bank, DTB, KCB, I&M, and Chase Bank, collectively owed Sh16.3 billion, are also agreeable with the new deal. (*Business Daily*)

**Safaricom home fibre optic Internet has passed more than 90,000 households, a milestone that has enabled the telco to grow its residential network penetration to 27 per cent since its launch in February.** The firm has, however, only managed to connect 28,000 homes in 20 neighbourhoods in South B and Pangani in Nairobi as well as Ngong and Rongai in Kajiado. The home fibre Internet is also available in Nyali and Bamburi (Mombasa), parts of Kisumu, Eldoret and Thika towns. Safaricom announced that it had content partnerships with video-on-demand companies Iflix and Showmax, and plans are in the pipeline to bring other players on board. "We are excited about the possibilities in the home in the near future. We have now passed over 90,000 homes, nearly double what we had passed by the end of March due to an accelerated rollout plan," said Safaricom chief finance officer Sateesh Kamath, currently also acting as the CEO. "We have improved our conversion rate from 21 per cent in March to 27 per cent in September, and have a 50 conversion rate on homes passed a year ago," said Kamath, who is also sitting in for chief executive Bob Collymore who has taken sick leave.

Latest data from Communications Authority of Kenya data shows that there were 54,700 fixed fibre optic subscriptions in June compared to 27,571 such connections recorded during a similar period in 2016. Internet penetration now stands at 64.8 per cent. The fibre optic segment of the data business has seen increased investment from service providers over the past few years. Fibre firm Jamii Telecom has increased five-fold the speeds it offers business and home customers, without raising prices. Liquid Telecom recently re-entered the retail space and is counting on its Hai fibre brand to take it to Kenyan homes. Liquid says it has connected at least 3,000 homes to fibre Internet. The growing

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number of subscription on-demand services such as Showmax Iflix and Netflix allowing people to stream live programmes in Kenya and more people opting to work from home has led to the increased demand for the Internet in residential buildings. (*Business Daily*)

**The communications regulator has warned that calls by the opposition Nasa coalition to boycott Safaricom products will hurt jobs and the investment climate in the ICT industry.** Communications Authority of Kenya (CA) director-general Francis Wangusi Tuesday responded to Nasa leader Raila Odinga's boycott calls in a day that Safaricom share shed Sh0.50 to close trading at Sh24.50 at the Nairobi bourse. Last week, the opposition leader asked his supporters to stop using Safaricom products, saying the firm influenced the presidential election. President Uhuru Kenyatta won a second, five-year term with 98 per cent of the vote after Mr. Odinga boycotted the contest. Only 39 per cent of registered voters took part. "We call upon leaders across the political spectrum to avoid making utterances that may dampen the investment climate in the country, hurt jobs in the local ICT sector and ultimately compromise the quality of life for the mwanchi," said Dr Wangusi in a statement. Safaricom dealers on Monday lamented slow business in parts of Nyanza region since the boycott call was made on Friday by Nasa. Mr. Odinga accused Safaricom of failing to alert the authorities about illegal activities during the electronic transmission of the August 8 General Election results. Safaricom has however denied all the accusations. The Independent Electoral and Boundaries Commission (IEBC) had contracted Safaricom to help with results transmission, an assignment Nasa says the telcom operator messed up and aided in the cover-up in the period that followed. Dr Wangusi asked Kenyans to exercise their freedom of choice of service and service providers while restraining from vilifying businesses that have taken years of hard work to build. "We encourage that any alleged election malpractices be reported to the relevant authorities," he said. Mr. Odinga on Monday led his supporters in migrating from Safaricom to Airtel, the country's second largest service provider by market share. (*Daily Nation*)

**KCB Group, Kenya's largest bank by assets, has announced a 5.03 per cent growth in third quarter net profit to Sh15.1 billion, helped by cost cutting and a strong growth in transactions income.** The lender defied a 3.6 per cent total interest income drop to Sh46.8 billion to post positive profit growth at a time when most banks have been announcing a decline in earnings following last year's interest rates cap. Total non-interest income jumped 18.38 per cent to Sh17.5 billion in the period ended September 30, driven by a sharp rise in transaction fees. The lender's interest expense on customer deposits on the other hand dropped by 13.17 per cent to Sh9.9 billion, improving its margins. KCB's loans and advances dropped 4.39 per cent to Sh37.1 billion as the bank adopted a cautious lending approach in wake of the control on cost of loans. Investments in government securities went up 1.92 per cent to Sh9.2 billion in the quarter compared to Sh9.1 billion in a similar period a year earlier. The non-funded income included earnings from foreign exchange trading, mobile banking and diaspora remittances.

Provisions for bad debts decreased 7.75 per cent as total non-performing loans jumped 16.69 per cent or by Sh4.4 billion to Sh30.9 billion in the period. Group chief executive Joshua Oigara said the performance was achieved on the back of the effects of the interest rates cap and an economic slowdown during the quarter, when the political season set in. "Our business fundamentals remain strong," said Mr Oigara in a statement. "As the business environment evolves, it is important for the group to expand its revenue streams to remain competitive. This aggressive focus on non-branch channels leveraged on our Fintech strategy is paying off," said Mr Oigara. The CEO said KCB expects alternative revenue channels to be the lender's growth driver in the next few years. The bank has pegged its future on its financial technology strategy that rides on a digital platform to provide online services for its customers. (*Daily Nation*)

**Kenya Airways Ltd.'s court-ordered reinstatement of its former finance director threatens to undermine the newly appointed chief executive officer's bid to overhaul the debt-laden carrier.** Alex Mbugua, who was dismissed in January 2016, on Tuesday won a High Court bid to be allowed to return to work or be paid three years' salary plus compensation. His reinstatement was ordered four days after Chief Executive Officer Sebastian Mikosz named Hellen Mwariri as acting group finance director and moved Dick Muriangi, who replaced Mbugua last year, to the head of cargo operations. The carrier is consulting its lawyers on the court order, it said in a statement on Wednesday. "It's a headache and could be a bigger headache if similar cases emerge for a company that's trying to turn around," ICEA LION Asset Management Chief Investment Officer Barack Obatsa said by phone. "Any money that's going to be paid out is a problem." Mbugua's potential return comes as the company holds crucial talks with creditors on converting 50.2 billion shillings (\$485 million) of loans into

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equity and also plans to create new shares through a stock split, followed by an open share offer to raise as much as 1.5 billion shillings. Mikosz took the helm at sub-Saharan Africa's third-biggest carrier on June 1 and has since dismissed at least eight senior managers in a restructuring aimed at returning the loss-making airline to profit. "It's just incredible and unconscionable and is remarkably activist of the judge to impose such an egregious solution on Kenya Airways, especially at a time when a new management team has been brought in to rescue the airline," Aly Khan Satchu, chief executive officer of Nairobi-based Rich Management, said in an emailed response to questions.

Shareholders including Air France-KLM face a dilution of their stakes by as much as 95 percent, while the Kenyan government will boost its shareholding to 46.5 percent from 29.8 percent under the plan. Banks that convert their debt to equity will become the airline's second-largest shareholder through a newly created company called KQ Lenders Co., according to a shareholder circular issued in July. "Banks are profit-making machines, they are thinking about their own bottom line and if they are seeing this is not helping them they will not accept it," Abizer Sharafali, a senior research analyst at Nairobi-based Apex Africa Capital Ltd., said of Mbugua's reinstatement. "If KQ doesn't want the CFO, there's no court in the land than can force him to stay there." Kenya Airways stock has dropped 5.7 percent this week, after trading at a five-month high of 6.15 shillings on Nov. 3. Mbugua, who was CFO of Kenya Airways from 2008 to 2016, was reinstated after the court said the airline failed to justify the grounds for his sacking. The carrier reported four consecutive annual losses between 2013 and 2016, including a 26.3 billion-shilling loss -- the largest in Kenyan corporate history -- in his final year at the company. Four calls to Mbugua's mobile phones seeking comment weren't answered. He was scheduled to return to work on Wednesday, but has been placed on compulsory leave, the airline said in an emailed response to questions. (*Bloomberg*)

**The implosion of a family-owned Kenyan mattress shop that grew to become East Africa's biggest supermarket chain is a cautionary tale about trying to grow too far, too fast to cash in on the rapid growth of the country's middle class.** Kenya's High Court will rule on Nov. 16 on Nakumatt Supermarkets' petition for protection from creditors to whom it owes more than \$300 million. Thousands of jobs are at stake, and France's Carrefour and South Africa's Shoprite are already moving to fill the gap. It's an ignominious fall - with more than 60 outlets and 1,500 suppliers, turnover at the company once equaled nearly one percent of Kenyan GDP. Former employees, suppliers, fellow business people and private equity investors paint a picture of a firm whose management capacity did not keep up with its prodigious growth. "It's a tragedy that needn't have happened," said Andrew Dixon, who was hired in a scramble to revamp management. A former executive at Tesco and Burt's Bees, Dixon quit as chief marketing officer last month and this week took a job with Uchumi, another struggling Kenyan chain. A fatal fire in one store, the demolition of another and an attack by militant Islamists on their flagship Westgate outlet in 2013 created a "perfect storm" of disasters for Nakumatt, Dixon told Reuters. Outdated management practices exacerbated other problems like endemic theft of cash and stock, he said.

"The business outgrew the management capacity," said another Nairobi businessman familiar with the company, asking not to be named so that he could speak candidly. He pointed to a balance sheet loaded with short-term debt, problems paying suppliers and outdated IT systems. Answering questions through his publicist, Managing Director Atul Shah, of the founding Shah family, rejected the idea that management was not modernised fast enough. Over the past decade, when the business was thriving, the only family member of management was Shah himself, he pointed out. He acknowledged that theft of 10-15 percent of goods or stock did not measure up well against a global average of 2-3 percent, and investment in a modern warehouse management system from Oracle two years ago came too late. But he said the chain's main undoing was the significant costs of a 2010 expansion plan that assumed sustained Kenyan economic growth of more than 10 percent per year. The chain went from 36 shops in 2011 to a peak of 62 in 2016. "By now we would be talking about over 100 branches. In terms of revenue, a significant growth was also expected which never materialized but even if it didn't materialize, investments and related financing were undertaken," the publicist's statement said. Shah wants to restructure Nakumatt so it can re-emerge as a leaner chain, according to public court documents.

The court's protection "is reasonably likely to achieve a better outcome for the company's creditors as a whole and ensure continuity of the business ... as opposed to the drastic action of winding up the company," Shah said in the documents. For more than two decades, Nakumatt's blue-and-white signage and large bronze elephant statues enticed well-heeled Kenyans into its shops to buy anything from

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imported meat to the latest flatscreen TV sets. Atul Shah's father started Nakumatt in the Rift Valley town of Nakuru. The family still owns the bulk of Nakumatt shares. Atul, the fourth child, moved to the United States in his early twenties and worked on the shop floor at Wal-Mart. He came back to open the first Nakumatt superstore in Nairobi in 1992. While the scale and ambition of the business expanded, many aspects of the way it was managed remained the same, however. The company hired three top managers from outside the company, including Dixon, only this year. But it was too late. "Investing in family businesses can be challenging ... past success blinds them to the fact there are certain roles that require professional management," said Ayisi Makatiani, managing partner at private equity firm Fanisi Capital. Foreign investors could have helped overhaul management and inject cash, but despite a swarm of suitors, no deal was made. One concern for investors was the stake held by former lawmaker Harun Mwau, who was named in 2011 under the U.S. Foreign Narcotics Kingpin Act for alleged drug trafficking, which he has denied.

Two sources with knowledge of potential investments said the role of Mwau in the company was the main stumbling block because they did not want to fall foul of U.S. law enforcement, who froze Mwau's U.S. assets after the designation. Nakumatt has said in the past that Mwau holds shares in the company but declined to confirm or deny it to Reuters. Mwau did not respond to Reuters calls and text messages seeking comment. "Nobody acquiring was prepared to have him remain on the shareholder register," said a source involved in one transaction with a London-based fund that fell through in 2011. "They would have walked with about \$110 million cash and the debt would have been taken over," said the source, an account backed by several other sources with knowledge of the deal, including a Nairobi fund manager and an ex-employee. Nakumatt declined to comment on the deals. What happens to Nakumatt could have far-reaching effects for Kenyan retail and the wider economy, which has been expanding by more than 5 percent in recent years and is expected to grow by 5 percent this year. The World Bank designated Kenya a low-middle income country in 2014. Nakumatt has estimated in court papers that closing the chain would affect the livelihoods of more than 30,000 people, including 6,720 direct employees. Finance Minister Henry Rotich told reporters on Tuesday that while the government did not want to interfere in private businesses, it was looking at how to protect suppliers from non-payment so that debt didn't build up all along the chain. Kimani Rugendo, chairman of the Suppliers Association of Kenya with more than 2,000 members, said Nakumatt collectively owes them more than 30 billion shillings (\$289.86 million).

His company, Kevian Ltd, which manufactures juices, bottled waters and sauces, is owed 90 million shillings. Nakumatt declined to comment on the claim. "It is hurting the production and distribution trade," he said. He stopped supplying Nakumatt two months ago. Wambui Mbarire, the CEO of the retail trade association of Kenya, said Nakumatt's woes had forced suppliers to tighten their credit terms, demanding payment upfront. The big international supermarket chains sense an opportunity. Shoprite confirmed to Reuters it wants to take Nakumatt's lease in one prime shopping mall after it was kicked out last month over rent arrears. Carrefour, which opened two hypermarkets in Kenya last year through its UAE-based franchisee Majid Al Futtaim, will open a third this month in another shopping mall vacated by Nakumatt. "The success of the stores has given us the impetus to plan a greater expansion of our footprint in Kenya," said Frank Moreau, the Kenya head of Majid Al Futtaim retail, adding the first two stores are among the most successful in the franchise. But Carrefour Kenya cannot fill Nakumatt's big shoes just yet, said Boris Planer, the global chief economist at Planet Retail, a global retail consultancy. Two decades of growth and peak annual turnover of \$700 million would be hard to replicate anytime soon, he said. Rugendo said that he would miss the retailer if it folded, even as he counted his losses. "It is better the devil you know than the angel you don't," he said with a sigh. (Reuters)

## Economic News

**Kenya's economy will grow at over 6 percent in 2018 and move towards 7 percent in the medium term, Kenya's Finance Minister Henry Rotich said on Tuesday.** Earlier, Rotich trimmed the growth forecast for 2017 to 5.0 percent from an earlier 5.5 percent due to the effects of drought and political uncertainty arising from a prolonged election cycle. (Reuters)

**A Kenyan politician and two activists lodged separate petitions at the Supreme Court seeking the annulment of results from last month's**

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**presidential-election rerun, arguing the vote was illegal and wasn't free and fair.** Harun Mwau, a former lawmaker, filed a petition challenging the validity of the vote result, Judiciary spokeswoman Lilian Mueni said by phone from the capital, Nairobi. The Independent Electoral & Boundaries Commission erred by proceeding with the Oct. 26 vote without conducting fresh nominations after opposition candidate Raila Odinga withdrew from the race, lawyers for activists Njonjo Mue and Khelef Khalifa, said in a separate application. "The fresh election was not transparent and was further marred by illegalities and irregularities," law firm Soweto & Co. Advocates. said in the filing. "Given the prevailing conditions and circumstances, the IEBC could not and should not have proceeded with the conduct of the fresh election." President Uhuru Kenyatta, 56, won 98.3 percent of ballots cast in the rerun, which Odinga, 72, boycotted after the electoral agency refused to heed his demands to fire staff and change voting procedures. While the IEBC defended the election, the opposition dismissed it as a sham and said the final results were doctored. Voter turnout slumped to 38.8 percent, from 79 percent in an Aug. 8 contest that was nullified by the nation's top court after the commission failed to disprove the opposition's claim of rigging.

The prolonged election standoff has undermined Kenya's reputation as one of Africa's top investment destinations and a regional hub for companies including Google Inc. and Coca-Cola Co. While human rights groups say as many as 80 people have died in election-related violence since the August vote, police say they've only recorded 19 deaths. The rerun was marred by violence and intimidation, which forced its cancellation in some areas, and thus failed to meet the constitution's credibility threshold, according to court documents submitted by the activists' lawyers. The Supreme Court, which comprises seven judges, must deliver a ruling on the electoral challenge within 14 days. A new vote must be held within 60 days if the court overturns Kenyatta's victory for a second time. It was unclear whether the violence and intimidation that occurred and the fact that some people were unable to cast ballots would justify the election's nullification, according to Charles Kanjama, managing partner at law firm Muma & Kanjama Advocates. "The legal situation is unclear," Kanjama said by phone from Nairobi. "These are matters that have not been determined before. It can go either way." Odinga, a former prime minister who failed in bids to secure the presidency in 1997, 2007 and 2013, has vowed mass resistance against what he considers an illegitimate government and is urging his supporters to boycott products from three firms seen as aiding Kenyatta's administration: mobile operator Safaricom Ltd.; Brookside Dairies Ltd., which is part-owned by Kenyatta's family; and Bidco Refineries Ltd., an edible oils manufacturer. (*Bloomberg*)

**Several small- and medium-sized Mauritian businesses and entrepreneurs are expected in the country mid this month as they seek to reach out to millions of consumers.** They will attend an exhibition organised by the Trade Promotion of Mauritius and the Consulate of Mauritius in Nairobi. The three-day fair to be held on 13 and 15 this month at Hilton Hotel is co-organised by the Retail Trade Association of Kenya (Retrak). Retrak chief executive officer Wambui Mbarire said participants will exhibit textile and apparel, jewellery, alcoholic beverages and other fast-moving consumer goods. "We have an attractive market and hence the huge interest in Kenya," said Ms Mbarire. The move signifies Mauritian small traders are following in the steps of their larger peers. Mauritian firms have adopted an aggressive expansionist stance in the local financial sector over the last few years. Deep-pocketed Mauritian firm SBM Holdings recently said that it would buy a stake in Chase Bank. SBM acquired full ownership of bottom-tier lender Fidelity Bank last year. They have injected more than Sh5 billion in the economy through acquisitions and investments in Kenyan firms. (*Business Daily*)

**Treasury secretary Henry Rotich has defended the government's decision to issue another Eurobond whose proceeds will partly be used to repay a Sh77.3 billion (\$750 million) syndicated loan issued in 2015.** Mr Rotich, in an interview Wednesday, said the fresh Eurobond and the Treasury's negotiations with international investors to delay debt repayments did not indicate that the government was struggling to service its loans. The Treasury says that it is considering tapping the international debt markets to either finance infrastructure developments or for "liquidity management". The rapid rise in Kenya's public debt to more than Sh4.4 trillion at a time when the taxman is struggling to meet his targets has raised fears over sustainability of the loans. A Reuters story on Tuesday quoted Mr Rotich saying that most investors in the syndicated loan had agreed to extend its maturity by six months from October this year to April 2018, meaning the fresh Eurobond could be floated before then. Some 10 per cent of investors in the syndicated loan did not agree to the negotiated restructuring. "We are not doing anything strange. We can't just enter there (international market) and disappear until we pay the loan," Mr Rotich said, adding that the Treasury still does not have a time line for the new bond issue. Kenya issued a debut bond worth \$2 billion in June 2014 that was also used to retire a \$600 million syndicated loan, whose maturity had to be extended by three months, and other budgetary spending

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including infrastructure projects. The main opposition party at the time, Cord, later claimed that proceeds from the Eurobond had been misappropriated and none were used as intended, a claim the government refuted. Figures from Auditor-General Edward Ouko also showed that Sh215 billion of the Sh280 billion debt could not be clearly accounted for. A prolonged electioneering period that threatened to turn violent after the Supreme Court annulled the August 8 vote has made it difficult for the government to focus on expenditure cuts required to check the ballooning public debt. Lack of fiscal discipline during a politically charged 2017 has also made it hard for the Treasury to contain its expenses and meet its revenue targets.

A Budget Review and Outlook Paper (BROP) released in September showed that the level of public debt to GDP ratio was expected to rise to 59.0 per cent, from a previous target of 51.8 per cent. Mr Rotich said the government was considering both local and international options of raising cheap funds to fill the financing gap in the budget. "What we are saying is that it's (Eurobond) an option for us to finance any infrastructure that we may want to do in this financial year or use it for liquidity management," he said in an interview. The BROP also showed that the country's fiscal deficit target had been revised to 7.9 per cent in the 2017/18 fiscal year, from 6.2 per cent, after revenue collection fell 3.7 per cent short of target-- while expenses were higher than expected. In a tweet late on Tuesday, President Uhuru Kenyatta indicated a lower fiscal deficit rate of 6.4 per cent, which Rotich clarified yesterday that it excluded the cost of repaying loans taken to finance construction of the Standard Gauge Rail (SGR). "The 6.4 excludes SGR. If you include SGR it becomes 7.9 per cent." (*Business Daily*)

**A strike by Kenyan tea pickers has rekindled large-scale tea growers' plans to replace humans with plucking machines, threatening jobs in an economy that's struggling to create employment, according to the main producers association.** Companies including Unilever Tea Kenya Ltd. -- which produces the Lipton brand -- Williamson Tea Kenya Ltd. and James Finlay Kenya Ltd. lost more than 400 million shillings (\$3.9 million) of output in a three-week strike that ended Tuesday, Kenya Tea Growers Association Chief Executive Officer Apollo Kiarie said. About 16,000 tea pickers and other workers at estates that produce 40 percent of the nation's output demanded a cumulative 75 percent wage increase. "Those employers who have not installed even a single plucking machine will be compelled to start thinking about it," Kiarie said by phone Tuesday from Kenya's capital, Nairobi. "This strike is the nail in the coffin. Automation has to be done, but gradually. You wait for natural attrition to take place, and then you don't replace." While Kenya is the world's third-biggest producer of black tea after China and Sri Lanka, it exports more leaves than any other grower. Farmers harvested 473,000 metric tons last year and output could drop to 416,000 tons in 2017 because of a drought, according to the Agriculture Ministry. The crop generated \$1.16 billion of foreign-exchange earnings for the country last year. Pakistan and Egypt accounted for about half of the nation's tea exports in the first nine months of this year, according to Kenya's Tea Directorate. The fact that the companies lost 400 million shillings in a few weeks shows they are making enough to meet pay demands, according to Henry Omasire, the Kenya Plantation and Agricultural Workers Union's national organizing secretary.

"We are in court and talking to county governments to come up with bylaws to regulate this mechanization issue, because if we don't do that, there will be a lot of insecurity in those areas in future, because the boys will be unemployed," he said by phone. About 40 percent of the biggest tea producers have plucking machines, according to the KTGA. Most have automated factory processing and invested in high-yielding varieties. There has been resistance toward replacing humans with machines in a country where four in 10 people are unemployed. The government's ambition is to create 1 million jobs a year. "If we agree to stagnate and freeze wage growth, then we can continue for the next 10 to 15 years, but if the demand for increments continues, then it will be a shorter period," Kiarie said. After a 15 percent pay increase last year, workers now earn an average daily rate of 513 shillings, or just under \$5. The break-even price per kilogram of tea is \$1.80, according to the East African Tea Trade Association, which conducts the world's biggest black-tea auction at the port city of Mombasa. The average sale price was \$2.86 this week. "We are looking at the bigger picture, if the pressure continues, then in 15 years you will not find a tea operator in Kenya," Kiarie said. (*Bloomberg*)

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## Malawi

### Corporate News

*No Corporate News this week*

### Economic News

*No Economic News this week*

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## Mauritius

### Corporate News

**Air Mauritius's pretax profit fell to 6.60 million euros in the half year ended Sept. 30, the company said on Thursday, down from 15.95 million euros in the same period last year due to a loss in the first quarter.** The Indian Ocean island's national carrier said its passenger numbers grew 6.6 percent to 810,239 from 759,957. "The good performance in the second quarter has allowed the company to absorb the first quarter loss and show profit in the first six months," the airline said in a statement. In October, the airline added a brand new A350 to its fleet. A second one is earmarked for delivery by the end of this month. Revenue rose to 253 million euros from 244 million euros, it said. Air Mauritius said the second half of its financial year will be very challenging with the arrival of new players and fiercer competition on various routes. It also expects prevailing fuel prices and any movement on the EUR/USD exchange rate to influence its full-year results. *(Reuters)*

### Economic News

**Mauritius' inflation rate was unchanged at 3.5 percent year-on-year in October compared with a month earlier, the statistics office said on Wednesday.** *(Reuters)*

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## Nigeria

### Corporate News

**Nestle Nigeria Plc says it will sustain its interim dividend payment culture following the company's recent rebound.** The company proposed N15 interim dividend to its shareholders for the period ended September 30, 2017. This position was also reiterated by the company's Managing Director/Chief Executive Officer, Mauricio Alarconn, at a closing gong ceremony held at the Nigerian Stock Exchange, which had the board and management members of Nestle Nigeria in attendance. According to the company, register of members will close on November 27, 2017, while payment date is December 11, 2017. Highlights of the nine months financials showed that revenue grew by 43.06 per cent to N185.242bn, which is above N129.482bn recorded same period in 2016. Profit before tax went up by 526.38 per cent to N34.479bn as against N5.5bn that was recorded in 2016. During the quarter, Nestle introduced a new product, Milo ready-to-drink, into the market. For now, the product is only starting to gain market acceptance and is expected to meaningfully impact on Nestle's top line going forward. *(Punch)*

**Lafarge Africa Plc shareholders, on Monday, approved the proposed scheme of merger with United Cement Company of Nigeria Limited and Atlas Cement Company Limited.** The shareholders gave their endorsement to the move at a court-ordered meeting in Lagos convened by the management and board of Lafarge Africa. Addressing shareholders at the meeting, the Chairman, Lafarge Africa, Mr. Mobolaji Balogun, said there was a need for the merger, pointing out that it would help to streamline the operations of Unicem and Atlas as well as to reduce the operating costs by consolidating the cement manufacturing and marketing businesses for better efficiency and management. According to Balogun, the merger is expected to result in improved returns to shareholders' fund as well as increased benefit to other stakeholders, including employees and customers of Lafarge Africa, Unicem and Atlas. Shareholders, in their response, commended the company for its strategy and foresight, stressing that they were expectant that the move would boost the returns on their investment and make the company attractive for increased investments. They called on the management and board of the company to make informed decisions on the move while ensuring that all relevant requirements were met.

Responding to shareholders, Balogun said, "This merger is laudable and will eliminate cost inefficiencies arising from duplication of resources such human resources, financial reporting, operating and administrative expenses, among others. These cost elements would be significantly reduced post-merger". Lafarge Africa is the sole shareholders of Unicem and Atlas with Lafarge Africa holding an indirect 100 per cent equity shareholding in each of Unicem and Atlas. Atlas was commissioned for operation in 2001 in Rivers State within the Federal Ocean Terminal, Onne and the plant was operated on a floating vessel which had a nominal capacity to pack 500,000 metric tonnes of cement per annum. Unicem is headquartered in Calabar, Cross River State, with all its cement manufacturing operations consolidated at the Mfamosing plant. The Mfamosing plant is a modern production facility with an annual production capacity of five million tonnes and was inaugurated in 2009. Meanwhile, 23 stocks appreciated at the close of trading on the floor of the Nigerian Stock Exchange on Monday, despite the market closing in the red. A total of 466.522 million shares valued at N2.902bn exchanged hands in 4,274 deals. The local bourse trended southwards as the All-Share Index marginally declined two basis points to settle at 36,930.83 basis points while year-to-date return moderated to 37.4 per cent. The negative performance was primarily dragged by losses in Zenith Bank Plc, United bank of Africa Plc, International Breweries Plc and Total Nigeria Plc, which dropped by one per cent, two per cent, 3.5 per cent and 4.7 per cent, respectively. *(Punch)*

**Food and agro-allied products group, Flour Mills Group, has reported a 53.18 per cent rise in its half-year profit before tax.** Its unaudited 2017 half-year results showed continued growth through most segments of the business. The group's profit before tax for the period was N13.48bn as against N8.80bn for the same period in 2016, while profit after tax stood at N9.36bn, compared to N6.46bn for the same period in 2016. At the group level, revenue was N298.44bn for the six months ended September 30, 2017, an increase of 17 per cent when compared with N255.3bn of the same period last year. For Flour Mills of Nigeria Plc, the company recorded a revenue of N216.77bn which was an increase of 16 per cent when compared to N186.07bn for the same period in 2016. It recorded a 51 per cent increase in profit before

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tax at N12bn compared to N8bn for the same period in 2016. The company's finance cost also increased compared to the corresponding period of 2016 due to higher interest rates. Commenting on the result, the Group Managing Director, Flour Mills, Paul Gbededo, said, "Our half-year results show continued growth through most segments of our businesses, especially in the food business, delivering strong top and bottom line financials in line with our objectives. "The group recorded growth from volume and product mix. This growth was despite what continued to be a challenging business environment. "Overall, the business shows an impressive performance in the first half of the year. We are positive that we are on track to meet our growth targets for the remaining part of 2017/2018 financial year." (*Punch*)

**Unilever Nigeria Plc has announced the appointment of Mr. Chika Nwobi as non-executive director. His appointment takes effect from January 1, 2018.** Nwobi is the Founder of Level 5 Lab (L5Lab), a venture development firm that has incubated several successful African tech companies, including Jobberman.com, Africa's largest online jobs portal, and Cheki.com.ng, one of Nigeria's leading online car marketplace. L5Lab has invested in 21 start-ups in the country. Unilever said in a statement, "Chika is a seasoned professional of repute who played a pioneering role in the mobile content industry in Nigeria as Co-founder and Chief Executive Officer of MTech. "He was also a founding director of Wireless Application Service Providers Association of Nigeria and has led consulting engagements for Ford Foundation and IFC on mobile money and micropayments technology in Nigeria." Responding to the announcement, Nwobi said, "I am pleased to be joining the Unilever family through this opportunity. Unilever is a heritage brand that has contributed to the socio-economic development of Nigeria through the years. "I consider this an opportunity to serve and complement the efforts of everyone on the brand to sustain its heritage for greater value addition to Nigeria." Earlier, the Managing Director, Unilever Ghana-Nigeria, Mr. Yaw Nsarkoh, said, "As a company that is deeply committed to delivering value to our stakeholders, we are excited to have Nwobi join our team of reputable personalities at Unilever, who are pushing to achieve our global vision of making sustainable living a commonplace." Nwobi graduated as an Honours scholar from the East Tennessee State University, United States of America, with a Bachelor of Arts in Economics and a B.Sc. in Computer Science. He has taken courses in strategy (INSEAD); corporate finance (INSEAD); financial accounting (INSEAD); human resource strategy (Tsinghua University, China); supply chain (Tsinghua), and is in the Master in Software Engineering Programme at the University of Oxford. (*Punch*)

**Ecobank Transnational Incorporated Plc says its shareholders in Nigeria can still receive their dividend in naira as earlier announced in 2016.** This came after some shareholders of the company, at a capital market stakeholders' forum held at the Nigerian Stock Exchange, reported difficulties faced by them in their quest to get the naira equivalent of their dividend, which is originally paid in dollars. Responding to an inquiry made by our correspondent on the true position of the bank with respect to the dollar-denominated dividend payouts to ETI shareholders, the bank said, "We wish to state that from September, 2016 shareholders were advised that their dollar-denominated dividend warrants should be presented at Ecobank branches to get naira equivalent, if they so desire. "For cash payment (either in naira or dollar) of dividend warrant; the individual and corporate customer must provide the required valid means of identification. "For cash payment, there would be a limit to pay out in line with the Central Bank of Nigeria Cash-lite policy. For individuals, it is N500,000 and for corporate, it is N3m. The exchange rates advised by Ecobank treasury at the time of payment shall apply." For dividend amount above the stated figure, the bank said customer should either open an account and the warrant paid into the account based on the preset conditions or be issued a draft. If the customer opts for payment via draft (naira only), the draft, it explained, must be issued using the name on the dividend warrant. "We advise all our shareholders who have outstanding dividend claims to visit GTL Registrars Limited or make inquiries as to how to claim these dividend via its online platform." (*Punch*)

## Economic News

**Nigerian officials are increasingly confident the naira's troubles are over for good. Some investors disagree.** Portfolio inflows have risen in the past three months with crude prices rising above \$60 a barrel and money managers taking heart from a foreign-exchange trading window, where the naira has converged with the black-market rate. That prompted central bank Governor Godwin Emefiele and Patience Oniha, the head of the nation's Debt Management Office, to tell investors in London on Oct. 27 that the currency was set to strengthen. Finance Minister Kemi Adeosun concurred, saying Nov. 2 the government sees no significant exchange-rate risk as it prepares to raise dollar

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funding. But Nigeria's system of capital controls, multiple exchange rates and the trading window known as Nafex would struggle to survive a drop in oil prices or a turn in sentiment against emerging markets, which may come as the Federal Reserve raises interest rates, according to investors including Ashmore Group Plc and Standard Life Aberdeen Plc. "At the moment, it's easy for them to manage the current system and muddle through," said Brett Rowley, a managing director at TCW Group Inc. in Los Angeles, which oversees \$200 billion and recently started buying naira debt again after pulling out during the 2014 oil crash. "That could change if we got a significant drop in crude production or prices. That would be a key test to reassure investors they can get their money out even in times of stress." Yield-starved global investors have piled billions of dollars back into the country in the second half of this year, attracted by the naira's devaluation after the Nafex window opened in April and yields on one-year Treasury bills that were above 20 percent for most of the year. Foreign holdings of Nigerian government debt may have more than doubled from around 5 percent a year ago, according to Standard Chartered Plc. That's helped the naira to appreciate 2 percent since August to 355.49 per dollar, trimming its loss in 2017 to 13 percent. The yield on one-year T-bills has dropped around 400 basis points in two months to 18.2 percent, still among the highest in major emerging markets tracked by Bloomberg. For now, Nigeria's benefiting from a bullish oil market and rampant demand for developing-nation assets. Crude prices have increased 34% since June as OPEC members including Saudi Arabia push for output cuts to continue in 2018. And production in Nigeria, which is exempt from the curbs, has risen 15 percent this year to 1.7 million barrels a day. Foreign reserves are up to \$34 billion, the highest in almost three years. But a drop in Brent crude to around \$50 a barrel would probably be enough to push Nigeria's current account back into deficit, according to Bank of America Corp., which sees the naira falling to 432 per dollar by the end of 2018.

That could force Nigeria, whose President Muhammadu Buhari has long leaned on the central bank not to let the currency weaken, to choose between selling down its reserves or saving them at the expense of foreign-exchange liquidity. "It's all looking rosy at the moment for Nigeria," said Kevin Daly, a fund manager in London at Standard Life Aberdeen, which started buying T-bills soon after the Nafex window opened. "But that could easily change. Will the authorities be comfortable letting the naira drop to 380? That's not been tested." In the longer run, he says, Nigeria will struggle to sustain tight monetary policy, which is key to attracting foreign investors, and import restrictions if it wants the economy to pick up. Output contracted last year for the first time in three decades. Nigeria will be vulnerable to foreign-exchange shortages as long as it maintains a complicated currency regime and refuses, unlike other oil exporters such as Kazakhstan and Russia, to allow its currency to float freely, says Ashmore. The central bank keeps its official exchange rate, used for government transactions and fuel imports, pegged at 305 against the dollar, almost 20 percent stronger than the Nafex rate. "Flows in and out of Nigeria aren't sufficiently free yet for us to be comfortable taking large positions," said Jan Dehn, the head of research at Ashmore, which oversees \$60 billion of emerging-market stocks and bonds but has stayed away from Nigeria for more than two years. "We used to put on massive positions in Nigeria, but we're very far from getting back to that point." (*Bloomberg*)

**Amidst increasing anxiety of the nation's indebtedness to local and foreign creditors, the Federal Government is spending huge sums to service loans from different sources, IFEANYI ONUBA writes** The Federal Government spent a total of N927.74bn in the first half of this year to service the nation's loan obligations to local and external creditors, figures obtained from the Budget Office of the Federation have revealed. The amount is N7.07bn higher than the prorated sum of N920.67bn expected to be spent from January to June this year. A breakdown of the N927.74n debt service figure showed that it costs the Federal Government the sum of N871.94bn to maintain its domestic debt in the first six months of this year. This represents about 94 per cent of the entire amount spent on debt service. The amount spent on foreign debt service was put at N55.8bn, which is about six per cent of the total. Nigeria's public debt has increased significantly in recent years as the Federal Government has increased borrowing to finance its budget deficit. While the Federal Government has maintained that the country currently has low debt levels relative to total output, experts have argued that the low ratio to revenue poses substantial risk to the public debt portfolio. The Medium Term Expenditure Framework, which contains the government's fiscal strategy for the 2018 to 2020 period, puts Nigeria's total public debt stock at N19.16tn, representing about 18 per cent of the nominal Gross Domestic Product. The document stated that the Federal Government's domestic debt stock accounted for 63 per cent of the total debt, while the states' domestic debts were 15 per cent. It added that the external debts of both federal and state governments represented the residual of 22 per cent. It noted that the domestic debt represented 80 per cent of the debt stock of the federation. The rising domestic debt profile, according to the document, is part of an ongoing strategy to deepen the domestic debt market and reduce exposure to exchange rate risks associated with

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debt contracted in foreign currencies. This strategy, the government said, had yielded good results with the development of several debt instruments. However, it was learnt that the rising cost of servicing the domestic debt had led to a realignment of the strategy. This, according to the government, will entail a rebalancing of the debt portfolio from 84:16 distribution between domestic and external debt, to a 60:40 ratio by the end of the 2019 fiscal year. The implications of this, according on the MTEF, is that longer term external financing will form a significant part of Nigeria's debt portfolio going forward. To mitigate exchange rate risks, the document stated that new borrowing would be contracted to fund investment projects at concessional rates where possible. It explained that projects to be financed with external loans would be those supporting non-oil export and reducing import dependence, such that there would be no risk of external debt overhang. It stated, "Nigeria's public debt has increased significantly in recent years as the Federal Government has increased borrowing to finance its budget deficit. Although the country currently has low debt levels relative to total output, its low ratio to revenue poses substantial risk to the public debt portfolio. "Yet the country needs additional resources, including debt resources to fund economic recovery and diversification. Government is cautious of the implications of its expansive fiscal policy programme under a tight revenue profile. The fiscal deficit will be maintained within the three per cent level stipulated by the Fiscal Responsibility Act, 2007 but at an average of about 1.93 per cent of the GDP, but declining to less than one per cent by 2020."

It added, "Debt financing will be restructured gradually in favour of foreign financing, while domestic financing is de-emphasized. "Thus, while the proportionate share of foreign financing will increase from the current level of about 28 per cent to almost 72 per cent in 2020, domestic financing will decrease gradually from about 54 per cent in 2016 to about 26 per cent in 2020. "This will prevent the crowding out of the private sector and accord private capital a leading role in driving growth." Finance and economic experts, who spoke on the development, cautioned the Federal Government against further borrowing. They stated that the country's debt profile of N19tn was becoming unsustainable as it might be difficult to service it owing to revenue challenges. The experts advised that rather than continue to rely on borrowing to finance its activities, the Federal Government should adopt other sources of funding the infrastructure needs of the country such as concession, privatisation, and public-private partnership arrangement. Those that spoke to our correspondent in separate telephone interviews are the President, Institute of Fiscal Studies of Nigeria, Mr. Godwin Ighedosa; and the Director-General, Abuja Chamber of Commerce and Industry, Mr. Chijioke Ekechukwu. Ekechukwu said, "It is expected that the debt profile of the country will rise considering the fact that we have a deficit budget and even the deficit side of the budget was not met in the last budget year. "With the recession of last year, the government will need to continue borrowing to meet the increased size of the deficit.

Of course, the borrowing portends danger for the economy, because our debt profile is rising and we do not know when we are going to scale it down." In his comment, Ighedosa stated that while it was not bad to borrow, there was a need for a reduction in government expenditure He added, "We have a high fiscal deficit, which can only be funded through borrowing. When you borrow for investment, it improves the position on your balance sheet but when you borrow for consumption, it can cause problems for the economy as it will affect the level of confidence in the economy from investors, because they will assume we can't manage our economy. "We already have a debt overhang, and as it is, we are building that up and so there is a need to reduce the rate of borrowing." But defending the government's borrowing, the Minister of Finance, Mrs. Kemi Adeosun, expressed confidence that the Federal Government's revenue and debt management strategy would mitigate the country's debt service risk and fast-track its development. The minister noted that the government was refinancing its inherited debt portfolio and this would lead to significant benefits, particularly a reduction in cost of funds. She said, "The proposed refinancing of \$3bn worth of short-term treasury bills into longer tenured international debt is expected to save N91.65bn per annum. "Other benefits of our revenue and debt management strategy include improvement in foreign reserves as well as reduced domestic debt demand, which will reduce crowding-out of the private sector, and support the aspirations of the monetary authorities to bring down interest rates." While welcoming the advice of Nigeria's international development partners, including the International Monetary Fund, Adeosun said the strategy would achieve a number of objectives for the country. She stated that a key element of the economic reform strategy was the mobilisation of revenue to improve the debt service to revenue ratio. (*Punch*)

**Nigerian President Muhammadu Buhari projects the nation's budget shortfall will narrow next year as revenue from non-oil sources increases.** Buhari asked lawmakers on Tuesday to approve the 2018 budget with a deficit of 2 trillion naira (\$5.6 billion), compared to this

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year's estimated fiscal gap of 2.356 trillion naira. Non-oil revenue is projected to triple to 4.2 trillion naira and will include funds raised from "restructuring of government's equity in joint ventures," he said in his budget speech in the capital, Abuja, without providing more details. Lawmakers are required to approve the budget before spending can start. In the last two years delays of as much as six months in signing the budget into law held back spending on projects and weighed on economic growth. Africa's biggest oil producer is rebounding after the economy contracted by 1.6 percent in 2016, the first such performance since 1991. "The late passage of the 2017 budget has significantly constrained budget implementation," Buhari said. He urged the National Assembly to approve the spending plans by Jan. 1 "in our efforts to return to a more predictable budget cycle that runs from January to December." The International Monetary Fund forecast Nigeria's economy will expand by 0.8 percent this year as production of oil increases and foreign-currency availability improves for manufacturers to import inputs. "The budget deficit will probably be higher than forecast because non-oil revenue may not be as high as projected," John Ashbourne, an economist at Capital Economics Ltd. in London, said by phone. "We expect a budget deficit of 2.5 percent of gross domestic product compared to the forecast 1.77 percent."

The deficit will be funded by 1.7 trillion naira of borrowing, half of which will be external, and the privatization of non-oil assets to the value of 306 billion naira, Buhari said. A Budget Ministry document showed in February the government plans to generate money through asset sales in the next five years. The government plans to reduce debt-servicing costs by almost doubling the portion of cheaper foreign borrowing to 40 percent of total liabilities. This strategy will free up more funds for development and started with an announcement in August that the government will issue dollar bonds to replace \$3 billion of maturing domestic treasury bills. "If the government will borrow externally as it has indicated, the budget has to be passed early so it can meet up with the funding gap," Michael Famoroti, an economist at Lagos-based Vetiva Capital Management, said by phone. "There is the challenge of getting approval from the legislature and it's something it can't overlook." The 2018 budget of 8.6 trillion naira is 16 percent bigger than this year's and is based on projected oil output, including condensates, of 2.3 million barrels a day at \$45 per barrel and using an exchange rate of 305 naira per dollar, Buhari said. Oil output is recovering in the Niger delta after it dropped to almost three-decade lows last year as militants destroyed pipelines. Buhari told lawmakers that the country can't return to the crisis, amid threats from some groups who said would resume attacks because the government hasn't met promises they made when they agreed to cease fire earlier this year. The government forecast economic growth of 3.5 percent in 2018, according to Buhari's presentation. Inflation, seen at 12.4 percent for next year, may allow room for the central bank to ease monetary policy. It left the benchmark interest rate at a record high of 14 percent since July 2016. (*Bloomberg*)

**Nigeria's central bank said on Tuesday it had injected \$195 million into the interbank foreign exchange market, extending efforts to boost liquidity and alleviate dollar shortages.** The bank said in a statement it had released \$100 million earmarked for the wholesale market, \$50 million for small businesses and individuals, and \$45 million for certain dollar expenses such as school fees and medical bills. The bank will continue to intervene in the foreign exchange market to sustain liquidity, the statement said. (*Reuters*)

**Nigeria's bonds were flat on Wednesday, shrugging off a downgrade by Moody's, since investors had already factored in issues that triggered the rating change and were buying debt at a discount to book profits, traders said.** Ratings agency Moody's cut Nigeria's long-term foreign-currency bond to B1 from Ba3 and kept its outlook stable, saying Nigerian efforts to broaden non-oil revenue had been unsuccessful. The local-currency rating was unchanged at Ba1. Domestic bonds traded unchanged after some foreign investors booked profits before the rating decision. Yield on the benchmark 20-year bond rose 10 basis points to 15.03 percent, traders said. On the eurobond market, yields on Nigeria's \$500 million of bonds due 2018 rose to 3.60 percent on Wednesday from 3.08 percent. Yield on its latest \$1.5 billion issue due 2032 climbed to 6.80 percent from 6.7 percent. "Moody's was a bit behind the curve with their downgrade. The effect on government borrowing costs may be negligible, as will the effect on foreign appetite for Nigeria's eurobond issuances, given that the issues raised by Moody's is already well known," said Cobus de Hart, senior economist at South Africa's NKC African Economics. Nigeria's government balance sheet remains exposed to financial shocks, with interest payments high relative to revenues and deficits elevated despite cuts in capital spending, Moody's said. "There was limited market reaction ... as most (sub-Saharan Africa) names are in sub-investment-grade territory, a downgrade does not materially affect the investor base involved in these markets," said Samir Gadio, head of Africa strategy at Standard Chartered Bank. Nigeria exited a recession, brought about by low oil prices, in the second quarter of this year,

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but growth is fragile and inflation is still high, although trending downwards. It now plans to issue a \$2.5 billion eurobond before the end of the year to help fund its 2017 budget. It also wants to refinance \$3 billion worth of treasury bills through international markets as it moves to borrow more abroad. Nigeria now has 19.63 trillion naira (\$62.42 billion) in local bonds and \$64.2 billion in foreign loans as of June 30, according to the debt office. On Tuesday, President Muhammadu Buhari presented to parliament a record 8.61 trillion naira budget for 2018 and said it would borrow abroad to cover half of its deficit for next year. "External funding efforts may have suffered a blow," said Michael Famoroti, analyst at Vetiva Capital. "With the government looking more aggressively to the eurobond market for 2018 and expected higher global rates, pricing becomes more of a concern." (*Reuters*)

**Nigeria's Senate approved on Wednesday a report largely exonerating South African telecoms company MTN Group Ltd's Nigerian unit, after the business was accused of illegally repatriating \$14 billion to its parent.** But the Senate report also asked Nigeria's central bank to sanction Stanbic IBTC Bank "for improper documentations in respect of capital repatriation and loan repayments" on behalf of MTN. Parliament's upper house agreed in September last year to investigate whether Africa's biggest telecoms firm unlawfully repatriated \$13.92 billion from Nigeria - its most lucrative market which generates a third of its revenue - between 2006 and 2016. A spokesman for MTN said: "We welcome the report. We will study it in more detail. As we've placed on record previously, we have always insisted that our actions have been compliant with the law in this regard." Stanbic IBTC did not immediately respond to an email requesting comment. The senate investigation did not receive proof of collusion to contravene Nigeria's foreign exchange laws, according to the report. "There was evidence of massive capital outflow but that fact alone is not conclusive that a crime has been committed," the report said. As for the Central Bank of Nigeria, the senate committee said its failure to properly regulate foreign exchange should be condemned. The bank should propose amendments to current regulation to foster economic growth and improve Nigeria's foreign currency inflows, said the report. In July the Senate had rejected an earlier version of the report, asking for further work to be undertaken. (*Reuters*)

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## Tanzania

### Corporate News

**NMB Bank has launched three branches in the northern regions with a call to strengthen mobile banking services as real time online services for customers to access banking services.** The opening of three branches in Arusha and Kilimanjaro brings the total number of NMB branch network to over 212, more than 800 ATM machines and 4,100 banking agents. Arusha Regional Commissioner Mr Mrisho Gambo commended NMB for the continued efforts to expand its branch network to reach financially marginalized people particularly in the rural areas. "The increased branch network and NMB mobile banking services are doorways for more people to access financial services at the fingerprints," he said after opening a new NMB branch at Ngaramtoni in Arusha at the weekend. He added, "If I count the number of times for which I went to NMB branch does not exceed five in a year, thanks to the efficient use of the NMB mobile banking," He said with mobile phone, he can make many transactions and has helped in spending his time wisely. Other branches opened last week are NMB Mbuyuni in Moshi Municipality, and NMB Mto wa Mbu in Monduli District. The three branches will save thousands of customers who were forced to walk long distances to look for banking services. Mr Elibariki Kimario from Moshi Municipality said NMB customer said they used to travel long distances in order to find banking services, like depositing and withdraw particularly after selling livestock and crops at the local markets. *(Daily News)*

### Economic News

**Tanzania's gross domestic product (GDP) growth is seen slowing this year, hurt by cuts in government spending and a private sector slowdown, the World Bank said.** The World Bank forecast Tanzania's full-year GDP growth at 6.6 percent versus the government's 2017 growth target of 7.1 percent. The bank said growth in the first half of this year had slowed compared with the same period in 2016. "While the economy remains one of the highest performers in the region .. real GDP expanded at a slower rate of 6.8 percent in the first half of 2017 compared to 7.7 percent over the same period in 2016," the bank said in its latest economic update for Tanzania published on Monday. *(Reuters)*

**Helium resources discovered in Tanzania last year may be almost twice as large as first thought, helping address possible future shortages of the gas used in medical scanners and nuclear energy when production begins, possibly as early as 2020, the exploration company said.** Researchers working with Lisbon-based Helium One Ltd. calculated the Rukwa gas field in southwestern Tanzania could contain as much as 98.9 billion cubic feet of the resource, Chief Executive Officer Thomas Abraham-James said in an interview. In June 2016, researchers from the universities of Oxford and Durham in England said the "probable resources" of the "game-changer" discovery were 54 billion cubic feet, seven times the world's total annual consumption of the inert gas. "Once we complete the exploration, define the gas and the asset has matured, we will be confident about the nature of the gas facility," Abraham-James said by phone. The company intends to convert the sources to reserves next year and then "can determine the likely size of the production scenario," he said. The inert gas is critical to technology such as MRI scanners, missile-guidance systems and industrial-leak detection systems, and known reserves are quickly running out. Tanzania's resources are the first instance of helium being found by direct exploration rather than during a search for natural gas, according to Jon Gluyas, professor of geo-energy at Durham University, who was part of the first discovery team. He said the size of the Tanzanian find won't be confirmed until test wells are drilled, although the world's limited production sites mean development will impact global supply.

The U.S. is the world's leading supplier of the gas, although it's due to shut its Federal Helium Reserve in 2021, putting global distribution "under intense strain," the U.S. Subcommittee on Energy and Minerals said in June as it pushed for legislation to allow for the extraction of the gas on federal lands. Qatar, Algeria and Russia are the other main producers, but the Middle Eastern country's recent diplomatic standoff with its neighbors has raised concern over whether it can be a stable supplier, the subcommittee said. Helium One will need more

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financing to complete exploration and begin drilling, and will seek to refine and export the gas as Tanzanian demand for it is minimal, Abraham-James said. The U.S.'s total helium reserves and resources were estimated at 744 billion cubic feet, including 153 billion measured reserves, in December 2006, according to a U.S. Geological Survey in January. It put the rest of the world's helium resources at about 1.13 trillion cubic feet. The Tanzania discovery "has a long way to go before its potential can be assessed," said Maura D. Garvey, director of market research at Intelligas Consulting in Dedham, Massachusetts. "There are many questions as to whether the helium will be economically recoverable." With a current "slight oversupply" of the gas in the market at the moment, "the potential volume and global impact need to be addressed for when the production can come on stream," she said by email. *(Bloomberg)*

**Tanzania's inflation slowed to 5.1 percent year-on-year in October from 5.3 percent a month earlier due to slower rises in commodity prices, the statistics office said on Wednesday.** The food and non-alcoholic beverages inflation rate fell to 8.8 percent in October from 9.3 percent in September, the state-run National Bureau of Statistics (NBS), said in a statement. Food has the largest weight in the basket of goods and services used to calculate Tanzania's inflation. Month-on-month inflation fell by 0.1 percent in October compared to an increase of 0.02 percent previously. Tanzania Finance and Planning Minister Philip Mpango said on Tuesday annual headline inflation was expected to be contained at 5.0 percent by mid next year, in line with the country's mid-term target. *(Reuters)*

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## Zambia

### Corporate News

*No Corporate News This Week*

### Economic News

*No Economic News This Week*

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## Zimbabwe

### Corporate News

**Kwekwe based chrome smelting company Zimbabwe Mining and Smelting Company (Zimasco), which is under judicial management, has made a turnover of more than \$158 million within the past 16 months an official has said.** In an interview, Zimasco Judicial Manager, Mr Reggie Saruchera of Grant Thornton International, said the company, once the largest ferrochrome producer in the country and a force to reckon with in Africa, has posted a profit of more than \$45 million over the same period. Zimasco, which is rising from a debt overhang that had buried the group for years and currently under judicial management, has started making efforts towards liquidating debt owed to various creditors while a scheme of arrangement is in the pipeline. "We are happy to announce that we have managed to turn around Zimasco during the first 16 months of judicial management. Zimasco has made a turnover of more than \$158 million and a profit of more than \$45 million," he said. Mr Saruchera said the company was now operating on full throttle. He said the company had also invited its creditors for a scheme of arrangement on 29 November to map the way forward on how to settle the debts. The scheme of arrangement is expected to reschedule the debt and free up some space for capital and recurrent expenditure.

Zimasco owed a total of \$144 936 691 to creditors including \$21 780 307 to Sinosteel Singapore (in liquidation), \$11 350 142 to Sinosteel International and \$3 309 850 to the National Social Security Authority, pension funds and NEC. Zimasco owes \$34 738 364 to financial institutions, \$7 295 513 for retrenchment packages, \$2 787 316 towards salaries and wages arrears (three months), among other creditors. For some debts the company considered rescheduling and repaying over 6,5 years with some over 18 months. These negotiations have been going on and the company expects that a scheme of arrangement could be in place later this month. "The company is now operating on full throttle. We have invited our creditors to a scheme meeting this month to see how best we can stagger the payment over a period of four to five years," said Mr Saruchera. Zimasco has paid a dividend to creditors amounting to \$26,7 million or 18,7 percent of the total. Zimasco, an integrated ferrochrome producer with chromite mining locations in Shurugwi, Guinea Fowl, Lalapanzi, Mutorashanga and tributor operations along the Great Dyke, has been in the doldrums for the past decade but is now seeing a turn of fortunes. (*Herald*)

**Delta Corporation on Wednesday reported a 4 percent increase in after tax profit to \$32,3 million for the six months to September, from \$30,98 million in the comparable period last year on improved finance and income from associates.** Revenue rose by one percent to \$250,1 million from \$246,6 million in the same period last year driven by higher volume of lager beer. Lager beer volumes were up 11 percent to 676 hectolitres while gross sales increased by 9 percent to \$119 million. "Volume recovery was driven by value packs and value brands (Eagle) due to improved disposable incomes encouraging consumers to trade up from subsistence and economy categories," chief executive, Pearson Gowero told analysts. Sparkling beverages volumes remained flat while sales of alternative beverages increased by 19 percent on the prior comparable period. Sorghum beer volumes declined by 4 percent on the back of disruptions experienced in the rollout of the new 1,5 litre 'scud,' coupled with transactional challenges in the rural markets and a shift to lager beer. However, the company envisages sorghum beer volumes to improve in the third quarter. "The launch of an improved 1,5 litre Scud is expected to impact volume and revenue from third quarter," Gowero said. Earnings before tax, interest, depreciation and amortisation (EBITDA) fell four percent to \$53 million, reflecting the contribution of value packs and brand in the mix.

Net finance income increased to \$3,4 million from \$1,8 million in the comparable period last year. Its share of profit from associates increased by more than four fold to \$1,6 million from \$351,000 in the same period last year, driven by positive performance from both Afdis and Schweppes which recorded revenue and volume growth in the period. However, Gowero said Nampack, which is on a closed period, experienced challenges with raw materials arising from shortages of hard currency. Delta owes foreign shareholders a total of \$39 million with respect to unremitted dividends, according to finance director Matts Valela. The group also owed foreign creditors \$20 million as a result of challenges in making foreign payments, a situation which he said would cause disruptions in its operations in the medium term. "So far we have not stopped any production because of lack of inputs and spares, but there is a risk that we will suffer disruptions as we fail to settle foreign creditors on time," Valela said. The acquisition of a controlling stake in National Breweries Plc of Zambia will help expand its

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footprint in the region but will have minimal impact on its financials this year. The transaction is expected to be complete by end of March next year. Delta declared a dividend of 2,25 cents per share. (*The Source*)

**Listed firm, National Foods has invested \$7, 7 million through Paperhole Investments Commodities towards contract farming for the 2017-2018 summer cropping season.** The NatFoods scheme comes at a time when farmers are increasingly turning to contract farming and joint ventures for inputs and equipment at lower interest rates compared to banks. For years, farmers have been stalked by financing problems, but the enactment of Joint Venture Act in May last year has seen companies like National Foods partnering growers to improve productivity. Chief executive Mr Mike Lashbrook told *The Herald Business* that the company's contract scheme will be administered by PHI and Pure Oils Industries. The investment was mainly used to fund production of 7 700 hectares of maize, wheat and soya beans. It is forecast that the company will take in more than 40 000 tonnes of maize, wheat and soya beans from local contracted farmers. "For the 2017-2018 summer cropping National Foods will support the growing of 7700 hectares, of which 3 500 hectares will be maize and 4 200 hectares will be soya beans. It also comes as volumes for the first quarter of the year were down due to subdued performance in stockfeeds, maize divisions and third party products. First quarter volumes were subdued at 10,1 percent (14 000 tonnes) below last year. Stock feeds were down 9 200 tonnes on account of the Avian influenza outbreak which reduced day old chicks availability. Maize was down 7 300 tonnes following the excellent local harvest.

Third party products were down 6 900 tonnes (mainly sugar and cooking oil which were traded through former Natfoods depots which have now migrated to Gain Cash and Carry. Excluding these third party products the volume reduction was 5,4 percent. Flour unit performed strongly with volumes growing 18 percent compared to last year. "Profitability for the quarter largely met expectation as products traded last year through the Depot network did not contribute significantly to margins. In addition, costs were well controlled as the ongoing work on the cost base continues to take effect," said Natfoods chief executive Mike Lashbrook. He said the Reserve Bank of Zimbabwe continues to provide assistance for the importation of key commodities (mainly wheat). "We continue to work closely with the banking sector to manage our foreign currency requirements." Mr Lashbrook said the firm will continue to invest in extending a pipeline of key raw materials. To this end, working capital increased by \$9,3 million during the quarter to \$88,3 million. He said the group has a pipeline of raw materials in most of its key categories at this point. Mr Lashbrook added that they have discontinued the importation of pasta due to the need to prioritise foreign currency. "This will not have a material impact on profitability of the group," he said. (*Herald*)

## Economic News

**The Zimbabwe Stock Exchange (ZSE) industrial index gained 2.2 percent to 525,63 points after a recovery in some heavyweight counters. The mining index also gained 2,37 percent to close at 140,5 points.** Market capitalisation increased by 2,25 percent in the week to close at \$14,94 billion from \$14,62 billion in the previous week. Total market turnover decreased by 18,61 percent to \$38,4 million from \$47,2 million recorded in the previous week. The largest company by market capitalisation, Delta gained 3,77 percent to close at 317,53 cents in the week. Econet and OK Zimbabwe gained 1,68 percent and 19,63 percent to settle at 182 cents and 27 cents respectively while Old Mutual slightly gained 0,1 percent to settle at 1,430 cents. Padenga and Seedco picked up 3,47 percent and 2,26 percent to trade at 81,74 cents and 317 cents respectively. Simbisa also advanced 6,15 percent to close at 69 cents. National Foods and BAT remained unchanged at 750 cents and 3,800 cents respectively. Innscor was the only heavyweight to record a loss, after shedding 0,64 percent to settle at 165,93 cents. Leading the gainers pack were General Beltings and Edgars after picking up 33,33 percent and 37,93 percent to close at 0,8 cents and 8 cents respectively. ART and Lafarge gained 20 percent and 11,11 percent to settle at 7,2 cents and 100 cents respectively while TSL and NMB gained 8,11 percent and 5,26 percent to settle at 40 cents and 10 cents respectively. CFI and Meikles gained 2,45 percent and 3,46 percent to settle at 73,25 cents and 44 cents respectively. FBC and Willdale also added 4,17 percent and 5,33 percent to close 25 cents and 0,79 cents respectively. On the shakers side, Ariston and Axia eased 22,22 percent and 5,66 percent to close at 2,1 cents and 25 cents respectively. FML and ZB Financial Holdings eased 1,95 percent and 2,56 percent to settle at 19,1 cents and 38 cents respectively. On the mining space, Bindura added 5,36 percent to settle at 5,7 cents while RioZim added 1,09 percent to trade at 116 cents. Other mining

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counters Hwange and Falcon remained unchanged at 3,74 cents and 2,01 cents respectively. Foreigners remained net sellers in the week, disposing of shares worth \$21,95 million compared to buys of \$12,54 million. *(The Source)*

**Zimbabwe President Robert Mugabe signaled a worsening split in his ruling party ahead of elections next year by announcing he's prepared to fire his deputy, Emmerson Mnangagwa.** Mugabe issued the threat at a rally in the southern African nation's second biggest city, Bulawayo, on Saturday, a day before his wife Grace announced she's prepared to succeed the president, who's ruled Zimbabwe since 1980. "If I made a mistake by appointing Mnangagwa, tell me," Mugabe said at the rally, which was broadcast on national television. "I will remove him." Tensions in the Zimbabwe African National Union-Patriotic Front have grown as the nation gears up for elections next year when it may face a seven-party opposition alliance that's capitalizing on public discord over cash shortages, crumbling infrastructure and a collapse in government services. While the ruling party has named 93-year-old Mugabe as its presidential candidate, he's grown increasingly frail, sparking concern among his supporters that he may be unable to see out another five-year term. Grace Mugabe, 52, accused Mnangagwa of attempting to "carry out a coup" against the president and said at a rally in the capital, Harare, on Sunday, that she'd told her husband that he "should leave your position for me." The first lady is head of Zanu-PF's Women's League and the leader of the party's so-called Generation-40 faction that opposes Mnangagwa as a possible successor to Mugabe. "Have no fear, if you want to give me the job, give it to me freely," she said.

Zanu-PF will probably amend its constitution at a congress next month to ensure a woman is appointed to its top body, according to a draft document sent to senior members of the party by its secretary for administration, Ignatius Chombo. The party's presidium currently comprises the president, Mnangagwa and Zimbabwe's other vice president, Phelekezela Mphoko. Mnangagwa, 75, has suffered setbacks in recent weeks, including losing his position as justice minister in a cabinet reshuffle. He was replaced by Happyton Bonyongwe, the country's former top spy. Mnangagwa is known as Lacoste, taken from the French sportswear company's Lacoste's logo, a crocodile -- the nickname he earned during the liberation war against white-minority rule. The current divisions are the worst since 2014 when Mugabe fired Joice Mujuru as vice president. She's now part of the opposition alliance that includes former Finance Minister Tendai Biti and ex-Prime Minister Morgan Tsvangirai. "There is no doubt that Mugabe is on his way out and his attempts to shape the future of Zanu-PF according to his will are facing resistance," Rashweat Mukundu, an analyst with the Harare-based Zimbabwe Democracy Institute, said by phone. "As things stand Mugabe has control of this struggle as he has both political and state power on his side." *(Bloomberg)*

**Zimbabwe's President Robert Mugabe has fired Emmerson Mnangagwa as vice president after he showed "traits of disloyalty", his information minister said on Monday, removing a favourite to succeed the 93-year-old leader.** Mnangagwa's removal provides a boost for Mugabe's wife, Grace, who has been a vocal critic of the vice president and is also seen as a potential successor to her husband. "The vice president has consistently and persistently exhibited traits of disloyalty, disrespect, deceitfulness and unreliability," minister Simon Khaya Moyo told reporters. "It had become evident that his conduct in his discharge of his duties had become inconsistent with his official responsibilities." Neither Mnangagwa nor his aides could immediately be reached for comment. Grace, 52, called Mnangagwa a co-up plotter and a coward on Sunday in a speech that inflamed an already bad-tempered rift in the ruling Zanu-PF party. It followed a speech by Mugabe at a rally on Saturday where he publicly rebuked his deputy for the first time. *(Reuters)*

**Zimbabwean President Robert Mugabe fired a vice president who his wife Grace accused of plotting against her husband for the second time in three years, highlighting the first lady's rise to the pinnacle of power in the southern African nation.** The dramatic dismissal of Emmerson Mnangagwa on Monday came a day after Grace Mugabe publicly accused the former spy chief of plotting against the president. In 2014, similar allegations led to the ouster of Mugabe's then deputy, Joice Mujuru, who like Mnangagwa fought in the liberation war against the white-minority regime of Rhodesia. "It's clear that Grace Mugabe is calling the shots," said Alex Magaisa, a Zimbabwean law lecturer who is based in the U.K. and helped design Zimbabwe's 2013 constitution. "No other person has wielded as much public power as Grace has, apart from her husband. She is certainly the most powerful person in Zimbabwe at the moment after Mugabe." Mnangagwa's firing marks a decisive break by Mugabe with allies who fought in the independence war and propelled him to power in 1980 as well as a victory for Grace's Generation-40 faction of younger members of the Zimbabwe African National Union-Patriotic Front. It comes amid

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growing tensions in the ruling party before elections next year when it may face a seven-party opposition alliance that's capitalizing on public discord over cash shortages, crumbling infrastructure and a collapse in government services. "We are not surprised with what happened yesterday," Victor Matemadanda, secretary-general of the Zimbabwe National Liberation War Veterans Association, said by phone from Harare, the capital, on Tuesday. "It is the work of our erstwhile enemies since they have an agenda to remove every person who has liberation-war credentials. Those who have become dear to the dear leader are calling the shots, but as war veterans we are not going to be defeated."

While Mugabe is the party's candidate for the elections, Grace, the president's former secretary whom he wed in 1996 after the death of his first wife, said on Sunday that she's ready to succeed him. Her announcement came as Zanu-PF is planning to amend its constitution at a congress next month to ensure that a woman is appointed to its top body, known as the presidium. It currently comprises the president, Mnangagwa and Zimbabwe's other vice president, Phelekezela Mphoko. Nicknamed "Gucci Grace" in Zimbabwe for her extravagant lifestyle, her lawyers filed suit last month in the High Court against a Lebanese national over his purported failure to supply a \$1.35 million ring she'd ordered for her wedding anniversary. In August, neighboring South Africa granted her diplomatic immunity after she was accused of assaulting a woman in a Johannesburg hotel with an electric extension cord in a dispute involving her sons. Grace has already picked up support from Zanu-PF's youth league to take Mnangagwa's place as vice president. For Mnangagwa, the dismissal marks a stunning downfall for a leading candidate to succeed Mugabe and who's been his comrade for the past 50 years during the armed struggle against Rhodesia and after independence. He was fired because of "disloyalty, disrespect, deceitfulness and unreliability," Information Minister Simon Khaya Moyo told reporters Monday at Mugabe's office.

In recent weeks, he lost his position as justice minister in a cabinet reshuffle and was publicly criticized by Mugabe. His faction of supporters is known as Lacoste, taken from the French sportswear company's Lacoste's logo, a crocodile -- the nickname he earned during the liberation war. The current divisions in the ruling party are the worst since Mugabe fired Mujuru as vice president. She's now part of the opposition alliance that includes former Finance Minister Tendai Biti and ex-Prime Minister Morgan Tsvangirai. Mnangagwa, who enjoys support in the military and among war veterans, will have to decide whether to go quietly or seek to reverse his downfall, either by challenging Grace Mugabe in the party or forging links with the opposition. "As things stand, the Zanu-PF old guard is gone and the Mugabe's have opened another opposition front as they have to contend with the Mnangagwa's supporters," Rashweat Mukundu, an analyst with the Harare-based Zimbabwe Democracy Institute, said by phone. "Zimbabwe is in uncharted waters." (*Bloomberg*)

**GOLD production for the month of October jumped 11 percent, the highest year to date, driven by increased deliveries from small-scale miners.** Gold output for the month stood at 2 770 kilogrammes, up from the September figure of 2 494kg. Small-scale miners produced 60 percent of the total gold produced in the month at 1 672kg while the remaining 1 098kg came from primary producers. Overall gold production has been on a steady increase since January. In the third quarter, gold production rose 33 percent to 7 162kg compared to the second quarter's production of 5 363kg with artisanal miners making the biggest contribution to total production. This, however, comes as the average selling price for the yellow metal fell 2,6 percent to \$1 279 per ounce compared to \$1 314 per ounce in September. Zimbabwe Miners' Federation public relations manager Dosman Mangisi said while small-scale miners contribution was significant, there was still need for Government intervention in the supply of mining machinery as manufacturers are battling foreign currency shortages. This is affecting the small-scale mining sector's efficiency and productivity. This, he said, called for relevant authorities to prioritise manufacturers of mining equipment in the allocation of foreign currency to ease deficiencies in the sector.

"There is need for Government to assist companies that manufacture and supply mining equipment on forex allocation which is their concern right now. This will allow miners to purchase the machinery at more affordable prices," he said. Since the beginning of the year, artisanal miners' contribution to the country's overall gold production has been on the increase. Last year, their contribution was around 45 percent but has risen above the primary producers. In recognition of their significant contribution, Government has come up with incentives such as the \$20 million gold facility which was later increased to \$40 million on significant drawdowns from small-scale miners. Indications are that the Reserve Bank of Zimbabwe (RBZ) may further add another \$30 million to the facility as it moves towards boosting the country's

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total gold production and attracting producers to sell their gold at Fidelity Printers and Refiners. This will also help plug loopholes in the gold sector where an estimated 1 000kg of the precious metal is being smuggled out of Zimbabwe, robbing the country of export revenue. Gold is the second largest export earner contributing 17 percent after tobacco at 21 percent. *(The Herald)*

**ZIMBABWE'S power imports are under threat as the country continues to struggle to pay its obligations due to acute shortages of foreign currency, sources familiar with the development have said.** The country imports an average of 300 megawatts mainly from South Africa's Eskom and Mozambique to augment local supplies but it is in arrears of close to \$50 million. Sources told The Herald Business this week that frantic efforts were being made to reduce the arrears after Eskom threatened to cut supplies at the end of last month. "The situation is dire," said one source within the Ministry of Energy and Power Development. Eskom had threatened to cut the supplies at the end of last month but a commitment was made to immediately pay at least \$10 million this week to avoid disruptions. Early this week, a payment of \$3 million was paid and the remainder would be paid later." Eskom is owed about \$40 million while the country is in arrears of \$8 million to HCB of Mozambique. No official comment could be obtained from the ministry at the time of going to print. Zesa chief executive Engineer Josh Chifamba was not immediately available for a comment.

Zesa is supposed to receive \$5 million weekly from the RBZ to import power but the acute foreign currency shortages have seen the central bank struggling to provide enough allocations. Eskom has frequently threatened to switch off ZESA over its failure to clear the arrears. Power imports rose 260 percent last year. The country imported 2 600 gigawatt hours of power up from 626,4 GWh purchased in 2015. The value of imports increased to \$220 million from about \$40,6 million a year earlier. Zimbabwe requires an average of 1 400 megawatts against an average generation of 1 000MW. Zesa is expected to commission the first power generating unit under the \$533 million Kariba South extension project next month and this would ease pressure on Zesa to import power. The new units at Kariba power plant are expected to start delivering 150MW onto the grid in December, with an additional same amount of power expected three months later. Zimbabwe has not invested in major power projects since completing the 920MW Hwange thermal power plant, which now experiences frequent breakdowns and produces way below its capacity. Further, an additional 300MW will mean consistent or guaranteed supply to substitute a similar amount of power being imported to bridge the deficit. *(The Herald)*

**THE Securities and Exchange Commission of Zimbabwe (SECZ) will pilot the mobile share trading platform this month before it goes live in December.** SECZ chief executive officer Tafadzwa Chinamo, however, said there were still some technical issues that needed to be addressed before the project is rolled out to the investing public. Mr Chinamo said the technical team were working on interconnecting the Zimbabwe Stock Exchange system and the Central Securities Depository (CSD) before the mobile trading platform could be fully established. The ZSE has been using an Automated Trading System since July 2015. "Vendors who supplied the ATS are from Pakistan, and the CSD was sourced from Sweden. Therefore the mobile trading system has to communicate with both systems, and for that to happen, there are some tweaks to that need to be done on both," said Mr Chinamo. Progress on the project had also been affected by the prevailing foreign currency challenges. "Foreign currency has been a challenge but this has been settled now, and so by next week we are hoping more progress would have been made as we move to do some tests," he said. According to Mr Chinamo, the successful launch of the mobile share trades will see the capital markets regulator embark on an awareness campaign highlighting how investors can open accounts or trade using their mobile phones. *(Herald)*

**Zimbabwe's President Robert Mugabe on Wednesday said the route to leadership was long and full of "pitfalls and death", as he accused his fired deputy and former protege of showing impatience in his bid to succeed him.** Addressing supporters at the headquarters of his ZANU-PF party in Harare, 93-year-old Mugabe accused Emmerson Mnangagwa of consulting witchdoctors and prophets as part of a campaign to secure the presidency. Mnangagwa said he had fled Zimbabwe because of death threats and was safe. "My sudden departure was caused by incessant threats on my person, life and family by those who have attempted before through various forms of elimination including poisoning," he said in a statement on Wednesday. The head of the influential war veterans association, Chris Mutsva ngwa, said that Mnangagwa, who was sacked on Monday, would travel to Johannesburg in neighbouring South Africa "very soon". Mugabe said Mnangagwa, nicknamed "Crocodile", had made the same mistakes as Joice Mujuru, who was the president's deputy for 10 years until she

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was fired in 2014. "You should not try to say because the journey is long, then I should take a short cut to arrive quickly. The road has lions. There are pitfalls. There is death, beware," he said. "...There is no short cut to being the leader of the people. Just as there was no short cut to our independence." ZANU-PF would move to discipline Mnangagwa's "co-conspirators", Mugabe added. ZANU-PF's executive politburo is expected to decide at a meeting on Wednesday whether to fire Mnangagwa and his allies from the party. Mnangagwa has not been seen in public since his dismissal from government but his ally Mutsvangwa said he was "safe and beyond the reach of the assassins". Mutsvangwa ruled out trying to remove Mugabe by force and said war veterans, who had publicly backed Mnangagwa and broke ranks with the president last year, would form a broad front with the opposition in elections next year. "We don't want to abuse the military to resolve a political problem. We don't want them to become the arbiter of political power," Mutsvangwa said. He was critical of Mugabe's wife Grace, who looks set to become vice president after a special ZANU-PF congress in December. "This is a coup by marriage certificate ....and it will be resisted," he said. *(Reuters)*

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