SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	19-May-17	26-May-17	WTD % Change Local	WTD % Change USD	31-Dec-16	YTD % Change Local	YTD % Change USD
Botswana	DCI	9351,25	9348,78	-0,03%	1,33%	9700,71	-3,63%	0,44%
Egypt	CASE 30	12952,38	13205,11	1,95%	2,00%	12344,00	6,98%	7,51%
Ghana	GSE Comp Index	1915,90	1923,53	0,40%	-0,22%	1689,09	13,88%	11,40%
Ivory Coast	BRVM Composite	265,02	264,82	-0,08%	0,71%	292,17	-9,36%	-3,59%
Kenya	NSE 20	3285,49	3442,38	4,78%	4,78%	3186,21	8,04%	8,10%
Malawi	Malawi All Share	15610,11	15595,81	-0,09%	-0,04%	13320,51	17,08%	15,91%
Mauritius	SEMDEX	2070,94	2064,75	-0,30%	-0,59%	1 808,37	14,18%	18,08%
	SEM 10	403,49	400,96	-0,63%	-0,92%	345,04	16,21%	20,17%
Namibia	Overall Index	1059,63	1056,85	-0,26%	3,34%	1068,59	-1,10%	4,70%
Nigeria	Nigeria All Share	28113,44	29064,52	3,38%	2,83%	26 874,62	8,15%	4,01%
Swaziland	All Share	386,10	386,10	0,00%	3,61%	380,34	1,51%	7,46%
Tanzania	TSI	3430,52	3376,42	-1,58%	-1,60%	3677,82	-8,20%	-11,80%
Zambia	LUSE All Share	4717,52	4615,84	-2,16%	-2,48%	4158,51	11,00%	17,61%
Zimbabwe	Industrial Index	153,33	160,30	4,55%	4,55%	145,60	10,10%	10,10%
	Mining Index	70,98	69,21	-2,49%	-2,49%	58,51	18,29%	18,29%

CURRENCIES

Cur-rency	19-May-17 Close	26-May-17 Close	WTD % Change	YTD % Change
BWP	10,24	10,10	-1,34	4,22
EGP	18,08	18,07	-0,04	0,50
GHS	4,30	4,33	0,61	-2,18
CFA	589,08	584,50	-0,78	6,37
KES	101,54	101,53	-0,01	0,06
MWK	718,56	718,22	-0,05	-1,00
MUR	33,36	33,45	0,29	3,41
NAD	13,36	12,89	-3,48	5,86
NGN	313,43	315,11	0,54	-3,83
SZL	13,36	12,89	-3,48	5,86
TZS	2 208,08	2 208,53	0,02	-3,93
ZMW	9,23	9,26	0,34	5,95

SECURITIES AFRICA

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

No Corporate News This Week

Economic News

Egypt has prepared the wireless frequencies needed for telecommunications companies in the country to deliver 4G mobile broad band networks, a key step in the long-delayed introduction of high speed telecoms services. "We are now ready to hand over 4G mobile frequencies to any company that is ready, we are waiting for companies to finish preparations to receive the frequencies," Communications Minister Yasser al-Kadi told Reuters on Sunday. Egypt sold four 4G licences in 2016 as part of a long-awaited plan to reform the telecoms sector and raise dollars for stretched government finances. The country's three mobile operators - Vodafone Egypt, Orange and Etisalat - acquired licences. Orange Egypt agreed to a provision that half the licence fee be paid in dollars. Egypt's state-owned landline monopoly Telecom Egypt said in July it would offer 4G services within a year of obtaining frequencies. *(Reuters)*

Egypt, the world's largest importer of wheat, has procured 2.33 tonnes of wheat from local farmers since its harvest began in mid-April, the supply ministry said in a statement on Sunday. The ministry said it would provide a premium to farmers of 15 Egyptian pounds ($0.83) per tonne for wheat stored and transported in jute bags and 10 pounds per tonne for wheat stored in silos located far from production areas with over 50 percent empty storage capacity. Egypt consumes 9.5 million tonnes of wheat to make its subsidised bread - 4 million tonnes from the local harvest and 5.5 million tonnes from imported wheat. The local harvest runs through July but the supply ministry has said it plans to continue making international purchases this year to boost the country's strategic reserves. *(Reuters)*

Average yields on Egypt's three-month and nine-month treasury bills rose at an auction on Sunday, data from the central bank showed. Yields on the three-month bills increased to an average of 19.493 percent from 19.332 percent at the most recent similar auction. Yields on the nine-month bills increased to 19.709 percent from 19.479 percent. *(Reuters)*

Egypt's central bank raised its key interest rates by 200 basis points on Sunday, confounding the expectations of economists who saw rates unlikely to change, but in line with recent IMF statements. At a meeting of its Monetary Policy Committee, the bank hiked its overnight deposit rate to 16.75 percent from 14.75 percent and its overnight lending rate to 17.75 from 15.75 percent, it announced in a statement. This was the bank's first increase in rates since it aggressively hiked them 300 basis points in November. Egypt floated its currency in November and it has roughly halved in value since then. The move helped it clinch a $12 billion three-year International Monetary Fund lending programme tied to ambitious reforms such as tax hikes and subsidy cuts. Inflation has soared to a three-decade high since the currency float, with annual urban inflation reaching 31.5 percent in April.

The IMF has said lowering inflation is key to keeping its economic reform programme on track and said as recently as last week that raising key interest rates could be an appropriate tool for doing so. But economists polled by Reuters last week overwhelmingly expected rates to remain unchanged, with 13 of 14 economists predicting them to stay put amid lower lending growth in recent quarters. "We believe that a hike in the CBE corridor interest rates might not be the appropriate tool to curb inflation and would render investment irrational at such high cost of debt rates," said a research note from Arqaam Capital. Justifying the hike, the central bank statement said "the balance of risks surrounding the inflation outlook has tilted more strongly to the upside with recent economic and monetary data releases pointing to strengthening demand-side pressures". It said the bank "envisages risks related to inflation expectations resulting from elevated annual inflation levels despite the continued moderation of monthly rates". *(Reuters)*

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Egypt's budget deficit for the first nine months of the 2016-17 fiscal year ending in June dipped to 8 percent of GDP from 9.4 percent during the same period last year, a draft budget statement showed. Egypt is implementing sweeping reforms that include cutting subsidies and raising taxes as part of a three-year $12 billion International Monetary Fund lending programme. The government in April said it expects the budget deficit for this fiscal year to hit 10.9 percent of GDP. It is looking to bring this down to 9.1 percent during the next fiscal year. *(Reuters)*

Egypt raised $3 billion in a Eurobond sale on Wednesday, about twice as much as targeted and at lower cost than when the same bonds were first sold in January, suggesting foreign appetite for the country's debt is growing as it makes economic reforms. Egypt returned to international debt markets to cover its financing needs following its successful sale earlier this year of $4 billion in five-, 10- and 30-year bonds. On Wednesday, it sold another $750 million of the five-year paper at a yield of 5.45 percent, $1 billion of the 10-year bonds at 6.65 percent and $1.25 billion of the 30-year bonds at 7.95 percent. Order books closed at $11 billion, a document issued by one of the banks leading the deal showed. Egypt has sought to lure back foreign investors following a 2011 uprising that drove them away. Finance Minister Amr El-Garhy said 80 percent of the money raised from the bond sale came from North America and Europe, and that the proceeds would reach the central bank by May 31. "This is a great success and shows confidence in the economy," said one Cairo-based banker. "...This shows that there is very good sentiment on Egypt and expectations that yields could fall further in the future." Egypt signed a three-year $12 billion International Monetary Fund programme in November attached to reforms including a value-added tax and subsidy cuts to curb the budget deficit, moves the IMF said would boost its fiscal position.

Cairo is trying to cut the deficit to 9.1 percent next year from an expected 10.9 percent this year. Garhy said the sale would be used to help meet the government's financing needs for the fiscal year to June 2018 and that it could tap markets again next February or March. The sale plus anticipated payments from foreign institutions "means we have largely succeeded in plugging the financing gap within the 2017-18 budget," he told Reuters in a telephone interview. Egypt has been negotiating billions of dollars in aid from various lenders to help revive an economy hit by political upheaval, and to ease a dollar shortage that has crippled imports and hampered its recovery. "It's positive overall," said Reham El-Dessouki, an economist at Arqam Capital. "Investors see Egypt's economic reforms having a positive impact on future economic growth and they perceive Egypt to be less risky then before." *(Reuters)*

Egypt's government sold more Treasury bills than it targeted on Thursday to accommodate increased demand from foreigners following the central bank's interest rate increase this week. Overseas investors bought 63 percent of the 15.8 billion Egyptian pounds ($873 million) worth of 6-month and 12-month T-bills sold Thursday, said Samy Khallaf, head of the Finance Ministry's public debt division. The government's initial target was 12.75 billion pounds in the first sale since borrowing costs were raised on Sunday in an effort to curb spiraling inflation. "There was an obvious uptick in foreign investor demand" due to the higher rates, Khallaf said in a phone interview. Foreign holdings of Egyptian debt were about 120 billion pounds as of Tuesday, he said. Foreign currency inflows into Egypt's debt and equity market have already been steadily growing since the central bank removed restrictions on the currency and raised interest rates in November before securing a $12 billion loan from the International Monetary Fund. Average yields on the 6-month notes rose 85 basis points from last week's sale to 20.66 percent; and 89 basis points on the 12-month notes to 20.58 percent. Khallaf said all foreigners took positions using the central bank's repatriation fund, which guarantees expedited transfer of money abroad. Before November, overseas investors cited difficulties in sending profits abroad as well as the overvaluation of the pound as reasons for their reluctance to put money in Egyptian markets. The pound was little changed at 18.09 per dollar at 3:27 p.m. in Cairo. *(Bloomberg)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The Bank of Ghana has disclosed that Ghana's debt has reached a total amount of GHC129.5 billion representing a seven billion cedi increase in the country's debt stock since December 2016. The figures are contained in the Central Bank's Summary of Economic and Financial Data issued Friday May 19, 2017. The current figure does not however put the country in a debt distress position as it translates into a debt to GDP ratio of 63.7 percent of GDP. Per the data, out of the GHC129.5 billion, external debt accounts for GHC74.5 billion, while debt incurred internally stands at GHc55 billion. Analysts are however concerned the president Nana Addo Dankwah Akufo Addo might be failing in his campaign promise to reduce the nominal debt figures as the country's debt books as at December 2016 stood at 122 billion. *(Ghana Web)*

Ghana is seeking better terms for its debt-support program with the International Monetary Fund as the parties discuss an extension of the agreement beyond an April 2018 deadline, according to a person familiar with the matter. The government will agree to extend the deal in return for a bigger credit facility, said the person, who asked not to be named because the information isn't public. West Africa's second-biggest economy will take longer than planned to meet the objective of the program, the Washington-based lender said May 19. Finance Minister Ken Ofori-Atta didn't answer calls seeking comment. A spokesman for the IMF didn't immediately respond to requests for comment by phone and email. The IMF is reviewing progress on its $918 million extended credit-facility program that it agreed with Ghana in April 2015 after lower prices for the nation's gold and oil exports caused debt to balloon and the currency to weaken. The government consented to fiscal and monetary reforms, including narrowing the budget deficit that exceeded 10 percent of gross domestic product from 2012 to 2014. Last year, the fiscal deficit measured 8.7 percent of GDP against an initial target of 5.3 percent after the new government of President Nana Akufo-Addo, who won a December vote against former President John Mahama, discovered $1.6 billion in previously unknown expenses. *(Bloomberg)*

The producer price inflation has fallen from 6.0 percent in March to 4.8 percent. This means the cost of production for industries has seen a significant stability during the period. The stability of the Cedi has been identified as the major cause for the fall. The year-on-year producer inflation for all industry was 4.8 percent in April 2017; the monthly change rate was -1.3 percent. The Mining and Quarrying sub-sector recorded the highest year-on-year producer price inflation rate of 18.2 percent, followed by the Manufacturing subsector with 2.9 percent. The Utilities sub-sector recorded the lowest year-on-year producer inflation rate of 1.2 percent. With respect to the monthly changes, the Utilities sub-sector recorded the highest rate of -0.3 percent followed by the Manufacturing sub-sector with -1.0percent. The Mining and Quarrying sub-sector recorded the lowest rate of -3.4 percent. In April 2016, the producer price inflation rate for all industry was 11.2 percent. The rate decreased to 11.0percent in May 2016 and decreased further to record7.6 percent in June 2016. It increased to 10.4 percent in July, 2016 and then to 11.1 percent in August2016.

The rate declined in September 2016 to record 9.7 percent but increased marginally to 9.8 percent in October 2016. It increased further to 11.9 percent in November 2016 but declined to 4.8 percent in December 2016 and then to 3.1 percent in January2017. In February 2017, the rate increased to 5.4 percent and then to 6.0 percent in March 2017 but declined to 4.8 percent in April 2017. Manufacturing Sector during the month of April 2017, nine out of the 16 major groups in the manufacturing sub-sector recorded inflation rates higher than the sector average of 2.9 percent. Tanning and dressing of leather recorded the highest inflation rate of 20.8percent while manufacturing of paper and paper products recorded the lowest producer price inflation rate of -5.3%. The producer inflation rate in the petroleum sub sector was 6.5 in April 2016. The rate declined slightly to 6.1 percent in May 2016. In June 2016, the rate decreased to record -4.7 percent and then to-19.3 percent in July 2016.The rate increased consistently to record -0.1 percent in December2015. The rate declined to -6.9 percent in January2017 but increased to 0.4 percent in February 2017and then to 5.3 percent in March 2017. However, in April 2017, it de clined to -1.2 percent. The Producer Price Index (PPI) measures the average change over time in the prices received by domestic producers fo r the production of their goods and services.*(Ghana Web)*

Export proceeds in the first four months of the year overtook imports by 30.2 per cent, resulting in a balance of trade (BOT) surplus of US$1.15 billion within the period. This means the country sold more goods to the outside world than it bought in the first qu arter. The trade surplus, which is equivalent to 2.5 per cent of gross domestic product (GDP), is the best in more than a decade and strengthens hopes that the country's BOT has successfully resumed a surplus trend after decades of consistent deficits. The first trade s urplus in the country's most recent history was registered in January this year, when exports overtook imports by US$258 million, then resu lting in a BOT surplus equivalent to 0.6 per cent of GDP. However, data released by the Bank of Ghana (BoG) on May 21 showed that on year-on-year basis, exports rose by 44.1 per cent to US$4.92 billion in April, compared to imports, which declined by 11.6 per cent to US$ 3.78 billion. This resulted in the US$1.12 billion BOT surplus in the first quarter of 2017 compared to a BOT deficit of US$935.7 million (2.2 per cent of GDP) in the same period last year. The firm growth in exports within the first four months of 2017 was the cumulative effect of a decline in oil and non-oil imports as against a strong growth in gold and oil exports. The data showed that proceeds from gold and oil expo rts ended the quarter at US$2.2 billion and US$845.3 million respectively, compared to US$1.3 billion and US$212.3 million in the same period last year. The April 2017 trade surplus is the fourth of its kind, since the BOT reverted to a surplus position in January this ye ar. After opening 2017 at US$258 million, the trade surplus improved to US$573 million in February this year, before doubling to US$1.15 billio n in April.

Although too early to say, an Economist and Senior Researcher at the Institute for Fiscal Studies (IFS), Dr Said Boakye, expl ained that a BOT surplus could ultimately impact positively on the foreign exchange. Given that the movement of the cedi is always the effect of the balance of payment, Dr Boakye said a trade surplus was a good sign that "things will improve in the long term". "If the country has s tarted seeing surpluses in the trade account, it is a good sign," he said, citing the country's penchant for posting BOT deficits. Although the income and current accounts have recorded surpluses sparingly, the BOT has always been on the deficit, resulting in an overall balance of payment deficit. However, should the current trend in the trade balance continue, the senior researcher at IFS said the overall balan ce could drift towards a positive point and that would impact positively on the performance of the cedi. A former Deputy Governor of the BoG, Mr Emmanuel Asiedu-Mante, admitted that the trade surplus could impact positively on the foreign exchange "but in the distant futur e". "When you import more than you export, it weakens your currency. Now that we are beginning to import less, it should help the currency to stabilise but that will take some time," he added. As of April this year, the cedi had lost one per cent of its value to the US dollar compared to a zero rate of depreciation in the same period last year. Against the British pound and the euro, the cedi lost 5.8 per ce nt and six per cent respectively compared to a gain of 1.6 per cent and a decline of 3.4 per cent in April 2016. That notwithstanding, Dr Boakye of the IFS said the decline in imports, which helped to strengthen the BOT position, could be reversed in the coming months, thereby muting t he improvement in the trade surplus. *(Ghana Web)*

The Bank of Ghana is set to increase the minimum capital of banks from GH¢120 million to GH¢200 by July this year, following extensive engagements with stakeholders in the financial sector. This is to inject more capital into the banks and make them stronger and resilient to undertake big ticket deals both locally and internationally. A highly placed source at the BoG has told the Graphic Business in an interview that though the government is yet to approve the request, the banks will have two years to increase their capital once the an nouncement is made in July. Already, some banks are struggling to meet the GH¢120 million requirements set after several waivers were grant ed them by the central bank. Analysts fear that the new capital requirement announced will lead to some mergers and acquisitions in the banking sector. According to the source, the BoG is currently dealing with several pending applications for licences for the establis hment of new banks and is, therefore, confident that the increase once announced will lead to some mergers and acquisitions in the banking sector. "This proposed increase has even become more necessary because of the several applications for waivers from the banks to gran t, loans beyond their required limits," the source said.

Ghanaian banks face high asset risks, despite solid capital buffers, stable funding and an economic recovery. Banks in Ghana continue to benefit from strong and stable benefit from strong and stable deposit inflows, with deposits making up 73 per cent of total liabilities. The IMF has asked the BoG to ensure that banks with shortfalls in minimum capital prepare "credible and time-bound recapitalisation plans" that will serve as blueprints for the strict rebasement of their capital reserves. It said in its staff statement of the 2017 Article IV Consultation Mission for the fourth review under the extended credit facility that failure to do that would adversely impact on credit and the real economy and financial deepening and ultimately lead to quasi-fiscal costs to the BoG. The BoG had in March this year ordered all weak banks that were unable to meet the GH¢120 million minimum capital adjustment to submit to the central bank a comprehensive recapitalisation plan. The Governor of the BoG, Dr Ernest Addison, in an interview with the Graphic Business on the sidelines of the April Spring Meetings of the International Monetary Fund (IMF) and the World Bank in Washington, DC, said that the central bank was eagerly awaiting the recapitalisation plans of the banks. "On the basis of the plans to be submitted by the banks, some major decisions will be taken. Those plans will have to be credible and should be convincing enough to stand the test of time," he said.

Stressing on the Asset Quality Review (AQR) of banks, Dr Adisson maintained that the exercise was necessary to stabilise the activities of the banking sector due to loan portfolios of banks. "I'm sure you are aware of the asset quality review. Due to some of the findings of the Asset Quality Review, the banks were asked to make additional provisions for some of their loans and on the basis of that some banks need to recapitalise," he said. The Second Deputy Governor of the Bank, Dr Johnson Asiama, also said at the 10th Anniversary Ball of Fidelity Bank on Friday, April 28, 2017 in Accra that the central bank would insist on the right things to be done. "We have subsequently issued supervisory letters to this effect, with strict timelines for compliance by all. The AQR exercise highlighted impairment in banks' loan books, capital deficiencies, credit concentration in the energy sector and some latent vulnerability in the banking industry." He indicated that banks were required to reclassify all their downgraded facilities and book their appropriate provisions. "For banks which suffered capital erosion leading to breaches in solvency and single obligor limits, they are required to furnish the Bank of Ghana with an acceptable capital plan that will restore them to the prescribed capital adequacy benchmark and/or plans to wean them off exposure limit breaches," he said. Asset risk for banks in the country is expected to remain high over the months, with non-performing loans rising to 17.4 per cent of total lending in December 2016, from 14.7 per cent in December 2015. The directive for clear recapitalisation plans by the BoG is, therefore, seen as a major attempt to bolster investor confidence in the banking sector. *(Ghana Web)*

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Kenya

Corporate News

Britam will spend Sh3.3 billion to develop 11 floors of fully furnished and serviced apartments in Kilimani, Nairobi targeting the business travellers, consultants and business executives. The development will comprise 117 two-bedroom and 46 one-bedroom rental apartments located on a 1.6 acre-plot along Nyangumi Road, Kilimani area and is expected to take three years to complete. The current market rate for serviced apartments in the area range between Sh12,000 to Sh20,000 for a two-bedroom unit and Sh8,000 to Sh12,000 for a one-bedroom unit a night according to the firm. Britam Holdings Group managing director Benson Wairegi on Wednesday said the decision to venture into property and real-estate development is part of the group's diversification strategy meant to reduce portfolio risk and exposure to the volatile stock exchange market. "The market will need at least 1,000 serviced apartments in the next three years and Britam Properties will help in bridging this gap," said Mr. Wairegi during the ground breaking ceremony. Britam noted real-estate investments are inflation beating and if carried in an efficient investment vehicle like a real-estate investment trust, they can offer a huge tax benefit. The property is being developed by Britam Properties, a fully owned subsidiary of Britam Holdings Ltd. Upon completion of the apartments and the yet to completed Britam Tower in Upper Hill, real estate will account for between 10 to 15 per cent of its asset base. *(Business Daily)*

The Competition Authority of Kenya (CAK) has approved the buyout of Centum's entire 26.43 per cent stake in State-owned Kenya Wine Agencies Ltd (Kwal) by South Africa distiller, Distell. The deal, estimated at Sh1 billion, brings to 52.43 per cent foreign firm's ownership of the wines and other alcoholic beverages marketer. CAK, through a gazette notice last Friday, gave the go-ahead for the transaction indicating that Distell's higher stake in Kwal will not negatively affect competition. "…it is notified that the Competition Authority of Kenya has approved the proposed acquisition of an additional 26 per cent shareholding in Kwal Holdings East Africa Limited by Distell International Holdings Limited," said CAK director-general Wang'ombe Kariuki. Distell, the owner of Amarula and Viceroy brands, announced in April it had acquired Centum's entire 26.43 per cent stake in Kwal for an unknown value. "Spirits have been the fastest growing segment of Kenya's alcoholic beverage industry and growth is anticipated to remain robust," said Donovan Hegland, managing director at Distell Africa. *(Business Daily)*

Kenyan budget carrier Jambojet expects government approval this month to start flying to destinations outside the country, and will lease more planes to start the flights in the next two years, its chief executive said on Monday. The airline, fully owned by national carrier Kenya Airways, was established in 2014 to cater to local travellers by offering low-cost fares of as little as 3,200 shillings ($30.99) one way.
Jambojet, which carried 600,000 passengers last year using a fleet of Boeing 737s and Bombardier Q-400 planes, will consider possible international destinations after it gets approval, CEO Willem Hondius said. "We have a long list of routes we could operate," he said, adding they could operate flights jointly with Kenya Airways or target destinations that the parent airline does not serve. Jambojet offers no frills flights to popular destinations such as the coastal city of Mombasa. It charges for extras like drinks and food. It started operations with leased planes but it has since started operating its own flights, a move expected to further lower costs, the chief executive said. Hondius said leasing additional planes would also help address challenges. The carrier was forced to apologise at the start of this year following cancellations and delays during the peak December holiday season. About a third of Jambojet's customers had never flown before and were enticed by the low prices. Hondius said he expected more growth as the middle class increases. However, Kenya's national election, scheduled for August, is dampening demand over fears of violence. More than 1,000 people were killed in fighting following a disputed presidential poll in 2007. "People are a little reluctant to book at this moment. Forward bookings for August do not go very far," Hondius said. Kenya Airways will release its earnings report for its year to the end of March on Thursday. *(Reuters)*

Telco Safaricom has set up a Sh200 million lab to test new technologies as it seeks to cut down on the time it takes to bring products and services to market. Safaricom says the new facility, located at its headquarters on Waiyaki Way in Nairobi, is a miniature reproduction of its entire network. The telecoms lab includes replications of the firm's billing system, mobile money servers as well as cloud computing and Internet infrastructure. Safaricom is using the lab to test new technology before rolling it out for use by its 28.1 million customers.

Companies are generally cautious about installing changes to their networks as they fear service interruption. "Previously, the inherent risk of testing and deploying upgrades on live networks has impacted the pace at which such improvements can be rolled out," said the NSE-listed firm in a statement. Trials began at the lab in last November. The telco says it is running tests on advanced 4G Internet technology that would allow for data transfers at a rate of 1 gigabit per second. It is also testing a mobile network that runs on the cloud and Internet-enabled water meters. The firm had in April suffered a network outage that was later attributed to a failed upgrade. Safaricom says the new lab will allow "vigorous and expedited testing" of upgrades meaning that they "can be deployed on the live network at less than half the time it usually takes". Cisco, Huawei and Nokia are among companies that donated equipment for the lab. Safaricom also plans for the lab to become a training ground for local telecommunications experts. Eventually the lab will be opened up to local universities to provide hands-on training for engineering students. *(Business Daily)*

Kenya's Equity Group Holdings said on Thursday its pretax profit fell 5 percent to 6.9 billion Kenyan shillings ($66.87 million) in the first quarter from 7.3 billion a year earlier. Kenya's Equity Group Holdings, the country's second largest bank by assets, reported a 15 percent drop in net interest income to 8.9 billion shillings, CEO James Mwangi told an investor briefing. *(Reuters)*

Kenya Airways Ltd's pretax loss shrank 60.9 percent in the year to end-March to 10.2 billion shillings ($98.84 million), the company said on Thursday. The carrier, which saw losses mount after a slump in Kenyan tourism and an expensive fleet renewal exercise, swung to an operating profit of 897 million shillings from a loss of 4 billion shillings a year earlier. The company, part-owned by the state and AirFrance KLM, said it ferried 5.4 percent more passengers to a total of 4.5 million during the period. It's cabin factor, which measures the average seats occupancy on a flight, improved 4 percentage points to 72.3 percent. "We still have our tough times but we are looking up," Dick Murianki, the airline's acting finance director, told an investor briefing. *(Reuters)*

Economic News

Maize production will drop by 4.3 million bags this year on delayed rains and armyworm attack, setting the stage for expensive maize flour next year. Ministry of Agriculture projects harvests of 32.8 million bags, down from to 37.1 million last year—representing a drop of 11.5 per cent. This will mark the second year in a row that production of the staple has registered a decline, and points to worse food crisis next year compared to the ongoing maize crunch should Kenya not consider early imports next year. The price of a two kilogramme packet of maize flour jumped by nearly half to Sh150 in April from the similar period last year, following grains shortage that saw the cost of bag nearly double to Sh4,500. "Poor crop performance is expected to continue over most parts of south eastern Kenya, the situation is, however, likely to improve in the agriculturally high-potential areas of Kitale, Eldoret, Kakamega, Kericho, Kisii and Nandi Hills areas," said the ministry. "The overall crop performance may be dictated by how the Fall Armyworm is controlled managed in these areas." The crop-eating caterpillars known as fall armyworms have ravaged parts of North Rift, especially in Trans-Nzoia. The pest threatens production at a time when Kenya is battling effects of drought that has pushed the cost of maize flour and other foods to record levels and driven up inflation to a near-five year high. Rift Valley accounts for 60 per cent of Kenya's maize produce while Nyanza and Western have a 25 per cent share — making produce from the three regions critical for the country's food security. Kenya has recently become a maize-deficit country and relies on imports. The country last week announced a Sh6 billion subsidy to maize importers to help lower the cost of flour. It plans to import 2.9 million bags of maize in June and subsidise up to about 5 million bags until harvest time. The subsidy has lowered the price of a 90 kg bag of maize to Sh2,300 from about Sh4,500, cutting the cost of the 2kg packet of flour to Sh90. Prices of foods have become a political headache for President Uhuru Kenyatta as he seeks a second term in August elections. He is running against opposition leader Raila Odinga, who has used cost of living to portray the government as incompetent. *(Daily Nation)*

Kenya has made an about-turn on sugar importation, days after the National Treasury allowed duty-free importation of the commodity. Sugar is retailing at an all-time high price of Sh200 per kilogramme, exacerbating the soaring cost of living for millions of households that are spending up to 70 per cent of their incomes on food. Initial measures aimed at cutting the retail prices for sugar had allowed "anybody" to import sugar from any part of the world without any taxation, setting the stage for friction with neighbours in the Common Market for the Eastern and Southern Africa (COMESA). "We have decided to place a cap on the amount of sugar that we can allow duty-free," said Agriculture Principal Secretary Richard Lesiyampe. Knee-jerk measures The latest twist is contained in a gazette notice to be published this week. It comes only days after National Treasury Cabinet Secretary Henry Rotich allowed duty-free importation of sugar, highlighting shifty policy and knee-jerk measures taken to address major issues such as the prevailing food crisis. Capping the amount of sugar that can be imported tax-free is expected to avert dumping of the commodity from non-COMESA countries. Annual sugar consumption in the country is estimated at 900,000 metric tonnes. Kenya allows a maximum of 350,000 metric tonnes of sugar from the region that include immediate neighbours in East Africa and Egypt a year. Rotich's directive meant any importer could ship in any amount from low-cost countries such as Brazil, where a kilogramme of sugar costs less than Sh40 per kilogramme. ALSO READ: Local maize was mopped up, hoarded then shipped back It would in essence be a platform for traders to make super profits at the expense of local sugarcane farmers. *(Standard Media)*

Kenya's Treasury is considering selling a Eurobond in the year starting in July to refinance maturing debt, according to a person familiar with the matter. The timing of the offering will be decided by Treasury Secretary Henry Rotich, said the person, who asked not to be identified because they aren't authorized to speak about the matter. The Eurobond is among a number of options being considered as a two -year, $750 million syndicated loan falls due in October and the same amount in five-year Eurobonds in June 2019, the person said. The government secured the syndicated loan from Citigroup Inc., Standard Bank Ltd.and Standard Chartered Plc in October 2015. Kenya is mulling a return to international capital markets as a global hunt for higher returns drives an index of emerging-market bonds to near its highest levels since November. It comes as President Uhuru Kenyatta prepares for elections in August that will pit him against Raila Odinga in a rematch of a 2013 vote. The government is seeking to plug a spending deficit that's forecast to narrow to 6 percent of gross domestic product from about 9 percent in the current fiscal year. The Treasury has said it's also considering sukuk as a potential source of financing. Kenya's government plans to borrow 256 billion shillings ($2.5 billion) from external creditors in the 2017-18 fiscal year, Rotich said on March 28. Rotich couldn't be reached for comment on his mobile phone, while Principal Secretary Kamau Thugge didn't respond to calls and a text message seeking a comment.

Kenya sold its debut Eurobond in 2014 and used $600 million of the proceeds to settle a syndicated loan that had matured. The yield on Kenya's 2019 securities fell 4 basis points to 4.1 percent by 3:54 p.m. in London on Monday, the lowest on a closing basis on record. Rates on the country's $2 billion of bonds due June 2024 declined 4 basis points to 6.45 percent, after dropping to their lowest since June 2015 last week. East Africa's largest economy may target issuance in the fourth quarter when a new government is expected to be in place after the Aug. 8 elections, said Mark Bohlund, an economist at Bloomberg Intelligence. Spreading out maturing debt obligations over the long term through another Eurobond issue is "likely to be an attractive option," he said. "Kenya remains among the better stories in sub-Saharan Africa with the allure of competitors such as Ivory Coast," Bohlund said in emailed responses to questions. "This should support demand for a bond issue, but Kenya is unlikely to match the yields of recent bond issues such as Senegal." The yield at issue on the West African country's $1.1 billion of bonds sold last week was 6.25 percent. *(Bloomberg)*

Kenya's current account deficit widened to 7.7 percent of GDP in February from 5.9 percent the same time a year earlier, the finance ministry said on Tuesday. The Treasury blamed a 5.6 percent fall in the value of exported goods and services. Combined with other unspecified income drops, the fall more than offset a 4.5 percent drop in imports. The overall balance of payments swung to a deficit of $6.7 million during the year ended February from a surplus of $112.4 million in the year to February 2016, the ministry said. The Kenyan shilling has been broadly stable against the dollar for most of this year and foreign exchange reserves have risen to record highs. *(Reuters)*

The Kenya shilling (KES=) remained unchanged against the dollar on Wednesday helped by low dollar demand offset by supply from local producers. At 1046 GMT, the shilling was quoted at 103.20/40, the same level as Tuesday's close. *(Reuters)*

The Kenyan shilling was broadly stable against the dollar on Friday but was expected to ease due to end month importer demand, traders said. At 0827 GMT, commercial banks quoted the shilling at 103.25/45, unchanged from Thursday's close. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

A leading international rating agency, Standard and Poor's has assigned its 'B' long-term and 'B' short-term global scale counterparty credit ratings to the United Bank for Africa Plc. The ratings on the pan-African financial institution are at par with S&P ratings on the Nigerian sovereign, according to a statement by the lender. The S&P's 'B' rating is the highest rating currently assigned to any Nigerian-based financial institution. The rating agency noted that UBA's market position was supported by its good franchise in the corporate and retail segments in the country as well as geographic diversification, with operations in 19 African countries. The statement quoted S&P as saying, "We expect that UBA's earnings will be resilient despite the economic slowdown in Nigeria. We believe the bank's capital and earnings under our risk adjusted capital and earnings framework will remain moderate over the next 12-18 months, with its capital adequacy ratio remaining well above minimum regulatory requirements." The lender said its capital adequacy ratio was 19.7 per cent at year-end 2016, far above the regulatory minimum of 15 per cent. According to S&P, UBA's rating of 'B' reflects its expectation that the group will exhibit broadly stable asset quality in the next 12 months. The global rating agency anticipates that UBA's credit losses will decline to about one per cent in 2017-2018. *(Punch)*

The United Bank for Africa Plc (UBA) on Tuesday notified the Nigerian Stock Exchange (NSE) and the investing public of its intention to launch a $500 million senior unsecured medium term debt notes. The bank said it intends to list the notes on the Irish Stock Exchange, with the expectation that it would be traded on its regulated markets. It revealed that the Central Bank of Nigeria and the Securities and Exchange Commission have since given "No Objection" approvals to the transaction. "UBA intends to issue the notes directly, but will retain the flexibility to substitute the issuer with an offshore special purpose vehicle, where market conditions require and allow for such, prior maturity of the notes. "The bank intends to utilise the net proceeds of the notes for its general banking purposes. UBA will pay the net proceeds from the notes issuance into its foreign currency domiciliary account, which may be retained by UBA in foreign currency or converted into naira, depending on UBA's requirement from time to time," the bank explained. Meanwhile, Fitch Ratings yesterday assigned an expected rating of 'B (EXP)' to the proposed senior unsecured medium-term notes. Based on Fitch's assessment on expected recoveries in a liquidation scenario, an expected Recovery Rating (RR) of 'RR4 (EXP)' was also assigned to the notes, implying average recovery prospects. "The notes will constitute senior unsecured obligations of UBA and will be used for general corporate purposes. The assignment of the final rating is contingent on the receipt of final documents conforming to the information received to date. The expected rating is in line with UBA's Long-Term Foreign-Currency Issuer Default Rating (IDR) of 'B'.

"In Fitch's view, the likelihood of default on these notes reflects the likelihood of default of the bank. According to Fitch's criteria, a bank's IDR usually expresses Fitch's opinion on the risk of default on senior obligations to third-party, non-government creditors as in Fitch's view these are typically the obligations whose non-performance would best reflect the uncured failure of the entity. "Where a bank has a Long-Term IDR of 'B+' or below, Fitch usually assigns an RR to the entity's issues. RRs provide greater transparency on the recoveries component of Fitch's assessment of the credit risk of low-rated issuer's securities. A change in UBA's IDR would affect the rating of the notes and may also affect recovery prospects and the RR," the global agency stated in a report yesterday. *(Reuters)*

Shareholders of Nestle Nigeria Plc have commended the board of directors for recommending a dividend of N7.93 billion for the year ended December 31, 2016, despite the decline in bottom-line of the company. Speaking at the annual general meeting (AGM) in Lagos, the shareholders said it was gratifying to note that Nestle is paying a dividend of N7.93 billion, which translates to N10.00 per share for the 2016 amidst a decline of 67 per cent in profit after tax (PAT) for the year. While Nestle Nigeria grew its revenue by 20 per cent from N151.3 billion to N181.9 billion, PAT fell from N23.7 billion to N7.92 billion due to impact of naira devaluation and expiration of the pioneer status among others. The lower bottom line notwithstanding, the directors recommended a dividend of N10.00 per share, which is lower than the N29.00 paid the previous year. For instance, Sir Sunny Nwosu of Independent Shareholders Association of Nigeria (ISAN), lauded the company for the dividend declared in the face of the challenging environment. He advised that the company's products quality must be sustained in order to maintain its leadership position in the industry, adding that Nestle should also extend its water business production line to South-east to tap into enormous opportunities in the area. Another shareholder, Mr. Williams Adebayo, said that the company should map out strategies aimed at reducing loans and borrowings and that the company should consider rights issue for fresh funds as an option. In his address to the shareholders, Chairman of Nestle Nigeria, Mr. David Ifezulike, said 2016 was a challenging year due to scarcity of foreign exchange , devaluation of the naira and unfriendly economic policies, among others. According to him, the scarcity of foreign exchange and devaluation of the nation's currency led to increase in the company's foreign loans portfolio. "The fact that our sales increased by 20 per cent in 2016 is a confirmation that our brands continue to enjoy strong patronage from consumers in spite of inflationary pressures, weak purchasing power and the challenging operating environment. This is possible due to their nutritional benefits and contributions to the health and wellness of our consumers," he said. He disclosed that the company was considering a lot of investments ideas such as spreading to South East and South-South. Ifezulike, however, said that company was cautiously optimistic, even as they were evaluating the opportunities they have to continue building a profitable business. *(This Day)*

Access Bank Plc has unveiled a new savings scheme tagged 'Family Savings Scheme' initiated to give its customers a boost in their savings. The initiative was in line with the bank's commitment to promoting savings culture among the populace. The 'Family Savings Scheme' is a savings scheme designed to encourage families to save together and enjoy exclusive privileges such as high interest rates and family rewards while they continue to enjoy the confidentiality of their banking relation and manage their accounts as unique individuals. The Scheme provides access to people who are presently excluded from financial services whilst promoting capital accumulation and investment boom.
Under the scheme, a minimum of four family members are encouraged to bank with Access Bank and enjoy exclusive value propositions. Eligible family members include partners, children, parents, aunts, uncles, cousins and grandparents. According to the Bank's Executive Director, Personal Banking, Victor Etuokwu, the scheme comes under new segment in the Bank – Family Banking Segment. "This is not a new product but a new segment in the bank. We have basically pulled together the various products we offer to unique family members under this Segment," he added. He listed some of the value propositions of the savings scheme to include education advisory services, deals and discounts, higher Interest rates, insurance, school fees advance and home loans. Etuokwu implored the existing and prospective customers to take advantage of the 'Family Savings Scheme' to save for themselves and more importantly for economic development. *(This Day)*

Economic News

Nigeria will process all tourist and business visas within two days, the vice president's office said on Friday, as Africa's largest economy, mired in recession, tries to improve the ease of doing business in the country. Applicants will be notified whether their visas will be issued or rejected within 48 hours, with the change to take immediate effect. The move follows the launch in March of a system aimed at enabling business executives to apply for a visa online and collect it on arrival 48 hours later. Foreign executives had complained that obstructive embassy officials made it difficult to enter the country. *(Reuters)*

Nigeria's overnight lending rate dropped to 26 percent on Friday from 65 percent a day earlier after the central bank refunded excess naira offered in an earlier dollar sale to commercial lenders, injecting liquidity back into the money market. Traders said that a cash squeeze on the money markets on Thursday after lenders provided naira to participate in a central bank currency intervention had pushed the overnight rate sharply higher. The banking system's cash balance with the central bank stood at 24.61 billion early on Friday before the central bank refund. "We see rates easing further next week. We anticipate about 200 billion naira would be disbursed to government," one currency trader said. The central bank sells hard currency regularly on the interbank market to boost dollar liquidity but in turn mop-up the naira. If it does not take up all offers, the excess naira are returned to lenders. Mired in recession, Nigeria is grappling with a currency crisis and dollar shortage brought on in part by the low price of oil, the cornerstone of Africa's largest economy. The naira closed at 305.45 to the dollar on the spot market on Friday, and was quoted at 381 on the black market. It was quoted at 382 per dollar at a trading window for investors. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria's manager-level oil union will continue a strike indefinitely at Exxon Mobil Corp.'s local unit, threatening output after talks with the company to end the action reached an impasse, a labor official said. "The meeting broke down, and as of this morning our action has been escalated," Gbenga Ekundayo, vice chairman of the Petroleum and Natural Gas Senior Staff Association of Nigeria, or Pengassan, said Friday by phone from Lagos. "Our people in the field have started withdrawing their services, which will automatically translate to production loss. We are pulling out completely." The dispute, now in its eleventh day, has been referred to an arbitration panel by the government's minister for labor, he said. Pengassan members at Exxon's local unit went on strike last week, seeking the reinstatement of 83 local staff it says were wrongfully terminated. Previous threats by oil unions to curb output haven't usually resulted in production losses. However, a similar dispute in December impacted crude loadings as union members protested against job cuts. Nigeria, which exports the bulk of its oil, is currently producing about 2.06 million barrels a day of crude and condensates, a spokeswoman for the Ministry of Petroleum Resources said by phone Friday. Exxon operates the terminal for Qua Iboe crude, which is the nation's biggest export grade. Within the past year, Nigeria has struggled to sustain higher output levels due to militant attacks on pipelines.

The Pengassan union has "now reached a breaking point," said Cheta Nwanze, head of research at Lagos-based risk advisory group SBM Intelligence. Unlike previous actions where strikes have had little effect on oil production, this time "there's a real risk it will happen in the coming days." The union may begin to withdraw members from other oil facilities in Nigeria if the dispute escalates, he said. As recently as Thursday, the dispute seemed headed for resolution. The union said the talks fell apart in the final stages of drafting an agreement. "We respect the rights of our workforce and will continue to engage with them to resolve this situation, but remain committed to the safety of our personnel and security of our facilities," Exxon spokesman Todd Spitler said in an email. *(Bloomberg)*

The World Bank has revealed that Nigeria faces the prospect of fragile economic recovery in 2017 given the high degree of fragility and risks from future shocks to the oil price or further unrest in the Niger Delta region. The World Bank's in its newly-released Bi-annual Economic Update, however, said Nigeria could build on the oil-driven economic recovery anticipated for it in 2017 by strengthening its macroeconomic policy framework and implementing the structural reforms needed to diversify the economy and break out of a boom and bust cycle. The bank's Senior Communication Officer in Nigeria, Olufunke Olufon, disclosed this in a statement issued yesterday in Abuja. experienced its first full-year recession in 25 years, with global oil prices reached a 13-year low and oil production was crushed by vandalism and militant attacks in the Niger Delta, resulting in the severe contraction of oil GDP. The economic update highlighted that although the oil sector represented only 8.4 per cent of GDP in 2016, lower foreign exchange earnings from oil exports had spillover effects on non-oil sectors -industry and services -dependent on imports of inputs and raw materials, and overall real GDP contracted by 1.5 per cent. "On the upside, as the update highlights, the Nigerian government has recently launched an Economic Recovery and Growth Plan (ERGP) for 2017–2020 that contains critical reforms aimed at diversifying the economy to set it on a path toward sustained and inclusive growth over the medium- to long-term. "The ERGP, if implemented successfully, would lead to expanded transportation infrastructure, the increased reliability of supply of power by restoring financial viability to the power sector, an improved business environment, improved educational attainment, strengthened public institutions, and improved transparency and anti-corruption," it stated.

The economic update added that growth was forecast to return into positive territory in 2017, largely on the back of recovery in the oil sector as the government intensifies efforts to restore peace and stability in the Niger Delta, improve its Joint Venture (JV) relationships with international oil companies, while strong growth in the agricultural sector continues. "However, given the risks associated with the oil sector, recovery is fraught with a high degree of fragility and risks; notably from future shocks to the oil price or further unrest in the Niger Delta, which is not yet fully stabilized, as well as from the incomplete implementation of new JV cash call arrangements," it said. The statement revealed further that economic update also contains a special chapter which summarises the findings of a forthcoming World Bank report, 'Toward Sustainable Growth in Nigeria: Empirical Analysis and Policy Options' which highlights that over the last four decades, Nigeria's GDP growth rate has failed to keep pace with those of more developed economies, an experience common among commodity exporters. "Oil has continued to dominate its growth pattern but the volatility of oil-dependent growth imposes welfare costs, which impede progress in social and economic development, as was very clear over the last year." World Bank emphasised that a cross-country analysis of the determinants of growth carried out for the report underscores the importance of sound macroeconomic management and stability for growth, while confirming that inflation, government consumption, and currency misalignment or over valuation are negatively correlated with growth. It said oil and other natural resource rents can have a positive impact on growth when public institutions and governance are strong. The economic update also revealed that an analysis of the constraints to doing business and the impact of current trade policies highlights the need to improve access to finance, improve the reliability of power supply, and adjust trade policies to promote productivity growth. *(This Day)*

In a bid to eliminate some bottlenecks in the nation's capital market, the Securities and Exchange Commission, SEC, has commenced moves to ensure that the process of issuing new shares is completed within three to four weeks and at less cost to the issuers. The Director General of SEC, Mr. Mounir Gwarzo, revealed this to Financial Vanguard at the last Capital Market Committee, CMC, meeting, in Lagos. He said that in order to reduce the cost burden associated with issuing new shares, the SEC, the Nigerian Stock Exchange, NSE, and the issuing houses have agreed to cut their transaction cost using a formula that would be developed by the CMC later in the year. ADVERTISING He expressed optimism that with the various measures, progress would be made in attracting more issuers to the market, while time to market would be reduced. He said: "We also looked at the issue of transaction cost, which some issuers are complaining that is discouraging them from accessing the capital market. The issuing house, the NSE, the SEC and the receiving agents agreed based on the formula developed by the market that there must be hair cut. "Even though SEC has very limited resources, but because of our commitment to the market, we agreed to shed weigh. NSE has also agreed to shed weight and issuing houses have agreed to shed weight. So collectively, we agreed on a formula and it will be implemented very soon. We believe that with this, the processes will be made easier". He said that in order to stop the practice where issuers file separate application and document to the NSE and SEC, a portal would be developed where the issuers will upload the documents for assessment by the SEC and NSE. "We will try and harmonise some of the documents that are concurrently filed with SEC and NSE.

We will also look at documents that are more related to SEC and those that are more related to NSE jobs and we harmonise them so that it will be more easier for issuers to file those documents," Gwarzo asserted He warned that henceforth, incomplete application forms would be thrown out by the SEC, saying: "We informed operators that greater job is actually on them because if the application forms are incomplete, there is no way SEC will finish its review and revert back to them within five working days. They have to do their own part. Any application filed with us that is incomplete will not be attended to again. So, issuing houses and operators must sit down and do their jobs very well so that within a maximum of three to four weeks, once application is filed, it is approved." On direct cash settlement, Mr. Seyi Owotura, Managing Director, USL Registrar, explained that the important aspect of the initiative is that it is going to promote significant transparency and engender speed in capital market transactions. He added that the era of moving from one registrar and stockbroking firm to the other trying to validate dividend is gone. Gwarzo said that within the next six months, all registered operators would be required to have sponsored individual as required by SEC rules such that any operator that has less than the required number will not eligible to operate in the market. *(Van Guard)*

Purchases of Nigerian midcrop cocoa have slowed following a high incidence of beans that failed to develop fully and the relative low weight of matured ones, buying agents in the main cocoa-producing southwest region said. The late arrival of rains in the critical early months of the year resulted in lots of beans that didn't fill up their shell, also known as "flat beans," Benjamin Adeyera, a cocoa-buying agent, said by phone from the town of Ile-Ife. Most recent purchases were in the range of 230 grams to 240 grams per 100 beans, compared with the usual 260 grams to 270 grams, he said. "Most exporters are no longer advancing money to buying agents because of the high prevalence of such beans," Adeyera said. Nigeria has two cocoa harvests including the smaller midcrop from April to June and the main one from October to December. The country is ranked seventh among global producers after its output estimate for the 2015-16 season was lowered to 190,000 metric tons from 270,000 tons by the International Cocoa Organization. Some of the low-weight cocoa already purchased are likely to end up in warehouses for blending later in the year with the bigger beans produced by the main crop, some exporters interviewed on May 19 said. *(Bloomberg)*

Nigeria's economy stayed in recession in the first quarter and shrank more sharply than thought at the end of last year, data showed on Tuesday, as signs of growth in the oil sector fuelled hopes of an upturn in coming months. The economy shrank by 1.5 percent in 2016 for its first annual drop in 25 years, hit by a shortage of hard currency and lower revenues from its dominant oil sector as world crude prices stayed under pressure. Gross domestic product shrank a further 0.52 percent year-on-year in the first quarter, the National Bureau of Statistics (NBS) said on Tuesday, also revising the fourth quarter contraction to 1.73 percent from 1.30 percent. The central bank holds a monetary policy meeting on Tuesday and is expected to hold benchmark interest rates at 14 percent, analysts said prior to Tuesday's GDP readings. Average oil production inched up 0.07 million barrels per day (bpd) to 1.83 million barrels in the first quarter, the statistics office said. Razia Khan, chief economist Africa at Standard Chartered Bank, said the state of pipeline repairs and a weak base of comparison suggested the oil sector should grow far more sharply from the second quarter. "Although the (GDP) contraction was larger than expected, what matters is the outlook," she said by email. "Things should get better." The NBS said the economy's non-oil sector grew by 0.72 percent in the first quarter. Supported by higher oil revenues, the central bank has in recent weeks succeeded in narrowing the spread in the naira currency's official and parallel market rates. It has sold more than $4 billion since it started intervening on the official foreign exchange market in February to try to ease pressure on the naira. The currency has firmed on the black market from a record low of 520 to the dollar hit in February prior to the interventions. *(Reuters)*

Nigeria's central bank kept its benchmark interest rate at 14 percent on Tuesday, its governor said, hours after the statistics office said Africa's biggest economy contracted in the first quarter. This was in line with expectations in a Reuters poll. Governor Godwin Emefiele said the bank's Monetary Policy Committee (MPC) had voted to retain the headline rate. "In consideration of the challenges weighing down the domestic economy and the uncertainties in the global environment, the committee decided by a unanimous vote of eight members in attendance to retain the MPR [Monetary Policy Rate] at 14 percent," he said. The statistics office on Tuesday published data showing that Africa's biggest economy, in its second year of a recession caused by low oil prices, contracted in the first quarter by 0.52 percent. The central bank's decision to hold the main interest rate was predicted by economists polled by Reuters last week. The bank also kept its cash reserve ratios for commercial banks at 22.5 percent. Emefiele also told reporters the bank wanted to end the spread between the black market and official foreign exchange rates, adding that the recent rise of the naira versus the dollar showed that the central bank's policies were working. "We would prefer a convergence that will go southward rather than northward, but the fact that we have seen the convergence (going) southward gives us a lot of hope that things are working in the right direction," he added, refusing to give an exchange rate target. *(Reuters)*

THE Central Bank of Nigeria, CBN, has expressed concern over the borrowing activities of the federal government, saying the pace of government's borrowing has exceeded the target for the 2017 fiscal year. Emefiele CBN Governor The CBN position came along with its Monetary Policy Committee, MPC, decision at the end of the second quarter 2017 meeting, yesterday, to retain all its key policy rates, citing challenges weighing down the domestic economy and uncertainties in the global environment. The decision also followed announcement by the National Bureau of Statistics, NBS, that the nation's economy contracted for the fifth consecutive quarter, as the real Gross Domestic Products, GDP, declined by 0.52 per cent in the first quarter of 2017. According to the NBS, "In the first quarter of 2017, the nation's Gross Domestic Product, GDP, contracted by -0.52 per cent (year-on-year) in real terms, representing the fifth consecutive quarter of contraction since Q1 2016. This is 0.15 per cent higher than the rate recorded in the corresponding quarter of 2016 (revised to -0.67 per cent from -0.36 per cent) higher by 1.21 per cent points from rate recorded in the preceding quarter, (revised to -1.73 per cent from -1.30 per cent). Quarter -on-quarter, real GDP growth was 12.92 per cent. During the quarter, aggregate GDP stood at N26.03 trillion in nominal terms, compared to N22.24 trillion in Q1 2016, resulting in a nominal GDP growth of 17.06 per cent." FG borrowing excessively: Announcing the decision of the MPC meeting, CBN Governor, Mr. Godwin Emefiele said the Net Domestic Credit, NDC, grew by 1.40 per cent in April, 2017, annualized to 4.21 per cent, which is significantly below the 17.93 per cent provisional growth benchmark for 2017.

However, net credit to government, according to him, grew by 24.08 per cent over end-December 2016, representing an annualized growth of 72 per cent. The MPC Communique stated: "The Committee was concerned that credit to government continued to outpace the programmed target of 33.12 per cent for fiscal 2017, while credit to the private sector declined considerably far below the programmed target of 14.88 per cent." On the other hand, the MPC called for increased lending to the private sector by banks, even as it urged the CBN to increase surveillance of the banking sector. "On the financial stability outlook, the Committee noted that in spite of the banking sector's resilience, the weak macroeconomic environment has continued to exert pressure on the banking system. The MPC urged the CBN to intensify its surveillance, in order to address emerging vulnerabilities." Commenting on the concern express by the CBN on the level of federal government's borrowing, Head of Research, Vetiva Capital Management Limited, Mr. Pabina Yinkere said: "The high pace of government borrowing is coming as a result of government revenue undershooting the budget expectation hence the need for government to borrow more to cover up for the short fall in revenue "The impact on the economy is first, increase in interest rates and government crowding out the private sector. People see government as the safest borrower so they will prefer to give their money to government, while the private sector will be getting less money. But I don't expect the pace of government borrowing to continue through the year. The government itself is aware of the impact of its borrowing and hence the decision to consider borrowing from external sources. Instead, the government is looking at Eurobond issuance, and borrowing from external DFIs." Why rates were retained Explaining the rationale to retain the Monetary Policy Rate, MPR, at 14 per cent as well as other policy rates, Emefiele said, "In consideration of the challenges weighing down the domestic economy and the uncertainties in the global environment, the Committee decided by a unanimous vote of the eight members in attendance to retain the MPR at 14.0 per cent alongside all other policy parameters.

One member was absent at the meeting. In summary, the MPC decided to: Retain the MPR at 14 per cent; Retain the CRR at 22.5 per cent; Retain the Liquidity Ratio at 30.00 per cent; and Retain the Asymmetric corridor at +200 and -500 basis points around the MPR." The CBN governor said the committee welcomed the passage of the 2017 Budget but identified associated risks, inherent in its implications and decided to leave the rates unchanged. He identified such associated risks as banking system liquidity of the envisaged fiscal injections during the remainder of the year, stressing that the Committee decided that the MPR should not be lowered, to avoid exacerbating inflation. On the other hand, he said that tightening rate it further could widen the existing income gap, depress aggregate consumption and hurt the real sector. Budget needs expeditious implementation According to the CBN boss, "the Committee urged the fiscal authorities to expeditiously commence the implementation of the recently approved 2017 budget, especially, the capital expenditure portion, to sustain the momentum of recovery, engender employment and restore confidence in the Nigerian economy. "The Committee expects that the timely implementation of this plan, judicious execution of the approved 2017 Budget and sustenance of the new foreign exchange implementation regime supported by the restoration of security in different parts of the country, especially, in the Niger Delta region, would help accelerate growth and restore confidence in the economy."

Experts react: In separate reactions, financial sector experts described the GDP figures as a positive development even as they commended the decision of the CBN to retain key policy rates. According to Lukman Otunuga, a Research Analyst at Forex Times, FXTM, "Although this economic contraction may weigh heavily on sentiment moving forward, it should be kept in mind that it still remains the best performance seen in four quarters. With many sectors of the Nigerian economy turning positive, the overall outlook still looks encouraging with the bullish impacts likely to be realized in the second and third quarter of this year. "The Central Bank of Nigeria has made the logical decision to maintain key interest rates at 14 percent as the nation stabilizes and continues its ongoing quest to diversify beyond relying on oil exports." Analysts at Financial Derivatives Company, said: "The good news is that economic contraction is occurring at a slower pace. In other words, there is an expansion of activity directionally but still negative in nominal terms. The budget has been approved and is awaiting presidential sign off which is expected this month. Therefore, we anticipate that increased spending on the fiscal front will help increase output both in the long and short run.

''However, for the economy to feel the full impact of investment, private sector investment has to be amplified. With the recent policy shift especially towards improving the ease of doing business in the country, we expect a slow but consistent recovery in investor confidence. Even though the economic recovery may have begun, it is only likely to become manifest in Q2 and Q3." In his comment, Mr. Sola Oni, Managing Director, Sofunix Comm & Chartered Stockbroker said, "Any form of decline in the Gross Domestic Product (GDP) indicates that it is not yet uhuru for the economy. This symbolises unemployment, weak purchasing power of consumers and the rest. These imply that recession has not really gone; hence, the economy is still in dire need of stimulus packages to put it on track.'' *(Van Guard)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria is moving out of recession, its budget minister said on Wednesday. "We discussed at length the GDP results just released and found the GDP performance very encouraging," Udoma Udo Udoma, minister for budget and national planning, said after a cabinet meeting. He was referring to data released on Tuesday showing that Africa's biggest economy shrank by 0.52 percent year-on-year in the first quarter, having contracted 0.67 percent year-on-year in the same quarter last year. *(Reuters)*

Nigeria's government is seeking approval from lawmakers to borrow $1.3 billion from international lenders to fund the newly licensed Development Bank of Nigeria, a spokesman for the lower chamber of parliament said on Wednesday. The bank aims to support small businesses with loans of varying lengths at lower interest rates than are currently available as Africa's largest economy contends with its first recession in 25 years. The loan money is made up of $500 million from the World Bank, $450 million from the African Development Bank, $200 million from German state bank KfW and $130 million from France's state development agency. The cabinet last month approved the loans for the bank, but the loan facility is still subject to approval by the National Assembly. A letter seen by Reuters stated that the loan facility was "inadvertently omitted" from an external borrowing plan that requires approval by lawmakers. "It has been referred to the relevant committee on foreign loans. This is an addendum to the earlier requests by the president for loan approval," said Abdulrazaq Namdas, a spokesman for the House of Representatives. "It's an addendum to be accommodated in the 2016 to 2018 borrowings that are awaiting the approval of the National Assembly," he said. The finance ministry has previously said that 50 percent of the gross domestic product in Nigeria's economy is made up of small companies. The central bank approved the development bank's licence in March. *(Reuters)*

BANKS reduced their lend ing to the economy by N115 billion in the first quarter of 2017, even as Nigerians withdrew N1.5 trillion through ATMs during the quarter. These were disclosed by the National Bureau of Statistics, NBS, in a report titled: "Selected Banking Sector Data" released yesterday. According to the report, banks lending to 17 sectors of the economy fell to N16 trillion in the first quarter of 2017 from N16.12 trillion in fourth quarter of 2016, indicating decline of 0.71 per cent or N114.8 billion. However when compared to lending in the first quarter of 2016, banks' lending to the sectors increased by 23 per cent. The report also showed that the oil and gas sector got the largest loan of N3.6 trillion, followed by the manufacturing sector with N2.1 trillion and government by N1.4 trillion. The smallest amount of loan went to the Mining and Quarrying sector with N8.2 billion, followed by the Education sector with N86.4 billion, and Power and Energy sector with N306 billion. The report showed that the volume and value of electronic payment transactions stood at 304.3 million and N22 trillion at the end of Q1 2017. ATM transactions came first in terms of volume with 179 million transactions while Nigeria Interbank Settlement System (NIBSS) Instant Pay (NIP) transactions came first in terms of value with N13.1 trillion.

The report also showed that Nigerians withdrew N1.5 trillion through ATMs in the first quarter of 2017, slightly down from N1.54 trillion at the end of fourth quarter of 2016. However when compared to the level at end of Q1 2016, cash withdrawal through ATM increased by 36.4 per cent from N1.1 trillion in Q1 2016. Also the volume and value of PoS transactions increased to 26.6 million and N285.97 billion from 22.3 million and N260.58 billion in Q4 2016. While the number of mobile payment transactions dropped to 12.6 million in Q1 2017 from 13.4 million in Q4 2016, the value, however, rose to N260.6 billion from 230.3 billion during the same period. Similarly, the volume and value of web (internet) transactions rose to 5.5 million and N46.6 billion in Q1 2017 from 5.2 million and N43.6 billion in Q1 2016. The volume and value of NIP (instant pay) transactions went up to 69.7 million and N13.1 trillion in Q1 2017 from 58.5 million and N12.2 trillion in Q4 2016. *(Van Guard)*

Nigeria's Senate passed a long-awaited oil governance bill on Thursday which the president of parliament's upper chamber said would improve transparency in the OPEC member's energy industry and stimulate growth in the sector. The Petroleum Industry Governance Bill is one part of proposed reforms that make up the sprawling Petroleum Industry Bill (PIB), aimed at overhauling Nigeria's energy sector which has been hobbled by corruption and mismanagement for decades. The PIB, which has been discussed for over a decade following several redrafts, is central to President Muhammadu Buhari's reform plans because oil sales provide 70 percent of government revenue in Africa's biggest economy. "I believe not only Nigerians but investors in the petroleum sector are looking forward to ensure accountability and transparency," said Senate President Bukola Saraki after announcing that the governance portion of the bill was passed after its third reading. He said it would "create the enabling environment for the petroleum sector that would be necessary to further stimulate growth", adding that he hoped it would attract investment. The PIB, which covers an overhaul of the state oil company to taxes on upstream projects, was broken up into separate parts including governance and fiscal issues to help speed up debate. The governance part deals with management of the Nigerian National Petroleum Corporation (NNPC). The bill's backers have said Nigeria's oil sector is in dire need of change, with power currently concentrated in NNPC and the petroleum ministry.

The passed bill would create four new entities whose various powers would include the ability to conduct bid rounds, award exploration licences and make recommendations to the oil minister on upstream licences. It must be passed by the House of Representatives and the lower chamber of parliament, and needs the approval of the president before becoming law. Buhari is on medical leave in Britain and has handed over power to his deputy, Yemi Osinbajo. Uncertainty over fiscal terms in the industry have held back billions of dollars of investment. Rolake Akinkugbe, head of energy and natural resources at FBN Merchant Bank, said changes at the state oil company gave a "signal" regarding the investment climate in the oil sector. "NNPC has an extensive network of energy infrastructure that needs to be rehabilitated, providing an entry platform for private investors. The private sector will want to see how these reforms are implemented on a day-to-day basis," she said. Aaron Sayne of the Natural Resource Governance Institute, a non-profit group that advises nations on how to manage natural resources, said the bill was very broad. "A lot of the big decisions, especially on the national oil company, are to be determined," he said. *(Reuters)*

The nation's external reserves continued its downward slide for the 20th day as it fell to $30.52 billion Thursday. Naira However, the Naira yesterday appreciated by N3 against the dollar to N376 per dollar in the parallel market. Data posted by the Central Bank of Nigeria (CBN) on its website yesterday showed that the external reserve fell to $30.52 billion yesterday from $30.7 as at last week Thursday. This implies week-on-week decline of $180 million. Vanguard survey revealed that the parallel market exchange rate, which had been stable at N379 per dollar since Monday, fell to N376 per dollar at the close of business yesterday, indicating N3 appreciation for the Naira. Market operators who confirmed this development to Vanguard attributed the appreciation to yesterday's dollar sale to bureaux de change (BDCs) by the Central Bank of Nigeria (CBN). *(Van Guard)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

TANZANIA Breweries Limited (TBL) dominated the market share at the Dar es Salaam Stock Exchange (DSE) by 97 per cent, but also emerged the top loser of the week after depreciating by 4.55 per cent to 10,500/- from 11,000/-per share. "The period for which quality stocks are been beaten down is the best time for investors to begin purchasing them," Zan Securities Limited said in its weekly wrap-ups. Swissport was the second top loser after depreciating by 2.91 percent to close the week 5,000/-per share. The self-listed DSE share ended at 1,180/-per share which was equivalent to a 1.67 percent decrease. During the week under review, the equity market turnover weakened by 2 percent, closing at 8.05bn/- compared to 8.2bn/-posted in the preceding week. Comparatively, key benchmark indices were in the red territory with the Tanzania Share Index (TSI) capping at 3,357.78 points, 2.13 percent lower than preceding week. The Dar es Salaam Stock Exchange (DSEI) all share index closed at 2,287.55points, down by 1.90 percent higher than the preceding week. Similarly, the three sector indices were in the red territory with the Industrial and Allied Index closing at 4,227.67 points, 3 percent lower than the preceding week. Banks, Finance and Investment Index went down by 0.02 percent, closing at 2,551.48 points. Commercial Services Sector also decreased by 2.07 percent, closing at 2,969.60 points. The total market capitalization decreased by 1.90 percent, closing the week at 19.90tri/- while domestic market capitalization decreased by 2.13 percent to 7.06tri/- at the end of the week. *(Daily News)*

Economic News

Tanzanian President John Magufuli fired Mines Minister Sospeter Muhongo after an audit of containers of mineral sands showed exports had been understated. An investigation initiated by Magufuli in March found that 277 containers held as much as 15.5 metric tons of gold, instead of the 1.1 tons that had been declared, the president said Wednesday in a speech broadcast live on state television. Magufuli also disbanded the Tanzania Minerals Audit Agency's board, dismissed its chief executive officer and asked the authorities to investigate those responsible. "The energy and minerals minister's position will be filled at a later date," the presidency said in a statement emailed from Dar es Salaam, the commercial capital. Magufuli banned mineral exports in March and ordered an audit of the mining industry to identify loopholes that he said result in income losses as he tries to boost revenue from the industry for the state. He's also invited investors to build a smelter in the East African country to process its natural resources. The country is Africa's third-biggest gold producer, with companies including AngloGold Ashanti Ltd. and Acacia Mining Plc extracting the metal, and also produces copper, iron, zinc and diamonds. Earlier on Wednesday, Magufuli asked Muhongo to resign after receiving the report on the contents of containers seized at the port of Dar es Salaam in March. "I really like Professor Muhongo and he is a friend of mine, but on this he needs to rethink and reassess without delay," he said.

The containers, which had mineral sands from mines including Buzwagi, owned by London-based Acacia, were located at a privately run terminal and awaiting customs procedures before being shipped overseas. Acacia shares dropped as much as 17 percent to 360.40 pence in London, the biggest intra-day decline since March 3. The company said it declares fully everything of commercial value and pays appropriate royalties and taxes. The ban on unprocessed metals should remain in place, according to the eight-member committee that carried out the investigation. The government should also construct a smelter as soon as possible, it recommended. "The government should retain the minerals-export ban until royalties reflective of the full value of the sands have been paid in full," Abdulkarim Mruma, the committee chairman, said at the briefing on Wednesday. The containers held as much as six tons of copper instead of the four tons declared and had many unrecorded minerals including iridium, iron and zinc, Magufuli said. "We have been given all these natural resources, but we are giving them away for free," he said. "This pains me a lot. It's embarrassing." Magufuli has also ordered a separate probe into mineral exports over the past 19 years. That report will be ready soon, he said. *(Bloomberg)*

Barrick Gold said on Thursday that two mines at its majority-held Acacia Mining, which account for some 6 percent of Barrick's 2017 production guidance, are impacted by Tanzania's current concentrate export ban. Barrick, which holds a 63.9-percent stake in Acacia, said that if Acacia needed to revise its 2017 forecast, then Barrick would evaluate any necessary adjustments to its own full-year outlook. In total, Acacia accounts for approximately 10 percent of Barrick's 2017 gold production guidance of 5.3-5.6 million ounces of gold. Toronto-based Barrick said its current full-year forecast includes a contribution of 545,000-575,000 ounces of gold from Acacia, at an all-in sustaining production cost of $880-$920 per ounce of gold. *(Reuters)*

Zambia

Corporate News

A row that saw a state-owned Zambian company sue Canadian miner First Quantum Minerals for $1.4 billion is likely to be resolved by June, the southern African nation's presidency said on Saturday. First Quantum asked a Zambian court in February to dismiss the suit from Zambia Consolidated Copper Mines Investment Holdings (ZCCM-IH), which is 77 percent state-owned and holds minority stakes in most of the country's copper mines. Presidential spokesman Amos Chanda told Reuters the finance minister had written to First Quantum and the company agreed to begin talks with the government on May 30. "Finance Minister Felix Mutati has prescribed that the talks should finish within seven days and a government negotiating team headed by the secretary to the Treasury will be announced soon," Chanda said. "First Quantum has informed me that their technical team will attend the negotiations and they are confident that an amicable settlement will be reached," he said. President Edgar Lungu called earlier this month for an out-of-court settlement in the case. Zambia is Africa's second-largest copper producer and differences with mining companies over taxes, electricity prices, environmental concerns and labour matters often arise. The $1.4 billion claim by ZCCM-IH includes $228 million in interest on $2.3 billion of loans it claims First Quantum wrongly borrowed from the Kansanshi Copper Mine, as well as 20 percent of the principal amount, or $570 million. ZCCM-IH said in court papers filed in October that First Quantum used the money as cheap financing for other operations. First Quantum says the loans were at a fair market rate. *(Reuters)*

ZAMBIAN Breweries Plc is expected to invest US$30 million at its Ndola processing plant to increase capacity as the company embarks on a drive to grow its clear beer business in Zambia. Country director Annabelle Degroot said the US$30 million capital injection will enable the company to develop a one million hecto-litre packaging line, which will go a long way in expanding the Eagle beer line as well as other clear beers. Mrs Degroot said during a media familiarisation tour of the company operations on Thursday that the company will also expand its brewing capacity, bringing the total capacity to 1.850 million litres from the current 850,000 litres. "We have brewing capacity in Ndola but we do not have enough packaging, so at the moment if you are in the market and you are an Eagle beer consumer, you are very frustrated because we cannot produce enough so the packaging line will increase our capacity," she said. She said the company has this year invested about US$250,000. Mrs Degroot said the company will also build a new warehouse in Ndola. She said the company has in the last five years invested US$350 million to build capacity and to enhance the product line. Mrs Degroot said the recent acquisition by ABInBev will also help grow the Zambian business and other businesses globally. ABInBev took over the Sab Miller businesses globally, including the Zambian subsidiary. "The new shareholder has placed Nigeria, South Africa and Zambia as important markets and has pledged commitment to expanding the businesses in these three countries," she said. *(Daily Mail)*

Economic News

Zambian annual consumer inflation slowed to 6.5 percent in May from 6.7 percent in April, data showed on Wednesday. On a month-on-month basis, inflation fell to 0.1 percent from 0.4 percent, data from the Central Statistics Office (CSO) showed. "Food and non-alcoholic beverages have accounted for the highest contribution to annual inflation rate for May," CSO director John Kalumbi told reporters. *(Reuters)*

Zimbabwe

Corporate News

Regional sugar processor Tongaat Hulett reported an operating profit of R1,27 billion ($95,7 million) in the year to March from an operating loss of R15 million ($1,13 million) recorded last year on improved local market prices and strict import protection measures in the region. Zimbabwe, in which the company operates, last year banned the importation of sugar among other items to shore up local industries. The group which is based in South Africa, also has operations in Swaziland, Mozambique and Namibia said production declined 3 percent because of the poor rainfall recorded in the region last season. "Sugar production totaled 1 056 000 tons (2016: 1 023 000 tons), with volumes impacted by low cane yields due to the drought experienced in KwaZulu-Natal and poor growing conditions with low rainfall and restricted irrigation levels in Mozambique and Zimbabwe as a result of low dam levels," the company said. The local unit, Hippo Valley Estates, is expected to benefit from the recently commissioned 1,8 billion cubic meter Tokwe Mukosi dam. Tongaat said production is this year seen exceeding 1,5 million tons as a result of the above average rainfall received this season. "The dam levels in Zimbabwe and Mozambique have already recovered". Higher prices realised from exports, especially into African markets and the EU also spurred profits, the company added. *(Source)*

The Deposit Protection Corporation (DPC) has paid $2,95 million to the collapsed AfrAsia Bank Zimbabwe's preferent creditors, and blamed the cash crunch for delays in . The central bank cancelled the bank's operating licence in February 2015 after its major shareholder, AfrAsia Zimbabwe Holdings Limited voluntarily surrendered the banking licence and was liquidated in the following month. "To date, two interim dividends amounting $2.95 million have been paid to preferent creditors. The third interim dividend is likely to be paid in the second half of 2017 to concurrent and unsecured creditors after all preferent dividends have been paid," said DPC chief executive John Chikura on Friday in a statement. The former Kingdom Bank's concurrent and unsecured creditors will receive their dividends in the second quarter of 2017, the DPC said on Friday. "The dividend will be distributed on a pro-rata basis depending on the rate of recovery and disposal of assets," he said. Continuing legal proceedings and an illiquid market have delayed payments of dividends,he added. Some of the bank's properties have been auctioned to recover creditors money. Meanwhile, in an emailed response, DPC public relations manager Allan Musadziruma said out of its exposure of $6,4 million to six failed banks, the corporation had by April 2017 paid out a total $3,2 million to insured depositors at a cover level of $500 per depositor.

Payments to depositors take place on two fronts which are under the Deposit Protection Fund up to the prevailing cover level; and the Liquidation Dividends on a pro-rata basis depending on the recoveries. "Regarding the Deposit Protection Fund, as at 25 April 2017, a total of $3.2 million out of the DPC's exposure of $6,4 million at a cover level of $500 per depositor has been paid out to insured depositors," he said. "On the Liquidation Front, a total of $4.6 million had been paid out to creditors/depositors of banks under liquidation as at 31 December 2016." He said compensation and liquidation is taking place simultaneously for the six closed banking institutions which are being liquidated namely Afrasia, Allied, Interfin, Trust, Royal and Genesis Investment Bank. When a bank shuts down, all clients are paid a maximum of $500 immediately when they submit a claim form. In the event a client has over $500 in the account, the DPC pays an initial deposit of $500 while the balance is paid through the liquidation process. *(Source)*

Zimbabwe's largest milk processor , Dairibord on Wednesday said revenue for the first four months to April 30 was two percent below comparable period last year, due to incessant rains and system migration challenges faced during the group consolidation process. However, profit margins improved in the period as operating costs fell below the previous year. The group consolidated the operations of Dairibord Zimbabwe, Lyons and NFB Logistics in a bid to reduce costs and improve operational efficiency, a move which chief executive, Anthony Mandiwanza said is now bearing fruits. "Overall performance is better than last year, a manifestation of the benefits of the turnaround strategy deployed by the group effective January 2017," Mandiwanza told shareholders at the company's annual general meeting. Rationalisation costs incurred to date amounted to $866,000 against a budget of $1 million. Mandiwanza said the new UHT carton plant has been fully commissioned, stabilising the suppy of its flagship Chimombe milk brand. The import restrictions imposed last year were also positively impacting the foods category, he added. Nevertheless, Mandiwanza said raw milk intake declined in the period due to incessant rains in the first two months of the year which hit yields per cow. The half year results would be ahead of last year, benefitting from consistent product supply, he said. *(The Source)*

DELTA Beverages injected $1,3 million into its beverages sorghum contract farming scheme (BSCFS) during the 2016/17 financial year and expects to receive about 12 000 metric tonnes of both red and white sorghum, an official has said. Delta requires 15 000 tonnes of sorghum annually and sources it locally through contract farming. Sorghum beers have grown in importance within Delta's product mix, as demand for clear beers and sparkling beverages continues to weaken due to the sluggish economy. The company's corporate affairs manager, Tsungie Manyeza, told NewsDay that Delta continues to run the sorghum contract scheme, which provides inputs for their flagship Chibuku traditional beer and Eagle lager. "We are expecting to take delivery of about 12 000 metric tonnes of both red and white sorghum over a combined excess of 13 000ha of land," she said. "The scheme provides inputs, mainly seed, to communal farmers, who provide up to 70% of output. Selected commercial farmers may access other inputs such as fertilisers. The total financing is around $1,3 million." Manyeza said farmers were spread across the country in areas such as Chiredzi, Buhera, Mutoko and Muzarabani. It provides livelihood to more than 9 000 communal families. The company also contracts farmers under the winter barley scheme, but the programme was scaled down from around 7 000 hectares to 2 400ha in 2017 due to the failure to access malt exports, Manyeza said.

"The company requirements vary every season depending on the projected domestic beer volumes. There was also increased competition for irrigable land from the command agriculture wheat scheme in 2017, which is offering a very high guaranteed intake price," she said. "We resumed a limited maize contract scheme in 2016/17 summer season. Delta is a relatively small user of maize compared to the indicated national consumption. We, therefore, target to participate through marketing contracts." Manyeza said the barley contract scheme has managed to improve crop yields from 3,4 tonnes per hectare in 2009 to 6,7 tonnes per hectare achieved in 2016. This has also ensured that the company relies on local raw materials, she said. Manyeza said commercial users' agro inputs were impacted by the high producer prices decreed by the government. "These make the cost of production in Zimbabwe very high and uncompetitive, thereby, giving room to imported finished products. The price of maize at Grain Marketing Board pegged at $390, for example, is considerably above parity," she said. *(Reuters)*

Economic News

The Zimbabwe Stock Exchange (ZSE) total market turnover trebled to $6,9 million this week from $2,23 million recorded in the previous week, driven by high demand in Econet shares. Econet shares worth $4,5 million were traded on the local bourse this week, representing 65 percent of the total market turnover. Both indices advanced this week, with the industrial index gaining 4,45 percent to 153,33 points on the back of gains recorded by heavy weights, while the mining index gained 1,1 percent to close at 70,98 points. Market capitalisation increased by 4,35 percent to $4,5 billion from $4,3 billion recorded in the previous week mirroring the gains recorded by both indices. Delta and Econet gained 4,79 percent and 22,54 percent respectively to close at 93 cents and 24,57 cents respectively. Hippo and Seedco picked up 4,65 percent and 2,02 percent to close at 45 cents and 97,17 cents in that order. Innscor and BAT also advanced 1,55 percent and 0,65 percent to close at 49 cents and 1,560.0 cents respectively, while National Foods and Padenga advanced 0,56 percent and 0,24 percent to settle at 362 cents and 21,15 cents respectively. Old Mutual was largely flat at 375,25 cents in the week while Simbisa remained unchanged at 17,85 cents. Leading the gainers pack were Meikles and Powerspeed after their share prices rose 24,25 percent and 11,9 percent respectively while Zimre and Zimplow advanced 7,14 apiece. Additionally, bankers FBC and ZB Financial Holdings gained 7,5 percent and 6,67 percent in the week. OK Zimbabwe, Pearl and Dairibord added 6,45 percent, 3,03 percent and 2,89 percent in that order. Losses were in Bindura and First Mutual who dropped 3,3 percent and 1,57 percent to close at 2,9 cents and 7,5 cents respectively. The gain recorded by the resources index was on the back of RioZim which advanced 3,64 percent to close at 57 cents, offsetting a 3,3 percent loss recorded by Bindura. Hwange and Falgold were unchanged at 2,9 cents and 1 cent respectively. Foreigners remained net sellers in the week, selling off shares worth $3,8 million compared to buys worth $1,5 million. *(Source)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Zimbabwe says it could repossess unused mining claims from large companies and redistribute them to small-scale miners in a bid to increase mineral output. Mining plays a critical role in the southern African nation, accounting for 60 percent of exports. An official document distributed to mining houses attending the Chamber of Mines conference in Victoria Falls on Friday outlined that government will "implement the use it or lose it policy on mining claims." Last year government ordered two of the country's top chrome producers to release some of their mining claims for redistribution, in a move which was widely criticised as spooking investors. The Chinese-owned Zimasco has since ceded 22,000 hectares of its chrome fields while ZimAlloys recently gave up some 35 percent of its 39,175 hectares claims. Similar move the Zimbabwean government also kicked out miners in its Marange diamond fields after they had resisted a natonalisation plan by the government. Part of the programme's strategies include engaging banks to accept gold sales records and geological survey reports as collateral. *(Reuters)*

Zimbabwe's mineral exports increased 27 percent to $852,6 million in the period January to May 12, up from $668.5 million during the same period last year on the back of increased output and firming international prices, a central bank official said on Friday. The sector is this year expected to grow by 5.1 percent, underpinned by a strong performance in major minerals like gold, chrome, nickel and platinum. As at 12th May, platinum exports were $333.5 million, up from $282 million last year. In 2016 platinum output rose 12.6 tonnes to 15.1 tonnes. Reserve Bank of Zimbabwe (RBZ) deputy governor Khupukile Mlambo told the Chamber of Mines annual general meeting that miners had responded positively to the 5 percent export incentive scheme introduced last year to shore up production. Export earnings from gold are up 3,2 percent to $275,2 million over the period despite deliveries being down slightly at 4,6 tons compared to 4,7 tons last year. "The gold sector also benefited from the $40 million (initially $20 million) support facility by the central bank. To date, $26 million has been disbursed to gold producers. The facility is earmarked for gold producers who have verifiable and viable quick win projects. It is hoped that the impact of this facility should begin to be realised starting around July 2017," he said. Chrome ore and high carbon ferrochrome exports increased from $14.7 million to $104.4 million in the period to May 12 as the sector. The chrome sector was supported by the export incentives, lifting of a chrome ore export ban and general increase in international prices for chrome related products. "A survey by the (central bank) in April 2017 shows that 9 of the 13 chrome smelters re-opened their furnaces since the last quarter of 2016, resulting in the creation of more than 2,000 jobs. Only, one smelter Afrochine was operational in the first half of 2016. There have been a proliferation of chrome smelters since last quarter 2016." In 2016, mining contributed 62 percent to the country's exports up from 55 percent in the previous year. *(Source)*

THE Confederation of Zimbabwe Industries (CZI) has defended the government's protectionist measures on local industries, saying such policies were for the long term benefit. Speaking at the two-day financial markets indaba conference in Harare last week, CZI president, Busisa Moyo said industry has been misunderstood in that they have been calling for those policies for the long term. "What we asked was for certain constraints of business to be removed with urgency, but our policymakers could not remove those constraints timeously. Which is why we said let us have time-bound support for the private sector, which then falls away after the period," he said. The CZI boss was responding to an inquiry by head researcher at Emergent Capital Management, Ray Chipendo, on whether the proctectionist measures were for a short or long-term strategy. "I think that your latter point (protectionism) is correct. It is a strategy, part of a strategy. The strategy starts with where we are in terms of acknowledging simple realities like our industries at the moment are not competitive. I mean, we did our last manufacturing sector survey, which showed that companies are using equipment that is north of 20 years old in terms all the antiquated equipment so that is the reality," he said. Last year, government promulgated Statutory Instrument (SI) 64 of 2016, which restricts the importation of 43 products, with local equivalents stating that for one to do so, it requires an import licence, which is issued once one has satisfied authorities on the reason the products should have to be imported.

SI64 caused a brief trading row with neighbouring South Africa — Zimbabwe's biggest trading partner — who threatened retaliatory measures against the country. The row concluded with the government being forced to make some duty concessions on 112 products provided to them by their South African counterparts. However, SI64 did see capacity utilisation rise to 47,4% in 2016 from the previous year's 34,3%, with more companies praising the rise. The Industry and Commerce ministry has been on record several times calling for the need to resuscitate local industry, with the private sector saying considerations needed to be made so as not to deter investment.

International Monetary Fund country representative, Christian Beddies said at the same event that government needed to create a conducive environment for the private sector. "Zimbabwe needs to build strong foundation on which growth can actually happen and that involves, in very simple ways, reducing the government footprint in the economy to create an environment for private players to invest and run the economy," he said. *(News Day)*

Zimbabwe's economy will grow by 1,3% this year, spurred by a growth in sectors such as agriculture, a new report has shown. According to the African Economic Outlook 2017 report launched here yesterday, Zimbabwe's gross domestic product (GDP) was projected to have more than halved to 0,5% last year from 1,1% in 2015 due to strong economic headwinds. "Zimbabwe's GDP growth is projected to increase by 1,3% in 2017 spurred mainly by agriculture in view of favourable rains, tourism, manufacturing, construction and financial sectors," it said. The report, which was themed Entrepreneurship and Industrialisation, was jointly produced by the African Development Bank (AfDB), the Organisation for Economic Cooperation and Development and the United Nations Development Programme. In 2018, however, economic growth is expected to decelerate to 0,9%. In his 2017 National Budget, Finance minister Patrick Chinamasa projected a growth rate of 1,7% this year driven by agriculture and mining. The World Bank has projected an economic growth of 3,8% in 2017. The African Economic Outlook 2017 report said Zimbabwe continued experiencing foreign currency shortages required to fund critical inputs in most sectors of the economy and was beset by the high cost of production that has eroded the competitiveness of the economy. It said inflation was expected to remain positive in 2017, "hovering between 1% and 2% on the back of an anticipated increase in international oil prices and economic recovery".

It warned that the external position was projected to remain under severe pressure in the medium to long-term due to weak exports. "The external sector still remains a threat to a strong recovery in the near term largely due to weak exports leading to unsustainable trade deficit, although imports have been coming down," it said. Imports declined by 11,7% in 2016 to $5,35 billion after the government rolled import restriction on 43 products that have local equivalents. The report projected the continent's economic growth of 3,4% in 2017 and 4,3% in 2018. Growth slowed to 2,2% in 2016 from 3,4% in 2015 due to low commodity prices, weak global recovery and adverse weather conditions, which impacted on agriculture production in some regions. Abebe Shimeles, a senior AfDB official, said the continent remained resilient despite facing economic headwinds in the last two years, "we firmly believe the continent remains resilient, with non-resource dependent economies sustaining higher growth for a much longer spell," Shimeles said. "With dynamic private sectors, entrepreneurial spirit and vast resources, Africa has the potential to grow even faster and more inclusively." AfDB president, Akinwumi Adesina said the growth projections were testament that Africa was keeping its head above the waters in a challenging global environment. "Prospects for Africa are great. People call me Africa's optimist-in-chief," he said. *(News Day)*

Zimbabwe's largest grocery chain OK Zimbabwe posted an 800 percent jump in full-year after tax profits to $6.1 million from $700,000 in 2016 after reducing costs and improving margins, the company said on Wednesday. Revenue rose 8 percent to $472 million during the year to March despite a weak economy and acute cash shortages while earnings per share jumped to 0.52 cents from 0.06 cents the previous year, OK Zimbabwe said in a statement. OK Zimbabwe's 63 stores makes it the biggest in the country ahead of rival TM Supermarkets, which has 56 stores. South Africa's Pick n Pay owns 49 percent in TM Supermarkets. *(Reuters)*

London-listed junior miner Vast Resources has postponed the conclusion of the sale of nearly 50 percent of its shares at its Zimbabwe operations citing delays in approval of the transaction by the Reserve Bank of Zimbabwe. Vast Resources, which owns 50 percent of the mine, announced in January that it was selling 49.99 percent of its shares to a Mauritian investment company, SSCG Africa Holdings, for $4 million to minimise exposure to economic uncertainty in the country, including the possible impact of bond notes. The transaction was however depended upon the approval by central bank by April 7, and was later extended to May 19, but no response has been obtained from the RBZ. The group which also have interest in Romania, said the deadline has now been extended again to 2 June although the delay was now frustrating. "Final approval of the Assignment by RBZ remains outstanding, but correspondence from and discussions with Canape's bankers in connection with the application for approval indicate that the necessary approval for the Assignment will be forthcoming, and all efforts continue to achieve this as soon as possible. Whilst the approval of the Assignment remains outstanding, a formal extension to 2 June 2017 has been agreed by all parties," said the group. Vast chief executive Roy Pitchford said: "We remain extremely confident that the transaction with SSA will be successfully concluded in the near term. Although this process has been subject to frustrating administrative delays, SSA has reconfirmed its intent to finalise the transaction and remains wholly supportive of Vast." Under the deal, Vast was also also to receive a $4 million loan payable in four years at 12 percent interest rate from the Mauritian investment company. It intended to use the total $8 million raised to boast its operations in Romania and repay a Grayfox loan. Grayfox Investments, a consortium of Zimbabwean investors owns the other 50 percent of the mine. *(Source)*

Plastic products manufacturer, Proplastics on Tuesday said turnover for the first four months to April 30 was 9 percent below comparable period last year, with sales falling by 13 percent over the prior period. The decline in sales volumes was due to the adoption of a cash model to avoid high credit risk. Chief executive, Kuda Chigiya told shareholders at the company's annual general meeting that the heavy rains which hit the country earlier this year caused a delay in the company's projects. "We have seen demand starting to improve in the current month and we expect the upward trend to continue which will lead to recovery of lost revenue. The demand is mainly driven by irrigation, which is entering its peak period," said Chigiya. However, gross profit margins increased to 24 percent from 22 percent in the prior year on improved efficiency following the commissioning of new machinery. Proplastics commissioned a new $1,5 million PVC plant to increase production by 60 percent from 600 tonnes monthly in November last year. otal exports contributed three percent to turnover for the period. Chigiya told shareholders that the business remained profitable in the period but below last year's levels. The construction of a new factory, which was expected to start in the the first quarter was deferred to the second half of this year, and is awaiting board approval. The company, which imports about 80 percent of its raw materials said it has received support from its bankers and the central bank to settle obligations to foreign creditors. "I am happy to inform shareholders that we are up to date with our foreign creditors, with our requests for foreign funding constantly being met," Chigiya said. "We have sufficient cover of the main raw material stock to carry the business forward." *(Source)*

Zimbabwe imported disposable napkins worth $3 million in the first quarter of the year, latest trade data from the national statistics agency shows, more than enough to resuscitate stricken local garment maker, Merlin. Figures released by the Zimbabwe National Statistics Agency (ZimStat) show that the country imported disposable napkins worth $3 million in the first quarter of 2017, but down 31 percent compared to the same period last year. Total imports over the period amounted to $1,3 billion against $724 million exports, which remain heavily skewed towards consumptive products. In the same period last year, the country's imports were $1,3 billion against exports of $617 million. Merlin, one of Zimbabwe's oldest textile firms which produced towels and nappies, was placed under provisional administration in 2011, mirroring the broader malaise afflicting the country's manufacturing sector. The company, established in 1954 and owned by Delma Lupepe, requires $2,1 million in the short-term to purchase raw materials and to refurbish plant and machinery to resume production. It requires $30 million fresh capital spread over a period of up to 10 years to resume normal production. Merlin's judicial manager is still hopeful an investor to rescue the company will be found before the company's June 30 liquidation deadline. *(The Source)*

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