SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

Country	Index	22-Aug-14	29-Aug-14	WTD % Change Local	WTD % Change USD	YTD % Change Local	YTD % Change USD
Botswana	DCI	9400.96	9441.08	0.43%	0.54%	4.28%	1.42%
Egypt	CASE 30	9495.30	9446.83	-0.51%	-0.77%	39.28%	34.65%
Ghana	GSE Comp Index	2212.28	2200.18	-0.55%	2.35%	2.56%	-35.81%
Ivory Coast	BRVM Composite	247.21	246.52	-0.28%	-0.59%	6.25%	1.40%
Kenya	NSE 20	5028.06	5139.39	2.21%	2.05%	4.31%	0.34%
Malawi	Malawi All Share	13633.32	13737.30	0.76%	-0.23%	9.63%	15.34%
Mauritius	SEMDEX	2116.79	2108.72	-0.38%	-0.86%	0.62%	-5.53%
	SEM 7	402.59	401.00	-0.39%	-0.88%	-0.65%	-6.73%
Namibia	Overall Index	1117.24	1115.39	-0.17%	0.65%	11.87%	10.41%
Nigeria	Nigeria All Share	41564.19	41532.33	-0.08%	-0.24%	0.49%	-1.19%
Swaziland	All Share	297.16	297.16	0.00%	0.82%	4.02%	2.66%
Tanzania	TSI	4270.69	4359.42	2.08%	3.77%	53.31%	45.90%
Tunisia	TunIndex	4699.94	4682.60	-0.37%	-0.98%	6.88%	0.61%
Zambia	LUSE All Share	6216.31	6208.63	-0.12%	0.91%	16.08%	6.93%
Zimbabwe	Industrial Index	198.04	196.43	-0.81%	-0.81%	-2.82%	-2.82%
	Mining Index	101.78	104.80	2.97%	2.97%	128.87%	128.87%

CURRENCIES

Cur-rency	22-Aug-14 Close	29-Aug-14 Close	WTD % Change	YTD % Change
BWP	8.90	8.89	- 0.11	2.82
EGP	7.13	7.15	0.26	3.44
GHS	1.87	3.77	- 2.84	59.78
CFA	497.90	499.44	0.31	4.78
KES	88.31	88.45	0.16	3.95
MWK	388.30	392.15	0.99	- 4.96
MUR	30.76	30.91	0.49	6.51
NAD	10.71	10.63	- 0.81	1.32
NGN	162.00	162.26	0.16	1.71
SZL	10.71	162.26	- 0.81	1.32
TZS	1,663.00	1,635.80	- 1.64	5.08
TND	1.73	1.74	0.61	6.23
ZMW	6.03	5.97	- 1.03	8.55

Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Revenue from Egypt's Suez Canal rose by 8.6 percent in July to $482.2 million from $443.9 million in June, Egypt's state information portal said on Monday. The waterway, the fastest shipping route between Europe and Asia, is one of Egypt's main sources of foreign currency. *(Reuters)*

Economic News

Egypt's government plans to build an airport city around Cairo's international airport at a cost of LE80 billion, said Mahmoud Essmat, Chief Executive Officer of the Holding Company for Airports and Aviation. The project's consultancy, AECOM, has already completed the feasibility study for the project, which includes five phases to be completed by 2020, Essmat said at a press conference on Saturday. Revenues from the project are expected to amount to LE422 billion by 2040. The airport city will include touristic, trade, entertainment, medical and educational areas built on environmentally friendly infrastructure on an area of 10 million square metres. The ambitious project is expected to create 30,000 direct jobs and 90,000 indirect jobs. Essmat expressed hopes that the project would attract investments from Egyptian and Arab investors. Egypt's government has recently announced several ambitious projects with the aim of increasing investments and boosting the ailing economy. Earlier this month, President Abdel-Fattah El-Sisi gave the green light for digging a new waterway alongside the Suez Canal which is expected to boost revenues by 259 percent. Also on Saturday, Prime Minister Ibrahim Mahlab announced plans to develop the country's North Cost to attract more tourists. Egypt's unemployment rate hit 13.3 percent in the second quarter of 2014. Net Foreign Direct Investments (FDIs) were $1.8 billion in the third quarter of 2013/2014, with the inflows mostly from the United Kingdom, United States and Arab countries. *(Ahram)*

Egypt stocks were more active at the end of the week as the main index rose 0.65 percent to close the session at 9,435 points and turnover picked up to LE644 million. The past week witnessed a relative lull in market activity, which led the value of traded stocks to drop as low as LE597 million, as the market moved sideways due to "investor hesitancy as no clear pattern emerged in the market," Issa Fathy, vice president of the securities division at Cairo's Chamber of Commerce, told Ahram Online. Egyptian investors were net-buyers for LE7 million, followed by non-Arab foreigners for LE6.6 million, while Arab investors were net-sellers for LE13.7 million. Market bellwether Commercial International Bank (CIB) recorded the highest turnover value of LE57.6 million, rising 1.14 percent to LE46.21. In the real estate sector, TMG Holding inched down 0.19 percent to LE10.44, while Six of October Development and Investment (SODIC) rose 0.91 percent to LE45.37. Global Telecom fell 0.92 percent to trade at LE5.41. Cairo-based investment bank EFG-Hermes was up 0.55 percent to LE18.12. The broader EGX70 index rose 0.24 percent. *(Ahram)*

Egypt's finance ministry says it hopes to amend the country's budget law to place special funds – long a source of controversy – under the same rules that govern public money. Special funds are raised by state institutions through other means than customs or taxes – hospital fees or parking tickets, for example – and are attached to a wide variety of public bodies. They are not included in the state budget or subjected to parliamentary supervision. There are more than 6,300 special funds in Egypt, worth a total of LE27.275 billion ($3.8 billion), the finance ministry said in a press release on Thursday. The ministry says that the new legal modifications will place all withdrawals from the funds, as well as their bids and tenders, under the same rules as other public funds. Originally created by president Anwar Sadat as a way to give municipalities more autonomy and free up the central budget, the funds later become synonymous with corruption during the era of Hosni Mubarak. Past governments have tried to reform the funds. In February 2012, former finance minster Momtaz El-Saeed called for the funds to be integrated into the state budget. Islamist president Mohamed Morsi made a similar move during his one-year mandate, ordering for 20 special funds – and 10 percent of their annual revenue – to be absorbed into the budget. The efforts resulted in the transfer of LE10.6 billion ($1.5 billion) over the last two years. Some special funds were left untouched – like those for hospitals or citizen donations for universities, as well as funds that receive donations from foreign countries and other donors.*(Ahram)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana recorded a budget deficit of 4.2 percent of gross domestic product in the first six months of 2014, slightly higher than the government's 4.1 percent forecast, the Finance Ministry said on its website. The figure would appear to keep the government roughly on course to meet its revised full year deficit reduction target of 8.8 percent in 2014. Its initial estimate was 8.5 percent. The West African state faces a raft of fiscal problems including a stubborn deficit, which stood at 10.2 percent in 2013, inflation above 15 percent and a currency that has fallen around 40 percent this year. The latest deficit figures showed a total excess expenditure amounting to 4.819 billion cedis ($1.57 billion) in the first six months of the year, compared with a target of 4.713 billion cedis. The government is preparing for talks with the International Monetary Fund for an assistance programme to help it fix the economy, including stabilising the cedi. Ghana, the world's second largest cocoa producer is set to issue its third Eurobond this month to support government's finances. The West African state also exports gold. *(Reuters)*

The Chinese Consular in charge of Economic Activities in Ghana, Mr Ji Jiang, has asked Ghanaian businesses to partner Chinese organisations to boost trade operations between the two countries. He said trade between the two countries would swell up if businesses in Ghana collaborated with Chinese companies, since most Chinese companies desired to invest in the country. Mr Jiang made the statement at the opening of the showroom of the Ghana branch of AUCMA in Accra. AUCMA is the biggest manufacturer of household appliances in China. He observed that the Ghanaian political terrain had convinced big Chinese companies to extend their operations to the country. Mr Jiang also said over the past years, the Chinese government had supported Ghana's economy, adding that the embassy had similarly benefitted from the government of Ghana. He added that despite the challenges confronting his nation, the Chinese government would continue to partner Ghana to attain its development goals. "The opening of the Ghana branch of AUCMA is evidence of companies in China willing to invest in the country," Mr Jiang added. The General Manager of the Hong Kong branch of AUCMA, Ms Sally Zhang, said the company planned to expand its market to Africa. According to him, AUCMA had advanced assembly lines for the production of quality products such as water spray, ice maker, dispensers and other appliances. Ms Zhang, therefore, gave the assurance that AUCMA would direct good products onto the Ghanaian market. *(Ghana Web)*

The World Bank has pledged to support the government's public-private partnership (PPP) initiative, with the financial muscle needed to make the policy a reality. The bank's Country Director for Ghana, Liberia and Sierra Leone, Mr Yusufa Crookes, said the bank was impressed with the fact that Ghana could easily leverage private capital through the PPPs, which could be used to bridge the country's yawning infrastructure deficit. The monetary value of the deficit is currently estimated at US$7.5 billion over the next five years, and would require an annual investment of US$1.5 billion to be bridged. Given that budgetary allocations cannot meet that amount, Mr Crookes said PPPs came in handy hence the bank's decision to give the initiative its financial backing. "Where you have a (PPP) process completed, a defined private sector investor identified and selected, they may need financing. We are standing ready, through the World Bank Group, to provide whatever financial products those investors might need to realise their ability to partner government in developing any specific infrastructure they may have been selected for," he said at a PPP conference in Accra. The conference was organised by C-NERGY Ghana, the local subsidiary of investment advisory firm, C-NERGY Global, in partnership with the Ministry of Finance and Economic Planning. Speakers at the four-day event included the Director of Public and Private Infrastructure Management Centre (PIMAC) of Korea, Dr Kangsoo Kim; the Head of PPP Network at the Southern Africa Development Corporation (SADC), Mr Kogan Pillay; Mr Marcel Van Den Broek of Vandeneroek

Consulting and Dr Alexander Budzier of Oxford University. The event created the platform for local and foreign investors from different parts of the world, including insurance companies, pension fund managers and government agencies, to interact and share their ideas and experiences on developing and financing bankable PPP projects to bridge the country's infrastructure gap. A Director of C-NERGY Global Holdings, Mr Michael Cobblah, said the company was prepared to offer the technical expertise needed to ensure a smooth execution of PPP projects in the country. President John Mahama, who was represented by the Minister responsible for PPP, Mr Rashid Pelpuo, assured the participants that the government was in the process of providing the legal framework that would enable the private sector to partner public institutions in the provision of public infrastructure. He also said consultations with stakeholders had taken place on the draft PPP legislation which would be laid before Parliament soon. "In the context of our win-win partnerships, investors must receive a fair return for their risk capital and in return, we expect know-how and technology transfer and a commitment to local employment," Mr Pelpuo said at the event. The Leader of Strategy and Business Development of the Beige Group, Mr Peter Nii Odoi Charway, who participated in the conference, commended the organisers for bringing together seasoned brains in PPP to deliberate on how Ghana could maximise returns from the policy. On the World Bank's support for the initiative, he said it was one of the sources of funding needed to make PPP a success. "The question now is, how well are we able to package these projects and make them attractive to financial institutions to say 'yes we are going to fund you'? These are some of the capacity-building areas that the government will have to look at," he said. "The private sector in Ghana only started developing in the last 10 years but we are looking at huge contracts as in US$50million and over. What is the government doing to support the private sector? Can the public sector managing the process come to the private sector to ensure that the back and forth in the process is avoided?" *(Ghana Web)*

Ghana's annual producer price inflation stood at 47.4 percent year-on-year in July up from the last estimate for June of 33.1 percent, the national statistics office said on Wednesday. The rise, driven partly by increased costs in the manufacturing sector, takes Ghana's producer price inflation to its highest level since January 2010. "All the sub-sectors have recorded increases but the main driver is the manufacturing sector, which constitutes more than two-thirds of total industry," said government statistician Philomena Nyarko. Prices in that sector rose 13.2 percentage points, she said. Producer price inflation is an advance indicator of consumer price inflation, which rose to a four-year high of 15.3 percent in July, driven partly by a depreciation of the local cedi currency. Politically-stable Ghana has seen years of rapid gross domestic product growth, making it one of Africa's economic stars. But the government faces fiscal problems that could pose a threat to growth including inflation, the falling currency and a stubborn budget deficit. President John Mahama ordered his government this month to open talks with the International Monetary Fund on a programme to help stabilise the economy and stabilize the cedi. *(Reuters)*

Government has defended its decision to establish a national airline. According to the Deputy Minister of Transport, Joyce Bawa Mogtari ,"remember that this route is a very, very viable one , for now we have 41 national carriers plying this route , why can we not put our national carrier back in the sky to compete with the existing businesses(?)". Government's move to go ahead with the establishment of the airline, is despite a warning by a former chief of staff Kwadwo Mpiani that, it is not economically viable. Kwadwo Mpiani last week slammed government on its moves to establish a national airline. He told Citi Business News the industry is highly competitive and a state owned airline will not survive. This is Ghana's third attempt at running a national airline. The previous two collapsed due to debt and mismanagement. Founder and Chairman of Antrak Group, Alhaji Asuma Banda, has also threatened to drag government to court if it goes ahead to establish a new national airline. "If the government goes ahead to establish a new airline, I will challenge them in court. We have no money to throw away. It won't work," he said. Last week government contracted audit and advisory services firm PricewaterhouseCoopers (PWC) as the transaction advisor for the project. PwC will among others undertake various business studies to determine the viability, ownership structure, develop various models and evaluate bids for the establishment of the new national airline. The process, which is expected to take 13 months, is being financed using part of a US$30million Public-Private Partnership Programme facility from the World Bank. Justifying government's move to establish the airline the deputy minister of transport Joyce Bawa Mogtari said "the original Ghana Airways Company Limited was actually a viable company, making profits for many, many years until it was liquidated. The second one, which is the Ghana International Airline and the now defunct company that we are talking about didn't succeed because it was not properly structured". *(Ghana Web)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Housing Finance has sold 10 million shares of insurance group Britam in a transaction that could have earned the mortgage company more than double its initial investment Regulatory filings by the company show that Housing Finance (HF) sold the shares about mid this year, a move that helped boost its first half financial performance. HF bought the Britam shares for Sh90 million during the insurer's 2011 IPO that was priced at Sh9 per share, and even though it is not clear how much the mortgage firm sold the shares, they are currently worth Sh237.5 million going by the prevailing market price. HF managing director Frank Ireri declined to comment on the transaction when contacted on Friday. Britam has announced an intention to acquire a 24.7 per cent stake in HF currently owned byEquity Bank, and it is not clear whether the two transactions are related. The sale of shares saw HF drop from Britam's list of top local institutional investors where it was previously ranked sixth with a 0.5 per cent stake. The mortgage firm's financial statements show that it had classified the shares as "available-for-sale," which signaled the intention to liquidate them. It had valued the securities at Sh80 million in June last year, which rose to Sh151.5 million in December, tracking Britam's share price rally that was sparked by an announcement that the insurance group would acquire a rival firm. Britam's share price has nearly tripled in the past 12 months to trade at Sh23.75. Britam itself already holds a 21.46 per cent stake in HF. The insurance group announced an intention to buy Equity Bank's 24.76 per cent stake in a transaction valued at an estimated Sh2.2 billion, a move that will raise its interest in the mortgage firm to 46 per cent where it can gain control over HF's strategic direction. Housing Finance's share price has gained 77 per cent in the past one year to trade at Sh44.75, helped partly by the news of Britam's bid for a larger stake in the housing financier. The impending deal is the latest that has helped drive Britam's share price rally in the past one year. The company recently concluded its 99 per cent acquisition of Real Insurance in a cash-and-stock deal worth Sh1.3 billion. The Real buyout followed an acquisition of a 25 per cent interest in property development firm Acorn Group for an estimated Sh300 million. Britam is also eyeing a larger stake in Equity Bank where its ownership currently stands at 10.1 per cent.Britam, which has previously relied heavily on bonds and quoted equities for investments, is increasing its presence in the booming property market directly and through Acorn and HF. For HF, the sale of Britam's shares helped boost its net profit that rose 19.4 per cent to Sh474.4 million in the half year ended June. This came as other income – including the Britam shares sold – increased six-fold to Sh311.1 million and pushed total non-interest income up 241.1 per cent to Sh506.2 million. The income made up for a slower growth in interest revenue at 4.7 per cent which stood at Sh2.9 billion, slower than the loan book expansion by a fifth which stood at Sh38.8 billion. *(Business Daily)*

Kenyan media firm Standard Group on Monday posted an 8-percent drop in pretax mid-year profit to 205 million shillings ($2.32 million). The publisher of Kenya's second-largest daily, The Standard, operator of KTN TV and a radio station, blamed the year-on-year fall in profit on provisions for bad debts in its magazine distribution business. The company said it was optimistic about achieving higher earnings in the second half. Revenue rose 1.5 percent to 2.37 billion shillings buoyed by a 50 percent rise in income from its radio business and an 82 percent jump from its digital assets. Print advertising income grew 12 percent while income from television slipped to 380 million shillings, the company said. *(Reuters)*

Kenya Re has bought a minority stake in Africa Trade Insurance Agency (ATI), securing an additional revenue stream from the fast-growing continental underwriter. The Nairobi Securities Exchange-listed firm last month invested $1 million (Sh87.5 million) in ATI, taking a 0.55 per cent stake in the multinational that covers political and trade risks. The deal will see Kenya Re earn dividends from ATI besides deepening its existing partnership with the institution it has structured joint insurance policies against bond defaults and political violence. "This partnership will create a platform through which we can strengthen our capacity to reach these untapped and potential markets in Africa," said Jadiah Mwarania, Kenya Re's chief executive. The firm has been keen on expanding its re-insurance business in the continent, taking premiums from primary insurers with whom it shares risks. Besides its Kenyan head office, Kenya Re has an office in Ivory Coast from where it serves the French-speaking insurance market of West Africa. The investment in ATI gives it an opportunity to access more deals in markets where it has previously served indirectly. ATI's headquarters is in Nairobi, besides having offices in Tanzania, Uganda, and Zambia. It does business in more than 10 African countries, including those that form the bulk of its shareholder base. It plans to significantly expand its footprint on the continent in the medium term. The multinational is seeking to recruit new shareholder states from the Economic Community of West African States (Ecowas), raising more capital and entering new markets. "Our main focus currently is with the Ecowas bloc, and we expect capital of $100 million (Sh8.7 billion). This will be in the next three to five years," ATI said in a statement. ATI's business is concentrated in Kenya where its gross exposure in December stood at $301.2 million (Sh26.2 billion) or 34.5 per cent of the total $871.5 million. "As a shareholder, Kenya Re should expect to directly benefit from ATI through dividends as well as sharing risks in the region," said ATI's chief executive George Otieno.*(Business Daily)*

Financial services firm Jubilee Holdings grew its net profit 35.6 per cent in the half-year ended June, helped by higher premiums and investment income. The firm made a net profit of Sh1 billion in the review period, up from Sh793.8 million a year earlier. The growth was helped by a surge in gross premiums by 28.5 per cent to Sh12.9 billion while investment income increased 12 per cent to Sh1.8 billion. Jubilee declared an interim dividend of Sh1 per share to be paid in October. Its share price has gained 46 per cent in the past one year to trade at Sh400. Company chairman Nizar Juma attributed the performance to ambitious and innovative product development strategies and enhanced relations with insurance brokers.*(Business Daily)*

Retail Chain Nakumatt Holdings is set to open a new branch in Bamburi, Mombasa, in October. Nakumatt two weeks ago opened the second of the three branches in Dar es Salaam, bringing to 50 the total number of Nakumatt stores across Kenya, Uganda, Tanzania and Rwanda. Nakumatt Supermarkets managing director Atul Shah said in an interview that the new outlet will be 15,000 square foot big, employing 75 staff when completed. "We have now turned our focus in developing new outlets in the country after the recent acquisition of three Shoprite stores in Tanzania. The strategy is now to create more networks in the local market as we strive to increase our workforce,'' said Mr Shah. Nakumatt recently borrowed Sh3 billion from KCB bank to advance its expansion in Tanzania. Nakumatt has also announced plans to list on the Nairobi Securities Exchange and neighbouring stock markets in the next three years. Last week, Nakumatt's rival Uchumi Supermarkets cross-listed its shares on the Dar es Salaam Stock Exchange. The listing is expected to increase Uchumi's market visibility and boost its rights issue plans expected end this year. Uchumi's cross-listing will see it join Kenya's corporate heavyweights that include Nation Media Group, KCB Group, East African Breweries, Kenya Airways and Jubilee Holdings.*(Business Daily)*

Kenya's Nairobi Securities Exchange (NSE), which is listing its shares next month, posted a 29 percent year-on-year fall in its pretax profit for the first half to 158.2 million shillings($1.78 million). The 60-year old bourse, whose initial public offering closed on Aug. 12 ahead of the listing, said earnings figures showed an increase in total revenues after trading of equities rose. Trading in the bourse's shares starts on Sept. 9. NSE said the value of trades in the fixed income market fell 14 percent from a year earlier to 457 billion shillings. It did not offer an explanation. Pretax profit in the first half of 2013 was 223.7 million shillings. The exchange said that last year's figure benefited from a one-off recovery of bad debt worth 114.9 million shillings. With this one-off figure stripped out from the first-half 2013 earnings, profit before tax in 2014 rose 46 percent. *(Reuters)*

Kenyan agricultural firm Kakuzi on Wednesday posted a 32-percent fall in pretax profit for the six months ended June to 76 million shillings ($860,700), mainly due to lower earnings from tea. The company, which also grows pineapples and avocados and rears livestock, said it will be seeking similar full-year profit levels to last year, when it posted an annual pretax profit of 239 million shillings. Kakuzi blamed the half-year profit slump on lower tea prices and "increased cost charges to revenue on Macadamia (nuts) as early planted fields come to maturity". The company said earnings per share fell to 2.50 shillings from 3.94 shillings in first half of 2013, and recommended no interim dividend be paid. *(Reuters)*

Kenya Airways (KQ) has said the amendments to the Finance Bill 2014 exempting it from having to pay value added tax (VAT) on aircraft and spare part imports will save the national carrier operating costs and help it compete with rivals. The amendment passed on Wednesday saw KQ exempted from VAT on new planes at a time when it is expecting to buy about nine aircraft. President Uhuru Kenyatta is expected to assent the Bill into law. "This is in line with what we have been lobbying for. The new law will spur expansion. We appreciate the decision," incoming Kenya Airways chief executive Mbuvi Ngunze told theBusiness Daily on Thursday. Parliament had in April introduced

VAT on aircraft weighing more than 2,000kg, including KQ in the tax bracket that saw it immediately owe the taxman billions as it was in the midst of importing the new aircraft. The exemption, when implemented, is set to cater for aircraft weighing between 2,000kg to 15,000kg. The new law had disadvantaged Kenya Airways compared to its main rival Ethiopian Airline, which had for long been exempted on similar taxes back home. Industry players have been lobbying for aircraft and their spare parts be exempted from VAT in line with the East Africa Community Customs Management Act. Kenya Airways has of late been constrained financially weighed down by the huge VAT bills it had to pay to the Kenya Revenue Authority. Each of the said Dreamliner costs KQ Sh11 billion. Therefore, paying the 16 per cent VAT on the eight aircraft posed a new challenge to the airline's operations at a time the carrier is struggling with a drop in passenger numbers. This is due to travel advisories issued by the US and the West over recent wave of insecurity in the country and Ebola outbreak in West Africa.(*Business Daily)*

National Bank posted a 17 per cent jump in net profit in the first half ended June, boosted by increased lending and transaction-based income. The lender's net profit in the period increased to Sh776.3 million from Sh666.2 million a year earlier, as its loan book doubled to Sh54.7 billion. This saw interest income rise by a fifth to Sh4.8 billion, followed by non-interest income that jumped by the largest margin at 40 per cent to Sh1.5 billion. "We are pleased with these strong first-half results, which are as a result of the operational improvements that we have made across the business and the new businesses and products that we have introduced," said Munir Ahmed, the bank's chief executive. "Our focus on efficiency has also brought the cost-income ratio down further," he added. The bank's cost to income ratio—a measure of efficiency— improved to 73.8 per cent from 75.8 per cent, but still way higher compared to its bigger rivals whose ratio is less than 60 per cent. Operating expenses rose 19 per cent to Sh3.5 billion. NBK's thin capital adequacy margin, however, threatens to curtail its growth in the short term. The lender's financial statement shows that the delay in its planned Sh10 billion rights issue is hurting its ability to lend more and take in more deposits. The bank expected to have raised the cash by last month, but its application for approval of the cash call by the Capital Markets Authority has delayed the issue. This has constrained its core lending business besides derailing the restructuring plans of the bank that is 48 per cent owned by NSSF and 22 per cent by the National Treasury. NBK's loan book stood at Sh54.7 billion in June, having grown from Sh47.1 billion in March and Sh39.5 billion in December. Its customer deposits stood at Sh91.2 billion, rising from Sh81.7 billion and Sh77.9 billion in the same period. The bank's core capital deteriorated to Sh9.9 billion in June, down from Sh10.4 billion in March. This saw its core capital to total deposit ratio decline to 10.9 per cent from 12.3 per cent in the same period, staying above the regulatory limit by 0.4 percentage points. Its total capital to total risk-weighted assets (loans) ratio in the same period also deteriorated to 14.9 per cent, being 0.4 percentage points higher than the minimum requirement. The bank now expects to conclude the delayed rights issue within the next three months, raising cash that will ease its capital adequacy crisis. It is expected to offer a discount on its current share price of Sh28 which has gained 30 per cent in the past year. The statutory limits used by NBK are the higher ones set by the Central Bank of Kenya and which are to be complied with by December. Until then, banks could use the current lower capital buffer of eight per cent for deposits and from 12 per cent for loans.*(Business Daily)*

Economic News

Kenya's debut $2 billion Eurobond pushed its total public debt to 57 percent of gross domestic product (GDP) at the end of June, up from 51.7 percent a year earlier, the Treasury said. The east African nation's total debt stood at 2.37 trillion shillings (26.78 billion US dollar) after Kenya's maiden sovereign bond was issued in June, according to data from the finance ministry seen by Reuters on Monday. Analysts said the higher level of debt was sustainable because the government had negotiated low interest rates with multilateral lenders like the World Bank. "The new level should be sustainable in terms of debt repayment because most of it is booked on concessionary terms," said Alex Muiruri, a fixed-income trader at Kestrel Capital. A weaker shilling contributed to the upswing in debt as foreign loans denominated in major currencies like the dollar usually go up when the shilling weakens. The shilling is trading above 88.00 per dollar, having weakened from 87.50 in the same period last year. Debt as a percentage of GDP is expected to fall in late September when the statistics office updates the base year for calculating output to 2009, which will result in the size of the economy going up. *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

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Mauritius

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WEEKLY AFRICAN FOOTPRINT

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Nigeria

Corporate News

As he continues with consultations on whether he should join the governorship race in Abia State, the Group Managing Director of Diamond Bank Plc, Mr. Alex Otti, is coming under intense pressure to take the plunge. THISDAY learnt that some pressure groups and even traditional rulers have been working on the banker to join the governorship race on the platform of the Peoples Democratic Party (PDP) in order to break from the political mould in the choice of chief executive. Already, the Diamond Bank CEO has extended his consultations to the state leadership of the PDP when he visited the party's secretariat on August 13 and told the members of the executive council that zoning of the governorship ticket would not serve the best interest of the state. Leading the campaign to draft Otti into the governorship contest is a group known as Abia First 2015 Project composed of well meaning Abians with the conviction that come 2015 "there must be improvement in governance." The Head of Media and Publicity of Abia First Project, Chief Nwaka Inem, told journalists at the weekend in Umuahia that there was no doubt that the incumbent governor, Chief Theodore Orji, and his predecessors had done their best but expectations of Abians are still high hence the need for improvement.

He said the group and other concerned Abians had analysed the qualities and capacities of the people angling to succeed Governor Orji and only Otti met the requirement based on the fact that he possessed the capacity, contact and will power to pilot the affairs of Abia. "We are telling Otti that if he has done so well for Diamond Bank in the corporate world, he can also do it well for Abia State in governance," Nwaka said, pointing out that Otti had posted an enviable record by pushing his bank from number 13 to four in just two years. According to him, it was high time a technocrat was given the opportunity to govern Abia and with the abundant human resources "we are very sure that we can harness the best of them in the corporate world" to preside over the affairs of Abia come 2015. "We are clamouring for a new leader with different orientation and approach to governance," he said, adding, "If we've tried typical politician, if we've typical trader, and if we've tried typical civil servant, then we must try a technocrat to give us a different approach in governance." The Abia First spokesman faulted the Abia PDP decision on zoning the governorship ticket to Abia South, saying that the ruling party should not sacrifice Abia for zoning, adding that the reality on ground would eventually determine its workability. Meanwhile, a group, the Independent Peace Campaigners for Good Governance (IPCGG), has lauded the zoning of the PDP governorship position to Abia South senatorial district The group said it had observed with keen interest the political development in the state just as the race for the state gubernatorial election gets closer.

A statement made available to THISDAY yesterday, the group, said: "Consequently, the forum with all other well meaning citizens of the state who have shown enormous interest lend their support to both the governor and state chapter of PDP on this fair and equitable decision to zone the governorship position to the district." While expressing support for the governor and the party, the group urged the committee of elders recently set up by Orji to advise him on a credible candidate fit to take over the reign in 2015, "to be upright in choosing for us a man of integrity who will serve the state very well, maintain the legacy programmes of this current administration and possibly take it to the next level." IPCGG however posited that any attempt to recycle the old and non performing politicians who have for a long time dominated the centre stage without anything to show for it should be discouraged. It suggested that there must be a clean break from situation no matter the extent of influence any group would have on the committee materially or financially, it must be resisted. IPCGG also declared that they were aware of some "elements opposed to the zoning of the governorship position to Abia South senatorial district and as such, demand that such persons should respect the decision of the governor and the party without further fuse." This however, according to the group is the only way equity and fairness would be guaranteed. "We will also use every available peaceful and legal means to oppose any move by anyone or group against this good decision," it said.(*This Day)*

Guaranty Trust Bank Plc last week boosted the liquidity position of its shareholders as it announced an interim dividend of N7.357 billion for the half year ended June 30, 2014. GTBank has a policy that gives shareholders dividends twice a year and the bank has been consistent with this policy of paying interim and final dividends. To this end, the board of directors of the bank recommended an interim dividend of N7.357 billion for shareholders in its half year results as at June 30, 2014. The dividend, which translates into 25 kobo dividend per share, is similar to what was paid last year. The dividend, which will be paid on September 18, 2014 to shareholders whose names would appear on the register of the bank as at September 4, will be paid out of the N44 billion profit after tax recorded for the half year. The results showed that GTBank's gross earnings rose to N132.98 billion, from N124.20 billion in the corresponding period of 2013. Pre-tax profit dipped by 6.92 per cent from N57.4 billion to N53.39 billion while profit after tax declined to N44 billion. However, the bank's loan book grew by 16 per cent from N899 billion to N1.04 trillion in June 2014, while its total customer deposits increased by eight per cent to N1.54 trillion. The Managing Director/Chief Executive Officer, GTBank, Mr. Segun Agbaje attributed the performance to the hard work of its members of staff, commitment of its management team and more importantly, continued support from its customers. According to him, the second half of the 2014 financial year would be a stronger period during which the bank will make positive improvements in its market positions across its key products and business segments. He said "a major objective for the bank this year is to offer our customers greater convenience and accessibility to our services using internet and mobile solutions and we have, to date achieved over a million downloads of our mobile banking app and experienced a 25 per cent increase in active internet banking users." *(This Day)*

Nigeria's Access Bank said on Monday its half-year pretax profit rose to 27.1 billion naira ($167.3 million), up 3.85 percent from 26.1 billion naira a year ago. Revenue rose 15.2 percent to 117.93 billion naira in the six months period to June 30, the bank said in a filing with Nigerian Stock Exchange. Access Bank declared an interim dividend of 0.25 naira each, the same amount it paid a year earlier. *(Reuters)*

Stanbic IBTC Asset Management Limited (SIAML), a wholly owned asset management subsidiary of Stanbic IBTC Holdings Plc, has concluded arrangements to float the Stanbic IBTC ETF 30 ("the Fund"), which opens on Monday, September 15, 2014 and closes on Wednesday, October 15, 2014. At the signing ceremony held in Lagos yesterday, directors of SIAML and all other professional parties signed the deal to issue 10,000,000 units of the Fund of 100 each at par (the "Offer"). The minimum subscription is 10,000 units and multiples of 5,000 units thereafter. Approvals for the registration and listing of the units of the fund have been obtained from the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE). Stanbic IBTC Capital Limited is the issuing house to the Offer. An Exchange Traded Fund (ETF) is an investment vehicle that tracks an index, a basket of assets, or a commodity but trades like regular shares on a stock exchange. The objective of the Fund is to replicate as closely as possible the total return of the NSE 30 Index. The Fund will invest 100 per cent of its assets in the same portfolio of securities that comprise the NSE 30 index in proportion to their weightings in the underlying index. Speaking at the Signing Ceremony, MD/CEO of SIAML, Mr. Olumide Oyetan said: "The NSE 30 Index comprises of the top 30 companies in terms of market capitalisation. The index serves as the flagship benchmark for the stock market as it represents 92 per cent of The NSE's market capitalisation". According to him, "the Fund represents a convenient and efficient way for investors to have access to the top 30 most capitalised and liquid stocks on The NSE, in a cost effective manner. We believe that it will appeal to sophisticated and institutional investors that believe in the growth story of companies listing the NSE and by corollary in the abundant growth opportunities that exist in Nigeria" The Chief Executive, Stanbic IBTC Capital Limited, Ms Yewande Sadiku commended the board of SIAML for their efforts towards the deepening of the Nigerian capital market via the listing of new and innovative products. Stanbic IBTC Asset Management Limited is a wholly-owned subsidiary of Stanbic IBTC Holdings Plc, while Stanbic IBTC Holdings Plc is part of the Standard Bank Group, Africa's largest bank by assets. Standard Bank Group has been in operation for 151 years and has direct, on-the-ground representation in 20 African countries. Stanbic IBTC Holdings Plc provides the full spectrum of financial services with a clear focus on three main business pillars - Corporate and Investment Banking, Personal and Business Banking and Wealth Management. *(This day)*

Flour Mills of Nigeria (FMN) has said it is well positioned to enhance profitability and deliver long term value to its numerous stakeholders. This, according to the company, is in furtherance to strategic acquisitions it made in its core business areas in 2013. Managing Director of the company, Paul Gbededo, who made this known while presenting the 'Facts Behind the Figures' of the company to stock brokers in Lagos, explained that new investments made by the company last year are nearing conclusion. On the back of the N246 billion turnover and profit after tax of N10.47 billion achieved in its last financial year, Gbadedo said, the company is poised to continue to deliver consistent top and bottom line growth. According to him, "We are commissioning and improving our capacity utilisation. Our new investments and projects are reaching maturity. We would start production at the 350,000 metric tons per annum edible oil processing company in Ibadan by the end of this year, our snack business is reaching maturity with the completion of Golden snack facility in Agbara, the $250million Golden sugar investment, our oil palm processing , all these investments would start impacting on the bottom line moving forward." He explained that the company's investments in the food and agro- allied business constitute 95 per cent of its revenue. On why the $250million Golden Sugar Company did not generate revenue for the financial year, Gbadedo said: ''For such a huge investment, you will not expect to make profit in the first year but we have positioned it for growth. We just commissioned the plant and the first year was difficult, we could not produce enough." "Again, we commenced production last year and the sugar that was selling at N9,000 dropped to N5,500 but we are strong enough to stay in that business and we are looking beyond what we have today. We are currently at 48 per cent capacity utilisation and in the years to come, it will add proper value to all shareholders." He said as part of its strategy to align with government backward integration initiative, the company has acquired 500 hectares of land in Niger state for rice cultivation. *(Business Daily)*

Nigeria's Access Bank expects loan growth of 20 percent in 2014, after a 17 percent rise in the first half, driven by increased lending to its corporate and investment banking customers, its chief executive said on Wednesday. Access Bank's loan book stood at 811 billion naira ($5 billion) in 2013, up 33 percent from a year ago, CEO Herbert Wigwe, told a conference call presenting its half-year results. "We would see some payoff from the state governments ... but it will be replaced by some private sector loans," Wigwe said, adding that he expected a slower growth of 15 percent for 2015. Foreign currency loans accounted for 46 percent of total loans in the first-half, Wigwe said, adding he expected to grow the naira loan book in the second-half to boost interest income and reduce currency exposure. Shares in Access Bank, which have risen 2.1 percent so far this year, climbed 2.04 percent to 10 naira each. Wigwe said Access Bank was targeting a return on equity (ROE) of 20 percent this year, up from 18.3 percent in first half. ROE stood at 14.9 percent in 2013. The top-tier lender on Monday said first-half pretax profit grew to 27.1 billion naira, up 3.85 percent from a year ago and declared an interim dividend of 0.25 naira each. *(Reuters)*

British oil explorer and producer Afren Plc said first-half output fell 25 percent, hurt by lower share of production at its flagship oilfield in Nigeria, a day after it suspended two associate directors over a probe into unauthorised payments. Afren, which has interests in oil producing assets across Nigeria and Iraqi Kurdistan, cut its full-year production outlook to 32,000 to 36,000 barrels of oil per day (bopd), to account for the suspension of activities at its Barda Rash oilfield in Iraqi Kurdistan. Net production fell to 33,488 bopd, most of which came from its Ebok oilfield in Nigeria, from 44,712 barrels of oil equivalent per day (boepd) a year earlier. *(Reuters)*

Economic News

Nigeria's interbank lending rates eased to an average of 10.5 percent on Friday, compared with 12 percent last week, driven by increased cash inflows from budgetary allocations and retirement of matured Open Market operations (OMO) bills. Nigeria distributed revenue from oil exports among its three tiers of government - federal, state and local this week. Some 260 billion naira ($1.61 billion) making up the portion to states and local governments hit the money market this week. Traders said an additional 135 billion naira in matured OMO bills was also repaid on Thursday, which further swelled liquidity in the market and drove down cost of borrowing. The open buy-back (OBB) eased to 10.5 percent, from 11.75 percent last week, 1.5 basis points below the central bank's benchmark interest rate of 12 percent. Overnight placements also fell to 10.5 percent from 12.25 percent last week. "Rates will remain flat next week going by the level of liquidity in the market presently, unless the central bank embarks on an aggressive mopping up exercise," one dealer said. *(Reuters)*

The federal government is organising a two-day business summit to encourage the patronage of made-in-Nigeria products as well as boost the manufacturing sector of the economy. The Chief Executive, Business in Nigeria and Co-organiser of The summit, Mr. Udechukwu Christian, told journalists in Abuja that the summit expected to hold between October 9 and 10, seeks to support the production of goods and services in the country as well as support manufacturing and patronage of locally produced goods and services. He said: "It is essentially conceived as a programme that could make Nigerians in Nigeria to be first option for the sourcing of goods and services made in the country." According to him: "We expect that with increased patronage of made-in-Nigeria goods and services, manufacturing will increase and with increased manufacturing, there would also be jobs creation, leading to a multiplier effect on the economy with increased currency value as a result of not only local consumption but also exports." The business summit, which is being supported by the Federal Ministry of Trade and Investment, Manufacturers Association of Nigeria (MAN), the Nigeria Governors' Forum (NGF) and the Nigerian Export Promotion Council (NEPC) among others is expected to add value to raw materials locally and export the same to create more value for the economy. Christian added: "We expect to create a market place for public and private sector people to come and see what is produced in Nigeria and to purchase the same. We also expect that over time this would become a programme that would attract buyers from across the whole of Africa and also buyers across the world who would come into Nigeria to see what is made here that they can buy for exports to their own country." *(This Day)*

The Nigerian equities market remained in a poor state yesterday as the bears sustained their grip on the market, sending the market further southward. A the close of business yesterday, the Nigerian Stock Exchange (NSE) All Share Index or ASI depreciated by a 0.25 per cent or 104.23 points to close at 41,235.25 points from 41,339.48 points attained on Monday. In the same vein, the market capitalisation of listed equities decreased to N13.61 trillion from N13.65 trillion recorded the previous trading day. However, trading activities on the exchange increased by 14 per cent as investors bought a total of 178.41 million shares valued at N2.03 billion, made in 4,524 deals, compared to 156.69 million shares worth N1.49 billon, executed in 3,956 deals on Monday. Access Bank Plc, Transcorp Plc and First Bank Plc were the most actively traded stocks on the exchange yesterday in terms of volume, while Access Bank Plc and Guaranty Trust Bank Plc, topped in terms of value. Meanwhile, the banking subsector of the Financial Services Sector remained the most active in terms of the number of shares traded. It led the equities sector with a total of 86.45 million ordinary shares valued at N931.73 million executed in 1,396 deals. The volume of shares traded in the banking sector was largely driven by the activity in the shares of United Bank for Africa Plc, Access Bank Plc, Guaranty Trust Bank Plc, and Skye Bank Plc. Trading on the shares of the four banks accounted for 75.5 million ordinary shares or 87.3 per cent of the subsectors' turnover. The price movement chart of the NSE displayed a total of 19 stocks that gained on the bourse yesterday while 33 stocks declined leaving 60 stocks unchanged. Livestock Feeds Plc emerged the toast of investors as it appreciated by 4.13 per cent to close at N3.28, followed by Wapic Plc, with a 3.90 per cent gain to close at 80 kobo a share. Others on the gainers chart include; WAPCO Plc, Nigerian Breweries Plc and Access Bank Plc. On the flip side, Cadbury Plc topped the losers chart with a 9.73 per cent decline to close at N60.21, followed by Okomu Oil which declined by 4.99 per cent to close at N34.65 kobo. *(This Day)*

The federal government has disclosed that the knowledge acquired from the recent rebasing exercise will help the country to grow and diversify the economy as well as increase job opportunities for the youths. The Vice-President, Alhaji Namadi Sambo, who represented President Goodluck Jonathan on Monday at an award ceremony by the National Productivity Centre for 15 individuals and three organisations in Abuja, said the nation's Gross Domestic Product (GDP) is now $510 billion, making it the largest economy in Africa and 26th in the world. According to the News Agency of Nigeria (NAN), Sambo said: "Nigeria is blessed with abundant natural resources, we had and still have all that is required to rank among the 20 largest economies in the world. "The significance of today's occasion lies in the need to revive and inspire our country men and women to pursue the ideals of higher productivity in every sphere of our personal, corporate and national life. "Against this backdrop, my administration has approved a national policy on productivity in February 2012, the first in our country's history. This policy seeks to provide for all types of government, a systematic and comprehensive roadmap, a charter for ensuring a planned and balanced, deployment of material and human resources for the benefit and common good of all Nigerians. "In spite of the daunting challenges, our efforts are yielding positive results. In 2013, we experience 7.41 per cent in the growth rate of the economy. Power supply is steadily improving and we have our trains back on track with newer more modern system." The president congratulated the awardees for their inspirational work and commitment to excellence and reminded them that this a ward places greater obligation on you to give your best to your country. "This administration needs men and women like you to help build a virile and economically developed nation," he said. The Director General, National Emergency Management Agency (NEMA), Mohummed Sani Sidi, who was presented with the award of the National Productivity Order of Merit (NPOM), expressed appreciation, saying, "It is impressive that an important institution like the National Productivity Centre has taken a keen interest in the activities and performances of agencies of government and the private sector and rewards them to propel them to greater heights. I hereby dedicate this award to our teeming stakeholders, too numerous to mention, for supporting us in the onerous task of disaster management in Nigeria. "The agency was recognised for its impressive and timely responses to disasters as well as the success it has achieved in the promotion of disaster risk reduction in the country." "The 15 individuals and three Organisations who are this year's conferees of this distinguished award have after rigorous screening, been adjudged exceptionally productive by the National Productivity Order of Merit Award Committee."(*This Day)*

The National Bureau of Statistics (NBS) has revised the size of Nigerian economy to about N81.009 trillion following it latest final rebasing of the country's Gross Domestic Product (GDP), using the Expenditure Approach between 2010-2013. This represented a marginal increase from the projected N80 trillion in 2013 when the output method was used the compute the rebased GDP in May. According to the GDP Report (Expenditure Approach) 2010-2013 released by the statistical agency, the final consumption of Household Items Expenditure accounted for the largest chunk of the rebased GDP figures at about N58.13 trillion in 2013, up from the N42.115 trillion of the preceding year. The report also indicated that expenditure on export goods and Services accounted for about N14.61 trillion compared to about N22.82 trillion in 2012.

Also expenditure on Gross Fixed Capital Formation in 2013 stood at about N11.72 trillion, up from the about N10.61 trillion expended in 2012. The NBS further stated that overall Gross Final Consumption Expenditure of General Government as increased to about N6.54 trillion, rising marginally from the N5.953 trillion expended in the preceding year, while final Consumption Expenditure of Non-Profit Institutions Serving Household amounted to about N302.24 billion in 2013 compared to about N248.57 billion recorded in 2012. It also indicated a marginal drop in Changes in Inventories Expenditure from about N204.24 billion in 2012 to about N201.44 billion in 2013. Although total GDP by Expenditure Size stood at about N91.23 trillion, expenditure on Imports of Goods and Services which amounted to about N10.51 trillion reduced the net figure to about N81.009 trillion. Also, rebased GDP figures on the GDP and Expenditure at Current Purchasers' Value basis showed that the size of the economy at Basic Prices stood at about N80.09 trillion including compensation of employees expenditure of about N22.33 trillion; Operating Surplus of about N53.51 trillion; Consumption of Fixed Capital N3.71 trillion; and Other Taxes on Production (Net) value of about N536.44 billion.

The reported noted that a total of about N917.40 billion accrued as Net Taxes on Products during the year under review, thereby pushing the overall GDP figures at Market Prices to about N81.009 trillion. Among other things, expenditure based on National Disposable Income and its Appropriation Current Purchasers Value indicated that whereas Domestic Factor Income and National Income and Market Prices stood at about N75.84 trillion and N72.74 trillion respectively, the Appropriation of Domestic Income rose from about N68.32 trillion in 2012 to about N76.21 trillion in 2013. *(This Day)*

Investors in the Nigerian equities market hived a sigh of relief yesterday, as the market returned to positive territory following the drive by bargain hunters to take advantage of highly discounted stocks. The market had in the last several days recorded weak performances following dwindling investors' confidence fuelled by liquidity squeeze. However, at the close of business yesterday, the Nigerian Stock Exchange (NSE) All Share Index or ASI appreciated by a 0.58 per cent or 238.75 points to close at 41,359.87 points from 41,121.12 points attained on Wednesday. In the same vein, the market capitalisation of listed equities increased to N13.65 trillion from N13.58 trillion the previous trading day. Conversely, trading activities on the exchange decreased by 32 per cent as investors bought a total of 263.10 million ordinary shares valued at N2.49 billion made in 4,617 deals, compared to 387.60 million shares worth N3.93 billion executed in 4,795 deals exchanged on Wednesday.

Sterling Bank Plc, Unity Bank Plc and Transcorp Plc were the most actively traded stocks on the exchange yesterday in terms of volume, while Guaranty Trust Bank Plc and Zenith Bank Plc, topped in terms of value. The banking subsector of the Financial Services Sector remained the most active in terms of the volume of shares sold. It led the equities sector with a total of 150.7 million shares worth N972.7 million made in 1,467 deals. The volume of shares traded in the banking sector was largely driven by the activity in the shares of Sterling Bank Plc, Unity Bank Plc, Guaranty Trust Bank Plc and Zenith Bank Plc. Trading on the shares of the four banks accounted for 127.9 million shares or 84.8 per cent of the subsectors' turnover. A total number of 31 stocks gained on the bourse yesterday while 20 stocks declined leaving 61 stocks unchanged. International Breweries Plc emerged the toast of investors as it appreciated by 3.70 per cent to close at N28.00 a share, followed by Livestock Feeds Plc with a 3.50 per cent gain to close at N3.25 per share. Others on the gainers chart include; Ashaka Cement Plc, UBA Plc and Guaranty Trust Bank Plc. *(This Day)*

Tanzania

Corporate News

No Corporate News This Week

Economic News

Interest rates offered by commercial banks exhibited a general declining trend in June this year, the Bank of Tanzania (BoT) has said in its July Monthly economic review released at the weekend in Dar es Salaam. According to the review, the overall time deposit rate declined to an average of 8.09 percent compared to 8.67percent recorded in May 2014 and 8.79 percent in June 2013, with a 12-month deposit rate closing at 10.66 percent. On the other hand, overall lending rate rose to an average of 16.31 percent, up from 15.54 percent registered in June 2013, but was slightly lower than the rate recorded in the preceding month. The lending rates for short-term loans (of up to one year) decreased slightly to an average of 14.02 percent. The spread between 12- month time deposit rate and one year lending rate increased to 3.36 percentage points compared to 2.83 percentage points registered in June 2013. The review also shows that during the year ending June 2014, credit to major economic activities recorded positive growth rates with most of the credit extended to trade, manufacturing, personal, hotels and restaurants and transport and communication activities. During the period, the share of the total outstanding private sector credit remained fairly stable with trade and personal activities taking the lion share. It stated that the value of transactions in the Interbank Foreign Exchange Market (IFEM) amounted to USD194m in June 2014, slightly lower than the total amount sold in May 2014 by USD5.5m. The overall share of banks in the IFEM transactions declined marginally to 39.3 percent from 40.5 percent in May 2014. The Bank of Tanzania participated in the market for liquidity management purposes by selling USD118m on net terms, compared to USD119m sold in May 2014. The Shilling depreciated against the USD by 0.7 percent to an average of 1.7bn/- per USD from 1.6bn/- per USD in May 2014.

On annual basis, the Shilling depreciated by 3.1 percent from an average of 1.7bn/- per USD recorded in June 2013. It further shows that government budgetary operations recorded an overall deficit of 1.6bn/-, which was financed by borrowing from domestic and foreign sources. Central government revenue was 7bn/- representing 82.3 percent of the target for the period, with tax revenue accounting for 91.9 percent of total revenue. Grants received amounted to 1.2bn/- compared with 1.8bn/- projected for the period. Total expenditure amounted to 9.6bn/-, of which 71.3 percent was recurrent expenditure. During the month of March 2014, domestic revenue and grants amounted to 1bn/-. Revenue collected by the central government was 943bn/-, which was 82.0 percent of the target. Tax revenue amounted to 905bn/-, accounting for 85.5 percent of the target. The observed performance in central government revenue was partly explained by the decline in prices of gold in the world market. Total Government expenditure for March 2014 was 1.2bn/-, which was 81.6 percent of the estimate. Recurrent expenditure amounted to 950bn/-, or 106.2 percent of estimates, while development expenditure was 46.4 percent of the estimate. Delays in securing non concessional loans and foreign project funds partly contributed to the low pace of execution of development projects.*(IPP)*

British gas company BG Group has produced higher-than-expected flows of gas from a test well off the coast of Tanzania, boosting the financial viability of its planned liquefied natural gas (LNG) export terminal in the east African country. Test flows at BG's Mzia-3 well off the southern part of Tanzania's coast produced better-than-expected results, reaching a maximum rate of 101 million cubic feet per day, nearly double the flow rate measured at Mzia-2 last year. "The excellent results from this latest drill-stem test further reduce reservoir risk, a critical factor as we progress design of the upstream production facilities and infrastructure," said Sami Iskander, BG Group's chief operating officer. BG shares were up 0.2 percent at 0720 GMT. BG, together with partners Statoil, Exxon Mobil and Ophir Energy, plans to build a two-train LNG export terminal, expected to start operating in the early 2020s, but a final investment decision is only set for 2016. Tanzania and neighbouring Mozambique are in a race with Russia, Australia, the United States and Canada to build LNG export plants, aiming to exploit a gap in global supply that is expected to open up by 2020. BG Group has a 60-percent interest in the three blocks offshore Tanzania expected to produce gas to feed the terminal, while Ophir Energy and Pavillon Energy hold 20 percent each. Ophir said separately on Wednesday results from its Tonel North-1 appraisal well in Equatorial Guinea were disappointing and were expected to reduce marginally the discovered volume of the field. *(Reuters)*

Zambia

Corporate News

THE Zambia National Commercial Bank (ZANACO) has invested about US$1?million in a new product called 'Loan a Cow' scheme which is aimed at Improving small and medium scale dairy farmers access to fairly priced finance. The move by ZANACO will help farmers to improve and expand their dairy productivity. Agriculture and Livestock Minister Wylbur Simuusa said the Loan a Cow scheme would go a long way in alleviating poverty in the country as this would enable the farmers increase their productivity. Mr. Simuusa noted that smallholder farmers were facing a lot of challenges when seeking financing and that the ZANACO product would help to ?alleviate the burden that the dairy sector was facing.?He was speaking at the official launch of the ZANACO/ZNFU Loan a Cow Scheme in Chisamba on Friday. He said it was imperative to acknowledge that among the challenges smallholder farmers faced, was lack of collateral which was a prerequisite to accessing loan facilities and this had hindered access to finance among the farmers. "It is, however, gratifying to note that ZANACO is introducing an initiative that will look at providing an alternative to conventional security and this demonstrates the bank's commitment towards developing the small- dairy sector," Mr. Simuusa said. The scheme is a joint Zambia National Farmers Union (ZNFU) and ZANACO mutually developed financing product.?ZANACO managing director Bruce Dick said the bank had continued to grow its loan book in the agricultural sector and was currently financing more than 20,000 farmers under different smallholder credit schemes such as the Lima and daily credit schemes. Mr. Dick said the bank has continued to train emergent and smallholder farmers in financial literacy and had so far reached 2,700 small and emergent farmers. He said the bank would continue to help the unbanked population of Zambia and bring banking services closer to the people through a robust branch and distribution network of more than 67. "We are determined more than ever to continue to explore innovative products and our focus now is on tractor and sugar out grower schemes," Mr. Dick said. At the same function, ZNFU second vice president Graham Rae said limited access to fairly priced and efficiently delivered credit for productivity enhancing inputs, technologies and productive asset remained among the major challenges affecting the farmers in the country today. Mr. Rae said the Loan a Cow scheme was timely, saying there was need for deliberate measures by the partners involved to ensure that a farmer Got a fair deal after participating under the loan scheme. *(Times of Zambia)*

Economic News

Zambia plans to waive a rule requiring mining companies and other exporters to produce import certificates from destination countries because it is impracticable, finance minister Alexander Chikwanda said on Tuesday. Chikwanda said the ministry planned to negotiate a staggered repayment of the $600 million in VAT it has withheld from copper mining companies because of failure to produce the import certificates.*(Reuters)*

Zambia's consumer inflation was unmoved at 8.0 percent year-on-year in August compared with the previous month, the Central Statistics Office said on Thursday. Month-on-month inflation fell to 0.7 percent in August from 0.8 percent in July. The Central Statistics Office said the country recorded a trade surplus of 117.2 million kwacha in July, up from 43.8 million kwacha in June. *(Reuters)*

Zambia's plan to slow its increase in spending next year as the government tries to contain the budget deficit will probably help stabilize the economy, according to the International Monetary Fund. Africa's second-biggest copper producer is seeking to raise budget expenditure by about 7 percent in 2015, according to the IMF, citing data from the government's medium-term spending program. That is below the more than 30 percent rise in public spending planned for this year. The government is introducing "serious structural reforms," Finance Minister Alexander Chikwanda said yesterday. "The planned fiscal consolidation is positive for the economy, as it will ease pressure on inflation, promote lending to the private sector, and more generally help anchor macroeconomic stability," said Tobias Rasmussen, the IMF's representative in Zambia, in an e-mailed reply to questions. Zambia's budget deficit has widened more-than-forecast because of higher salaries for state workers, and fuel and corn subsidies. The government has tried to ease pressure on the kwacha, Africa's third worstperforming currency versus the dollar this year, with measures that include clamping down on currency speculators. The kwacha has declined 8 percent in 2014. The country initially targeted a budget deficit of 4.3 percent of gross domestic product last year. The shortfall was less than 6 percent, using re-based GDP data, Chikwanda said. "Going forward, like next year, we have to just reduce the budget deficit," he said in an interview at his office in Lusaka, the capital. The country must "make sure we cut our suit according to the cloth," he said. A slowdown in government borrowing on the local capital markets may help lower interest rates charged by commercial banks, said Chikwanda. While Zambia doesn't need to seek a loan from the IMF, it still plans to hold talks with the lender about a possible economic program, said Chikwanda. The best timing for the talks will probably be after the 2015 budget plan is announced in October, he said. *(Bloomberg)*

Intrepid Mines launched a friendly A$58.6 million ($54.7 million) all-share offer on Thursday for Blackthorn Resources, which plans to build a copper mine in Zambia, and announced a A$110 million share buyback. Intrepid, which pitched its offer at 1.078 Intrepid shares for each Blackthorn share, has been looking for a new investment after receiving an A$80 million settlement for being ousted from an Indonesian copper project by a local partner. Intrepid also agreed to buy back up to A$110 million of its shares at A$0.30 a share prior to the merger. The offer gives Blackthorn stock an implied value of A$0.356 each, a 50 percent premium based on the average price of the two companies' shares over the past three months. Blackthorn's board has recommended shareholders accept, saying Intrepid would inject needed capital to help pay for pre-development work on its Kitumba copper mining project, located 200 km (125 miles) west of Zambia's capital Lusaka. It estimates it will cost an initial $680 million to build the mine, which will yield an average 58,000 tonnes of copper a year. "The Kitumba copper project offers a lot more value than is currently recognised by the market, and we are confident that our cash resources can both add value and unlock this discount over time," Intrepid Chairman Ian McMaster said. If the deal proceeds, Intrepid Managing Director Scott Lowe will be named an executive director focusing business development. Lowe was previously managing director of Blackthorn, prior to the sale of the company's interest in a zinc mining venture in Burkina Faso to Glencore International Plc . Intrepid in February signed a series of binding agreements settling a dispute for A$80 million with its former partner, PT Indo Multi Niaga over ownership of the Tujuh Bukit project in Indonesia, regarded as one of the richest undeveloped gold and copper discoveries in the world. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Zimbabwe

Corporate News

NICOZDIAMOND has secured a portfolio of new large corporates through strategic global partnerships that will drive new business for the group going forward. The corporates are in the manufacturing and financial services sectors. The group's managing director Mrs Grace Muradzikwa could however, not disclose the identities of the corporates. She told an analysts briefing on NicozDiamond half year to June results last Friday that the group has secured global strategic partnerships with four international insurance brokers. Mrs Muradzikwa said NicozDiamond is now the preferred underwriter for Zurich global network. "If we continue dealing as if we are in a village without realising that we are in a global environment and you start to see reductions in revenue and some pockets of increases in other areas and you do not really understand what is driving them. We are mindful of these developments," said Mrs Muradzikwa. "We are now the preferred underwriter for AIG Global. That's a huge company. We have also become the preferred partners for a French broker which is called Gras Savoye. These arrangements we have extended them to everywhere where we have a presence," she said. She said NicozDiamond is in the final stages of finalising with Germany's largest insurance group known as The Alliance Group. "We will be coming back to the market with more details on this," said Mrs Muradzikwa. NicozDiamond realised about $17,9 million in gross premium written in July a one percent increase from $17,7 million in July 2013. The group reported a one percent decrease in GPW to $15,8 million in the six months to June this year from $15,9 million in the same period last year. Underwriting profit shot 67 percent to $1,1 million in the first half from $678 000 in the comparative period. Net premiums earned raced 13 percent up to $9,1 million in the first half of this year from $8,1 million the same period last year. Net cash from operating activities increased to $948 000 in the first six months this year from $690 000 in the comparative period last year. NicozDiamond reported an eight percent decrease in the motor class business' contribution to the group's revenue from 50 percent to 47 percent but the company said this was a positive prove as it helps the group to rationalise sources of income. *(Herald)*

RATES being quoted by telecommunication companies no longer reflect the cost of providing the services given changes that have taken place since inception of the tariffs, the industry's regulatory body has said. This revelation comes on the backdrop of a recent study showing that telecoms services providers in Zimbabwe were overcharging consumers of their products. However, the Postal and Telecommunications Regulatory Authority of Zimbabwe has since come up with a new costing model, which may result in the service charges being cut in line with the cost of doing business. The regulator has already engaged operators on the issue of tariffs. It is expected that the talks may result in a 30 percent cut on tariffs, the perceived margin of excess. Zimbabwe's three mobile network operators; Econet, Telecel and Net-One charge 23 cents per minute for local calls. Charges for inter-network voice calls were expected drop to as low as 16 cents per minute if regulators have their way. POTRAZ said it has now completed a cost study for the telecommunications sector to replace the costing model adopted in 2009, saying it has been overtaken by events. POTRAZ acting director general Mr Alfred Marisa said findings of the study would be implemented in due course. Mr Marisa said given the changes that have taken place in the sector, which include increased network upgrades, expansion, increased subscriber growth and new service offerings, such as mobile internet, current telecommunicates rates were no longer justifiable. "POTRAZ has just completed a cost study for telecommunication services, including voice and data, results of the study will be implemented in due course. Mr Marisa said the telecommunications "rates that were determined in 2009 were no longer reflective of the true costs of providing telecommunication services".

The principle for rates determination, Mr Marisa said, was that effective rates have to be cost based rather than benchmarking with rates obtaining in other countries. The POTRAZ boss said this was because cost structures faced by operators varied from country to country. POTRAZ also said its costing exercise was meant to align costs to the situation in the industry and ensuring operators charged rates reflecting the cost operations. Review of charges is done regularly to align operators' costs to the charges they apply to service offerings. According to POTRAZ, all telecommunications rates for licensed services are regulated and have to be cost based. This means when operators want to review or change tariffs, they should provide cost information in support of the proposed tariffs review or increase, which must be approved by the authority before being implemented. The current cost structure, which is based on the COSITU model, was developed in consultation with all the three local mobile firms prior to dollarisation in 2009. COSITU is a model for determination of costs and tariffs (including interconnection and accounting rates) for telephone services. The model has become obsolete and has to be replaced with a new cost model – the Long Run Incremental Cost (LRIC). *(Herald)*

Diversified mining group, RioZim Limited's revenue for the half year ended 2014 dropped 31 percent due to low production at its Empress Nickel and Renco Mines. The lower production at Empress Nickel Refinery (ENR) and Renco and effects of lower gold and copper prices resulted in turnover going down to $39,9 million from $56,8 million recorded in the same period last year. The group's gross profit went down 65 percent to $4,2 million from $12 million recorded the same period last year. For the first time since the implementation of the group's turnaround strategy in April 2012, the group made an operating loss of $4,6 million compared to an operating profit of $2,2 million recorded in the comparative period last year. Liquidity challenges persisted in the first half of the year and efforts have been made by the group to increase inflows to the fiscus. During the period under review, the key commodity price indices remained broadly stable after being subdued in 2013. Nickel prices rose an average by 6,61 percent due to investors returning to base metals attracted by stronger global economic growth coupled by the drop in supply from Indonesia. Average gold prices in the first half were 15 percent below the same period last year while copper prices on average fell by 7,26 percent due to low demand from the world's traditional copper markets. RioZim board chairman Mr. Elisha Mushayakarara in a statement accompanying the group's financial results said production at Renco Mine was affected by the unusual storms which were experienced in an area around the Masvingo area in the first quarter of the year. "These storms resulted in a number of prolonged induced power cuts on some sections of the mine.

"The effects of these heavy rains were felt for a long time after the rains had ended as road and power infrastructure had to be repaired," said Mr. Mushayakarara. Despite those challenges, gold production for the group increased by 19 percent to 324kg in the first half compared to 272kg in the comparative period. However due to a 15 percent drop of average selling prices, Renco Mine's turnover only increased by 5 percent to $13,3 million from $12,6 million recorded in the same period last year. Mr. Mushayakarara said production at ENR was affected also by erratic matte supplies from the refinery's sole supplier hence forcing the miner to operate below capacity receiving only 30 percent of the contractual matte quantities and operating at 25 percent capacity. During the period, the matte supplier declared more than nine force majeure to the challenges that they were facing with their smelter waste heat boiler. However ENR's contribution to the group's turnover declined to 66 percent from 78 percent recorded in the same period last year. In an effort to permanently rectify the problem in their smelter, the ENR's matte supplier embarked on a month -long maintenance shut down which commenced on July 1, this year. The shutdown was completed on schedule and it is now expected that matte supplies will improve. Given the investments already made in improving efficiencies at ENR, which include recently installed oxygen plant, the mine is expected to have a better second half of 2014. Mr. Mushayakarara said matte supply remains at risk at ENR and management is focused on managing concentration risk of having a single supplier of matte by developing alternative supply lines of nickel and copper units from local base metals producers and regional as well.

The current ENR' plant design capacity is to process 15 000 tonnes of low sulphur matte and a plant upgrade and up-rate project is currently being evaluated which will result in the plant being able to process 45 000 tonnes of high sulphur matte in the next three years. Net finance costs for the group improved 10 percent to $4 million following the restructuring of some facilities. He said low productivity levels in the first half of 2014 hampered the group's ability to service its debt at the planned rate hence the group continues to make strides in its plans to provide a lasting solution to all lenders and regular updates are being provided to the financial institutions. A share profit of $414 000 was recorded from Murowa against a loss of $635 recorded in 2012. "The share of profit was recorded on the back of improved throughput, processing of previously stock piled material and improved quality of gems," said Mr. Mushayakarara. He said manufacture of the gold processing plant for the Cam and Motor mining operation is underway. *(Herald)*

Foreign investment into Zimbabwe plunged 59 percent to $67 million in the first half of this year, the central bank said on Monday, reflecting worries over President Robert Mugabe's policies and the risk of investing in his country. Mugabe, at 90 Africa's oldest leader and one of its longest-serving, is visiting China this week. Officials say he will seek funds to rebuild decaying roads, rail and power facilities and to help mechanise Zimbabwe's agriculture. Official data show China has extended $1 billion in loans to Zimbabwe since 2009 and trade between the two nations rose to $1 billion last year from $300 million five years ago. Mugabe has increasingly leaned on China after being shunned by Western trade and financial partners. They have been put off by concern over human rights and alleged fraud in elections won by the president and his ZANU-PF party. Announcing the drop in foreign direct investment, Reserve Bank of Zimbabwe governor John Mangudya said exports, mostly minerals and tobacco, were also down 13 percent in the first half of the year, to $1.3 billion, compared with the first six months of 2013. "There is therefore need for the country to create an investor-friendly environment so as to tap into these external capital resources to boost employment, production and exports," Mangudya said in a half-year monetary policy statement. Zimbabwe's economy is experiencing a serious dollar crunch and electricity shortages. Several companies have failed to pay salaries or have closed altogether, in a country where only 500,000 out of a total 13 million people hold formal jobs. The economy did return to growth in 2009, after nearly a decade of recession, when Mugabe was forced to share power with his opposition rivals. But his landslide victory last year has coincided with a rapid slowdown. The government has cut its growth target for this year to 3.1 percent from 6.1 percent previously. Mangudya said the tough economic conditions had strained the capacity of companies and individuals to repay loans. The percentage of non-performing loans out of total loans had risen to 18.5 percent from 17 percent at the start of the year. Banks in turn have tightened their lending to customers. "Reduced credit is leading to a decline in economic growth, private consumption, job losses and decrease in government revenue," Mangudya said. Mangudya said liquidity problems among banks meant foreign banks like units of Barclays Bank plc and Standard Chartered and larger local lenders would have to raise their minimum capital to $100 million by 2020 from the current $25 million. Smaller banks would be required to maintain minimum capital of $25 million. Mangudya said in order to ease the dollar crunch in the economy, banks would now be required to keep only five percent of their foreign currency offshore, down from 30 percent. *(Reuters)*

CONSTRUCTION and manufacturing group, Masimba Holdings' revenue for the six months to June 2014 slowed down 22 percent to $13,6 million from $17,4 million in the same period last year. The group's performance was pulled down by a 32 percent decrease in the construction division. Contracting turnover fell 32 percent to $7,7 million from $11,4 million recorded in the comparative first half of last year. Masimba chief executive officer Mr. Canada Malunga said contracting turnover fell as a result of the continued slowdown experienced in project revenues owing to the absence of large scale projects in the country due to the liquidity crisis during the reporting period. Mr. Malunga said while Masimba Construction order book is firm at $41 million, a significant portion of the order book at $19 million remains inactive due to funding difficulties facing the company's clients. The company's active order book stands at $8,6 million. The order book is driven by telecommunications and housing projects. The manufacturing business contributed $5,8 million from $6,1 million or 43 percent compared to the same period last year. The manufacturing division showed up the business's revenues and is currently running at 24 percent on last year. However, Mr. Malunga expects a "stronger" second half performance driven by a surge in demand from the civil sector of the business supporting housing at Proplastics.

"We have set a target return at Proplastics of 10 percent, currently we are at 5 percent as we commission our new plant by the end of the year. "We have seen a resurgence of interest coming through from agriculture, which we started noticing in March this year and gathered momentum in April and has not slowed down since then. "We expect that the demand going into agriculture possibly is going to go well into November," said Mr. Malunga. A number of clients at Proplastics have been put on cash basis in light of the credit and liquidity risks the country is growing through. "We believe that the six months to December will remain very harsh," said Mr. Malunga. "We believe that the second half will be stronger than the first half mainly driven by Proplastics. Construction will continue to be slow but certainly will be stable in the second half but with much more exciting prospects at the beginning of 2015. Masimba expects the properties units to contribute to group results in the first half of 2015. The company disposed of low yielding investment properties with a book value of $470 000 and the proceeds were applied towards reducing the group's borrowings during the period under review. Masimba sees opportunities particularly in the property development market in the short term. The group has invested in plant mordenisation that will increase capacity, efficiencies and product range. "To this end the first phase of the plant mordenisation programme comprising the commissioning of the new HDPE plant at Proplastics has been rescheduled to September following manufacturing delays in Europe," the company said. "We are happy to advise that the machine is now between Harare and Durban and the first part should be able to come out on September 15. "That will transform Proplastics business in that we will be able to offer much more comprehensive solutions particularly to mines. "We believe that our product which is much more environmental friendly and price competitive will offer solutions to the market," said Mr. Malunga. The company said it has reduced exposure to the Government having collected more than $1 million from the $5,7 million owed by the Government.

The Government currently owes Masimba $4,4 million. *(Herald)*

FBC Bank Limited has received a $60 million loan through the facilitation of three financial institutions who were Joint Mandated Lead arrangers for the transaction. The institutions include Standard Chartered Zimbabwe, Commerz bank Aktienge sells chaft and Investec Asset Management Proprietary Limited. The three institutions contributed some money to the loan facility. The facility carries a comprehensive guarantee from African Export-Import Bank (Afreximbank), the regional development bank established to finance and support regional trade, manufacturing and economic growth. Standard Chartered and Afreximbank were also joint co-ordinators for this facility. FBC Bank Limited managing director, Webster Rusere said the syndication would not only help FBC, but Zimbabwe as a whole. "The effective management of capital is essential for the well-being of our economy, and this transaction is a leading example of how banks can come together to create positive and holistic solutions for multiple organisations and institutions. We appreciate being part of such a progressive financial partnership," he said. Financial syndications are valuable commercial collaborations which increase the total value of finance available to institutions, while effectively managing risk for syndicated partners. Standard Chartered Zimbabwe chief executive officer Ralph Watungwa said the bank remained committed to using its strengths and capital to benefit and support the local economy. "This is yet another example of our promise to be here for good and facilitate transactions which generate positive outcomes for many generations to come. Over the last 12 months, Standard Chartered has delivered over $300 million worth of support to key growth sectors in Zimbabwe, such as agriculture, trade, commodities and others – a 20% increase from 2012," he said. Afreximbank president Jean-Louis Ekra said through this transaction the bank was boosting liquidity and promoting economic growth. "With the continuing effort by Zimbabwe to address the tight systemic liquidity challenges confronting it, this syndication strengthens the capacity of the country's trade finance banks to continue their role of financing trade," Ekra said. The transaction will enable FBC to support strategic growth sectors such as education, telecommunications and infrastructure – each integral to promoting economic growth.*(News Day)*

FBC Holdings plans to distribute the group's combined shareholding in TurnalL Holdings by way of a dividend in specie, a transaction, which if approved will leave NSSA as the major shareholder in the listed roofing materials company. FBC owns 58,32 percent of Turnall between the bank at 47,9 percent and 10,4 percent held by the holdings company. Chief executive Mr John Mushayavanhu told analysts that FBC shareholders will receive 0,39 Turnall shares for every one share held in the group. The dividend comprises 287 536 313 ordinary shares. The transaction will have to go through an extra-ordinary general meeting for approval from shareholders. Mr Mushayavanhu said the EGM will be held sometime next month. If approved NSSA will emerge as the majority shareholder in the company. NSSA holds 35,1 percent in FBC while it has 13,1 percent in Turnall. Mr Mushayavanhu called it one of the biggest dividend payouts on the Zimbabwe Stock Exchange.

He said FBC had disposed of its shareholding in Turnall due to stringent banking regulatory requirements of the RBZ. FBC had to request on a regular basis permission from the RBZ to keep holding on to its investment in Turnall, a non core business. He said after distributing the Turnall shares to shareholders as a dividend in specie, the manufacturing firm's shares could appreciate. This is because the share is considered undervalued due to among other factors, perception that FBC had undue influence over the unit. The decision to dispose the shareholding also came just after the group signed a $60 million syndicated loan facility. "That investment was the only one in the group which does not operate in the financial services business sector and is therefore non-core. "The distribution of the Turnall shares will result in FBCH retaining its identity as a purely financial services group." FBC had kept the shares it acquired after a client defaulted on a loan, waiting for the share price to gain before disposing of the asset. FBC reported a 17 percent decline in the bottom line to $6,8 million for the half year ended June 30 weighed down by losses in Turnall Meanwhile, managing director Mr John Jere has left the group to pursue other interests following the expiry of his contract. Mr Jere said that his departure was a mutual agreement after serving 15 years at the group. "I leave the group in good spirit after an exciting time at the helm of the company during which we strengthened its operations through diversification of products. I believe the company is on a good footing and poised to fully exploit available opportunities in its segment as one of the major players in the construction sector". Mr Kenias Horonga the current financial director is now acting CEO. *(Herald)*

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Economic News

A LEADING South African supermarket chain wants more Zimbabwean agricultural products to add to the current basket of commodities being exported across the Limpopo river. Pick & Pay director of group enterprises Mr Dallas Langman told The Herald Business at the opening of the new TM Msasa branch yesterday that Zimbabwean fruits and vegetables can be traded anywhere in the world due to their quality. The South African supermarket chain has, for the past two years, been importing strawberries from Zimbabwe and wants to spread the product range to other commodities. "The quality of the product that's here is remarkable to such an extent that we have even sent some of our personnel from Pick & Pay to Zimbabwe to start talking to local suppliers so we can bring the products to South Africa," said Mr Langman. "We have been successful in bringing products from Zimbabwe to South Africa. We are taking strawberries from Zimbabwe to South Africa. It has been going on for at least two years. We want to do that more and more," Mr Langman said. He said Zimbabwe should not always be receiver of products from other countries. "It has to be a quid pro quo. It can't always be about product coming from South Africa but it's about growing the local industry," said Mr Langman. Pick & Pay owns 49 percent of TM and Langman was in the country for the official opening the new Msasa branch. The South African supermarket chain has four supermarkets with the 52 stores under TM. He said the group strategy is to grow the TM brand. "Our goal is taking the TM brand to back to being number one in Zimbabwe. We are reinvesting in the company. This (Msasa store) marks our 52nd store in the group, 48 of those are TM and four are Pick & Pay. As Pick & Pay we are led by TM as the majority shareholder," said Mr Langman. "We did a survey about three and half years ago in Zimbabwe between Harare, Bulawayo, Masvingo, Mutare and the TM brand stands out." TM Supermarkets spent close to $4,5 million towards refurbishment and stocking of its new state of the art Msasa supermarket. Of the $4,5 million, $3 million went towards building refurbishments, new equipment which include about 20 Point of Sale machines, refrigerators, bakery equipment, an up market butchery and air conditioning system. The balance went towards stocking for the new supermarket. *(Herald)*

The Reserve Bank of Zimbabwe created a company that will buy non-performing debt from banks. The Zimbabwe Asset Management Corp. will purchase the loans under commercial terms, and assign collateral and all other rights, the central bank said in its monetary policy statement yesterday. The company will seek "to clean up and strengthen banks' balance sheets and provide them with the liquidity to fund valuable projects for the economy to rebound and to mitigate loss of confidence," the bank said. Non-performing loans at Zimbabwean banks swelled to 18.5 percent of total loans, or $705 million, in June from 1.6 percent in 2009, the central bank said. The high level of bad debt is the key threat to the country's banking industry, Harare-based IH Securities said in May. The company will finance the purchases through "a combination of non-funded lines of credit, new inflows, long-term bonds and treasury bills," the central bank said. There are 19 banks operating in Zimbabwe, including units of London-based Standard Chartered Plc and Barclays Plc, and South Africa's Standard Bank Group Ltd. (SBK) *(Bloomberg)*

Electronic trading on the Zimbabwe Stock Exchange (ZSE) commences next month with three counters initially taking part in the historic trade. The company responsible for the project, Chengetedzai Depository Chengetedzai) said yesterday three listed companies, CBZ Holdings, Cottco Holdings and FBC Holdings would be the first counters to trade electronically on September 8. Zimbabwe has in the past five years been slowly moving towards shifting trade from the old paper format to the Central Securities Depository (CSD), whose operations were approved by the Securities and Exchange Commission of Zimbabwe (SECZ). The CSD, which is in line with international best practice, is a system where investments are kept in electronic form for ease of trading and safe keeping and replaces the paper certificates that are used at the moment. "Chengetedzai Depository Company Limited would like to advise all capital markets players, issuers of securities and the investing public that the necessary regulatory approvals to commence the Central Securities Depository (CSD) operations has been granted," the company said in a market update. "In this regard, CDCL is ready to commence the opening of investor accounts and dematerialisation (migration from paper based title to electronic securities) of approved securities, in preparation for the trading of electronic based securities." Chengetedzai, which was awarded the tender to establish the CSD in 2010, has previously said the new system will eliminate various market risks and enhance market efficiency. The company urged the investing public to open securities accounts through registered custodians, who include banks, from August 25 and deposit their securities in the accounts. Besides the CSD, the ZSE is also working on the installation of an automated trading system which will allow brokers to trade away from the stock exchange as well as

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cut on fraudulent sale of non-existent stocks.*(Herald)*

The Reserve Bank of Zimbabwe said yesterday it is working with the Government to place the Infrastructure Development Bank of Zimbabwe and the Small Enterprise Development Corporation under its supervision. The two entities, which fall under the Ministry of Finance and that of Small and Medium Enterprises and Cooperative Development respectively, are currently not regulated by the central bank. IDBZ is primarily involved in the funding of backbone infrastructure while SEDCO funds small and medium enterprises. "These measures will promote financial sector stability through ensuring adherence by all players in the financial services sector, to sound risk management practices and the protection of depositors through oversight by a supervisory authority," the RBZ said in its monetary statement released on Monday. The IDBZ, which posted a profit of $2,2 million for the year ending December 2013, down from $3,5 million the previous year, was red-flagged by its auditors, Deloitte who questioned its ability to continue as a going concern as its liabilities were worth more than its assets by $6 million. Operations of the bank, unlike those of other financial institutions, are not under the scrutiny of the central bank. SEDCO on the other hand remains largely invisible due to lack of adequate funding from the government despite the huge appetitive for financial and other support from the SMEs sector. *(Herald)*

NON-performing loans in the local banking sector had risen to 18,5 percent by June 30 2014, having jumped from an average of just under 15 percent last year, the Reserve Bank of Zimbabwe has said. The apex bank said difficult economic conditions and increasing cost of doing business had weakened debt repayment capacity of borrowers. In his maiden monetary policy statement RBZ governor Dr Mangudya said credit risk thus remained a key element of the risk profile in the sector. "As a result, the level of non- performing loans has risen from 15,9 percent as at December 31 2013 to 18,5 percent as at 30 June 2014," he said. NPLs have grown from 1,62 percent in 2009, 3,2 percent in 2010, 6,17 percent in 2011, 12,2 percent in 2012 and 14,51 percent in 2013. The surge in delinquencies and loan losses has dampened banks' risk appetite. As such, banks have adopted a risk averse approach to lending, limiting credit to productive sectors of the economy. Growth in NPLs in Zimbabwe is causing banks to cut on lending to the economy when companies require working capital and funds for retooling. The RBZ said this was having a huge bearing on the economy as reduced credit has led to a decline in economic growth, private consumption, job losses and decrease in Government revenue. The RBZ said NPLs have exceeded the international benchmark of up to 5 percent and could be a threat to financial stability and economic growth. Against this background, the apex bank said it had formed a national special purpose vehicle known as Zimbabwe Asset Management Corporation (Pvt) Limited to acquire NPLs from banks. This is meant to clean up and strengthen the banks' balance sheets to provide them with the liquidity to fund valuable projects for the economy to rebound and to mitigate loss of confidence.

ZAMACO has since taken up $45 million from three banks by mid August. Dr Mangudya said the company will be funded from non-funded lines of credit, new inflows, long term bonds and treasury bills. However, banks sector posted a combined $13,8 million profit for the first half of the year, a growth 180 percent against the same period last year. In his maiden monetary policy. statement Reserve Bank Governor Dr John Mangudya's said banks that posted losses were weighed down by the effect of huge non-performing loan book. "A total of 12 banks recorded profits for the period ended 30 June 2014. Losses recorded by the few banking institutions are attributed to high levels of non-performing loans," Dr Mangudya said. He added that the losses were also due to lack of critical mass in terms of revenue to cover high operating costs and deliberate strategy by some banks to clean up bad loan books through provisioning. Total banking sector deposits increased by 4,86 percent from $4,73 billion as at December 31 2013 to $4,96 billion as at June 30 2014. Dr Mangudya said loans and advances increased from $3,7 billion to $3,81 billion, during the six months under period. The banking sector loan portfolio is dominated by the industrial sector, household, transport and agriculture, constituting 26,07 percent, 21,21 percent, 16,95 percent and 15,68 percent of total credit, respectively. Remaining sectors contributed less than 10 percent each. Banks aggregate core capital for the banking sector amounted to $753 million as at 30 June 2014 (excluding Interfin Bank under curatorship). As at June 30 2014, a total of 14 out of 19 operating banking institutions (excluding POSB) were in compliance with the December 2013 prescribed minimum capital requirements of $25 million. *(Herald)*

Three foreign banks operating in Zimbabwe have complied with the country's local ownership law while government talks with other

banks on the legislation continue, Indigenization Minister Francis Nhema said. "We have explained to them our empowerment laws," Nhema said in an interview today in the capital, Harare. "There is no problem with our empowerment laws. I'm not changing the empowerment law." Under Zimbabwean law, foreign and white-owned companies with assets of more than $500,000 must cede or sell a 51 percent stake to black nationals or the country's National Economic Empowerment Board. Nhema's remarks contradict an April statement by Finance Minister Patrick Chinamasa that the government will not force all companies to comply and would rather work on an industry-specific approach. "Some companies which had pulled out of Zimbabwe a long time ago, such as Pepsi Cola, now want to come back," Nhema said. "The perception out there is that the law only benefits a few, but this is the wrong perception." Foreign banks operating in Zimbabwe include Barclays Plc, Standard Chartered Plc, Standard Bank Group Ltd. (SBK), Nedbank Group Ltd., Ecobank and Bank ABC. Nhema declined to name the banks that have complied with the local ownership laws. Mining companies including Anglo American Platinum Ltd. (AMS) and Impala Platinum Holdings Ltd. have already had indigenization plans accepted by the government. *(Bloomberg)*

Bankers Association of Zimbabwe president Sam Malaba said the high rate of non-performing loans has locked as much as $700 million in potential productive financing. Mr Malaba, at an Agri Business Forum yesterday said NPLs, currently at 18,5 percent, had eroded the compatibility of banks in terms of liquidity. "Addressing of NPLs through the establishment of an SPV for bad debts, the Zimbabwe Asset Management Company (ZAMCO) by RBZ and the setting up of the Credit Reference Bureau will help unlock liquidity and provide credit risk information on borrowers," he said. He said traditionally NPLs should be around 5 percent. According to the central bank, ZAMCO has already been approved by cabinet and has since August acquired NPLs amounting to $45 million from three banks. Mr Malaba said RBZ should now move with speed to complete all the necessary requirements for the SPV to execute its mandate fully. "Compounding the challenge is the growth of NPLs accounting for 18,5 percent of total banking sector assets and locking as much as $700 mln in potential financing." Mr Malaba said resolving the problem of limited credit to the agricultural sector calls for concerted efforts by all stakeholders, including farmers, bankers, Government, non-banking financial institutions. He said one of the best mechanisms for overcoming the financing of agriculture is through agricultural value chains.

Banks had this year lent out $600 million to the agricultural sector. Mr Malaba said there has been a discernible shift in agricultural financing and production towards cash crops such as tobacco and sugarcane away from traditional cereals such as maize due to efficient value chain. "Tobacco farming is successful due to an efficient and reliable Value Chain using the Stop Order Payment System." In 2013, over 90 000 farmers registered for tobacco farming, output increased by more than 30 percent to 215 million kgs and realised $685 million from tobacco sales and the number of tobacco farmers is expected to be above 100 000 in 2014. Mr Malaba said Zimbabwe does not have the medium and long-term funding required in agriculture and since dollarisation in 2009 no long-term financing has been extended to agriculture and the situation is likely to remain like that. "Usually, long-term financing came from donor funding, but until the country deals with issues of land tenure and addresses the $9,7 billion external debt, there will be no long-term money," he said. Mr Malaba said there was need to expedite the issuance of bankable and transferable 99-Year Leases as well fast track the Agricultural Commodity Exchange which will include a warehouse. "At this moment, the 99-Year Leases remain unbankable," he said. Lands and Rural Resettlement deputy minister Tendai Savanhu, however, said government is finalising the amended version of the 99-Year Leases. Deputy minister Savanhu said proposed amendments provide financial institutions with clauses on how they will recover their money in case of defaults. "Government will need to play an oversight role and there should be a win-win situation on the issue," he said. Bankers prefer that Government creates a Special Purpose Vehicle to collect levies from beneficiaries of the land reform. The SPV would then be used to guarantee access from the banks. *(Herald)*

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