SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		31-Dec-14	YTD % Change	
Country	Index	4-Sep-15	11-Sep-15	Local	USD	31-Dec-14	Local	USD
Botswana	DCI	10840.61	10786.93	-0.50%	-0.77%	9,501.60	13.53%	3.53%
Egypt	CASE 30	7295.96	7039.33	-3.52%	-3.53%	8,942.65	-21.28%	-28.12%
Ghana	GSE Comp Index	2100.42	2088.39	-0.57%	-2.72%	2,287.32	-8.70%	-24.90%
Ivory Coast	BRVM Composite	293.17	293.74	0.19%	0.09%	258.08	13.82%	4.92%
Kenya	NSE 20	4134.40	4210.02	1.83%	1.14%	5,112.65	-17.65%	-29.30%
Malawi	Malawi All Share	15902.10	15908.82	0.04%	0.64%	14,886.12	6.87%	-10.97%
Mauritius	SEMDEX	1942.85	1929.11	-0.71%	-1.06%	2,073.72	-6.97%	-17.07%
	SEM 10	370.72	367.30	-0.92%	-1.27%	385.80	-4.80%	-15.13%
Namibia	Overall Index	1005.52	1011.12	0.56%	-1.59%	1,098.03	-7.92%	-22.52%
Nigeria	Nigeria All Share	29511.08	29689.08	0.60%	1.08%	34,657.15	-14.33%	-20.92%
Swaziland	All Share	307.41	307.41	0.00%	-2.13%	298.10	3.12%	-13.24%
Tanzania	TSI	4650.42	4649.20	-0.03%	-0.19%	4,527.61	2.69%	-17.42%
Tunisia	TunIndex	5368.71	5334.98	-0.63%	-0.71%	5,089.77	4.82%	-0.35%
Zambia	LUSE All Share	5820.56	5821.57	0.02%	-3.13%	6,160.66	-5.50%	-39.11%
Zimbabwe	Industrial Index	134.85	134.11	-0.55%	-0.55%	162.79	-17.62%	-17.62%
	Mining Index	32.97	29.10	-11.74%	-11.74%	71.71	-59.42%	-59.42%

CURRENCIES

Currency	4-Sep-15 Close	11-Sep-15 Close	WTD % Change	YTD % Change
BWP	10.30	10.33	0.28	9.34
EGP	7.81	7.81	0.01	9.50
GHS	3.78	3.87	2.21	18.95
CFA	584.76	585.39	0.11	8.36
KES	103.01	103.71	0.68	15.68
MWK	559.18	555.84	-0.60	20.75
MUR	34.01	34.13	0.35	11.78
NAD	13.50	13.79	2.18	16.32
NGN	196.98	196.04	-0.48	8.84
SZL	13.50	13.79	2.18	16.32
TZS	2,111.67	2,115.06	0.16	24.15
TND	1.95	1.95	0.08	5.10
ZMW	9.54	9.85	3.25	50.31

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TRADING

Botswana

Corporate News

Botswana's Debswana, the world's biggest diamond producer by sales value, has cut its 2015 production target to 20 million carats from 23 million carats, its secretary for economic and financial planning Taufila Nyamadzabo said on Friday. "We had to revise our 2015 growth forecast from 4.9 percent to 2.6 percent due to (a) downturn in the global diamond market," Nyamadzabo said. Sluggish demand in the diamond market saw sales at rivals De Beers and Okavango Diamond Company (ODC) fall by over 20 percent in the first six months of the year. *(Reuters)*

Economic News

Profit in Botswana's commercial banks fell 16.7 percent in 2014 due to a low interest rates and a spike in non-performing loans, a report showed on Monday. After-tax profit in Botswana's banking sector slipped 16.7 percent to 1.5 billion pula ($141 million) for the year to end-December compared with growth of 0.1 percent in 2013, the 2014 Banking Supervision Annual report showed. In a bid the boost a flagging economy, the central bank has cut interest rates by a cumulative two percentage points since December 2013. The economy is also struggling with low prices for diamonds, its main export commodity. The banking sector also faced severe liquidity shortages in the second half of 2014 due to a prolonged period of credit extension without a corresponding rise in deposits. *(Reuters)*

Botswana's budget deficit will narrow to 0.03 percent of gross domestic product from a previous forecast of a 2.6 percent shortfall, the ministry of finance said on Thursday. The department attributed this to expected growth in revenue collected from non-mineral taxes, which it said would likely grow 10.4 percent to 10.32 billion pula ($977 million). "This significant growth rate of the non-mineral revenue is encouraging since it reflects possible success of our diversification efforts," the department said in budget strategy paper. Botswana halved its 2015 growth forecast in August to 2.6 percent from 4.9 percent previously, citing expected weakness in the diamond market which accounts for nearly 40 percent of its budgetary revenue and around 85 percent of exports in dollar terms. Sluggish sentiment in the market has seen both De Beers and Botswana's Okavango Diamond Company (ODC) sales falling by over 20 percent in the first six months of the year. The ministry added that it projected total revenues and grants rising 3.1 percent in the 2016/17 financial year from previous estimates. *(Reuters)*

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Egypt

Corporate News

Egypt's SODIC has appointed Maged Sherif as managing director and board member, the country's third-largest listed real estate developer said in a statement on Tuesday. Sherif will take over from Ahmed Badrawi, who announced his resignation in June. He joins a company which is targeting sales of 4 billion Egyptian pounds ($524 million) this year, up from 3 billion in 2014. SODIC, also known as Sixth of October Development and Investment Co, targets upper middle income consumers. Demand for new housing remains strong and the sector has shown resilience in the face of political turmoil. President Abdel Fattah al-Sisi, the former army chief who ousted Egypt's president in 2013 following mass protests, has promoted several housing schemes. Sherif has held several previous roles at real estate developers, most recently as Chief Executive Officer at Egypt's Hyde Park Properties, according to his LinkedIn page. He also ran the Egyptian business of Dubai's Majid Al Futtaim Properties, and has held various positions at Egypt's second-largest listed property developer Palm Hills . He holds a bachelor's degree in engineering from Cairo University and an MBA from the American University in Cairo, SODIC said in its statement. *(Egypt.com)*

Economic News

The discovery by Eni of a huge gas field off the Egyptian coast could attract international energy companies that had steered clear of Egypt because of late debt payments and low prices, a leading gas producer in the country said. The estimated size and quality of the discovery announced by Italy's Eni last week, combined with Egypt's recent efforts to meet overdue debt repayments to foreign companies, will attract interest from far and wide, said Patrick Allman-Ward, CEO of United Arab Emirates (UAE) energy company Dana Gas. "People in petroleum tend to have a feeding frenzy kind of response to this kind of discovery," Allman-Ward told Reuters. "It will no doubt kick off a lot more interest from international oil companies in Egypt as an exploration destination." Egypt hopes the field's estimated 30 trillion cubic feet (tcf) of gas will help to ease an energy crisis that has stymied efforts to rebuild an economy battered by political unrest since an uprising toppled Hosni Mubarak in 2011. Gas production has steadily declined while consumption has risen, but low prices offered by the government and delays in paying arrears have discouraged investment.

Until last week's discovery, Egypt was estimated to have 70 tcf of undiscovered gas. In light of the new field, Allman-Ward believes there will be an upward revision to the estimate for total reserves that have yet to be found. "That in itself will mean that it will generate a lot of additional interest in the petroleum sector," he said. In July Egypt raised the prices it pays Eni and Edison for the gas they produce in a move intended to encourage investment in energy. Egypt's oil minister said in August that its $3.5 billion of debt to foreign oil companies would be repaid by the end of 2016, six months later than an earlier pledge. An agreement signed in August 2014 allows Dana Gas, which produces about 31,500 barrels of oil equivalent per day in Egypt and relies on the country for more than half of its output, to recover outstanding arrears of $185 million by exporting the government's share of gas, Allman-Ward said. "What has improved over the past 12-18 months has been the likelihood of the ability of the government to pay," he said. "... This indicates that the investments made by the private sector into the country will get their return." *(Reuters)*

A second international bond that Egypt hopes to issue should be worth at least $1 billion, Samy Khallaf, an adviser to the finance minister, said on Monday on the sidelines of a Euromoney conference. The government hopes to issue the bond by November or December, Khallaf said earlier. *(Reuters)*

Egypt's net foreign reserves fell by $438 million in August to $18.096 billion, the Central Bank of Egypt stated on Tuesday. As of the end of July 2015, net reserves had stood at $18.5 billion, with a drop of $2.4 billion in June, which was exacerbated by a $667 million debt repayment to the Paris Club of creditors nations. Currency reserves remain at a worrying level for the economy despite a recent increase in

aid from Arab Gulf countries aimed at shoring up Egypt's net reserves. Fifteen billion dollars is typically considered a safe level as it covers three months' worth of imports. "Egypt's growing trade deficit and currency crisis are behind the low reserves rate," said Eman Negm, an economist at Prime Holding. Saudi Arabia, the United Arab Emirates and Kuwait have provided Egypt with billions of dollars in aid since the 2013 ouster of Islamist president Mohamed Morsi. "The government's recently announced plans to re-enter the international capital market could eventually boost Egypt's reserves. Relying solely on Gulf aid is unsustainable," Negm added. Egypt relies on the Suez Canal and tourism as its main sources of foreign currency, two areas strained by the political instability that followed the 2011 uprising. *(Egypt.com)*

The fall in net official transfers and the rise in the trade deficit pushed Egypt's current account deficit to $12.2 billion in the year ending 30 June, from $2.7 billion during the same period the previous year. "The deterioration in the current account balance largely reflected a drop in official transfers," Jason Tuvey, economist at London-based Capital Economics, said in an emailed statement. Net official transfers, commodity and cash coming in and out of Egypt, dropped to $2.7 billion from $11.9 billion, the Central Bank of Egypt (CBE) said in a press release Wednesday. The trade deficit fell by 13.9 percent to $4.7 billion in the same period, as oil exports dropped by $4 billion to hit $22.1 billion on the back of declining global oil prices, while non-oil imports increased by $1.6 billion. Global oil prices fell drastically following an OPEC decision in November 2013 to maintain supply amid slowing global demand. Revenues from tourism recovered to $7.4 billion from $5.1 billion. However, higher foreign direct investment and the inflow of deposits from Gulf States drove up Egypt's balance of payments surplus, depicting the country's transactions with the rest of the world. The balance of payments recorded a surplus of $3.7 billion in the fiscal year ending 30 June, up from $1.5 billion in the same period the previous year. "The fall in official transfers doesn't reflect a decline in financial support from the Gulf. Instead, it reflects a switch as to how that support is provided," said Tuvey. Gulf Arab countries deposited $6 billion in Egypt's Central Bank in April, which raised the bank's liabilities to the external world to a net inflow of $5.5 billion. Foreign direct investment net inflow to Egypt increased to $6.4 billion in FY2014/15 up from $4.1 billion. The rise was driven by a 69.1 per cent increase in greenfield investments. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

Ghana's total expenditure, including payments for the clearance of arrears for the first half of 2015 amounted to GH¢18,068.5 million (13.5 percent of GDP) against a target of GH¢18,805.7 million (equivalent to 14.0 percent of GDP). The outturn was 3.9 percent lower than the budget target but 14.1 percent higher than the outturn for the same period in 2014. The growth in expenditure was mainly due to higher spending on goods and services and foreign financed capital expenditure. The cash fiscal deficit of 2.3 percent of GDP for the period under review was financed mainly from domestic sources, resulting in a Net Domestic Financing (NDF) of the budget of GH¢1. 875.4 million (1.4 percent of GDP). The NDF for the period was 57.3 percent lower than the budget target of GH¢4,395.1 million and 48.6 percent lower than the outturn for the same period in 2014. Foreign Financing of the budget was GH¢1,218.0 million representing 39.4 percent of total financing, against a target of GH¢206.1 million. Thus domestic financing constituted about 60.6 percent of the total financing of the deficit for the first six months of the year.*(Business Day Ghana)*

The Agricultural Development Bank (ADB) has extended the period of its Initial Public Offer (IPO) to October 9, 2015. The extension was approved by the Securities and Exchanges Commission (SEC). The offer period for the launch, according to the IPO prospectus, was supposed to end on August 21, 2015 but has been extended because of legal battles that halted the process. The Industrial and Labour Division of the High Court placed an interim injunction on moves by ADB to float shares on the stock market upon the request of the Union of Industry, Commerce and Finance Workers (UNICOF). ADB began processes for its IPO at the Ghana Stock Exchange, but the legal team of UNICOF sought the injunction after it filed two separate suits challenging the ADB's decision to sell 40% shares to foreign investors without parliamentary approval. However, the Supreme Court struck out an application for an order to declare the moves by the ADB Bank to float shares on the stock market as unconstitutional. The one-member court, presided over by Mr Justice Gabriel Pwamang, also barred UNICOF from initiating any similar action in the court, and awarded costs totalling GH¢10,000 against it. The decision followed an application by the counsel for UNICOF, Mr Charles Bawaduah, to withdraw the case. Counsel for ADB Bank, Mr Tony Lithur had no objection, but implored the court to impose a "heavy cost" on the applicants, saying their conduct was reprehensible and ought to be punished. He said UNICOF had filed a similar case at the High Court that had been dismissed, and pointed out that the action by the union had caused heavy damage to the bank, as customers had been led to withdraw their savings and others had prematurely ended their relationship with the bank.

A Chief State Attorney representing the Attorney-General's (A-G) Department, Ms Dorothy Afriyie Ansah also called for a huge cost against the applicants to prevent any further disturbance of the process and asked for GH¢5,000 cost against UNICOF. But Mr Bawaduah submitted that the court had discretionary power regarding the award of costs and, therefore, implored it to apply discretion, since the case was filed in good faith, but had to be withdrawn in order not to waste the court's time. The offer period for the launch, according to the IPO prospectus, will end on the August 21, 2015. If the offer launch is successful, the 'ADB' stock would begin trading on the Ghana Stock Exchange on September 16, 2015. The bank is hoping to raise a total of ¢398,454,178 through the IPO. A total of 74,888,369 shares belonging to the Bank of Ghana are to be sold while another set of 75,471,698 new shares from the bank itself will also be sold at a new share price of ¢2.65. According to the bank, of this amount, it will dish out ¢191,741 million to the Bank of Ghana for its shares. And ¢60 million of the cash raised will be used by the bank for expansion and refurbishment of its branch network. About ¢49 million would be used for rebranding and staff rationalisation. The rest of the cash raised will be used for business applications: ¢34 million for IT upgrades and ¢26 million cedis for other IT solutions. The rest will go into the bank's new head office, ¢8 million; ATM expansion, ¢16 million; and other expenses, ¢13,480 million. *(Peace)*

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TRADING

The country's public debt now exceeds pre-HIPC levels, according to the International Monetary Fund (IMF) report after a review of Ghana's performance under the bailout deal. The IMF is projecting that Ghana's debt levels – which has hit about 90 billion Ghana cedis as at June this year – could increase further in the coming months. According to a GNA report, Ghana's debt at the time of joining the Highly Indebted Poor Country (HIPC) initiative in April 2001 was 6,025.6 million dollars (about 24 million Ghana cedis currently). Debt-to-GDP ratio then was about 110 percent. The Washington-based lender is forecasting that Ghana's debt could cross the dreaded 70 percent of GDP mark by the end of this year. The IMF projects a 75 percent debt-to-GDP ratio for the country by end of 2015. Many economists believe a debt-to-GDP ratio exceeding 70 percent spells doom for an economy. The IMF says Ghana's economic growth prospects will depend on how fast the ongoing power crisis will be addressed. "Economic growth prospects will depend on how fast the ongoing electricity crisis is addressed. A new decline in commodity prices would weigh on the fiscal and external balances", the IMF said. According to the Washington-based lender, fall in the prices of gold, cocoa and crude oil on the world market could put the country's fiscal gains made over the last few months into jeopardy. The situation, according to IMF, could reduce Ghana reserves and weaken the cedi against major trading currencies even further.
On the central bank, the IMF said the Bank of Ghana should be ready to tighten policy more aggressively if inflationary pressures do not recede.

It gave a thumbs up to recent decision by the Bank of Ghana to introduce new liquidity management instruments to improve monetary policy transmission and support more effective implementation of the inflation targeting framework. The IMF says authorities must pursue reforms aimed at deepening the foreign exchange market, which, combined with smoothing interventions of BoG backed by increased external reserves, should help reduce volatility of the exchange rate over time. Meanwhile, government has always maintained it is working hard to contain the rising public debts. The Finance Minister Seth Terkper told Joy Business government is currently working towards borrowing cheaper funds to finance expensive debts. Mr Terkper has also argued that recent loans contracted by government are being spent on self-financing projects – that is the projects will pay for the loans. The IMF in June this year said Ghana has fallen into the league of high-risk debt distress countries. IMF's Communication Director, Gerry Rice, told Joy Business' George Wiafe that Ghana must be cautious with borrowing through the Eurobonds issue in order not to escalate its indebtedness. "For countries at high-risk distress like Ghana, reducing the debt burden and associated vulnerability is a priority so the authorities have to be very selective with regards to new non-concessional borrowing since that can escalate," Rice had explained. *(Peace)*

The government's attempt to reduce its deep involvement in the domestic bond market to the advantage of private sector players suffered a setback due to grim investor interest. The Ministry of Finance last week cancelled efforts to issue a GH¢500 million (US$127 million) five-year bond in the domestic market this month due to what the ministry described as "recent market developments". Though the government did not give details of reasons behind the postponement, analysts say uncertainties over the country's economic outlook has rendered its long-term domestic debt unattractive to investors. Proceeds from the bond were to be used to restructure the growing government debt, which is mostly from short-term domestic money market instruments. The government, as part of its debt management strategy, is piloting a new method of issuing debt instruments dubbed: "the book-building approach," which looks at medium to long–term instruments only. The Finance Ministry had selected Barclays Bank, Stanbic Bank and Strategic African Securities (SAS) as joint Book Runners.
A senior economic analyst at Databank, Mr Courage Kingsley Martey, said in an interview with the Graphic Business that the government faced an uphill task in its debt management strategy to restructure its debt portfolio by converting short-term obligations into longer-dated instruments. "Government would have to reduce its appetite for short-term borrowing in order to discourage investor preference for short-term fixed income securities," Mr Martey said. Yields on government debt have been on the rise for the last three years. The rate for the Bank of Ghana's benchmark 91-day bill rose to 25.33 per cent on September 4 from 25.21 per cent a week earlier.

This shows that despite the ongoing fiscal consolidation, investor sentiments remain quite fragile and would require structural improvements in the economy before they can be fully convinced to re-engage with the country. "It was going to be difficult for the book-builders to convince risk-averse investors to participate in a five-year cedi bond at this time when they are not certain of the immediate future path of the economy," an Accra-based fund manager said. This is the third in a little over a year that the government has cancelled

planned issuance of some domestic bonds. Earlier this year, the government cancelled a seven-year domestic bond planned for April this year. Last year it called off advertised five-year auctions to avoid exorbitant yields on the debt. The government is currently under a three-year aid programme with the International Monetary Fund to stabilise the economy, dogged by stubborn deficits, high public debt and quickening inflation. Ghana's total debt is hovering around GH¢92 billion and economists have expressed worry about the level of borrowing, suggesting the debt levels are unsustainable. But the government has insisted it is doing what it calls smart borrowing and has maintained that it is spending any loans acquired on projects that can refinance the loans. In August when the bond was launched, Finance Minister Mr Seth Terkper pleaded with financial institutions to balance their portfolios by investing in the new medium to long-term bonds of government. "Government securities are still safe - indeed, one of the safest in the country - and so we will urge the banks and financial institutions to look critically into it and balance their investments and not put everything in the short end of investments or look at only high profits in the short only," he urged. *(Ghana Web)*

Kenya

Corporate News

Kenya's I&M Holdings said on Monday it planned to buy a locally-owned Giro Commercial Bank for an undisclosed amount. I&M Holdings, which has stakes in banks in Kenya, Tanzania, Rwanda and Mauritius, plans to merge Giro with its subsidiary I&M Bank, it said in a statement. The transaction is subject to approval from the central bank, the Capital Markets Authority and the Competition Authority of Kenya, and Giro's shareholders, it said. At the end of the first half of 2015, I&M Holdings had assets worth 189.3 billion shillings ($1.79 billion), while Giro Commercial Bank had assets worth 16.21 billion. The government sought to encourage mergers in the sector by calling for an increase in the minimum core capital for commercial banks. But parliament rejected that proposal last month, saying it would hurt the banking industry's growth. *(Reuters)*

New Uchumi Supermarkets chief executive Julius Kipng'etich has launched a programme to refurbish the retail chain's stores. The struggling retail store has seen many of its branches lose customers to competitors due to inadequate supplies. The new measures will start with the flagship Sarit Centre Hyper in Nairobi's Westlands area. The Sarit branch had also come on the spot after it was reported that the Sarit Centre management was hunting for another retail store given Uchumi's current problems. Dr Kipng'etich, who joined Kenya's oldest supermarket chain last week from Equity Bank, said the shops would be redesigned with the customer in mind. Uchumi has had to borrow significantly to pay its suppliers, a situation that has weighed on its performance. "We want to improve the customer experience across our entire network. Over the next three weeks, our Sarit Centre shop will be better stocked and customer-friendly, giving our customers a wonderful shopping experience. "Our new theme is: The king of fresh," said Dr. Kipng'etich. *(Nation)*

Economic News

Kenya's shilling lost ground in early trading on Monday, hit by global dollar strength and demand for foreign currency from telecommunications and energy firms, traders said. At 0817 GMT, commercial banks quoted the shilling at 105.95/106.15 to the dollar, compared Friday's close of 105.60/70. The shilling has been edging closer to its all-time low of about 107 to the dollar, set in October 2011. "We expect further losses on the shilling," said a trader at a commercial bank, noting dollar demand from some firms. He said the shilling was also suffering like other emerging market currencies as the dollar strengthened. The Kenyan currency, down 16 percent this year, has come under pressure from a broad rally in the dollar, as well as Kenya's rising current account deficit and weak foreign exchange inflows from tourism after a series of attacks by Islamist militants. *(Reuters)*

Kenya's shilling weakened close to its all-time low in early trading on Tuesday, weighed down by corporate dollar demand and the U.S. currency's strength on global markets, traders said. At 0722 GMT, the shilling traded at 106.60/70 close to the low of about 107, compared with 106.15/35 on Monday's close. "There is sustained corporate demand and inflows are not significant," said one trader at a Nairobi-based commercial bank. Traders said they were watching to see if the central bank would return to the market to sell dollars like it did on Monday, when the shilling touched 106.20/40. "Intervention could be on the cards if it hits an all-time low, but between now and then I would say it will be inching very slowly upwards," another trader said, referring to the shilling weakening. Kenya's central bank has in the past few months occasionally intervened to support the currency by selling dollars. It also regularly mops up excess liquidity. The bank also said on Tuesday it planned to mop up 11 billion shillings ($103.43 million) in excess liquidity from the money markets. The mop-ups make it costly to hold onto dollars, which in turn supports the shilling. *(Reuters)*

The Central Bank of Kenya was yesterday forced to pump into the market more dollars to prop up the shilling after weakening to hit 107 on Monday. The move provided a reprieve for the local currency which closed at 105.5 versus the greenback. A source privy to the forex

supply from the regulator said anonymously that close to $30 million was introduced into the system as CBK Governor Patrick Njoroge met banks chief executives to deliberate on the weakening local unit. The meeting, which is said to have been brief, questioned the fundamentals behind the slide with focus on information spreading out from the lenders to the public. "We talked about the code of conduct for the forex dealers and whether the rate at which the shilling was losing ground was driven by the market fundamentals. Data integrity was also a concern and we deliberated on the need for a free flow of official comments from authoritative sources on the state of the local currency," one of the bank CEOs who attended the meeting told the Nation on phone. The move, which follows similar measures, may only last a short while as the country grapples with the huge trade imbalance, the low yield from the short term T-bills and a host of other micro economic factors.

CBK's move to dig deeper into its foreign exchange reserves may have been founded on the comfort that the $433 million precautionary facility was nearing its disbursement with the letter of intent already drawn last week. The IMF board meeting is just a week away. The precautionary facility is, however, 'shock defined,' meaning Kenya may have to demonstrate a balance of payment shock to justify its usage. The facility will also be a small fraction compared to about $1 billion that the country's financial regular has spent since January in trying to cushion the shilling from losing more rapidly to the greenback since January . *(Nation)*

Kenya has signed a deal with China as part of the east African nation's plans to built a nuclear power station by 2025, the Kenya Nuclear Electricity Board (KNEB) said Thursday. Kenya plans to set up its first nuclear power plant with a capacity of 1000MW by 2025, the board said, with ambitions to boost that to 4,000MW by 2033, and to make nuclear electricity "a key component of the country's energy" production. The memorandum of understanding, signed in China, will enable Kenya to "obtain expertise from China by way of training and skills development, technical support in areas such as site selection for Kenya's nuclear power plants and feasibility studies," the KNEB statement said. Kenya has already signed nuclear power cooperation agreements with Slovakia and South Korea, it added. As part of those deals, over 10 Kenyan students are studying nuclear power engineering in South Korea. As well as oil-fired stations, Kenya has in recent years focused power efforts on boosting sources from renewables such as geothermal, hydro and wind power. With a fast-growing population, demand is climbing rapidly, and the country's hydro-electric capacity is strained by droughts and the impact of deforestation on rivers. Geothermal power stations are sited on the Rift Valley, the divide of tectonic plates through East Africa. Around three in 10 Kenyans have access to electricity, according to the World Bank, but that drops to only two in 10 in the poorest rural areas. At present, South Africa is the only country in sub-Saharan Africa with active nuclear power plants. *(Nation)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

Mauritius' inflation rose to 1.1 percent year-on-year in August from 0.6 percent a month earlier, official data showed on Monday. *(Reuters)*

Nigeria

Corporate News

Sahara Group, a Nigerian energy company, plans to raise as much as $1.4 billion through a dual listing of its oil and gas unit in London and Lagos along with a debut dollar bond sale. Lagos-based Sahara, which trades crude oil and owns Nigeria's biggest power plant, wants the money to buy oil blocs in Africa's largest producer as it seeks to ramp up production five-fold to 60,000 barrels a day, said Executive Director Tonye Cole. Sahara is seeking as much as $600 million in the initial public offering, which may take place within a year, and $800 million through a seven-year bond that should be issued by the end of October, he said. "Over the next five years, our target is to be one of the largest indigenous producers in Nigeria," Cole, 48, who owns a third of Sahara, said in an interview at the company's headquarters in Nigeria's commercial capital. "A lot is dependent on the IPO. We started down that road before oil prices collapsed, but we're still focused on it." Sahara and others including Seplat Petroleum Development Co. and Shoreline Group are taking advantage of so-called indigenization laws in Nigeria's oil industry that are meant to boost production by local companies. Those groups account for about 20 percent of Nigeria's production of nearly 2 million barrels a day.

Seplat, which pumps about 70,000 barrels daily, became the first Nigerian company to sell its shares in London and Lagos when its completed listings in April 2014. The stock has fallen 69 percent in London in the past year as crude prices more than halved, giving the company a market capitalization of 409 million pounds ($624 million). "We're looking to raise somewhere between $500 million to $600 million for about 20 to 25 percent of the shares," Cole said, which would value the unit at between $2 billion and $3 billion. Sahara will meet investors in Europe and the U.S. in the next few weeks to discuss the deals, Cole said. He declined to identify the banks working on the IPO or Eurobond sale. Companies from Africa's biggest economy are increasingly looking to sell stock in the U.K. Aliko Dangote, Africa's richest man, wants to list his main company, Dangote Cement Plc, which already trades in Lagos, in London. Interswitch Ltd., which processes bank transactions and owns a brand of debit cards, is also considering a dual listing. Beyond oil and gas production, Sahara, which makes revenue of about $10 billion annually, is expanding its trading and power divisions. It plans to double generation at the Egbin power plant in Lagos to 2,600 megawatts within five years, Cole said. Sahara needs to recoup its debts from the government-owned bulk buyer of electricity before that happens, he said. Sahara may re-bid for new government oil-swap contracts, also known as offshore processing agreements. The company's OPA, which saw it provide refined petroleum in return for crude, was canceled last month after the state-owned Nigerian National Petroleum Corp. said the terms were "skewed." "There's no one that would ever deny that when the swap, or the OPA, was instituted six years ago that it was a necessity at that point," Cole said. "But we had discussions with the NNPC. We all agreed that it was time to have a review and move forward. I have no problem with it." Sahara will also consider entering into joint ventures with Nigeria's four state-owned refineries, he said. The NNPC is under pressure from President Muhammadu Buhari, who came to power in May promising to revamp the graft-ridden oil industry, to revive the dilapidated refineries and end Nigeria's reliance on imported fuel. *(Bloomberg)*

The release last week of United Bank for Africa Plc's audited half-year results, which showed that the bank's profit after tax rose by 40 per cent to N32bn, has led to massive demand for its stocks, according to analysts. In the three trading sessions that have followed the release of the results, the bank's shares have risen by 27.3 per cent. On Monday, it topped the gainers chart, rising by 10.24 per cent or 39 kobo to close at N4.20. The Chief Executive Officer, Highcap Securities Limited, Mr. David Adonri, said the share price appreciation was linked to the positive results and an unexpected interim dividend of 20 kobo per share. "For the bank to come up with an interim dividend of 20 kobo, it means things are getting better for the bank and it is a sign of good things to come in the future," Adonri said, adding that it also showed that the bank's expansion into other African countries is paying off. According to financial analysts, the rise in UBA's share price is an indication of the strong demand for the shares, after the positive results, which analysts at FBN Capital Research said was positive across board. Since the release of the results, the stock has been among the most traded and on Monday, it was the most traded with 64 million shares worth N265.2m traded. The attraction, according to the analysts is further increased by the fact that the shares are trading at "significant undervaluation to its intrinsic value," which they put at between N6.59 and N8.50 over the next 12 months. Analysts at CSL stockbrokers while reaffirming their 'Buy' rating of UBA stocks and a target price of N7.20, almost twice the bank's closing price of last week,

noted that based on the half year results, UBA is likely to surpass the current profit and earnings forecasts. Analysts at Renaissance capital also reaffirmed their 'Buy' rating on UBA stocks with a target price of N8 per share. On their part, analysts at Chapel Hill Denham said some of the key strategic decisions taken by UBA in the last few months had brought impressive results, adding that this was evident from increased earnings reported by the bank.*(Punch)*

The Securities and Exchange Commission (SEC) has suspended the proposed the rights issue by Stanbic IBTC. SEC in a public notice on its website on Tuesday informed the investing public (particularly the shareholders of Stanbic IBTC Holding Company Plc) that the proposed rights issue "earlier approved by the Commission is hereby put on hold in view of letters received from the National Office for Technology Acquisition and Promotion (NOTAP), the Central Bank of Nigeria (CBN) as well as the Financial Reporting Council (FRC)." "The Securities and Exchange Commission (SEC) has also been notified of an ongoing investigation by the FRC on the financial statements of Stanbic IBTC Holding Plc.Inview of these, the rights issue exercise has been suspended until proper resolution of issues raised," it added. THISDAY had reported last week that there were indications that the planned N18 billion rights issue may not be approved until allegations of financial under dealings brought against the financial institution by its shareholders are resolved. There had been further suggestions that the bank's 2014 financial statement may be criticised and rejected by the Financial Reporting Council (FRC), should the allegations be further established by regulatory authorities. To this end Stanbic IBTC Holdings in a statement said: "Stanbic IBTC notes the suspension by the Nigerian Securities and Exchange Commission of its proposed rights issue, pending the resolution of enquiries from certain relevant regulatory bodies. The management of Stanbic IBTC will continue to engage with the relevant regulatory bodies to ensure that these enquiries are addressed in a timeous manner. Stanbic IBTC Bank PLC, the banking subsidiary of Stanbic IBTC Holdings PLC, remains wellcapitalised and has sufficient liquidity." *(This Day)*

Economic News

The nation's foreign exchange reserves rose by $2 billion in the last three months, to $31.3 billion as at September 2. The uptick in external reserves, already attributed to the demand management measures of the Central Bank of Nigeria (CBN) by analysts, was probably supported by increased accruals. Still, the assessed bearish sentiment in the crude oil market appears to be persistent, posing a headwind to external reserves accrual, acretion and ability of the apex bank to defend its exchange rate peg. Although the international crude oil price for Nigeria's blend is marginally above $50, the market sentiment is already pricing in this risk "as the local unit is currently trading at N222.30/$ at the nine-month onshore forward market, while parallel market spot rate has fluctuated between N215.00 and N240/$ in the past one month." The Naira remained stable at N199.1/$ at the interbank market last week, a level at which it had been pegged since February 2015, when the Central Bank of Nigeria (CBN) adopted an order-based approach and terminated bi-weekly Dutch Auction sales of foreign exchange to importers. The CBN has since then, sustained its intervention at the clearing rate of N197/$ to moderate volatility swings, with restriction on importers of 41 items from accessing the official segments of the market. Already, CBN's ability to defend its currency peg may have been hinged on the medium term, as the economy recorded a second consecutive deficit in its current account in the first quarter of 2015. Also, low prospects for foreign portfolio flow as foreign investors participation in the capital market has reduced significantly due to foreign exchange concerns have been heightened by several analysts.

On the other hand, some analysts have said that CBN will be relieved with the recent commencement of production at the Port-Harcourt and Kaduna refineries. The development has been put forward as positive for foreign exchange, since imports of petroleum products account for sizeable chunk of foreign exchange utilization. Meanwhile, money market rates trended lower last week on the back of the high level of liquidity in the banking system, buoyed by the federal allocations, which hit the system on Thursday. Financial system liquidity had rose to N250.3 billion on Monday from N207.2 billion it recorded the previous weekend, hence the Nigeria Interbank Offered Rates (NIBOR), on average, moderated 1.2 per cent to 15.4 per cent on Monday. However, both the Overnight (O/N) and secured Open Buy Back (OBB) rates rose slightly by 17bps and 42bps to 8.5 per cent and 9.3 per cent respectively, due to the Open Market Operations (OMO) auction floated by the CBN on Monday. Rates rose to week highs on Wednesday as liquidity was moderately tightened due to the Naira provisions

by banks made 48hours before the currency auction scheduled for Friday. The OBB and O/N consequently rose to 10.2 per cent and 9.8 per cent at market close on Wednesday, as N172.9 billion of Treasury-bills, which matured on Thursday were rolled over through 91, 182 and 364-day tenured bills issued at marginal rates of 10 per cent, 13.5 per cent and 14.7 per cent respectively. Additional N114.9 billion of OMO bills matured into the system on Thursday, hence, rates moderated from the week high, with the O/N and OBB closing at 7.5 per cent and 8.3 per cent on Thursday; but rose to 8.2 per cent and 8.8 per cent on Friday due to an OMO auction. Wee-on-week, average NIBOR, O/N and OBB moderated to 15.0 per cent, 9.3 per cent and 8.6 per cent from 26.0 per cent, 48.4 per cent and 51.2 per cent. *(Guardian News)*

The United States-based lender, JP Morgan, on Tuesday said Nigeria would be phased out of its Government Bond Index by the end of September due to alleged lack of liquidity and transparency in the nation's foreign exchange market. JP Morgan had on January 16 placed Nigeria on a negative index watch on the Government Bond Index. The bank, which runs the most commonly used emerging debt indexes, said it placed Nigeria on a negative index watch and would assess its place on the GBI over the few months. The American bank had warned that currency controls by the Central Bank of Nigeria were making Nigeria's bond market transactions too complex to meet its rules. JPMorgan's action could put the nation's $31bn external reserves under threat as it may lead to further massive sell-offs of Nigerian assets by foreign portfolio investors. The reserves are expected to deplete further as a result of this decision. When the global plunge in oil prices hit the naira, the CBN sought initially to support it using external reserves, but had to resort to market controls as pressure persisted. The JP Morgan index has around $210bn in assets under management benchmarked to it, supporting investor demand for the bonds it includes. JP Morgan's decision to phase Nigeria out of its index, which many investors track, marks the conclusion of a process initiated in January. JP Morgan said the phase-out would take place between September 30 and October 30. It had said earlier that to stay in the index, Nigeria would have to restore liquidity to its currency market in a way that allowed foreign investors tracking the index to transact with minimal hurdles.

Nigeria became the second African country after South Africa to be listed on the JP Morgan's emerging government bond index in October 2012 after the CBN had removed a restriction for foreign investors to hold government bonds for a minimum of one year before they could exit. The index added Nigeria's 2014, 2019, 2022 and 2024 bonds, giving Africa's biggest economy a weight of 1.8 per cent in the index. "Foreign investors who track the GBI-EM series continue to face challenges and uncertainty while transacting in the naira due to the lack of a fully functional two-way FX market and limited transparency. As a result, Nigeria will be removed from each of the six GBI-EM indices starting September 30," the bank said in a note. The central bank had to devalue the naira and pegged it at a fixed rate against the dollar, turning trading into a one-way quote currency market whose lack of transparency angered investors and businesses. The index provider said Nigeria would not be eligible for re-inclusion in the index for a minimum of 12 months and this was dependent upon a consistent track record of satisfying the index inclusion criteria such as a liquid currency market. Analysts said the development would force funds tracking it to sell Nigerian bonds from their portfolios, potentially resulting in significant capital outflows and this in turn would raise borrowing costs for the country. The Head of Economic Research, Ecobank, Mr. Angus Downie, however, had said this would only have limited impact in the short term because many foreign investors had already liquidated their Nigerian bond holdings, adding, "The level of capital outflows from this event will be relatively small." The EMBI is JP Morgan's index of dollar-denominated sovereign bonds issued by a selection of emerging market countries, and the family of the EMBI is the most widely used and comprehensive emerging market sovereign debt benchmark, according to Financial Times. JP Morgan added Nigeria to the index in 2012 when liquidity was improving, making it the second African country after South Africa to be included. *(Punch)*

Telecommunication operators have remained defiant over the N120.4 million fine imposed on them by the Nigerian Communications Commission (NCC), as none of them made a move to pay at the close of work on Monday, which was the deadline given to them to pay the fine. The implication is that each of the four GSM operators will risk incurring additional fines of N100,000 per day as long as the actual fine N120.4 million remains unpaid. NCC last week fined MTN, N102.2 million, Globacom, N7.4 million, Etisalat N7 million, and Airtel, N3.8 million for violating its directive on the deactivation of all pre-registered SIM cards, all improperly registered SIM cards and all SIM cards that failed to undergo complete registration on their networks. NCC gave them up till September 7, 2015 to pay the fines or risk additional N100,000 fine per day for each operator. As of yesterday, THISDAY checks revealed that the N120.4 million fine had increased by an extra

N800,000 for all the operators for the two days running. Although no reason was given for the refusal to pay the fine as at the close of work yesterday, there are however indications that the operators might be warming up to contest the fine, as they did in 2012, when NCC slammed MTN, Globacom, Airtel and Etisalat with a cumulative fine of N1.17 billion, for poor service quality on their networks for the months of March and April, 2012. The operators refused initially to pay the actual fine of N1.17 billion in 2012, but ended up paying more, as a result of the additional daily fines for delay in payment, which is likely going to play up this year again.

When contacted, the Director, Public Affairs at NCC, Mr. Tony Ojobo, said he had not been told by the finance department of NCC that the operators have paid the fine. Some of the operators, however confided in THISDAY that the fine had not been paid. The delay in paying the fine might not be unconnected that the operators are not willing to pay, and might be preparing to contest the fine in a law court with NCC. The Chairman of the Association of Licensed Telecoms Operators of Nigeria (ALTON), Mr. Gbenga Adebayo, had told THISDAY that the operators might not have reason to contest the recent fine, since it was a violation of the directive from the NCC, and not on poor service quality, which he said, the operators were not supposed to take all the blame for. The NCC had on Monday last week revealed to the media that it sanctioned all the four GSM operators to the tune of N120.4 million, following their contravention of its directive on SIM card deactivation. NCC had ordered all telecoms operators to deactivate all active pre-registered SIM cards on their networks, as well as all incomplete and improperly registered SIM cards and gave them seven days to perfect it or face sanction. The ultimatum, it was gathered, was the fallout of a meeting between Office of the National Security Adviser (ONSA), Department of State Services (DSS), the network operators and the NCC, which was called to address insecurity in the country. The meeting attributed crimes committed against members of the public either by kidnappers, terrorists, robbers and threats to lives, to the use of such SIM cards across all networks. *(This Day)*

Nigeria's bond market regulator imposed a new spread limit on Thursday, to mitigate the fallout after the country's expulsion from a major JP Morgan bond index. On Tuesday, JP Morgan said it would remove the bond listings of Africa's biggest economy by the end of October, citing a lack of liquidity and currency restrictions. The decision is a blow for President Muhammadu Buhari, who has promised to diversify an oil-dependent economy hit by a slump in global crude prices. He faces criticism for not appointing a cabinet since his inauguration on May 29. With no government in place, equity and bond investors have been wondering the direction of about policy after the central bank imposed tough currency controls to halt the naira's slide. Traders said the FMDQ, a regulator comprising Nigeria's main commercial banks and the central bank, widened the bid-ask spreads on bond trading to 1 naira from 0.30 naira to contain volatility, helping to moderate a debt market sell-off. "Without it, the market would have frozen and there would have been no offer for quotes. We've done the best thing in terms of risk management," Bola Onadele, FMDQ's managing director, told Reuters. The yield on Nigeria's benchmark 2024 bond eased to 16.63 percent on Thursday from the previous day's close of 16.68 percent. It had spiked to 17 percent on Wednesday after JP Morgan's announcement. Stock market investors joined the sell-off, worrying that Nigeria might also be evicted from the MSCI frontier index and dollar shortages would make it hard to exit the market. "Sooner or later, equity investors will wonder whether this could also lead to action by MSCI," Renaissance Capital said in a note. Nigerian stocks were among the worst performers on the MSCI frontier market index for a second day. FBN Holdings fell the most, dropping 4.98 percent. Access Bank fell 4.9 percent, Union Bank of Nigeria 4.24 percent and United Bank for Africa 4.11 percent.

In another attempt to reduce naira speculation, the central bank reduced the time limit for funding currency purchases to 24 hours from 48 hours to stem the surge in demand for dollars, dealers said. Ayodeji Ebo, head of research at Afrinvest, said that investors were increasingly concerned over whether the $31.5 billion in foreign reserves was enough to allow the bank to meet rising dollar demand. "The central bank's ability to defend the naira may be hampered, hence a devaluation may be inevitable. Foreign investors exposed to Nigerian equities will prefer to exit positions ahead of any official devaluation," Ebo of Afrinvest said. The stock market, which has the second-biggest weighting after Kuwait on the MSCI frontier market index, was down 1.87 percent in early trade but recovered to a slight gain of 0.06 percent by the close. Analysts estimate foreign holdings of Nigerian bonds at less than $2.75 billion compared with about $8 billion in September last year, said Samir Gadio, head of Africa strategy at Standard Chartered Bank in London. Traders said domestic pension funds were picking up the slack as foreign buyers exit. *(Reuters)*

Tanzania

Corporate News

Listing of Mwalimu Commercial Bank (MCB) at the Dar es Salaam Stock Exchange is still hanging in the balance, three months since June when it was expected to be listed on the bourse. MCB Managing Director Ronald Manongi confirmed in Dar es Salaam yesterday that the listing has been rescheduled for next time but declined details, saying the sponsoring broker was responsible for such details. "It was just last week that we secured the IPO (Initial Public Offer) approval from the CMSA (Common Markets and Securities Authority)... and presented the shareholders' register to the Central Bank," Mr Manongi told the 'Daily News' in an interview. Contacted for details, the listing's sponsoring broker, Mr George Fumbuka, said he was in a meeting and asked to be called after an hour. However, attempts to reach him later ended in vain as the phone could not be reached. The bank, according to its prospectus, was to enter the stock market on June 8 but the listing has since been postponed for at least four times due to what was earlier described as changing listing requirements by DSE. Mr Fumbuka, the Managing Director of Core Securities, was quoted last July as saying that compiling the banking information of over 230,000 prospective investors who bought MCB shares had been difficult, delaying the listing as a result.

"The listing has been delayed due to a record high number of share buyers... the 235,000 people who bought shares in MCB is ten times bigger than all past IPOs put together," Mr Fumbuka was once quoted as saying. MCB's IPO, which was oversubscribed by 24 per cent to receive 31bn/- against the envisaged 25bn/-, is the first to use mobile platform, posing new challenges of compiling all data ahead of allotment. Tanzania Teachers' Union (TTU), a Trade Union established under the Employment and Labour Relations Act 2004, has sponsored and promoted the bank. With over 200,000 members across the country, TTU is expected to own 16 per cent of the bank's issued and fully paid up capital while its economic wing, the Teacher's Development Company Limited (TDCL) will take four per cent, with the remaining 80 per cent floated for the general public. MCB PLC will be established as a commercial bank, supervised and regulated by the Bank of Tanzania under its prudential regulatory regime. *(Daily News)*

Economic News

FULFILMENT of quarterly tax obligations reduced investors' participation in the seven-year treasury bonds auctioned by the Bank of Tanzania (BoT) resulting into under subscription. Commercial banks are the leading investors in the shortterm government paper. Others are pension funds, insurance firms and few microfinance institutions. According to the auction summary, a total of 98.40bn/- was offered for tendering but in the end the instrument fetched 50.55bn/- only. However, the successful amount was 18.95bn/-. Commenting on the 7-year bond weak performance, the BoT Associate Director, Domestic Market Department, Mr Paul Maganga, said in Dar es Salaam last week that most investors were fulfilling quarterly tax obligation, reducing their active participation in the long-term government note. "The fact that commercial banks and their corporate clients are obliged to fulfil annual tax obligations could reduce the ability to effectively participate in the seven-year treasury bonds," he said. Weak performance was experienced in the seven-year treasury bonds and other short and long-term maturities in June and July this year due to tight liquidity in the circulation. The government through the BoT sold the fourth seven-year bond this year which, contrary to the first two sessions, the last two ended up under subscribed. It would be paying those who participated in the bids, an interest or weighted average yield to maturity of 16.91 per cent, slightly higher than 16.64 per cent offered in the seven years bond auctioned in June this year.

Also the Bank would pay investors the weighted average coupon yield of 13.88 per cent, higher than 13.72 per cent offered in the preceding 7-year bond auctioned in June 2015. Proceeds from the bond, would be used to finance longterm infrastructure projects as well as settle some maturing debts. The minimum successful price/100 was 71.00 compared to 72.28 of the preceding seven years debt instrument. Similarly, the weighted average price for successful bids was 72.57 compared to 73.45 of the previous session. Also the highest bid/100 for the long-term government paper was 77.00 compared to 76.63 of the session that expired in June this year. A total of 58 bids were received

and 25 emerged successful. *(Retuers)*

Zambia

Corporate News

Glencore Plc's decision to suspend production at units in the Democratic Republic of the Congo and Zambia will halt about a quarter of the countries' copper output and confront their governments with the potential of job losses a year before elections, analysts said. Glencore's announcement that it will suspend copper and cobalt production at Katanga Mining Ltd. is a "major blow" to the Congolese government of Joseph Kabila, Ahmed Salim, senior associate at New York advisory firm Teneo Intelligence, said in an e-mailed response to questions. "With presidential and legislative elections slated for late 2016, the Kabila government will be extremely concerned about the fallout from worsening economic expectations and potential job losses." For Zambia, Glencore's move "is a shocker," Oliver Saasa, chief executive officer of Premier Consult Ltd., said by phone from Lusaka, the capital. "It may just be the beginning" as other mining companies consider following suit following a slump in commodities prices, he said. Glencore will stop production at Mopani in Zambia and at Katanga Mining for 18 months while the company builds new processing facilities that will lower output costs, the Baar, Switzerland-based commodities supplier and trader said Monday. Katanga Mining accounted for 28 percent of copper output last year in the Congo, Africa's largest producer of the metal, and employs more than 5,000 people, according to the company's annual statement. Mopani, the largest employer among Zambian mines, accounts for about 26 percent of the country's production. Valery Mukasa, chief of staff to the Congo's Minister of Mines, said the government wasn't able to comment because it hadn't been officially informed of the shutdown by Glencore or Katanga Mining. Chishimba Kambwili, a Zambian government spokesman, referred queries on Mopani's suspension to Mines Minister Christopher Yaluma, who didn't answer calls to his mobile phone. The country, which relies on copper for 70 percent of its exports, is due to hold general elections next year. A Glencore spokesman declined to comment on any potential job losses. The company Monday outlined a $10 billion debt-reduction plan and said it proposes to sell about $2.5 billion in new shares and assets valued at as much as $2 billion. It will also suspend dividend payments. "The copper suspension is starting immediately,"' Glencore CEO Ivan Glasenberg said during a conference call about the debt-reduction plan.

"Right now, we will get into effect."Katanga Mining is a major tax payer in the Congo, with its operating subsidiary Kamoto Copper Co. declaring $298.8 million in combined taxes in 2013. That made it the single biggest tax payer in the mining industry that year, according to a report by the Oslo-based Extractive Industries Transparency Initiative. "With copper prices at their lowest levels in six years, the country faces the prospect of a major financing crunch," Ronak Gopaldas, head of country risk at Rand Merchant Bank, said by e-mail. "Kinshasa's buffers to absorb such a shock are weak." Glencore's decision could prompt producers in both countries confronted by weak prices and power shortages to follow its lead, analysts said. "Despite the good resources in the DRC, there is the potential for more assets to be placed on care and maintenance," said Ben Davis, a mining analyst at Liberum Capital in London. Vedanta Resources Plc's Konkola Copper Mines unit in Zambia said Sept. 4 it sent 133 workers on "recess" as it reviewed its Nchanga operations, while CNMC Luanshya Copper Mines Plc said Monday it was suspending operations at its Baluba mine. Workers not involved in care and maintenance operations will go on leave, the company said."The Glencore announcement has added fuel to the fire, with several miners indicating that mining operations are not viable amid high operational costs, policy opacity and a power crisis," NKC African Economics analysts Cobus de Hart and Irmgard Erasmus said in a note to clients.

Zambia's kwacha has slumped 25 percent against the dollar this quarter, the most among more than 150 currencies monitored by Bloomberg. It weakened to a record 10.28 per dollar after Glencore's announcement, before paring its losses. "The far-reaching impact is what it means to the wider economy," said Premier Consult's Saasa. "You may end up with a spiral effect." MMG Ltd., an indirect subsidiary of China Minmetals Corp. which operates the Kinsevere mine in the Congo, said it would not be halting copper production and said the Glencore shutdown should ease the power supply deficit. "Unfortunately, this will affect DRC mining output for 2015, but it could have a positive impact on energy," said Freddy Elonga, head of external relations for MMG in Congo, in an e-mailed response to questions. Power shortages in Katanga province due to the failure of the state-owned electricity company to deliver on contracts was already expected to reduce this year's output. In response to lower copper prices, Elonga said that MMG had taken steps to reduce costs and to secure

electricity from Zambia. The looming elections in the two African countries could yet mean that the Glencore shutdowns aren't fully implemented, Patrick Jones, an analyst with Nomura in London, said in an e-mailed note to clients. Political pressure could prompt the company to scale back on the plans, he said. "Maintaining employment is critical for political support and avoiding social unrest," said Jones. Peter Grauer, the chairman of Bloomberg LP, the parent of Bloomberg News, is a senior independent non-executive director at Glencore. *(Bloomberg)*

Zambia is to hold talks with Mopani Copper Mines (MCM) over parent company Glencore's plan to suspend operations after a drop in the metal's price, the mining minister said on Thursday. An electricity shortage and weaker copper prices have put pressure on Zambia's mining industry, threatening output, jobs and economic growth in Africa's second-biggest producer of the metal. The power problems and slide in copper prices have driven the kwacha currency to record lows amid a sell-off in commodity-linked currencies as key consumer China's economy has slowed, renewing pressure on Zambia to diversify its economy. Glencore, Vedanta Resources and China's NFC Africa and CNMC Luanshya Copper Mine have all said they will shut down some operations because of the harsh business environment. Zambia mining minister Christopher Yaluma said that the government would not respond to Glencore directly but would instead negotiate with Mopani because it is more familiar with the local economy. "We are about to start discussions with Mopani. We get very concerned when pronouncements are made about retrenchments," he told reporters. "Glencore is a parent company, so when they talk, they are talking at that level. That is a little bit distant." Officials at Mopani were not available to comment.

The president of Zambia's largest mining union said the move by the government could help to save thousands of jobs. "We have also been talking to Mopani and are happy that the government is doing so. This will save jobs," Nkole Chishimba told Reuters. However, independent analyst Maambo Hamaundu said that talks should have started earlier, adding: "The economy of the copper belt could collapse without Mopani." Mining minister Yaluma also said that Zambia would not make further changes to mining taxes despite the drop in copper prices.
"We'll maintain the taxes as they are right now. We want to maintain some consistency," he said. "If there is consistency, investors will be able to predict the performance of their operations over the next three, four, five years." Zambia's government set the royalty tax rate for open-cast and underground mining at 9 percent in April, rowing back from earlier plans to charge as much as 20 percent. However, the state said on June 5 that it would cut mineral royalties for underground mines to 6 percent because underground mining was more expensive than open-cast mining. *(Reuters)*

Economic News

Zambia's president will not allow the copper-exporting country's currency to collapse and may intervene to regulate markets, a government spokesman said on Monday, as the kwacha fell to new record lows against the dollar. "The president cannot allow the national currency to collapse because of a false belief in a free market economy even when things are clear that the market won't fix itself. So the president could intervene, through the Treasury of course," presidential spokesman Amos Chanda told Reuters. *(Reuters)*

Zimbabwe

Corporate News

Zimbabwe's largest platinum miner, Zimplats Holdings, says President Robert Mugabe's government has approved its plan to sell 10 percent equity to workers but rejected the rest of the initial 2013 local ownership agreement signed by the two parties. Zimplats, in January 2013 agreed to sell a majority stake to local black investors for $971 million to meet black ownership targets set by President Robert Mugabe under the law. However, in October the same year, government said it would review the plan, among other agreements. Zimplats chairman, Sydney Mufamadi said government had eventually rejected the plan but acceded to the miner's plan to transfer some shares to staff. "Following the rejection of the indigenisation implementation plan (IIP) non-binding term sheet signed in January 2013 with the Government of Zimbabwe…. Zimplats and the government have agreed on the sale of a 10 percent equity stake to the Zimplats Employee Share Ownership Trust (ESOT) as part of Zimplats' IIP," said Mufamadi in the group's integrated annual report released this week. "The process for the sale of this 10 percent equity stake to the ESOT is now awaiting approval by the Reserve Bank of Zimbabwe (RBZ) of the vendor financing arrangements pertaining to the sale." Mufamadi noted that once the central bank's approval has been obtained, Zimplats will proceed with the implementation of the sale of the 10 percent shareholding to the ESOT. On January 15 this year, Zimbabwe gave businesses 60 days to amend previous agreements as part of changes to the controversial law which is blamed for low Foreign Direct Investment (FDI) in the southern African country.

Zimbabwe's Indigenization Act — enacted in 2008 — requires foreign owned companies valued at over $500,000 to cede 51 percent to black locals. Mufamadi expressed confidence that the central bank will approve the vendor financing scheme. "It is my sincere hope and belief that we will ultimately achieve a position on Zimplats' IIP that will be fair and equitable to all the parties and, most importantly, that will preserve the interests of all stakeholders," he said. Earlier this week, Zimplats reported a $74,3 million loss in the full year to June 30 compared to a $97,1 million profit in the previous year after losing key tax battles amid depressed sales volumes and lower metal prices. The miner lost two long-running court battles against Zimbabwe's tax authority and was ordered to pay additional profit tax and a penalty on income tax incurred in the 10 years to 2014. Zimplats reported on Monday that the two judgements had resulted in a 314 percent increase in tax for the year to $130,5 million compared to the previous year. Revenue during the year was down 29 percent to $408 million as platinum, palladium, rhodium and gold (4E) sales volumes fell from 477,905 ounces to 381,849 ounces during the year. *(Source)*

Africa Banking Corporation of Zimbabwe (BancABC) has recorded a loss after tax of $162 000 for the six months ending June 30 2015 from a profitability position in the comparable period last year attributed to a combination of weak economic activity in leading sectors and reduced lending with the focus on quality. In the same period last year, the bank posted a profit of $6,9 million. Net interest income declined to $18,9 million compared to $25,1 million during the same period last year. Loan impairment charges increased to $9,67 million from $7,3 million. Fees and commission income declined to $8 467 000 from $9 753 000 during the comparable period in 2014. In a statement accompanying the bank's unaudited consolidated results, BancABC board chairperson Alvord Mabhena said there were great opportunities to support key sectors of the economy through cost effective and long-term financing. Mabhena said while fee and commission income was also down from the prior year, the bank was working on capturing growth opportunities offered through technology and several exciting initiatives would come to market in the short to medium term. "As I am sure most business are doing, initiatives to reduce costs have been put in place, which continue to bear fruit with operating expenses 3% lower than in the corresponding period from last year and 19% below budget. Reduction in cost was recorded on most expense lines and this is expected to be maintained to the end of the year and into next year," Mabhena said. In the period under review, the cost to income ratio was 67%, with efforts in place to reduce the cost base further to line up with the level of revenues. Operating income declined to $19 046 from $29 096 on the same period last year. *(News Day)*

Cairns Foods, a subsidiary of struggling manufacturer Cairns Holdings, has increased its capacity utilisation from as low as five percent in 2012 to 35 percent in 2015 as the food and beverages manufacturer seeks to bounce back to profitability, an official has said. In July, the

holding company's shareholders and creditors voted in favour of its takeover by private equity firm, Takura Capital, allowing it to take over 63 percent of its shareholding previously held by the central bank. Cairns, with debts that amounted to $25 million, was placed under provisional judicial management in 2012 and final judicial management in February 2013 due to insolvency. It voluntarily delisted from the bourse during the same year. "I can safely say that we are in the right path, coming from a capacity utilisation that was as low as 5 percent as of December 2012 to 35 percent at present," Cairns acting manager Jeremiah Kwenda told The Source during a tour of the company by vice president Phelekezela Mphoko last week. Kwenda attributed the recovery to a $1,5 million financial aid Cairns Holdings received in July 2013 under the Distressed Industries and Marginalised Areas Fund (Dimaf). He said the fund was used to purchase equipment at Cairns Holdings subsidiaries in Harare, Marondera and Mutare where Cairns Foods is situated. "We further used our own financial resources that we generated through sales of our products and I can safely say $800,000 was also used to acquire equipment. If we add that figure with the money also channelled from sales to buy spares and do repairs, we have invested over $1 million," said Kwenda. He added that the company's workforce has more than doubled to 500 from and that there are plans to purchase a new tomato processing plant. Cairns is currently producing 50,000 cases of backed beans and jam per month. *(The Source)*

Fidelity Life Assurance on Tuesday announced a significant lift in profits by over 140 percent in the six months to June on the back of a rise in investment and premium income. Group chairman Lawrence Tamayi said on Tuesday that Fidelity's profit increased to $2,9 million for the half-year, up 141,6 percent from $1,2 million in the previous corresponding period. Total revenue for the period grew by 50 percent to $13,8 million from $9,2 million registered last year. "Net insurance premiums written as at June 30, 2015 amounted to $8,9 million an increase of 15 percent over the $7,7 million written in the corresponding period last year. Underwriting surplus of $3,3 million was realised," Tamayi said in a statement to release the results. Fidelity's flagship unit, Fidelity Life Assurance had net premium income of $7,3 million, up four percent on prior period resulting in an underwriting surplus of $2,2 million and a profit for the period of $1,8 million. Despite the insurance firm diversifying into the property sector, Tamayi noted that income from the property development project – Fidelity Life Southview Park – was yet to be incorporated in the group's half year results pending completion and certification of development works. "We are confident of completing the project and obtaining the requisite certification in the second half of the year," he said. The group's Vanguard Life Assurance, recorded a net premium income of $1,58 million up 13 percent from the $1,4 million recorded in the comparative prior period as profit for the period amounted to $130,000. The micro finance subsidiary had an increase in profits to $500,000 from $200,000 while the actuarial consultancy business contributed $27,000 and the asset management company broke even. Fidelity did not declare a dividend for the period to conserve cash for various projects the group is undertaking. *(Source)*

Economic News

A FIVE-MEMBER team from Dangote Group began work yesterday on mega investments in energy, cement manufacturing and coal mining. The team is a follow-up to last week's visit to the country by Africa's richest man, Aliko Dangote, where he said his group would invest in Zimbabwe. The team is led by Abdu Mukhtar, Dangote Group chief strategist. The team has a lawyer and geologists. It will be in the country for a week and will "meet every official necessary". For the projects to go ahead, they need authorisations from the ministries of Mines and Mining Development, Energy and Power Development, Youth Development, Indigenisation and Empowerment and Environment, Water and Climate, among others. Last week, Dangote told journalists he was in the country to scout for opportunities and invest "like we have been doing in all the other African countries". He said investments would take place "as soon as we get permits", adding that the government had promised to accelerate the process.

"As soon as we get things right, we will move. We are not here looking to invest. We have already made up our minds to invest so we are here and we will invest," he said. Dangote said the cement plant in Zimbabwe would be bigger than all the plants the group has. Government has promised to accelerate the process as the proposed investments have the potential to turn around the fortunes of the economy and lure other investors. The Dangote Group has cement manufacturing plants in South Africa, Zambia, Senegal, Ethiopia, Congo Republic, Gabon and Tanzania. The group also has bulk cement packaging terminals in Accra (Ghana), Monrovia (Liberia), Freetown (Sierra Leone) and Abidjan (Ivory Coast). It also has bulk cement import or export terminals in Port Harcourt and Lagos in Nigeria. The Dangote

Group is also into sugar refining, salt refining, flour and semolina milling, and noodles and pasta manufacturing, among others.*(News Day)*

ZIMBABWE is looking towards a strategy to clear the combined $1,8 billion in arrears owed to the African Development Bank (AfDB), International Monetary Fund (IMF) and the World Bank, a move that will enable the country to access capital from the three financial institutions. Speaking at a Press conference yesterday, Finance minister Patrick Chinamasa said the options that the country will pursue to clear the arrears were to be ascertained as it was too early and depended on the goodwill of creditors. "We are looking at a strategy to clear the $1,8 billion arrears. When we do so, this opens up engagement with the Paris Club, mostly creditors from the Western countries." The country owes both internal and external creditors $8,4 billion. Chinamasa said the country needed to get out of the arrears to enjoy benefits of membership of the IMF. Chinamasa said the country has so far met the quantitative and structural targets but the IMF review team will determine whether Zimbabwe's assessment was correct. "We are working out a strategy to meet all creditors — multilateral, Paris Club and bilateral — and also seek attendance of key decision-makers so that we will be able to clear our debts and we will be able to access [the] capital," he said.

Chinamasa said the country has demonstrated strong political will in the current position as it met its Staff-Monitored Programme targets first review in December 2014. "As far as political will is concerned we have got it. The issue of funding you have to look at it as a step by step process and the first step is engagement," he said. IMF alternate executive director African Group 1 Chileshe Mpundu Kapwepwe, who is in the country for the first time to get first-hand information on the economic performance of Zimbabwe, said her role was to articulate the country's position on the IMF board. She said the country will have sideline meetings at the annual World Bank meetings in Lima, Peru, next month. She said most countries including Zimbabwe are facing a decline in commodity prices due to the challenges in China. Kapwepwe said the revenue side was also declining due to the impact of drought and the under-performance of the manufacturing industry urging African countries to diversify in commodities. Zimbabwe has set up a committee chaired by Reserve Bank governor John Mangudya to resolve the debt crisis. Other members of the committee are drawn from AfDB, World Bank and IMF. The committee will produce a paper that would be presented during the IMF/World Bank annual meeting in Lima next month.*(News Day)*

ZIMBABWE has met some of the targets under the supervised economic reform programme by the International Monetary Fund (IMF), the lender's head of delegation Domenico Fanizza has said. The IMF team is in the country for a second review of the Staff-Monitored Programme (SMP). The mission will end on September 11. Fanizza yesterday told the Parliamentary Portfolio Committee on Finance and Economic Development that the second review was progressing well and Zimbabwe should continue to put more effort. The committee is chaired by Mutoko South MP David Chapfika. Fanizza said the meeting of the targets by Zimbabwe will likely lead to the rescheduling of its debt. Zimbabwe's public and publicly guaranteed debt stood at $8,4 billion as at end June 2015. This comprises external debt of $6,7 billion, representing about 47% of Gross Domestic Product, and domestic debt of $1,7 billion. "We have talked about the purpose of this mission which is embarking on the second review under the Staff-Monitored Programme and we talked about the re-engagement process with the multilateral creditors and the bilateral creditors which is one of the main purposes of the SMP which is part of establishing relations with the international financial community so that Zimbabwe can eventually have access to its financial support," Fanizza said. "It's not going to be a walk in the park, but I'm confident that we are moving forward and we have not yet finished the review. There are challenges, but we need to make sure the country can start to address the economic issues."

Fanizza said the World Bank/IMF annual meetings in Lima, Peru, will agree on how Zimbabwe clears its outstanding arrears with the international financial institutions. "It's a very important step, there will be consensus and it's a preliminary stage of re-engagement," he said. Chapfika said he hoped progress had been made that would eventually lead to rescheduling of the debt for Zimbabwe and also opening of windows to the other multilateral and bilateral institutions. He said the debt rescheduling would be a relief to the government and to capital projects in the country. Chapfika said about 3 million SMEs in Zimbabwe were languishing in debt and do not have any security. He said the Zimbabwe Asset Management Company (Zamco) only accepts debt that is secured adding: "It is my hope that whatever programme that you will submit at the Lima meeting should include a relief similar to Zamco." Zamco is a special purpose vehicle created to buy secured bad debt on the balance sheets of banks.*(News Day)*

Government has set up a special purpose vehicle (SPV) which small-scale miners can use to export chrome ore or concentrate as it moves to accelerate the exportation of the mineral three months after the removal of an export embargo. In addition, every raw chrome exporter shall pay a royalty of 5% and a prescribed permit fee of $500 as part of regularising the export of chrome ore, Mines and Mining Development permanent secretary Francis Gudyanga said yesterday. Chrome ore exports were banned in 2011 to promote value addition.
Gudyanga yesterday told journalists that for the purpose of regularising the export of chrome ore, smelters and small-scale miners shall be expected to adhere to registration of chrome smelters to export excess chrome ore. He said small-scale miners may export their chrome ore or concentrate through a special purpose vehicle, Apple Bridge Investments. "The producers will inform Apple Bridge of the availability of chrome ore in lumpy or concentrate form together with the analyses. Apple Bridge will verify the availability of the material by use of the inspectorate and monitoring units. "An assignment laboratory will sample and analyse the consignment on behalf of the producer. The cost of analysis will be borne by the producer," he said. Gudyanga said Apple Bridge will purchase chrome ore at competitive prices and that the SPV and the producer will enter into a sale regulating the transactions. "The SPV will make payment of the consignment before export. MMCZ [Minerals Marketing Corporation of Zimbabwe] and Apple Bridge will process all requisite export documents for the consignment. All export cargo will be verified through a certificate weighing facility before export," Gudyanga said.

He added that no small-scale producers will be allowed to sell chrome ore outside the SPV except those with tribute agreements.
Gudyanga said chrome smelters who wish to export excess chrome ore shall apply in writing to the secretary for Mines and Mining Development and fill in a registration form to export excess chrome ore. "Every smelting company shall provide the following: copies of company registration documents, design or installed smelting capacity, tonnage of chrome ore stating categories lumpy, concentrate, finds required for the smelter to operate at full capacity, throughput and ferrochrome produced per month, three months prior to application, average annual ferrochrome production for the previous two years before the date of application," Gudyanga said. "A proposed work plan detailing the following: clearly stating the timelines, smelting technology, to be invested in, how much revenue attained from chrome ore exports will be channelled to investment in modern smelting technology, how the company intends to increase smelting capacity and enhance plant efficiency and the secretary will make recommendations to the minister who will approve the issuance of authority to export the excess chrome ore." In June, government lifted the ban on the export of chrome ore of up to 30 million tonnes to enable the sector to mobilise financial resources and invest in technology. Government also removed the export tax of 20% to allow chrome ore producers to generate income to increase smelting capacity. Electricity tariffs were reduced for the chrome sector to 6,7 cents per kilowatt hour from 8 cents. Despite the incentives, there were no chrome exports as producers did not have the licences to do so. *(News Day)*

The International Monetary Fund said on Thursday it would be at least three years before Zimbabwe can start accessing loans from international lenders and needs to deepen economic reforms in the medium term to strengthen its ability to repay debt. Domenico Fanizza, head of a visiting IMF mission said there were no quick and easy fixes to Zimbabwe's recovery, adding that what was needed in Zimbabwe were costly reforms that would take time to be felt by ordinary citizens. The once promising southern African nation owes foreign creditors $9 billion and has been struggling for five years to recover from a catastrophic recession that send hyperinflation into billions amid widespread food shortages. *(Reuters)*

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