SECURITIES AFRICA
RESEARCH & CAPITAL MARKETS

PAN-AFRICA

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

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

AFRICA STOCK EXCHANGE PERFORMANCE

				WTD % Change		YTD % Change	
Country	Index	21-Nov-14	28-Nov-14	Local	USD	Local	USD
Botswana	DCI	9519.67	9523.27	0.04%	0.45%	5.19%	0.61%
Egypt	CASE 30	9258.18	9325.95	0.73%	0.76%	37.49%	33.33%
Ghana	GSE Comp Index	2284.97	2266.92	-0.79%	-0.76%	5.67%	-21.43%
Ivory Coast	BRVM Composite	240.38	243.96	1.49%	1.14%	5.15%	-4.56%
Kenya	NSE 20	5166.45	5156.33	-0.20%	-0.28%	4.66%	0.53%
Malawi	Malawi All Share	14625.73	14626.91	0.01%	-2.75%	16.73%	-1.84%
Mauritius	SEMDEX	2096.81	2100.46	0.17%	0.56%	0.23%	-3.94%
	SEM 7	396.18	395.25	-0.23%	0.15%	-2.08%	-6.15%
Namibia	Overall Index	1121.51	1111.21	-0.92%	-0.37%	11.46%	6.67%
Nigeria	Nigeria All Share	33926.18	34543.05	1.82%	1.25%	-16.42%	-23.42%
Swaziland	All Share	298.01	298.01	0.00%	0.56%	4.32%	-0.15%
Tanzania	TSI	5038.45	4887.41	-3.00%	-2.98%	71.88%	57.97%
Tunisia	TunIndex	4971.37	4969.76	-0.03%	-0.55%	13.43%	1.37%
Zambia	LUSE All Share	6137.69	6166.79	0.47%	0.80%	15.29%	0.91%
Zimbabwe	Industrial Index	170.49	171.45	0.56%	0.56%	-15.17%	-15.17%
	Mining Index	65.00	63.49	-2.32%	-2.32%	38.65%	38.65%

CURRENCIES

	21-Nov-14	28-Nov-14	WTD %	YTD %
Cur-rency	Close	Close	Change	Change
BWP	9.08	9.04 -	0.41	4.55
EGP	7.13	7.13 -	0.03	3.12
GHS	1.87	3.17 -	0.03	34.50
CFA	523.29	525.12	0.35	10.17
KES	88.51	88.58	0.08	4.11
MWK	477.11	490.63	2.83	18.91
MUR	30.40	30.28 -	0.38	4.33
NAD	11.02	10.96 -	0.56	4.48
NGN	173.14	174.12	0.56	9.14
SZL	11.02	174.12 -	0.56	4.48
TZS	1,694.09	1,693.81 -	0.02	8.81
TND	1.82	1.83	0.52	11.90
ZMW	6.30	6.28 -	0.33	14.25

SECURITIES AFRICA

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Botswana

Corporate News

No Corporate News This Week

Economic News

No Economic News This Week

Egypt

Corporate News

Mobile operator Vodafone Egypt signed a financing deal with seven banks worth LE4 billion ($563 million) on Monday. The seven banks are Banque Misr, Alexandria Bank, CIB (Egypt), HSBC, QNB, Barclay's and Emirates NBD Egypt, a source from Banque Misr told Ahram Online. Vodafone started negotiations over the loan in October. Reuters reported that Hatem Dowidar, Vodafone CEO, said during a press conference on Monday that the "credit facility will help modernise Vodafone's network and that part of it may be used for any new license that Vodafone might consider." Egypt's fixed-line monopoly Telecom Egypt owns 45 percent of Vodafone Egypt. The public company said 10 days ago it may not sell its stake in Vodafone Egypt once it receives a license to offer its own mobile services. But the Egyptian government has said the company will need to exit Vodafone Egypt once it has the new unified fixed-line and mobile license, citing competition reasons. *(Ahram)*

Egypt is trying to renegotiate an extension of an agreement worth $1.5 billion with Suez Canal Container Terminal which has a concession to run a port near the entrance to the canal, a government official said. Ahmed Amin, an advisor to Egypt's transport minister, attended talks two weeks ago with SCCT, which is 55 percent owned by APM Terminals, part of the Maersk group. Amin told Aswat Masriya, a news website sponsored by the Thomson Reuters Foundation, that talks in December would focus on the 14-year extension of the concession for the port, East Port Said. The extension agreement partially exempted SCCT from rent and other fees in exchange for the company building an $80 million pier. Amin said the terms of the extension were worth more than $1.5 billion. SCCT's commercial chief executive Lars Koch-Soelyst declined to comment on the value of the terms but said there was an ongoing dialogue to find long-term solutions. Egypt is currently digging a new Suez Canal beside the existing 145-year-old waterway linking Europe with Asia. The government hopes the $8 billion project will stimulate global trade and generate badly-needed revenues and foreign reserves following a downturn caused by three years of political turmoil. Amin said the government and SCCT had also agreed to begin using a side channel giving small container ships in the Mediterranean direct access to East Port Said, separate from the Suez Canal entrance. Koch-Soelyst said that would free the port from the constraints of the canal's convoy system and increase its weekly capacity to 80 vessels from 50. "Vessels cannot access the terminal when the ships are heading north. They can only access the terminal during time gaps during the day," he said. "We are using these intervals to the maximum." SCCT also wants Egypt to deepen the main port to 16 metres from the current 15.5 metres to allow bigger ships to anchor, but the government has said that must wait until the dredging of the new Suez Canal is completed next year. *(Ahram)*

Egypt's Beltone Financial Holding's unveiled a one-for-two stock dividend plan as part of a two-stage capital increase programme of up to LE242 million ($33.9 million) to fund growth in its financial services business. An initial capital increase of LE 41.83 million was approved by shareholders on Sunday night, the financial services company said in a statement. That will see the company issue free shares to shareholders instead of paying cash dividends. Existing shareholders will receive one bonus share for every two shares held. After that, Beltone plans a rights issue to raise LE200 million, the top end of its previously suggested range of 100-200 million. *(Ahram)*

Economic News

Egypt's market started the week in the green on real estate gains, but slowed down as market bellwether Commercial International Bank (CIB) dipped. The benchmark index EGX30 gained 0.17 percent on Sunday to register 9,274 points. Daily stock turnover recorded LE726.7 million. Non-Arab foreign investors were net buyers to the tune of LE16.8 million, while Arab and Egyptian investors were almost equally net sellers. Real estate developer Amer Group led the rise in the index, climbing 4.72 percent to LE1.34 per share. The group on Sunday announced plans to split into two companies as part of wider expansion plans, specifically in restaurants, malls, education, healthcare and hospitality. Talaat Moustafa Group, which has the fourth biggest market cap in the index, increased 0.19 percent to LE10.25 per share. Madinet Nasr Housing was up 1.44 percent to LE42.86 per share and Palm Hills for Development inched up 0.46 percent to LE4.32 per share.

Egypt's leading investment bank, EFG-Hermes, gained 2.23 percent to LE18.28 per share while CIB dipped 0.3 percent to LE49.3 per share. Telecom Egypt, the second highest market cap in the index, fell 0.21 percent to LE14.35 per share. The broader index EGX70 fell 1.06 percent.*(Ahram)*

International Monetary Fund expects Egypt's economy to grow by 3.8% in the fiscal year ending 30 June. The International Monetary Fund said the Egyptian economy has begun to recover on back of structural reforms, and urged the government to employ a more flexible exchange rate to boost investment. Government policies, including subsidy cuts and regulatory and administrative reforms, are starting to produce a "turnaround in economic activity and investment," said Chris Jarvis, the IMF's mission chief in Cairo. The IMF expects the economy to grow 3.8 percent in the fiscal year ending 30 June. "This is a moment of opportunity for Egypt. The economy has begun to recover after four years of slow activity," Jarvis said at the conclusion of an IMF consultation mission to Cairo. "Equally important, there is growing national consensus on the need for economic reform." Egypt's economy has been hit by political instability and militant violence since a 2011 popular uprising ousted president Hosni Mubarak. It grew by 2.2 percent in the fiscal year which ended 30 June, just below the population's growth rate. The IMF expressed concern about the tight control over the Pound which contributed to the formation of a foreign currency black market. The gap between the official and black market exchange rates of the pound against the dollar is about 9 percent. "A more flexible exchange rate policy focused on achieving a market-clearing rate and avoiding real appreciation would improve the availability of foreign exchange, strengthen competitiveness, support exports and tourism, and attract foreign direct investment," Jarvis said.

The international lender also praised Egypt's recent subsidy cuts. "Energy sector reforms and sizeable investments will be critical to reduce energy supply bottlenecks and raise potential growth," Jarvis said. President Abdel-Fattah El-Sisi raised fuel prices by up to 78 percent last summer in a bid to reign in the budget deficit which reached 12.8 percent of GDP in the last fiscal year. The government also announced plans to reform laws and regulations governing investment by the end of 2014. The IMF forecast budget deficit to reach about 11 percent of GDP in the current fiscal year. "In 2015/16, it will be important to keep expenditure in check, including through continued subsidies reform to reduce the budget deficit below 10 percent of GDP," according to Jarvis. The proposed increases in government spending on health and education are expected to protect the poor and support long term growth, Jarvis said. Egypt's constitution commits the state to spending a minimum of three percent of national income on public healthcare and six percent on education and one percent on scientific research. Spending on health grew by 26.5 percent and on education by 13 percent in the 2014/15 fiscal year. Following the uprising in 2011, Egypt entered into several rounds of negotiations with the IMF to get a $4.8 billion loan, but it never materialised. After the ouster of president Mohamed Morsi in July 2013, oil rich gulf countries granted Egypt $10.6 billion in cash and oil products, relieving the need for an IMF facility. "The authorities are also seeking to improve Egypt's external position, though additional external financing will still be needed through the medium term," Jarvis said. *(Ahram)*

Egypt's central bank held its main interest rates steady at a policy meeting on Thursday but said softening growth in emerging markets and mounting concerns about the global economy could pose a threat to the country's nascent recovery. The bank kept overnight deposit and lending rates unchanged at 9.25 percent and 10.25 percent respectively, as forecast by most of the economists in a Reuters poll. The central bank raised benchmark interest rates at its meeting on July 17 to dampen inflation after the government introduced deep cuts to electricity and fuel subsidies. But it has kept rates on hold at its last three meetings as inflationary pressure has eased while the economy shows signs of strengthening on the back of growth in manufacturing and real estate. However, the tourism and oil sectors, both key foreign currency earners, have been lacklustre and the central bank said it remained concerned that softening growth in emerging markets and a resurgence in economic challenges in the euro zone could derail Egypt's nascent recovery. "At this juncture, the MPC judges that the key ... rates are currently appropriate given the balance of risks surrounding the inflation and GDP outlooks," the bank said in a statement after the meeting.

Egypt's economy has been in turmoil since a popular uprising ousted autocrat Hosni Mubarak in 2011, deterring tourists and foreign investors and straining the country's finances. To help bring down its swelling budget deficit, the government in July slashed energy subsidies, raising energy costs for companies and consumers by up to 78 percent. That pushed up prices and hit business activity in July. But the effect appears to have been short-lived, with the pace of economic activity picking up in the three months since and core inflation continuing to ease in October. In the last quarter, gross domestic product grew 3.7 percent from a year earlier, suggesting the recovery was gaining strength. A Reuters poll last month forecast growth could reach 3.3 percent this fiscal year as Egypt pushes ahead with big projects such as a Suez Canal expansion. The government hopes the project can turn the canal into an international industrial and logistics hub that will create jobs and restore confidence. *(Reuters)*

Ghana

Corporate News

No Corporate News This Week

Economic News

The International Monetary Fund (IMF) said on Friday it made significant progress in a third round of talks with Ghana on a financial aid programme aimed at helping the West African country out of a fiscal crisis. Escalating inflation, a currency that has fallen sharply this year and a high budget deficit have severely undermined Ghana's reputation as a star African economy. Ghana grew strongly for years on gold, cocoa and oil exports, but this week's 2015 budget forecasts GDP growth to slow to 3.9 percent from a projected 6.9 percent this year, evidence of the impact of fiscal problems as well as a fall in commodity prices. "The IMF team will continue to support the authorities as they work in the coming weeks ... to take concrete steps in cleaning up the payroll, finalise the remaining details of their medium-term reforms and to seek external financing assurances from bilateral donors," it said in a statement. "Once this work is completed, a financial arrangement to support Ghana's economic program would be agreed," it said. President John Mahama's government is hoping for a three-year deal with balance of payments help of up to $1 billion (0.64 billion pounds). The IMF welcomed Wednesday's budget and said it contained important steps towards increasing revenue, containing the public sector wage bill and cutting subsidies and maintaining public investment above 5 percent of GDP. It also welcomed government measures to consolidate the budget deficit to 3.5 percent of GDP by 2017. The deficit spiralled in 2012 due to an expanding public sector wage bill and since then all three ratings agencies have downgraded the country's sovereign rating. Finance Minister Seth Terkper said the IMF is satisfied with major fiscal reforms the government has put in place and has already outlined proposals for outstanding areas that should enable an assistance deal to be agreed quickly. "We are sustaining the energy we've put in the negotiations and we have already outlined proposals for the remaining details," he told Reuters by telephone. *(Reuters)*

The International Monetary Fund is satisfied with fiscal reforms Ghana has put in place, Finance Minister Seth Terkper said on Friday, at the end of a third round of talks he said he hoped would soon lead to an agreement on a financial aid programme. "We are sustaining the energy we've put in the negotiations and we have already outlined proposals for the remaining details," Terkper told Reuters by telephone. *(Reuters)*

Ghana's President John Mahama created a ministry of power on Saturday in a fresh bid to resolve a long-standing electricity crisis that has slowed economic growth and frustrated citizens with frequent power cuts. Kwabena Donkor, the chairman of parliament's energy committee, will head the new ministry, according to a statement from the presidency. Donkor, a former deputy energy minister, was not immediately available for comment. Power production was previously overseen by the energy ministry, which was also responsible for managing Ghana's upstream oil and gas sector. The West African state generates much of its power from three hydro-electric dams that do not produce enough energy to satisfy an economy projected to grow at 6.9 percent this year. It also imports natural gas from Nigeria via the West African Pipeline Company and will soon have offshore gas from the Jubilee field once a delayed pipeline and processing plant at Atuabo comes online. On Friday, Mahama sacked the head of the state Electricity Company of Ghana, which is seen by experts as the least efficient of a chain of state power companies. *(Reuters)*

The International Monetary Fund (IMF) has said it will support Ghana's economic programme with a financial arrangement once ongoing measures being taken by the government are completed. The measures include cleaning up the payroll, finalising the remaining details of their medium-term reforms and seeking external financing assurances from bilateral donors and international institutions. After a two-week mission to Ghana to discuss Ghana's next programme with the fund, the IMF said in a press statement that it would, however, continue to support the authorities as they work in the coming weeks in several areas, such as taking concrete steps in achieving the mea sures. "The IMF team will continue to support the authorities as they work in the coming weeks in several areas, including taking concrete st eps to clean up the payroll, finalise the remaining details of their medium-term reforms and seek external financing assurances from bilateral donors and international institutions," the IMF Mission, led by Mr. Joel Toujas-BernatÃ©, said in a statement issued at the end of the mission November 21. Once that work is completed, the statement said, a financial arrangement to support Ghana's economic programme would be a greed at staff level before being proposed for the IMF Executive Board's consideration. The mission was in Accra from November 6 to 20, 2014 to discuss the economic and financial programme for the country and a possible financial support from the fund. The mission met with President John Dramani Mahama; the Vice-President, Paa Kwesi Amissah-Arthur; Dr Kwesi Botchwey, Chairman of the National Development Planning Commission; Finance Minister, Mr. Seth Terkper; Bank of Ghana Governor, Dr Kofi Wampah; the Finance Comm ittee of Parliament, other senior officials and representatives of the private sector, the donor community and civil society.

The statement quoted Mr. Toujas-BernatÃ© as saying that following discussions held in Washington last month, the Ghana government had continued to work on the country's economic and financial programme to address domestic and external vulnerabilities. It said the parties also made significant progress towards reaching an understanding on strengthened macroeconomic policies, including a medium-term fiscal path that could ensure debt sustainability and reduce current account deficit. "The mission in particular welcomes the government's 2015 budget which targets a reduction of the fiscal deficit by 3.5 percentage points of Gross Domestic Product (GDP) on a commitme nt basis. The budget includes some important measures to increase revenues, eliminate distortive and inefficient energy subsidies and conta in growth in Ghana's comparatively high public wage bill, while allowing for public investment above five per cent of GDP, as well as incr easing social protection spending targeted at the most vulnerable." "The mission also welcomes the government's aim to implement structural reforms to underpin a sustained consolidation towards a fiscal deficit objective of 3.5 per cent of GDP by 2017. Reforms will include strengthening public finance management, reducing tax exemptions, enhancing tax administration and reviewing the earmarking of revenues for statutory funds." It also acknowledged initiatives to clean up the payroll and enhance its management, but stressed that it "should be pu rsued swiftly." The IMF said the implementation of appropriate pay and employment policies would help further control the wage bill, which had been a significant source of fiscal risk, adding that the measures should also boost the effectiveness of the Bank of Ghana's inflation targeting framework in helping to restore macroeconomic stability. *(Business Ghana)*

Ghana is changing the way it sells bonds with plans to start issuing debt on the country's stock exchange and bringing an end to auctions handled by the central bank. The West African nation would use a book-building approach for three-, five- and seven-year debt similar to the method it uses for Eurobonds, Michael Cobblah, chairman of the government's National Bond Market Committee, said by phone today from the capital, Accra. It will hire banks or brokers to arrange sales, he said. "We'll not go to the auction," Cobblah said. "It creates business for the market players. Our market is very shallow and you make very little money, it'll be a good opportunity for the broker s to get more business." The world's second-biggest cocoa producer is looking to boost volumes on its exchange, where the 35-member composite equities index has gained 6.3 percent this year. Debt sales are dominated by the government, with benchmark yields rising to five-year highs as the cedi heads for a 19th straight annual loss. "The bonds are already listed on the Ghana Stock Exchange, but there is ba rely any trading on the exchange," Samir Gadio, head of African strategy at Standard Chartered Bank Plc in London, said in an answer to e-mailed questions today. "The push should not be to restrict trading to the exchange, but to boost over-the-counter volumes."

Countries including Ivory Coast, Cameroon and Burkina Faso use the book-building approach, Cobblah said. The Bank of Ghana sells Treasury bills weekly with maturities of 91 and 182 days and one and two years. Longer-term bonds are less regular. The last sale of three-year notes was held on on July 31 at an average yield of 25.4 percent. There have been no offers this year of five or seven-year debt, according to data compiled by Bloomberg. The plans were announced last week by Finance Minister Seth Terkper in the 2015 budget without giving more details. The cedi weakened 0.6 percent to 3.2101 per dollar at 3:46 p.m. in Accra, taking its loss this year against the doll ar to 26 percent. *(Bloomberg)*

WEEKLY AFRICAN FOOTPRINT

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Kenya

Corporate News

Viettel Group, the Vietnamese firm that wanted to acquire a 70 per cent stake in Telkom Kenya, has dropped its bid, sending France Telecom back to the drawing board for an alternative exit plan. Treasury secretary Henry Rotich told the Business Daily that the government had set up a team comprising officials from the Attorney-General's office, the Treasury and ICT ministries to advise on the next steps should France Telecom fail to come up with a new exit plan. "Viettel have indicated that they are no longer keen on buying the stake. So we expect France Telkom to look for another buyer or declare what they plan to do should they fail to get another buyer," Mr Rotich said, adding that it is the French firm that is selling its stake in Telkom Kenya. Telkom Kenya is jointly owned by the Treasury and the French telecommunications giant, which was in 2007 allowed to buy a majority stake in the loss-making company after undertaking to turn around its fortunes. Telkom Kenya has, however, remained in the red, costing taxpayers billions of shillings in cash calls made by the French telco which has struggled to compete against market leaderSafaricom. Viettel is said to have dropped its bid for a controlling stake in the Kenyan firm after the government refused to give in to some of its demands. Viettel had tabled a list of demands, including the immediate extension of all telecommunications licences held by Telkom Kenya for another 15 years.

The Vietnamese company had also asked the Kenyan government for additional 10 per cent stake in Telkom Kenya, a demand that would have left it with an 80 per cent stake in the company. ICT secretary Fred Matiang'i said on Friday that Viettel's exit had created an opportunity for other investors who were also eyeing the firm, including a local IT firm and Kenyans in the diaspora. "There should not be panic that Viettel has thrown in the towel. In fact we are aware that there is a local IT firm and some Kenyans in the diaspora who have expressed interest in the company," he said. "Kenyans have come of age and as government we are ready to work with any investor who successfully acquires the majority stake at Telkom Kenya." The minister declined to name the IT firm and the diaspora investors, saying it was too early and that the parties had yet to open formal negotiations with France Telecom. Dr Matiang'i dismissed some of the conditions Viettel had put on the table as unrealistic, insisting that any investor looking to buy a stake in the firm must adhere to existing laws. France Telecom, which owns 70 per cent in Telkom Kenya, has offered several reasons for its planned exit, including claims that industry regulator the Communications Authority of Kenya (CA) has not established a level playing field to help stop price wars."Kenya's telecommunications market is not yet fully tapped and there is still room for growth for all players. France Telecom's exit does not mean that ours is a non-performing market," Dr Matiang'i said. Safaricom remains the dominant player in the market with 21.9 million subscribers, followed by Airtel with five million, Telkom Kenya has 2.6 million and yuMobile 2.5 million.

The telecoms operators' revenues have thinned out since August 2010 when the cost of airtime dropped by more than 50 per cent, halving subscribers' monthly airtime budget. This is the reality that convinced Essar Telecom, the owners of yuMobile, to wind up the Indian company's Kenya operations. If France Telecom gets a buyer for its stake in Telkom Kenya next year, it will be the second investor to pull out of Kenya in as many years. France Telecom said that their decision to leave had also been informed by ICT secretary's signal that he intended to cancel a management contract that the company had with the government to manage the National Fibre Optic Infrastructure. Telkom Kenya has also not hidden its displeasure with the way Parliament's Public Investment Committee (PIC) summoned and grilled its top management over a transaction that saw the government's stake in the firm diluted from 49 per cent to 30 per cent. Until 2012, the government had a 49 per cent stake in Telkom Kenya while France Telecom held the remaining 51 per cent. But the State ceded a nine per cent stake in December 2012 following a Sh30 billion debt write-off before losing another 10 per cent stake in June last year after it failed to inject Sh2.4 billion in a Sh10 billion rights issue. The last dilution caused a public uproar after Members of Parliament claimed that taxpayers lost at least Sh30 billion in the conversion of shareholder loans to equity. President Uhuru Kenyatta's government has effectively suspended privatisation of State-owned firms pending establishment of the proposed Government Investments Corporation. Telkom Kenya has continued to make huge losses despite efforts by the two shareholders to clean up its books. The combination of losses and the drop in revenues has negatively impacted on Telkom's cashflow, prompting shareholders to pump in more cash and write off its debts.

The firm has partly responded to this state of affairs with the sale of assets to boost cash reserves that have over time been eroded as competition intensified and tariffs dipped. Telkom Kenya has in the past sold 11 houses valued at Sh80 million in Gilgil, Nakuru County. It also sought to sell 79 acres of land in Nairobi's Karen area before the courts stopped the plan over a commercial dispute. Persistent losses have in the past five years forced Telkom Kenya to rely on shareholder funding and bank loans — a reality that has raised its interest expenses to nearly half the revenues.This means that the company remains in a weak financial position even as the French look for an exit route. The company's losses had hit the Sh6.1 billion mark by the end of August, raising the debt to equity ratio to 16. The management, in a recent board meeting, is said to have proposed that the shareholders — France Telecom and the Kenya Government — be asked to refinance a Sh17.8 billion loan from France Telecom's subsidiary, Orange East Africa. In addition, the shareholders are being asked to refinance the cash flow needs for Q4 (quarter four of the year) to the tune of Sh2.08 billion. To compound matters even further, the two shareholders are yet to agree on how to handle the Sh1.2 billion High Court award to former employees whose contract were terminated in 2006.*(Business Daily)*

Equity Bank is racing to complete the sale of its stake in mortgage firm Housing Finance (HF) and the transfer of its business to a holding company by end of the year to avoid paying billions of shillings in capital gains tax. The tax, set to become applicable beginning January 1, could scuttle the HF deal, the bank's chairman has warned. The urgency to beat the tax date emerged Monday when Equity held an extraordinary general meeting (EGM) in Nairobi seeking shareholders' sanction to create a holding company to oversee all the subsidiary's operations. Gains made on the transfer of property and shares will attract a tax of five per cent, making the two transactions by Equity Bank subject to a potentially huge tax liability. "We are not sure whether the holding company transaction will be subjected to capital gains tax since it is not a sale but an internal transfer of shares and assets," Mary Wangari, Equity Bank's company secretary told investors at the EGM.

"However, there is certainty when it comes to the Housing Finance deal. It is for this reason that we are keen on concluding the two deals by December 31st to avoid being subjected to the taxes," she added. Equity is awaiting Central Bank of Kenya and the Capital Markets Authority approvals to sell a 24.7 per cent stake that it holds in HF to Britam for an estimated Sh2.2 billion, having already received the Competition watchdog's approval. The lender also wants to transfer 29.9 million shares of Equity Bank Kenya Limited (a new subsidiary) and assets valued at approximately Sh38 billion to Equity Bank Limited to be managed under a new holding company, Equity Group Holdings Limited. The capital gains tax will be applied on the difference between the transfer price, less expenses associated with the transaction (like commissions and other fees), and the adjusted cost of acquisition. Equity is not certain whether the transfer of assets and shares to its new subsidiary is subject to the tax, exemplifying complaints by some stakeholders that there are many grey areas on how the law will be applied.

The lender says the sale of 57.27 million ordinary HF shares to Britam is however straightforward, adding that subject to regulatory approvals the transaction is "on course" to being completed by the effective date. The HF share sale will see Equity Bank comply with Central Bank regulations discouraging banks from having strong control on other financial institutions that are not subsidiaries. The lender says that if the formation of a holding company is not completed by December 31, it will apply for an exemption from Treasury Secretary Henry Rotich from paying the capital gains tax."There is considerable uncertainty as to whether such a waiver can be obtained and how long such an approval may take," said Peter Munga, Equity's chairman, in a circular to investors. "In the absence of such a waiver, your Board may elect not to proceed with the transfer of the banking net assets to Equity Bank Kenya Limited as the incremental tax costs may exceed the potential benefits." The Finance Act of 2012 provided that special entities created by banks could own over 25 per cent of their share capital, allowing the lenders to reorganise their shareholding structures and spread risks associated with subsidiaries and associated companies.*(Business Daily)*

Kenya's KCB Bank, the country's largest lender by assets, plans to offer mortgage-backed securities on the local bourse to help developers raise funds to build new housing units, its chief executive said. There are less than 30,000 mortgages in the east African nation against a potential of 1 million, according to the government, and a severe shortage of houses has driven up prices. KCB, which also operates in

Tanzania, Rwanda, Uganda, South Sudan and Burundi, has previously said it has a target of writing 1 million new mortgages, in a country where annual demand for housing outstrips supply by about 100,000 units. The bank, one of the biggest mortgage lenders in Kenya along with Housing Finance, said it was working with the African Development Bank to turn the mortgages into securities. "It is something we are working on now in the short term, which means a period of one to three years," chief executive Joshua Oigara told Reuters on Monday at a meeting of African securities exchanges. Oigara said under the new plan, the bank could triple the amount of mortgages available, and "perhaps go towards the one million mark." Markets regulator Capital Markets Authority said on Friday it was working with two companies that want to start offering mortgage-backed securities to free up space in their balance sheets, allowing them to write more loans, but did not name the companies or give more details. *(Reuters)*

Economic News

Kenya plans to cross-list its $2 billion Eurobond on the Nairobi bourse in a move that will allow more Kenyans to have access to the bond, Deputy President William Ruto told an investment conference on Monday. "I'm happy now that the stock exchange in Kenya is prepared to work with us as government to have dual-listing so that Kenyans can have access to the bond," Ruto told a meeting of African securities exchanges. The bond was listed on the Irish Stock exchange in June, and drew bids of $8.8 billion. *(Reuters)*

The Kenyan shilling was steady at near three-year lows on Thursday, after strengthening slightly in the previous session when the central bank sold dollars to support the currency. At 0700 GMT, commercial banks posted the shilling unchanged from Wednesday's closing level of 90.10/20 against the dollar. The currency had at one point gained to 90.00/90.10 to the greenback on Wednesday after the central bank sold dollars. "For now the shilling is stable, and is likely to trade range bound unless the central bank sells dollars again," said Sheikh Mehran, senior trader at Kenya Commercial Bank. Mehran said the shilling was heading into the "holiday blues" in December, with trade expected to be light in the first two weeks and taper off in the second half of the month, barring any huge and unforeseen dollar buying or selling. The shilling would trade in a range between 90 to 90.50 in the coming days, traders said. Central bank intervention on Wednesday had buoyed the currency, they said, but not enough to drive it below the 90-level against the dollar, which would probably happen only as a result of strong hard currency inflows. The shilling has been under pressure this year due to a slump in revenues from tourism, a major hard currency earner that has been hurt by a spate of militant attacks. In the most recent, 28 people were killed last weekend in northeast Kenya in an attack claimed by Islamist militants. *(Reuters)*

Kenya's port city of Mombasa, a major trade gateway to east Africa, will start charging new taxes on shipping containers, its governor said on Thursday, defying opposition from the national government in Nairobi. Governor Ali Hassan Joho told Reuters the extra revenue levied by the local authority would be used to repair pot-holed roads and crumbling infrastructure in the ancient Indian Ocean hub. "There is absolutely no way that you are going to have a world-class port city in a rotten city. Those interests have to move in tandem," Joho said in his office in Mombasa, which funnels trade to and from landlocked South Sudan, Uganda and Rwanda. The central government in Nairobi had opposed the new levies proposed by the local authorities, warning that they could undermine recent reforms to speed up the processing of goods through the port. Officials in Nairobi also worry the tax could hand an advantage to rivals such as neighbouring Tanzania, which is building a $10 billion mega port in Bagamoyo to go alongside its facility in Dar es Salaam.

The port levies could yet become the biggest test of Nairobi's ability to challenge decisions by local governments which can charge new taxes using powers granted to Kenya's regions under a 2010 constitution. Kenya Ports Authority (KPA), the port operator, also opposed the levies which would see shipping firms pay $20 per tonne of exports and $20 per tonne to clear imports. Each ship would also pay $60 for inspection, $60 per square metre for compulsory spraying against disease and $40 per container for verification. KPA chairman Danson Mungatana told Reuters that the port would not be able to collect the levies proposed by the county government as it would be illegal for it to do so. "I am also waiting to see how they will do this," Mungatana said. "The port, by constitution is a national asset, and therefore any legislation by a county or any other body, that contravenes this constitutional provision is null and void." Businesses and residents in

Mombasa often point to high unemployment, rubbish-strewn streets and mouldering government offices as proof that Nairobi has neglected Mombasa despite the vast importance of the port to east Africa's biggest economy. Joho said Kenya would not lose trade to Tanzania after the new taxes. "Efficiency is what attracts business," he said. "How do you direct a container to go to Dar es Salaam or Bagamoyo because of 40 dollars, the argument just doesn't work." *(Reuters)*

Malawi

Corporate News

No Corporate News this week

Economic News

No Economic News this week

Mauritius

Corporate News

No Corporate News this week

Economic News

No Economic News This Week

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Nigeria

Corporate News

The United Bank for Africa Plc (UBA) has announced the introduction of forex transfer capability on its online banking platform, U-Direct. The new service allows the bank's customers to transfer funds from their domiciliary account to any account in the world within 24 hours, according to the bank. It explained in a statement that the commencement of this service could not have come at a better time, considering the anticipated flurry of remittance activities as the festive season sets in. The bank's Divisional Head of e-Banking, Dr. Yinka Adedeji said customers can now transfer money from U-Direct to any part of the world in record time. With this development, he pointed out that there is no need to fill forms or visit the banking halls any more. "This again underscores the importance we place on service innovation and customer fulfillment," he said. According to the bank, to access the service, customers need to have a domiciliary account with UBA. "Beyond forex transfer, U-Direct also enables customers to conduct their banking transactions on their personal computers, laptops or tablets," the bank stated. The UBA Group is a highly diversified financial services provider, one of the largest financial institutions in Africa, with business offices in New York and Paris and a subsidiary in London. The bank controls significant market share in 19 different African countries. "The Group has a strong retail penetration across the African continent with more than seven million customers who enjoy a bouquet of products and services tailored to meet their different financial needs, backed by cutting edge technology that offers secure and convenient e-banking services," it added.*(This Day)*

Oando Plc, a leading integrated energy firm, last week announced a fresh capital raising exercise from existing shareholders through a rights issue. The company notified the Nigerian Stock Exchange (NSE) of its rights issue to raise about N48.8 billion. Specifically, the energy company is to issue about 2.217 billion ordinary shares to shareholders in the ratio of one new share for every four shares already held at N22 per share. Shareholders had recently given the directors of the company the authorization to raise more capital to finance the firm's asset acquisition programme. Market analysts said equity financing of its expansion and asset acquisition programme would enhance the company's bottom-line. While the Oando recorded high growth in gross profit, financing charges reduced the growth in its bottom-line for the nine months ended September 30, 2014. The company, which recently acquired Nigerian assets of ConocoPhillips(COP) to boost its operations and leadership position, posted a turnover of N338 billion, compared to N386 billion in the corresponding period of 2013. Gross profit rose by 97 per cent from N46.7 billion to N79.5 billion. However, high administration administrative expenses, financing moderated the profit after tax. Although the company reduced selling and marketing expenses from N5.2 billion to N4.2 billion, administrative expenses rose from N26.6 billion to N47 billion. Similarly, net financing cost soared by 203 per cent from N8.612 billion to N26.137 billion. Consequently, profit after tax stood at N11 billion, showing an increase of 83 per cent compared to N6 billion posted in 2013. Market analysts had said given the nine months results, the future was bright for the company. According to them, once the huge debt burden is over, the company would begin to enjoy the real benefits of its continuous investment in new assets. Oando recently paid a dividend of N1 dividend per share for shareholders comprising 30 kobo for the 2013 financial year and 70 kobo interim for the six months ended June 30, 2014. The shareholders of the company, who approved the dividend at the annual general meeting in Lagos, commended the board and management for the dividend.

They also expressed high hopes that the acquisition of the COP assets in Nigeria, would add more value their investments going forward. For instance, Mikail of Costance Shareholders Association of Nigeria, said: "I commend the board and management for the acquisition of those assets, which I believe have made the future brighter for shareholders of the company." Highlighting the impact of Oando's $1.5 billion acquisition of COP Nigeria, which has transformed the company into Nigeria's largest indigenous oil and gas producer, the Group Chief Executive Officer of Oando, Mr. Wale Tinubu assured shareholders of further improvements in the company's performance. According to him, the acquisition is set to increase daily oil production exponentially by 600 per cent equivalent to 45,000 boe/d, annual revenue of over $600 million, and annual free cash flows of $150 million. "With an eye to the future, we took on our largest and most daring feat with the acquisition of COP, adding capacity to support our future growth plans. Our strategic refocus on the higher margin promises to create profitable growth for us and immense value add for our stakeholders in the near term," Tinubu said. *(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Carlyle (CG) Group LP has invested $147 million in Diamond Bank Plc as it seeks to expand in Africa's largest economy. Carlyle, the world's second-largest manager of investment alternatives to stocks and bonds, bought the stake through its sub-Saharan Africa Fund at the recently held rights issue by Diamond Bank, Bloomberg quoted that bank to have said in a statement. The Carlyle fund has invested almost $300 million in sub-Saharan countries including Nigeria, Mozambique, Zambia, Tanzania and the Democratic Republic of the Congo since 2011, Diamond Bank said. Diamond Bank had bank sold shares in August as it sought to raise N50.4 billion ($284 million) for investment in infrastructure, branch expansion and lending. However, Diamond Bank share price was unchanged at N5.50 per share on the Nigerian Stock Exchange (NSE), valuing the lender at almost N80 billion. The stock has declined by 21 per cent this year compared with the 18 per cent retreat by the NSE All-Share Index. Carlyle Group, based in Washington, has $203 billion of assets under management, Diamond Bank said. New York-based Blackstone Group LP is the largest alternative-asset manager. Carlyle's private equity business has been one of the largest investors in leveraged buyout transactions over the last decade.

Since its inception, Carlyle has completed investments in such notable companies as Booz Allen Hamilton, Dex Media, Dunkin' Brands, Freescale Semiconductor, Getty Images, HCR Manor Care, Hertz, Kinder Morgan, Nielsen, and United Defense. The firm has more than 1,400 employees including 650 investment professionals, with offices in 33 countries globally. Carlyle has investments in over 200 companies and more than 250 real estate investments. Carlyle's portfolio companies employ more than 650,000 people worldwide. Diamond Bank announced last week that the rights issue was 100 per cent subscribed. 8,685 million ordinary shares were issued, which raised the bank's current number of outstanding shares to 23,160 million. "The successful rights issue clears the capital overhang which has surrounded Diamond Bank over the past 24 months. "Overall, we believe this should be viewed as positive news for Diamond in an environment where macro concerns continue to dominate and capital regulations for the Nigerian banks have tightened significantly. "Considering that Actis divested of its stake during the rights issue period, we look forward to seeing the post-rights shareholding structure and any updates on board composition," Adesoji Solanke of Renaissance Capital had said. *(This Day)*\

The management of Transnational Corporation of Nigeria Plc has stated that the just concluded initial public offering of its subsidiary Transcorp Hotels Plc ("TranscorpHotels") went through all legal processes and met laid down rules governing the issuance of shares in Nigeria. In a statement made available to THISDAY tuesday, it stated that questions whether the shareholders of Transcorp are entitled by law to approve the change of status of Transcorp Hotels Plc (formerly a private company) to a public company, its initial public offer (IPO) and its subsequent listing by the Nigerian Stock Exchange, are unfounded. "Legally and practically speaking, there is no basis or requirement for the shareholders of Transcorp to approve the above activities of TranscorpHotels. The latter is a company of full legal status with its own shareholders and Board that direct its affairs. Companies and Allied Matters Act (CAMA) (section 33(1) & section 50(1)-(7) provide that any company may, by special resolution (75per cent shareholders' approval), change its name or convert from a private company to a public company or a public company into a private company, etc. "For the purpose of the IPO and listing, the Investments and Securities Act and SEC Rules require the approval of the shareholders and Board of the issuer to offer shares to the public (not its parent or holding company's shareholders). Whether or not TranscorpHotels is a wholly-owned subsidiary of Transcorp, the legal status does not change, "the statement added. The company explained that Transcorp Hotels is a separate legal personality and its shareholders and Board took their decisions to change the name, convert to public a company, do an IPO and list on the floor of the NSE. It clarified: "Transcorp Directors on TranscorpHotels' Board are not supposed to fetter their discretion (section. 279 (6) CAMA) before taking a decision on the Board where they serve rather they exercise their business judgment in the interest of TranscorpHotels. It will also amount to conflict of interest if they were to do otherwise. "The regulators would not have approved the process if the consent/approval of the parent/holding company shareholders (Transcorp) were required by law and not obtained. The case would have been different if Transcorp was hiving off a business (which is not the situation here) – then SEC approval will be required based on existing SEC Rules. But here, TranscorpHotels is simply going public and asking for subscription of its share from the public."*(This Day)*

Transcorp Hotels plc will begin the construction of its $140 million Lagos Hilton in two weeks, as it seeks to ride a wave of growth in Africa's largest economy. "We have signed the agreements for piling works to begin," said Valentine Ozigbo, its CEO, in a recent interview with BusinessDay in Lagos. "Expanding to Lagos is a dream that we have planned for a while. Our current growth assumptions are conservative and we see a growing demand for hotels, especially in the under-served Lagos market," Ozigbo said. Transcorp Hotels accounts for about 40 percent to 45 percent of parent Transnational Corp. of Nigeria plc group revenues of N21.21 billion for the six months period ended June, 2014. The company plans to invest the proceeds of the IPO into a series of five star, upper market and middle market properties, the first of which will be two new hotels in Lagos and Port Harcourt at a cost of $140 million and $100 million, respectively. The firm plans to replicate its success in Abuja to other geographical locations in Nigeria with Lagos and Port Harcourt being the first two in that process, Ozigbo said. The company's recent N8billion initial public offering (IPO) was also done through a transparent process, with all relevant approvals gotten from the Securities and Exchange Commission (SEC), Ozigbo said. Some shareholders had recently complained about the Transcorp Hotels IPO process, but an SEC Nigeria source recently told Businessday, that most of the allegations against the offer were baseless as Transcorp Hotels had satisfied all SEC requirements for the offer. The status of Abuja as Nigeria's political capital, where Transcorp has its flagship Hilton property and the lack of true 5 – Star quality hotels in Lagos will help mitigate the cyclicality of the business and recent strong competition, according to Ozigbo. The Nigerian economy will expand at 7 percent this year, according to the World Bank in its 2014 Nigeria Economic Report. Transcorp plans to build a 5000 capacity multipurpose convention and conference facility in Abuja, for which construction will commence soon. "There is the need for Abuja to become a true conferencing centre in Africa," Ozigbo said. Nigeria is the most populous country in Africa with about 170 million people and the biggest oil and telecoms market. *(Business Day)*

Nigeria's Access Bank does not expect the naira's devaluation to have a significant impact on its business as most of its dollar facilities have been loaned to clients generating foreign currencies, its chief executive said on Wednesday. Nigeria's central bank devalued the naira by 8 percent and raised interest rates by 100 basis points on Tuesday, hoping to stem losses to its foreign reserves from defending the currency against weaker oil prices. "It is little or nothing in terms of the implications to my financials just because of where my lending is," Chief Executive Herbert Wigwe told Reuters in an interview in Johannesburg. Access Bank raised $400 million in Eurobonds earlier this year. Domestic rates are likely to rise by 200 basis points and hurt lending to the manufacturing and trade business sectors, he said. The naira devaluation will probably dampen foreign investor demand for Access Bank's 68 billion naira ($385 million) rights issue as well, Wigwe said. He added that falling oil prices would hurt appetite for the issue too. Local investors are expected to plug any hole and the bank still anticipates raising an "acceptable portion" of it. Wigwe said the bank had also been cleared of any wrongdoing after a Securities and Exchange Commission investigation into the freezing of Access Bank's share price in September. The Nigerian Stock Exchange suspended the shares for a week after Access Bank applied to the bourse arguing that information on its capital raising was not publicly available and that it wanted to avoid speculations in its shares. *(Reuters)*

Nigeria's National Assembly said on Wednesday oil major Shell should pay $3.96 billion for a 2011 spill at its offshore Bonga oilfield in the latest assessment of damage to the environment. The non-binding decision comes after years of analysis by various Nigerian state agencies, which have proposed a range of fines as high as $11.5 billion. The parliament finally reached a decision based on the report of the National Oil Spill Detection and Response Agency (NOSDRA), which previously recommended a fine of $5 billion. Shell declined to comment. The company has previously said it took responsibility for the spill and had cleaned the area. The parliament's decision is non-binding as it only has the power to recommend fines to the government and cannot enforce them. NOSDRA estimated that around 40,000 barrels were spilled when a tanker was loading crude at the offshore platform operated by Shell's subsidiary SNEPCO. The Bonga field was producing 200,000 barrels per day at the time. NOSDRA has previously said the spill had hurt locals in the area who rely on fishing for their livelihoods as the slick covered an area of around 950 square km. "Since all efforts by this committee were tactfully rebuffed by SNEPCO, (it) has decided to adopt the damage assessment report submitted by NOSDRA as the lead agency in all oil spill management," Uche Ekwunife, chairman of the environmental committee told the assembly.

Shell is also being pursued in a class action case for two other spills in the Niger Delta in 2008. In June, it offered 30 million pounds ($51 million) in compensation to 15,000 residents in the Bodo Community but this was rejected. The United Nations Environment Programme has criticised Shell in the past for not doing enough to clean up spills and maintain infrastructure. Nigeria is Africa's largest oil exporter and an OPEC member but the environmental toll has been huge. The mangrove creeks of the delta region are heavily polluted mainly due to leaks from illegal pipeline tapping and sabotage. Foreign companies have been selling their stakes in onshore oilfields after becoming frustrated with industrial scale theft and resulting spills, which show no signs of abating. On Monday, Shell had to shut down a pipeline as a result of a new leak close to where it was removing oil taps. *(Reuters)*

FCMB Limited in partnership with Cornerstone Insurance Plc is offering a maximum of N1million insurance coverage to its commercial customers. The product, which was launched yesterday at the commercial hub, Lagos Island is accessible to traders and merchants with business and personal accounts in an event of fire and flood. Speaking on the benefits and what prompted the bank to unveil the product, Executive Director at FCMB Mr. Olufemi Bakre said: "As a bank, this is one of our products we are showcasing when you talk about customer focus. This particular product is expected to take care of traders and merchants because when trading, there are some unexpected hazards which include fire and flood. "As a bank, we have considered the concern of our customers and we decided to offer with a reliable and dependable ally Cornerstone insurance to provide insurance cover for any such hazards that may happen to any of our customers." Bakre also said that the bank would insure to the limit of N1 million but in cases where the goods exceed that value they would link customers to the insurer to cover the excess. He added: "We don't charge more than N1500 unlike the conventional per pay turn over that competitor are charging." Also speaking, a representative from Cornerstone Insurance, Mrs. Eniola Jackson said: "With FCMB bank, we have developed this product together knowing that most of their customers are exposed to fire, flood especially in the market area and this product is at no extra cost to the customer." She also added: "In the case of fire or flood, customers should be rest assured that we at cornerstone would settle the claim." The bank also issued a certificate of insurance to the tune of N1 million to four of its existing customers, Mr. Babajide Hakeem, Mr. Uwabueze, Mrs. Hamsat Ashabi and Mr. Christian.*(This Day)*

The Asset Management Corporation of Nigeria (AMCON) yesterday announced the successful completion of the sale of the entire issued and fully paid up ordinary shares of Enterprise Bank Limited to HBCL Investment Services Limited (HISL) for a consideration of N56.1 billion. The transaction, according to AMCON, was structured as a broad public auction process which attracted interest from multiple domestic and international bidders, with HISL emerging as the preferred bidder. It reiterated that the completion of the transaction followed the fulfillment of the terms and conditions stated in the Share Purchase Agreement (SPA) executed between AMCON and HISL. "The transaction has been approved by the Board of Directors of AMCON and relevant regulatory approvals have been obtained from the Central Bank of Nigeria and the Securities and Exchange Commission. "In line with AMCON's strategic objectives, this transaction marks the divestment of the first of three banks that were acquired by AMCON in August 2011 and represents a landmark transaction in the Nigerian banking sector," it added. Citigroup Global Markets Limited and Vetiva Capital Management Limited acted as Financial Advisers to AMCON while G. Elias & Co. acted as Legal Advisers to AMCON on the transaction. *(This Day)*

Economic News

Nigeria plans to cut subsidies on petroleum products by half next year after sharp falls in global crude prices, spurred the government to revise its 2015 budget downwards, data from the revised budget seen by Reuters showed on Friday. President Goodluck Jonathan submitted the revised budget figures to lawmakers this week, proposing to spend 458.68 billion naira ($2.59 bln) on petrol subsidy in 2015, down from 971.14 billion naira presented for 2014. It also assumed further cuts to petrol subsidies in 2016 to 408.68 billion naira and 371.18 billion naira for 2017. Nigeria's finance minister has proposed lowering the assumed benchmark oil price for the country's 2015 budget to $73 per barrel from the $78 proposed in September, after global crude prices collapsed. Ngozi Okonjo-Iweala told Reuters on Thursday that declines in the price of oil, which has lost almost 30 percent since July, would impact Africa's largest economy and top oil producer, requiring the government to cut non-essential spending and raise more revenues. Nigeria tried to end subsidy in 2012 in efforts to cut government spending and encourage badly needed investment in local refining, doubling the price of a litre of petrol over night to about 150 naira ($0.93) from about 65 naira. The move angered citizens, who see cheap petrol prices as the only benefit they derive from living in an oil-rich country, and lead to 8 days of nationwide strikes.

The government later reinstated part of the subsidy to end the strikes. The budget proposals assumed an exchange rate of 162 naira to the

U.S. dollar for 2015, weaker than 160 naira assumed for 2014. It expects the naira to weaken further to 163.50 in 2016, reaching 165 in 2017. The naira has come under pressure in the past two months, losing almost 11 percent this year, from falling oil prices, which have weakened appetites for assets in Africa's biggest economy and chief oil exporter. The currency shed 0.76 percent on Friday to close at a record low of 177.45 naira against the greenback, despite the central bank intervening for a fifth day with dollar sales to prop it up, dealers said. *(Reuters)*

The bond market was characterised by massive sell-offs last week as yields rose by an average 60 basis points across trading benchmarks to 13.6 per cent. According to analysts, the blurry macro picture tainted by the persistent declining oil prices and resulting pressure on the naira continued to dampen sentiments, resulting to sell-offs in the bond market. As a result of this, the APR 2015 recorded the most bearish movement, as yields rose 140 basis points week-on-week to 12.7 per cent. Yields on the NOV 2028 note and 2029s similarly also rose 70 basis points week-on-week to 13.6 per cent apiece. Analysts at Afrinvest West Africa predicted that this week, the mood in the bond market would be driven particularly by the increasing yields. They also anticipated that decisions at the Monetary Policy Committee (MPC) that begins today would calm nerves. As such, they argued that buying interest would improve this week. The interbank money market commenced last week illiquid with an opening balance of N128.1 billion. The Nigerian Interbank Offered Rates (NIBOR) however moderated on Friday after the October Federation Accounts Allocation Committee (FAAC) funds totaling N593.33 billion hit the system. Nonetheless, week-on-week average NIBOR rate rose 23 basis to 12.6 per cent on Friday, although the open buy back (OBB) moderated 33 basis points week-on-week to 10.5 per cent. Also, total statutory distributable revenue amounting to N593.33 billion was shared on Tuesday among the three tiers of government in October.

Gross revenue for October, was put at N536.69 billion by FAAC, higher than the N502.09 billion recorded in September. Minister of State for Finance, Alhaji Basir Yuguda, had said mineral revenue in the period under review increased by N45.29 billion to N420.03 billion compared to N374.74 billion in September. However, the non-mineral component declined by N10.69 billion to about N116.65 billion compared to N127.35 billion the previous month. Meanwhile, revenue from value added tax (VAT) increased by N2.03 billion to N67.13 billion in October compared to N65.10 billion the previous month. A breakdown of net statutory distribution showed the federal government received N224.26 billion, while states and local governments shared N113.75 billion and N87.69 billion, respectively. The sum of N47.12 billion was also shared among the oil and gas producing areas under the derivation principle. "We anticipate that NIBOR rates would ease further next week due to the improved liquidity level following the FAAC allocation inflow and anticipated treasury bills maturity on 27th November. "At the treasury bills market, trading was generally bearish as the offshore investors sold off positions in the Nigerian fixed income space," Afrinvest added. Analysts however attributed the situation in the market to the general weakness in the macro outlook. "We expect yields to fall mildly at the beginning of the week as investors stand by the sideline in anticipation of further tightening by the MPC," they added.

The forex pressure was heightened last week as the macro-economic outlook continued to deteriorate spurring an increased scramble for the dollar. The CBN continued to intervene via its bi-weekly RDAS auctions and direct ad-hoc interventions at the interbank market. The CBN offered $700 million last week but sold $511.4 million. At the start of the week, the naira depreciated N2.05 to close at N173.25/$1 last Tuesday, the CBN reversed the 10 kobo maximum spread on funds obtained at the RDAS window. That however failed to ease the pressure on the Naira as it dipped to a new low of N174.15/$1. The pressure was sustained at the forex market till last Thursday as the naira closed at N176.10/1 on Thursday. Nevertheless, week-on-week, the naira lost N5.90 and N2.02 to close at N177.10/$1 and N158.41/$1 on Friday at the interbank and official market respectively. The sustained decline in crude oil prices, security challenges and increased politicking ahead of the 2015 general elections constitutes direct and indirect pressure points on FX stability, according to currency analysts. Hence, they anticipated that the naira would continue to trade above its new support level of N170/$1. They also predicted that the central bank would adjust the mid-point of its exchange rate target band at the MPC meeting that commences today in order to better synchronise forex rates across various market segments and ease the pressure on the forex reserves. *(This Day)*

The Oil Producers' Trade Section (OPTS), an association of all the leading oil and gas –producing companies in Nigeria has stated in the 30 years preceding Nigeria's adoption of a local content policy in 2005, the oil and gas industry had exported about two million jobs,

spending over 95 per cent of total investments abroad, with cumulative capital flight estimated at $380 billion. Speaking at a special session of the just-concluded 2014 Practical Nigerian Content held in Yenegoa, Bayelsa State, the Chairman of OPTS and Managing Director of Nigerian Agip Oil Company (NAOC), Mr. Ciro Antonio Pagano stated that the capital flight suffered by the Nigerian economy during the 30 –year period was over 70 per cent of the country's Gross Domestic Product (GDP) and more than the combined GDPs of five oil-producing countries of Libya, Ghana, Angola, Kenya and Ecuador. Pagano, who cited statistics from the Nigerian Content Development and Monitoring Board (NCDMB), however, said that since the local content policy was introduced, the oil companies had worked collaboratively to reverse the outflow of oil and gas spend in favour of the local supply chain.

He said the efforts of OPTS had manifested as strides in the areas of fabrication, in-country manufacturing, indigenous asset acquisition, human capital development and funding. Pagano said in the area of fabrication, the oil companies had supported the emergence of several indigenous companies to acquire capacity, expertise and ensure retention of over $5.4 billion in the Nigerian economy. "In the area of manufacturing, despite recording several success stories, including SCC pipe's pioneering feat of manufacturing the first made-in-Nigeria Double Submerged Arc Welded Helical (DSAWH) pipes and Cameron Offshore Systems' production of the first made-in-Nigeria Subsea Christmas Tree in 2012, we are already thinking long term by signing domestication agreements with six original equipment manufacturers (OEMs) and their local partners to establish assembly/manufacturing facilities in Nigeria," he said.

According to him, the commitment of the oil companies to Nigerian Content was key to Cameron's decision to double its in-country valve assembly capacity in Nigeria. Pagano, who was represented by NAOC's General Manager in charge of Nigerian Content, Mrs. Callista Azogu, identified some of the milestones achieved in the Nigerian Content journey to include industry-wide awareness, optimal compliance, in-country sufficiency, and internationalisation. "All industry stakeholders rightly agree that Nigerian Content is a journey, replete with its unique victories, challenges, ups and downs," he added. "But we should recognise that there are no magic wands in this journey. Building in-country capacity, especially for strategic industry inputs such as steel plates, deepwater bases, offshore rigs, heat exchangers, topside integration, original equipment manufacturing and others will require significant capital investment, access to advanced technological know-how, long lead times to commissioning, even longer investment payback periods and perhaps more importantly, availability of a viable local market to attract needed investments," he further explained.*(This Day)*

Nigeria's finance minister said on Thursday that a significant portion of the billions of dollars drained from the oil savings account over the past two years was distributed to powerful governors instead of being saved for a rainy day. Nigeria, Africa's biggest oil producer, is grappling with financial difficulties owing to a 30 percent fall in the price of oil since June, which has added pressure on the government's already depleted fiscal buffers. The central bank devalued the naira by 8 percent on Tuesday because it was running out of forex reserves with which to defend the currency. The Excess Crude Account (ECA) had around $9 billion in December 2012, but it has since fallen to around $4 billion, Finance Minister Ngozi Okonjo-Iweala noted in a speech to capital market authorities. Most of the falls occurred during a period of record high oil prices, when oil savings are supposed to accrue.

Okonjo-Iweala said some of the money had been needed to cover revenue lost due to outages caused by oil theft and pipeline vandalism, thought to drain hundreds of thousands of barrels a day. "Some of it (the ECA) was then legitimately used to offset revenue shortfalls arising from quantity shocks and to narrow the fiscal deficit," she said. "But against our advice, significant portions were also used to augment monthly allocations," to local and state authorities. "States argued that rainy days were already at hand and in fact (the rain) was already pouring, so the money needed to be used right away," Okonjo-Iweala said. Nigeria's oil revenues are the source of around 80 percent of government spending and are distributed each month to the three tiers of government: federal, state and local. Money from oil sold over and above the finance ministry's benchmark price is in theory deposited into the ECA, which can later be used to protect against oil price shocks or to plug the deficit. However, there are disputes about who should control this money, and state governors often argue the central government is hoarding the money and should distribute more to them. The president, being the country's most powerful person, can usually have the de facto last say on how ECA funds will be distributed.

President Goodluck Jonathan, approved two dispersals of $1 billion last year to state governments. State governors are some of the country's most powerful people and their support is crucial for winning presidential elections -- President Goodluck Jonathan faces re-election in February 2015. State governors requested $2 billion from the ECA this month to complete projects and provide security ahead of the February elections. The request has not yet been approved. Demands from local governments for more funds are likely to intensify in the run-up to the election, but the falling oil price means government finances are likely to be squeezed further. The government has already revised down its assumed oil price for next year's budget to $73 a barrel, from $78 a barrel. But OPEC's decision on Thursday not to cut output has put further pressure on the oil price, potentially worsening Nigeria's problems. Okonjo-Iweala said on Thursday that government plans to review tax incentives and waivers and plug customs loopholes while also increasing surcharges on luxury goods, should raise 480 billion naira ($2.7 billion) over the next three years. She also said the government planned to save 160 billion naira by weeding out 60,000 "ghost workers" from the payroll, although she did not give a time frame. *(Reuters)*

Nigerian banks' overseas borrowing bonanza looks to be over in the wake of a dramatic currency devaluation this week, but while risks are rising, repaying existing debt should not be a problem for most. Companies in Africa's largest economy have rushed in recent years to take advantage of rock-bottom global borrowing costs and investors' hunger for yield, selling some $5 billion in hard currency bonds since 2007, according to Thomson Reuters data. Of this more than $2 billion was raised this year by financial institutions shoring up their balance sheets, Standard Chartered estimates. But storm clouds have gathered over Africa's top oil producer. Sub-$80 oil prices due to stuttering global growth and an ever strengthening greenback have weighed on the naira for weeks, finally forcing the central bank to devalue it by 8 percent on Tuesday.

The currency's woes have raised some fear about the impact on the balance sheets of companies and banks and have been reflected in some of Nigeria's top banks' Eurobonds. First Bank Holdings 7-year Eurobond issued in June traded at 97.27 after hitting a record low of 96.85 on Monday. Meanwhile Access Bank's 7-year Eurobond issued the same month traded at a record low of 97.89. Both had traded above face value of 100 almost until mid-October. Samir Gadio, Standard Chartered's Head of Africa Strategy FICC Research estimates Nigerian banks' total foreign currency exposure tallied up to as much as $10 billion when adding syndicated loans and currency swaps to the $3.6 billion total outstanding in Eurobonds. "This makes me look at Nigeria's vulnerability from a whole new angle," he said. "The transparency and supervision of the foreign currency exposure of the banks needs to improve, because there is a risk that has been overlooked but that will come to the fore in the future."

Ratings agency Fitch also pointed to the naira devaluation potentially spelling trouble for firms' ability to service the foreign currency debt they owed Nigerian lenders, with a knock-on effect on banks' asset quality. "Inflationary pressures from the devaluation could also affect consumer disposable income and banks' retail loans," Fitch said in a note published on Thursday. Yet few doubt the banks' ability to repay the debt. Richard Segal, emerging markets analyst at Jefferies, noted that Nigerian bank debt had performed far worse than the sovereign as the naira weakened but he added: "Neither the ability to pay of the banks, nor the capacity of the government to support them, has declined significantly." One reason is that many Nigerian banks lend in foreign currency, predominantly U.S. dollars, to major companies active in the dominant oil, gas and power sectors. This has boosted banks' assets and loans denominated in currencies other than naira. "A lot of the balance sheets of these Nigerian banks are already dollarised," said Kato Mukuru, head of equities research at brokerage Exotix. This offers comfort on the repayment side, he added. One thing is for sure: abundant Nigerian Eurobond issuance is unlikely to continue in the same volume as before. The central bank this week also imposed tighter restrictions on banks' foreign currency borrowing. "It is not the same environment...the whole issuance of the eurobond is likely to recede," Standard Chartered's Gadio said. *(Reuters)*

French insurer AXA said on Friday it was entering the Nigerian market by buying the holding company of Mansard Insurance for 198 million euros ($246 million) in cash. AXA said it was buying 100 percent of Assur Africa holdings, which holds a 77 percent stakes in Mansard Insurance, the fourth largest insurer in Nigeria with activities in both property and casualty and life and savings. "This transaction would allow AXA to enter the highly attractive Nigerian market through a very reputable local company, led by a talented management team," the company said in a statement. *(Reuters)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

TRADING

Investors in Nigerian equities market continue to smile as the market rose further to record its third consecutive close yesterday after the Monetary Policy Committee (MPC)of the Central Bank of Nigeria (CBN) announced decisions expected to have negative impact on the market. Expectations were rife that the market would witness negative performance following the decision of the MPC to devalue the naira and hike savings deposit rate and cash reserve ratio(CRR) for private sector funds. Rather than witness bearish trading, the equities market has maintained an upward trend since Tuesday, leading to gain of N274 billion in market capitalisation in the last three days. The market capitalisation grew from N11.184 trillion to N11.457 trillion, while Nigerian Stock Exchange (NSE) All-Share Index (ASI) grew by 2.4 per cent from 33,875.26 to close at 34,705.48. Yesterday accounted for 0.35 per cent of the growth as 38 stocks added value compared with 18 stocks that shed weight. Market operators said while the MPC decisions would definitely attract some investments from equities market to fixed income securities, activities of bargain hunters is still driving the market following attractive valuations.

Flour Mills of Nigeria Plc led the price gainers with 10.3 per cent to close at N50.43 per share. Presco Plc went up by 10.2 per cent, while May & Baker Nigeria Plc went up by 9.5 per cent. Other top price gainers include: Eterna plc 99.4 per cent); Costain (W.A) Plc (8.7 per cent) and United Bank for Africa Plc (6.2 per cent) and Stanbic IBTC Bank Plc(five per cent). UBA is among companies planning to access the capital market for more funds through right issue. The right issue by UBA will be made in the ratio of one new share for every 10 shares already held. According to the bank, further information on the proposed offer would be communicated to shareholders and other stakeholders in due course upon receipt of regulatory approval. Apart from UBA, Access Bank, Oando Plc, and Presco Plc have also indicated their intention to raise fresh capital from the market through rights issue.*(This Day)*

WEEKLY AFRICAN FOOTPRINT

This Week's Leading Headlines Across the African Capital Markets

Tanzania

Corporate News

No Corporate News This Week

Economic News

Tanzania's parliament will hold a debate this week on allegations of corruption in the energy sector, the speaker said on Monday, despite efforts by the prime minister to block the session. Tanzania is estimated to have 53.2 trillion cubic feet (tcf) of gas reserves off its southern coast, however, the sector has long been dogged by allegations of graft -- an issue that has led to donors delaying aid and weakened the currency. Earlier this month, parliament received a report on an investigation into allegations of corruption made by opposition MPs, who said senior government officials had fraudulently authorized payment of at least $122 million of public funds. The government has denied any wrongdoing by its officials and Prime Minister Mizengo Pinda called on parliament not to debate the findings of the report, arguing that this would interfere with 10 pending court cases. However, parliamentary Speaker Anne Makinda said the watchdog Public Accounts Committee (PAC) would make a presentation to parliament this week regardless. "The parliamentary debate will take place," said Makinda, adding that the session would start on Wednesday and be extended from one to three days "due to the seriousness of the matter".

The opposition says the $122 million came from an escrow account held jointly by state power company TANESCO and independent power producer IPTL and went to IPTL's owner, Pan Africa Power (PAP) in 2013. PAP said the transfer was legal. A group of 12 international donors have said they will only pay out outstanding pledges of budget support worth nearly $500 million if the findings of an investigation into the graft claims are published and appropriate action is taken. Adding to the sense of intrigue, Tanzanian police said a copy of the report into the corruption allegations had been stolen from parliament. A suspect was arrested at the weekend and is being held in custody for breaking into parliament. *(Reuters)*

TANZANIA expects to double its cement production in the next few years as new factories come on-stream to satisfy growing demand from the construction sector, Deputy Minister for Industry and Trade, Janet Mbene has said. She said in Parliament on Tuesday that annual cement production will rise to 6 million tonnes in a few years' time as seven new factories start operations. Cement consumption is viewed as a barometer for construction activity, which is one of the main drivers of economic growth in the country. Tanzania's cement output rose 18.9 per cent last year to slightly above 3 million tonnes on the back of higher demand. Mbene said the rise in output would mean Tanzania would produce a surplus to be exported. Cement makers operating in the country include Tanzania Portland Cement, which is 69.3 per cent owned by a subsidiary of Germany's Heidelberg Cement AG ; Tanga Cement, 62.5 per cent owned by Afrisam Mauritius Investment Holdings Limited; and Mbeya Cement, 62.76 per cent owned by France's Lafarge SA. Lake Cement and Lee Cement Factory are two newest entrants in Tanzania's cement manufacturing and marketing sector with their core products under brand names of Nyati cement and Kilwa cement respectively. Nigeria's billionaire and Africa's richest man, Alhaj Aliko Dangote, is constructing a 3-million tonne capacity cement plant in Mtwara Region. *(Daily News)*

Zambia

Corporate News

Illovo sugar Central Regional Director, Ian Parrott, has commended government for establishing political and economic stability in the country. Mr. Parrott noted that the country had an investor-friendly environment. He revealed that Illovo was scouting for further investment in Zambia so as to demonstrate its commitment made since its acquisition of Zambia Sugar in 2001. Mr. Parrott congratulated the Zambia Sugar team for the strides made so far and hoped that their future targets would be achieved. He said this when the Permanent Secretary of the Ministry of Commerce, Trade And Industry, Siazongo Siakalenge, visited Zambia Sugar's Nakambala Estate in Mazabuka today. And Mr. Parrott has revealed that Zambia Sugar was working on a major expansion of its existing operations. He said details of the project would be communicated later as it was subject to company, government, various regulatory approvals and that of the Illovo sugar group board. Illovo Sugar is Africa's largest sugar producer and its investment commitment has been among other things to increase significantly the existing area of land under cane through its agricultural operations. And Ministry of Commerce, Trade and Industry Permanent Secretary, Siazongo Siakalenge has welcomed the news by Illovo concerning the expansion of Zambia sugars existing operations. He said Zambia Sugar was doing well as one of the companies that had signed an investment promotion agreement. Mr. Siakalenge, who toured the Nakambala Estate, noted that the company was a success story of privatization. He urged Illovo to continue developing local businesses in the domestic economy as it was the only way in which the business could be expanded in domestic markets. Mr. Siakalenge reaffirmed government's commitment towards working with investors for the development of the country. *(Lusaka Times)*

Economic News

ZAMBIA'S economic outlook for 2015 and beyond looks favourable but vulnerable to policy slippages and external shocks, World Bank country manager for Zambia and Malawi Kundhavi Kadiresan says. Dr Kadiresan said the outlook is however, subject to significant downside risks stemming from both domestic and external factors. "Key domestic risks are associated with the uncertain political environment that if not well managed, could increase fiscal vulnerabilities and currency weaknesses, while external risks relate to increased volatility in global financial markets and delayed economic recovery in industrial countries," she said. Dr Kadiresan said new mines are coming online and will significantly boost Zambia's copper production and exports. She said following the large fiscal deficit of 6.6 percent in 2013, the economy experienced turbulence during the first half of the year when the Kwacha depreciated sharply against the United States dollar and other currencies, and inflation pressure increased. Dr Kadiresan said the government reasserted control over budget execution during 2014 and that the final overall deficit is expected to be lower than the 5.7 percent of gross domestic product (GDP) originally budgeted. She said Government has laid out its medium-term targets for overall deficits until 2017, which show continuous fiscal consolidation. "The 2015 budget has proposed an overall deficit of 4.6 percent. However, following the death of President Sata in late October and with upcoming elections (a presidential election in 2015 and general elections due in 2016), risks to continued fiscal tightening have increased. She also said changes to the mining tax policy proposed in the 2015 budget, and outstanding value-added tax refunds need to be resolved. "Zambia's requirements for verification of exports are too stringent and not in line with mineral exporters in the region and around the world," she said. There are concerns that the mining tax policy change could have adverse impact on investment and overall copper recovery from mines. Dr Kadiresan said declining or even continued weak growth in export markets, combined with the expected gradual decline in copper prices, would dampen Zambia's prospects to benefit from recent investment in new mines. *(Daily News)*

Zambian consumer inflation advanced the most in three years in November, validating the central bank's decision to raise its key lending rate to a record. Annual inflation accelerated to 8.1 percent from 7.9 percent a month earlier, the Lusaka-basedCentral Statistical Office said in an e-mailed statement today. The Bank of Zambia raised its benchmark rate by 50 basis points to 12.5 percent on Nov. 19 and Governor Michael Gondwe warned inflation would remain at "elevated levels" into 2015. While elections planned for Jan. 20 could spur inflation as government spending grows, "a relatively small lead-up likely mitigates risks of sustained deterioration on this front," Raza Agha, economist at London-based VTB Capital said in an e-mailed response to questions. Consumer-price growth will ease as the country benefits from a record corn harvest and tight monetary policy, Amsterdam-based Mantis BV said in an e-mailed note on Nov. 24. Monthly inflation accelerated to 0.4 percent in November, from 0.1 percent, the statistics office said. Prices in November increased for items ranging from fish to vehicles, it said. Zambia, Africa's biggest copper producer after the Democratic Republic of Congo, will elect a new president in January to replace Michael Sata, who died in London last month. "The ruling party will likely make popular concessions during the campaign that undermine fiscal restraint, particularly on the public-sector wage freeze," Clare Allenson, a London-based analyst at Eurasia Group, said in an e-mail.*(Bloomberg)*

Zimbabwe

Corporate News

In a statement yesterday, Ericsson said the collaboration would allow Econet's customers faster and more reliable mobile services. Econet wants to upgrade its network to the latest systems and technologies. "The deal will see the companies working together to simplify and upgrade the existing 2G/3G/4G/LTE networks, future proofing it for the rapid mobile expansion in the country," the company said. Econet Wireless group chief technology officer Bernard Fernandes: "We have chosen our trusted long-term partner Ericsson to accompany us on this journey and look forward to the ability to launch new products and quality services to our customers." Ericsson said building on the company's existing long-term partnership, the new scope would rationalise and upgrade the Core network as well as introduce the latest Ericsson network architecture. "Econet is the market leader in Zimbabwe and this project will give them one of the most advanced Core networks on the continent, providing them far more capacity to manage and scale their network," Ericsson Zimbabwe, country manager Pieter Goosen said. The agreement include a complete multi-access Evolved Packet Core with Evolved Packet Gateway on SSR 8020, SGSN-MME and Service-Aware Policy Controller as well as Mobile Switching Centre and Media Gateway. The deal also include close integration between policy and charging functions, which would enable Econet to reduce time-to-market for new offerings and increased personalisation capabilities. "In the Harare area, which currently carries more than half of all traffic on the network, the project will also upgrade the radio access network (RAN) to include Ericsson's multi-standard RBS 6000 family of base stations for macro and small cell networks," the company said. Econet is the largest telecommunication company in Zimbabwe with 9,2 million registered subscribers.*(News Day)*

Economic News

The country is grappling with unemployment as companies close due to the harsh economic environment. Independent economists say unemployment is at over 80% while the national statistical agency says the figure is at a lowly 11%. In a paper titled, The nexus between growth, employment and poverty in Zimbabwe: The Economics of employment creation, which looks at the relationship between growth, employment and poverty, the Zimbabwe Economic Policy Analysis Research Unit (Zeparu) said there was need to generate national and sectoral employment targets to be integrated in the relevant policy documents, and especially the macro-economic framework. It says by so doing, government fully recognises that productive employment and decent work, especially for the youth, has to be achieved through the sustained, determined and concerted efforts of all stakeholders. "To clear the backlog of unemployment, this paper projects that 138 395 jobs will have to be created annually until 2018," it said. Zeparu said even before the decade-long economic crisis (1997-2008) the economy was already failing to absorb the high numbers of people, mainly the youth, joining the labour market, with increasing high levels of education. The report showed that the country failed to resolve the dual enclave nature of the economy inherited at independence where the burden of creating unemployment lay with the formal sector, which at independence stood at 20% of the labour force, translating to a million people. The report shows that in 2010 the employment level stood at 1,2 million, a figure just above the 1980 figure, yet the population has doubled. "Though the level of unemployment at 10,7% of the labour force looks comparatively modest, the challenge is that the bulk of [those] employed are locked in low productivity sectors of the economy, communal agriculture and the informal sector, implying under-employment. Yet international conventions treat decent employment as a universal right," it said. Each year Zimbabwe churns out over 10 000 graduates from educational institutions but does not have the job market to absorb them. The graduates are now doing menial jobs to sustain themselves while others go to neighbouring countries to look for jobs. Job creation has also been included in the country's economic blueprint, the Zimbabwe Agenda for Sustainable Socio Economic Transformation (Zim Asset) where government is seeking to create 2,2 million jobs by 2018.*(The Standard)*

The latest data means that the index has failed to post a gain since the week ending September 5 2014 when it sat at 201,28pts and has since shed off a cumulative 15,3%, research firm EfE Securities said on Friday. "The unprecedented drop has been precipitated by an unrelenting economic downturn that has been exacerbated by the policy makers' failure to come up with a plan to lure the much needed injections into the economy in the form of foreign direct investment," it said. The mining index firmed 1,75% to close at 65 points on gains in coal miners Hwange. Values were at US$13,24 million up 116,44% up from the previous week on the back of block trades in ABCH by Bob Diamond's co-founded Atlas Mara as it increases its stake in the regional banking group. Efe Securities said foreigners buying into the dips drove the bulk of the liquidity on the market with the spend coming in at US$9,2 million representing 69% of the value expended on the market during the week. (*The Standard)*

THE banking sector is demanding for finalisation in the demonetisation and reimbursement of the Zimbabwe dollar balances, the Bankers' Association of Zimbabwe (BAZ) has said. BAZ president Sam Malaba said banks would appreciate progress towards closure as far as demonetisation and compensation as a way to re-establish confidence in the banking sector. In December last year, Finance Minister Patrick Chinamasa said that US$20 million would be needed to compensate depositors who lost their money after the introduction of the multiple currency system. Malaba said the RBZ should expedite its recapitalisation, establish the interbank market facility, resume of lender-of-last-resort function and introduce special coins. He said that the total annual growth of banks in domestic credit rose by 6,2% largely reflecting an 86,9% increase in net credit to government due to treasury bills issues to banks. The BAZ president said that during the same period, credit to the private sector declined by 1,5% showing growing concerns regarding corporate indebtedness and rising corporate non-performing loans (NPLs) which are over US$700 million. He said banks welcomed the setting up of Zimbabwe Asset Management Corporation (zamco) to acquire the NPLs of banks as a welcome development as banks are currently saddled with NPLs in excess of US$800m. "These developments have resulted in NPLs rising from 15,9% in December 2013 to 18,5% in June 2014 and to 20% by end of October 2014.The ever greening of non-performing loans means that the levels could be significantly higher, " Malaba said. He said banking sector will continue to face challenges in 2015 due to the prevailing harsh macro-economic environment, warning that further restructuring in the financial sector was inevitable. "Some institutions will address their challenges though injection of equity from shareholders, some may lose their operating licenses if they are unable to address their liquidity challenges, whilst others will implement cost-cutting measures, including staff rationalisation and closure of branches. Notwithstanding these challenges, the banking sector will continue to be resilient and will generally be safe and sound," said Malaba. *(Zimbabwe Independent)*

Zimbabwe plans to start a bond market by the end of June as the southern African nation's bourse seeks to revive trading amid an economic slump. "The Zimbabwe Stock Exchange has been working on the concept of introducing a regulated platform for debt instruments in the last 12 months," Chief Executive Officer Alban Chirume said in an e-mailed response to questions last week. A bond market "will diversify the avenues through which entities can raise capital, offer investors a wider range of investment choices for their portfolios and hopefully usher in new revenue inflows for the ZSE," he said. The ZSE Industrial Index dropped 16 percent this year, the most among 14 African stock markets monitored by Bloomberg after Nigeria. Daily average trading volumes on the Harare-based bourse have plunged more than 40 percent since 2011, according to data compiled by Bloomberg. Zimbabwe's economy is struggling to gain traction more than a year after President Robert Mugabe, 90, was re-elected to office, with factory closures, weak consumer spending and deflation taking hold. Investment is also languishing, partially because of a law that compels 51 percent ownership by black Zimbabweans of companies. Mugabe's Zimbabwe African National Union-Patriotic Front has been wracked by disputes that have seen nine of 10 provincial party leaders ousted in the past two months. All those removed from their positions are supporters of the nation's vice president, Joice Mujuru. "The turmoil in the political scene does have a negative impact on the performance of the ZSE," Chirume said Nov. 20. "Investors tend to trade cautiously or stay away in times of turmoil." The introduction of a central securities depository, which keeps a register of listed stocks, has also contributed to the drop in trading, with investors still adapting to the measures as well as the dematerialization of shares, he said. The ZSE has been working on "finer technical details to enable the launch" of a bond market, which includes trading, rating agencies and a guarantee fund, Chirume said. The bourse is in talks with the Ministry of Finance and Economic Development, which is supportive of the bourse's efforts and is waiting for the development of a regulated market before issuing debt, he said.*(Bloomberg)*

The industrial index last week closed at 170,49 points while the mining index stood at 65,00 points. Cement manufacturing firm Lafarge yesterday added 13 cents to trade at 53 cents, FBCH advanced 0,60 cents to close at 7,50 cents while First Mutual was up 0,01 cents to close at 4,01 cents. OK Zimbabwe traded in the negative and lost 0,60 cents to settle at 14 cents. The mining index was weighed down by Bindura which shed off 0,09 cents to settle at 5 cents yesterday. Bindura has been a major mover of the mining index this year. The mining index hit the 100-point mark in August this year buoyed by the performance of Bindura. Bindura Nickel Corporation almost doubled its share price during the month of August this year. The mining index is now at 64,17 points. Directors of Bindura Nickel advised shareholders on Sunday of the company's plans to restart its smelter a project that will significantly improve the prospects of the business. "To this end, the company will seek funding for the project via the flotation of a fixed-term debt instrument. In the meantime, the directors advise the shareholders of Bindura Nickel Corporation Limited and the public to exercise caution when dealing in the shares of Bindura Nickel Corporation Limited," the company said in a statement. The other three mining counters Falgold, Hwange and RioZim traded at previous levels yesterday. The indices were on a bullish trend between June and August this year. The industrial index took off in June at 186,57 points to close at 196,08 points while the mining index also rose to 104 points in August from 61,32 points in June this year.*(News Day)*

SWEDEN has pledged $3 million under Zimbabwe Multi Donor Trust Fund (Zimfund) for the rehabilitation of power and water infrastructure in the country bringing to $16 million the contribution that country has given to Zimbabwe. Speaking at the signing ceremony yesterday Swedish ambassador Lars Ronnas said the contribution brought funds that the country has contributed to $125 million with the other partners that include Norway, Germany, United Kingdom and others. The donors raise the funds and African Development Bank (AfDB)manages it on their behalf. "We are also encouraged by government collaboration with the international financial institutions and the Staff Monitored Programme. We look forward to seeing how we would be able to be part of it," he said. Ronnas said investors were looking for predictability as they were long-term and not short-term investors. AfDB resident representative for Zimbabwe Mateus Magala said the first phase of Zimfund would be complete by the end of this year and focus would be on the second phase that began in June this year. The projects from Zimfund were expected to benefit over 3 million people in Harare, Chitungwiza and other cities countrywide. *(News Day)*

FINANCE Minister Patrick Chinamasa has limited room to manoeuvre in his endeavour to widen government's shrinking revenue base when he presents the country national budget for 2014, analysts have warned. Having already imposed a stern taxing regime, analysts contend that government cannot raise taxes any further but instead should focus on controlling its expenditure. In September, Chinamasa bumped up taxes to shore up the country's dwindling revenue base in the face of ballooning expenditure with over 70 percent being gobbled by civil servants' salaries. The move saw tax increases on fuel, employee allowances and mobile phone credit and handsets from September. Customs duty on motor vehicle imports also went up in the same month while excise duty on fuel rose from 30 cents per litre to 35 cents for petrol and from 25 cents to 30 cents per litre for diesel, resulting in fuel hikes. However, as the year comes to an end, government has failed to meet its revenue targets with statistics showing that government collected $305,9 million in taxes in August down from a target of $334 million.

Labour and Economic Development Research Institute of Zimbabwe (LEDRIZ) director Godfrey Kanyenze told The Source that government had little room for further revenue creation. "It is a tight scenario, government has already pushed people and business to the edge. The major challenge is government's expenditure which is not sustainable. "Government's focus should instead be on readjusting its spending habits and rationalizing its expenditure with the revenue on the ground," he said. Economic analyst John Robertson said that reviving industry and promoting investment would provide government with sustainable revenue. "An aggressive tax regime does not do any good for government revenues when the local industry is not producing anything. "First you would need to have industry up and running and that way government will be guaranteed of revenue inflows in the long-run. Raising taxes any further will only cripple the few remaining industries which are still operational," he said. Government collected $1,735 billion for the first six months to June against a target of $1,847 billion, with value-added tax (VAT) and pay as you earn (PAYE) being the major contributors. Expenditure in the first half stood at $1,953 billion, exceeding the $1,848 billion target. The government wage bill shot up to $1,486 billion, representing 76,1 percent of total expenditure, a situation which the international Monetary Authority said was unsustainable. In 2014, the mining sector, which has anchored the country's economic recovery since 2009, was initially projected to grow by 10.7 percent driven by increased output for nickel, coal, gold and diamonds. However, weak international prices for some minerals, frequent power outages, obsolete equipment and inadequate funding for recapitalization undermined performance during the year necessitating a downward revision of sector growth to negative 1.9 percent. In an attempt to cushion the sector from the above said factors conspiring to stifle growth further Chinamasa instituted a cut in royalties for primary gold producers to five percent from seven. Robertson however said that the mining sector is likely to shrink further in the absence of policies that attract new investment in the sector. "Production is likely to further shrink. We cannot expect any significant developments in the mining sector as long as we have policies that dispel investors. "Take the indigenization policy, the tax and the royalties- all of these collude to chase away people looking to make serious investments in the sector," he said. Kanyenze said the future is not promising as there was no hope of luring investors. "No meaningful investments are going to flow our way in 2015 given the current state of doing business. "Government has to send out a clear signal that it is ready to do business. Everyone will be looking at how we as a country perform on the IMF's staff monitored programme," he said. The main objective of the programme is to strengthen the country's external position as a prerequisite for arrears clearance, resumption of debt service, and restored access to external financing. *(New Zimbabwe)*

Zimbabwe expects lacklustre economic growth next year, hit by a lack of foreign investment, low commodity prices, a liquidity crunch in the financial sector and weak domestic savings, Finance Minister Patrick Chinamasa said on Thursday. In his 2015 budget to parliament, Chinamasa said President Robert Mugabe's government was struggling with a high wage bill, seen jumping to 81 percent of the budget from 70 percent. Growth would tick up slightly to 3.2 percent in 2015 from 3.1 percent this year, while inflation would end 2014 below 1 percent and remain subdued throughout 2015. The government expected to raise $4.1 billion in revenue, the bulk of which would go to salaries for state workers. "Our revenues remain static and it is imperative that we walk the talk of re-engagement of private sector players, domestic and foreign and international financial institutions with a view to mobilising additional financing," Chinamasa said.

Donors have withheld financial aid to the Southern African country in protest over Mugabe's controversial policies, including his seizure of white-owned commercial farms and plans to compel foreign companies to cede majority shareholding to local blacks. Chinamasa said reducing the state wage bill was one of the major targets the government had agreed with the International Monetary Fund under a staff monitoring programme aimed at eventually unlocking support. Zimbabwe was reviewing its black economic empowerment law and firms would negotiate with relevant government departments on how to comply with the regulations. He said more than 4,600 companies had shut between 2011-2014, throwing 55,443 workers onto the streets and pushing unemployment above 80 percent. To boost mining production, Chinamasa said he would defer a 15 percent tax penalty on raw platinum after platinum mining companies provided timelines for constructing refineries. To boost government plans to add value to minerals and attract investment, Chinamasa removed a 15 percent royalty tax on all diamonds that are cut and polished in the country. The government had set up a sovereign wealth fund to be funded from 25 percent of royalties on exports of diamonds, gas, granite and other minerals, Chinamasa said. It had also approved the state-owned infrastructure bank to issue $140 million worth of bonds to develop crumbling infrastructure, improve water services and electricity supply. *(Reuters)*

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